

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

(Mark one)

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

For the fiscal year ended December 31, 2023
OR

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

For the transition period from to
Commission file number: 001-37716

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 or organization)

72-1211572

(I.R.S. Employer Identification No.)

212 Lavaca St., Suite 300

Austin, Texas

(Address of principal executive offices)

78701

(Zip Code)

(512) 478-5788

(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.01 per share	STRS	The NASDAQ Stock Market

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer
Non-accelerated filer Smaller reporting company 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.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

The aggregate market value of common stock held by non-affiliates of the registrant was \$131.7 million on June 30, 2023.

Common stock issued and outstanding was 8,065,322 shares on March 25, 2024.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's proxy statement for its 2024 annual meeting of stockholders are incorporated by reference into Part III of this report.

**STRATUS PROPERTIES INC.
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PART I

Items 1. and 2. Business and Properties

All of our periodic reports filed with the United States (U.S.) Securities and Exchange Commission (SEC) pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, are available, free of charge, through our website, "stratusproperties.com," including our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and any amendments to those reports. These reports and amendments are available through our website as soon as reasonably practicable after we electronically file such material with, or furnish such material to, the SEC. Our website is intended to provide information that may be of interest to investors and other stakeholders. None of the information on, or accessible through, our website is part of this Form 10-K or is incorporated by reference herein.

Except as otherwise described herein or where the context otherwise requires, all references to "Stratus," "we," "us" and "our" refer to Stratus Properties Inc. and all entities owned or controlled by Stratus Properties Inc. References to "Notes" refer to the Notes to Consolidated Financial Statements included herein (refer to Item 8.), and references to "MD&A" refer to Management's Discussion and Analysis of Financial Condition and Results of Operations and Quantitative and Qualitative Disclosures About Market Risk included herein (refer to Items 7. and 7A.). The following discussion includes forward-looking statements and actual results may differ materially from those anticipated in the forward-looking statements (refer to Item 1A. "Risk Factors" and "Cautionary Statement" in MD&A for additional information).

Overview

We are a diversified real estate company with headquarters in Austin, Texas. We are engaged primarily in the entitlement, development, management, leasing and sale of multi-family and single-family residential and commercial real estate properties in the Austin, Texas area and other select markets in Texas.

We generate revenues and cash flows primarily from the sale of our developed and undeveloped properties and the lease of our retail, mixed-use and multi-family properties. Developed property sales can include an individual tract of land that has been developed and permitted for residential use, a developed lot with a residence built on the lot or a property that has been developed for lease. In addition to our developed and leased properties, we have a development portfolio that consists of approximately 1,600 acres of commercial and multi-family and single-family residential projects under development or undeveloped land held for future use. We may sell properties under development, undeveloped properties or leased properties if opportunities arise that we believe will maximize overall asset value as part of our business strategy. Our leasing operations primarily involve the lease of space at retail and mixed-use properties that we developed, and the lease of residences in multi-family properties that we developed. Tenants in our retail and mixed-use properties are diverse and include grocery stores, restaurants, healthcare services, fitness centers, a movie theater, and other retail products and services.

During the last three fiscal years we produced substantial earnings and cash primarily from the following transactions:

- In 2023, the formation of a joint venture to develop our 495-acre Holden Hills residential project within the Barton Creek community in Austin, resulting in a cash distribution and payment of \$35.8 million to us.
- In 2022, the sale of our mixed-use real estate property Block 21 in downtown Austin, producing net cash proceeds of \$112.3 million and a pre-tax gain of \$119.7 million. We also completed the sale of substantially all of our non-core assets.
- In 2021, the sale of multi-family properties in Austin, The Santal within the Barton Creek community and The Saint Mary located in the Circle C community. The sale of The Santal generated net cash proceeds of approximately \$74 million and a pre-tax gain of \$83.0 million. The sale of The Saint Mary, after establishing a reserve for remaining costs of the partnership, produced \$20.9 million in cash and a pre-tax gain of \$22.9 million (\$16.2 million net of noncontrolling interests).
- Over the last three fiscal years, we have raised third-party equity capital for development projects, totaling \$101.3 million, including the Holden Hills third-party contribution mentioned above.

After the sale of Block 21 in May 2022, which eliminated our Hotel and Entertainment segments, our Board of Directors (the Board) and management team engaged in a strategic planning process, which included consideration of the uses of proceeds from recent property sales and our future business strategy. In September 2022, our Board declared a special cash dividend of \$4.67 per share (totaling \$40.0 million) on our common stock. Our Board also approved a share repurchase program authorizing repurchases of up to \$10.0 million of our common stock, which was completed in October 2023. In November 2023, our Board authorized a new \$5.0 million share repurchase program. Our Board decided to continue our successful development program, with our proven team focusing on pure residential and residential-centric mixed-use projects in Austin and other select markets in Texas, which we believe continue to be attractive locations. We also decided to continue to focus on developing properties using project-level debt and third-party equity capital through joint ventures in which we receive development management fees and asset management fees, with our potential returns increasing above our relative equity interest in each project as negotiated return hurdles are achieved.

Largely as a result of cash received from the property sales and joint venture distribution discussed above and focused liquidity management on our part, as of December 31, 2023, consolidated cash and cash equivalents totaled \$31.4 million, and we had \$40.5 million available under our revolving credit facility, net of \$13.3 million of letters of credit committed against the facility, with no amounts drawn on the facility.

We were challenged by difficult conditions in the real estate business in 2023. Interest rates, which began rising in 2022, continued to increase, and costs remained elevated. We saw limited opportunities for transactions on favorable terms. Accordingly, during this market cycle, we have been working to maintain our business, advance our projects under construction or development, control costs, and advance entitlements, relationships and opportunities to position us to capture value when market conditions improve. During 2023, among other things, we completed construction and began lease-up of The Saint June multi-family project in Austin, continued construction of the Saint George multi-family project in Austin, advanced construction on the Holden Hills project in Austin, managed our completed retail projects and advanced entitlements on other projects.

Although 2023 was challenging, we see reasons for optimism regarding improving real estate market conditions in our markets as the year 2024 progresses. Our retail portfolio consists of five stabilized projects, namely Jones Crossing, Kingwood Place, Lantana Place, Magnolia Place and West Killeen Market, and we are in the process of engaging brokers to explore the sale of these properties. In connection with any such sales, we anticipate returning capital to stockholders, subject to obtaining required consents from Comerica Bank. We believe we have sufficient liquidity and access to capital to sell properties when market conditions are favorable to us and to hold our properties or to continue to develop our properties, as applicable, through the market cycle. We expect to re-evaluate our strategy as sales and development progress on the projects in our portfolio and as market conditions continue to evolve. Refer to “Business Strategy” in MD&A for further discussion.

Continuing Operations

The following discussion describes the properties included in our Real Estate Operations and Leasing Operations segments. Refer to Note 10, the section “Properties” below, and MD&A for more detailed discussion of the properties.

Real Estate Operations. Our Real Estate Operations segment is comprised of our operations with respect to our properties under various stages of development: developed for sale, under development and available for development. As part of our real estate operations, we entitle, develop and sell properties, focused on the Austin, Texas area and other select markets in Texas. The current focus of our real estate operations is developing multi-family and single-family residential properties and residential-centric mixed-use properties. We may sell or lease the real estate we develop, depending on market conditions. Real estate that we develop and then lease becomes part of our Leasing Operations (refer to “Leasing Operations” below).

We develop properties on our own and also through joint ventures in which we partner with third-party equity investors, serve as general partner, receive fees for development and asset management and may receive a preferred return after negotiated returns are reached. We may develop projects on land we have owned for many years, such as in Barton Creek in Austin, Texas, or on land that we purchase to develop in the future, such as The Saint George project described herein. We may enter into land purchase contracts in which we obtain the right, but not the obligation, to buy land at an agreed-upon price within a specified period of time. These contracts generally limit our financial exposure to our earnest money deposited into escrow and pre-acquisition diligence and planning costs we incur.

We engage and manage third-party general contractors to construct our projects typically on a fixed-price basis. Our employees oversee extensive work done by individuals and companies we engage as consultants for services including site selection, obtaining entitlements, architecture, engineering, landscaping and land preservation, design, sustainability, and developing and implementing marketing and sales plans.

Revenue from our Real Estate Operations segment accounted for 15 percent of our total revenue for 2023 and 66 percent for 2022. Revenue from our Real Estate Operations segment was a lower percentage of total revenue in 2023 compared to 2022 primarily due to significant revenue from sales of undeveloped properties during 2022 as compared to 2023.

Real estate held for sale includes developed properties in the Real Estate Operations segment and at December 31, 2023 consisted of two residential lots in Amarra Drive Phase III and two Amarra Villas homes. See “Properties – Barton Creek” for further discussion.

The acreage under development and undeveloped as of December 31, 2023 that comprise our real estate operations other than real estate held for sale is presented in the following table.

- Acreage under development includes real estate for which infrastructure work over the entire property has been completed, is currently being completed or is able to be completed and for which necessary permits have been obtained.
- Undeveloped acreage is presented according to anticipated uses for multi-family units, single-family lots and commercial space based upon our understanding of the properties’ existing entitlements. However, because of the nature and cost of the approval and development process and uncertainty regarding market demand for a particular use, the anticipated use of the undeveloped acreage may change over time, and there is no assurance that it will ever be developed. Undeveloped acreage includes vacant pad sites at Magnolia Place (which were sold in February 2024), Jones Crossing and Kingwood Place, as well as other real estate that can be sold “as is.”

	Acreage Under Development				Undeveloped Acreage				Total Acreage
	Single Family	Multi-family	Commercial	Total	Single Family	Multi-family	Commercial	Total	
Austin:									
Barton Creek ^a	503	—	—	503	17	215	394	626	1,129
Circle C ^b	—	—	—	—	—	21	216	237	237
Lantana	—	—	—	—	—	12	5	17	17
The Annie B	—	—	—	—	—	1	—	1	1
The Saint George	—	4	—	4	—	—	—	—	4
Lakeway	—	—	—	—	—	35	—	35	35
Magnolia Place ^c	—	—	—	—	—	29	31	60	60
Jones Crossing	—	—	—	—	—	21	23	44	44
Kingwood Place	—	—	—	—	—	—	8	8	8
New Caney	—	—	—	—	—	10	28	38	38
Total	503	4	—	507	17	344	705	1,066	1,573

- Refer to “Properties – Barton Creek” below for a discussion of our properties within Barton Creek. The single-family acreage under development includes 495 acres in Holden Hills on which we commenced infrastructure construction during first-quarter 2023. The multi-family and commercial undeveloped acreage includes approximately 570 acres representing our Section N project.
- We are pursuing rezoning of approximately 216 undeveloped acres from commercial to multi-family.
- In February 2024, we completed the sale of approximately 47 acres planned for up to 600 multi-family units, a second phase of retail development of approximately 15,000 square feet and all remaining pad sites in Magnolia Place for \$14.5 million. As of March 25, 2024, the remaining potential development is approximately 11 acres planned for 275 multi-family units.

The following table summarizes the estimated development potential of our acreage under development and undeveloped acreage as of December 31, 2023:

	Single Family (lots)	Multi-family (units)	Commercial (gross square feet)
Barton Creek ^a	495	1,412	1,648,891
Circle C ^b	—	56	660,985
Lantana	—	306	160,000
The Annie B	—	316	8,325
The Saint George	—	316	—
Lakeway	—	270	—
Magnolia Place ^c	—	875	15,000
Jones Crossing	—	275	104,750
New Caney	—	275	145,000
Other	—	—	7,285
Total	495	4,101	2,750,236

- a. Substantially all of the single-family lots relate to Holden Hills and substantially all of the multi-family and commercial relates to Section N. Refer to “Properties – Barton Creek” below for further discussion of recent legal developments and ongoing development planning that may result in changes in our development plans and increased densities for Holden Hills and Section N.
- b. We are pursuing rezoning of approximately 216 undeveloped acres planned for 660,985 square feet of commercial space from commercial to multi-family.
- c. In February 2024, we completed the sale of approximately 47 acres planned for up to 600 multi-family units, a second phase of retail development of approximately 15,000 square feet and all remaining pad sites in Magnolia Place for \$14.5 million. As of March 25, 2024, the remaining potential development is approximately 11 acres planned for 275 multi-family units.

Real estate under development as of December 31, 2023 in the tables above included a multi-family property under construction in Austin, Texas: The Saint George, a 316-unit luxury wrap-style project. The Saint George is expected to be reclassified into the Leasing Operations segment upon its completion, which is expected to occur by third-quarter 2024.

The development potential of our undeveloped acreage at December 31, 2023 also included the following, which are not reflected in the table above:

- 13 acres planned for up to seven retail pad sites at Magnolia Place, which were sold in February 2024;
- one retail pad site at Kingwood Place; and
- four retail pad sites at Jones Crossing.

For additional information regarding the estimated development potential for each of our properties under development and undeveloped properties, please refer to “Recent Development Activities” in MD&A.

Leasing Operations. Our Leasing Operations segment primarily involves the lease of space at retail and mixed-use properties that we developed and the lease of residences in multi-family projects that we developed. We engage third-party leasing and property management companies to manage our leased operations. Tenants in our retail and mixed-use projects are diverse and include grocery stores, restaurants, healthcare services, fitness centers, a movie theater and other retail products and services.

Our principal properties in our Leasing Operations segment at December 31, 2023 consisted of:

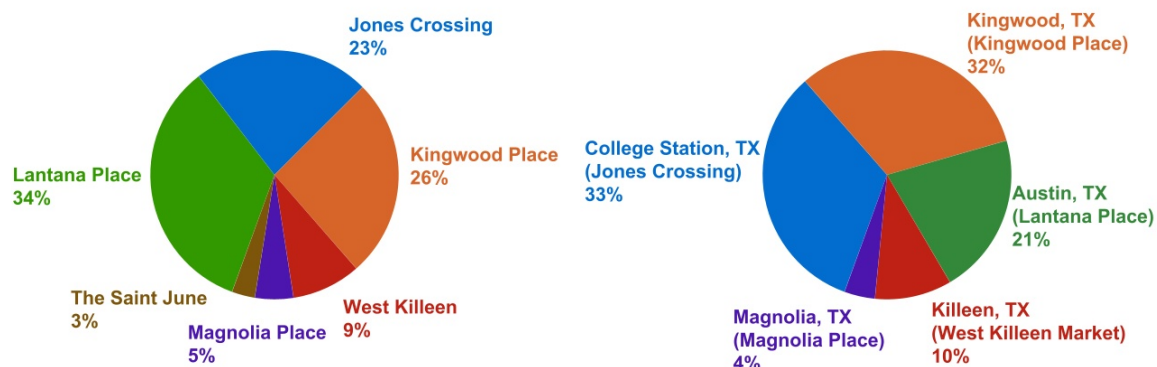
- a 154,092-square-foot retail property representing the first retail phase of Jones Crossing;
- a 151,877-square-foot retail property at Kingwood Place;
- a 99,377-square-foot retail property representing the first phase of Lantana Place;
- a 44,493-square-foot retail property at West Killeen Market;

- a 18,582-square-foot retail property representing the first phase of Magnolia Place; and
- The Saint June, a luxury garden-style multi-family project consisting of 182 units.

Revenue from our Leasing Operations segment accounted for 85 percent of our total revenue for 2023 and 34 percent for 2022. Revenue from our Leasing Operations segment was a higher percentage of total revenue in 2023 compared to 2022 primarily due to lower revenue in our Real Estate Operations segment in 2023 compared to 2022, which had significant revenue from sales of undeveloped properties. Leasing Operations segment revenue increased \$2.0 million in 2023 compared to 2022, as a result of the commencement of operations at Magnolia Place in late 2022 and The Saint June in mid-2023, as well as, increased revenue at Kingwood Place, in connection with new leases. Refer to the charts below for our leasing operations revenue by property during 2023 and our developed square feet of retail space by geographic location as of December 31, 2023.

2023 LEASING OPERATIONS REVENUE BY PROPERTY

RETAIL SPACE BY GEOGRAPHIC LOCATION



Retail properties in our Leasing Operations segment had average rentals of \$22.29 per square foot as of December 31, 2023, compared to \$20.27 per square foot as of December 31, 2022. Our scheduled expirations of leased retail square footage as of December 31, 2023 as a percentage of total space leased was 2 percent in 2024, none in 2025, 1 percent in 2026, 4 percent in 2027, 8 percent in 2028 and 85 percent thereafter.

For additional information about our operating segments refer to “Results of Operations” in MD&A. Refer to Note 10 for a summary of our revenues, operating income or loss and total assets by operating segment.

Properties

Our properties are primarily located in the Austin, Texas area, but include properties in other select markets in Texas. Substantially all of our properties are encumbered pursuant to the terms of our debt agreements. Refer to Note 6 for further discussion. Our Austin-area properties include the following:

Barton Creek

We have several properties that are located in the Barton Creek community, which is a 4,000-acre upscale community located southwest of downtown Austin.

Amarra Drive. Amarra Drive is a subdivision featuring lots ranging from one to over five acres.

In 2015, we completed the development of the Amarra Drive Phase III subdivision, which consists of 64 lots on 166 acres. As of December 31, 2023, two developed Phase III lots remained unsold.

Amarra Multi-family and Commercial. We also have multi-family and commercial lots in the Amarra development of Barton Creek. The Amarra Villas and The Saint June are located on two of these multi-family lots. During 2022, we sold a six-acre multi-family tract of land. As of December 31, 2023, we have one undeveloped approximately 11-acre multi-family lot and one undeveloped 22-acre commercial lot.

Amarra Villas. The Villas at Amarra Drive (Amarra Villas) is a 20-unit project within the Amarra development. The homes average approximately 4,400 square feet and are being marketed as “lock and leave” properties, with golf

course access and cart garages. We completed construction and sale of the first seven homes between 2017 and 2019. We began construction on the next two Amarra Villas homes in first-quarter 2020, one of which was completed and sold for \$2.4 million in second-quarter 2022. In 2021, we began construction of one additional home and in 2022, we began construction on the remaining ten homes. In fourth-quarter 2022, we completed and sold one home for \$3.6 million. In first-quarter 2023, we completed and sold one home for \$2.5 million. Construction was completed on two of the homes in fourth-quarter 2023, and one home was completed and sold in February 2024 for \$4.0 million. Construction on the last seven homes continues to progress. As of March 25, 2024, one home was under contract to sell for \$3.6 million and eight homes remain available for sale.

The Saint June. In third-quarter 2021, we began construction on The Saint June, a 182-unit luxury garden-style multi-family project within the Amarra development. The Saint June is comprised of multiple buildings featuring one, two and three bedroom units for lease with amenities that include a resort-style clubhouse, fitness center, pool and extensive green space. The first units were available for occupancy in July 2023, and construction was completed in fourth-quarter 2023. As of March 25, 2024, we had signed leases for approximately 75 percent of the units. We own this project through a limited partnership with a third-party equity investor. Refer to Note 2 for further discussion.

Holden Hills. Our final large residential development within the Barton Creek community, Holden Hills, consists of 495 acres. The community has been designed to feature unique residences to be developed in multiple phases with a focus on health and wellness, sustainability and energy conservation.

We entered into a limited partnership agreement with a third-party equity investor for this project in January 2023, and in February 2023 obtained construction financing for Phase I of the project and commenced infrastructure construction. We are currently continuing development of Phase I of our Holden Hills project according to our previously disclosed plans and anticipate that we could start building homes and/or selling home sites in 2025. As a result of the ETJ process described below, our development plans for Holden Hills are under review. For additional discussion, refer to “Recent Development Activities” in MD&A and Notes 2 and 6.

Section N. Using an entitlement strategy similar to that used for Holden Hills, we continue to progress the development plans for Section N, our approximately 570-acre tract located along Southwest Parkway in the southern portion of the Barton Creek community adjacent to Holden Hills. We are designing a dense, mid-rise, mixed-use project, with extensive multi-family and retail components, coupled with limited office, entertainment and hospitality uses, surrounded by extensive outdoor recreational and greenspace amenities, which is expected to result in a significant increase in development density as compared to our prior plans. As a result of the ETJ process described below, our development plans for Section N are under review.

ETJ Process. Texas Senate Bill 2038 (the ETJ Law) became effective September 1, 2023. We have completed the statutory process to remove all of our relevant land subject to development, including primarily Holden Hills and Section N from the extraterritorial jurisdiction (ETJ) of the City of Austin, as permitted by the ETJ Law. We have also made filings with Travis County to grandfather the Holden Hills and Section N projects under most laws in effect in Travis County at the time of the filings. Several cities in Texas have brought a lawsuit challenging the ETJ Law. If the ETJ Law is upheld, we expect that the removal of our properties from the ETJ of the City of Austin will streamline the development permitting process, allow greater flexibility in the design of projects, potentially decrease certain development costs and potentially permit meaningful increases in development density. In light of the ETJ Law, we have begun work on assessing potential revisions to our development plans for Holden Hills and Section N. For additional discussion, refer to Item 1A. “Risk Factors.”

Circle C Community

The Circle C community is a master-planned community located in Austin, Texas. In 2002, the city of Austin granted final approval of a development agreement (the Circle C settlement), which firmly established all essential municipal development regulations applicable to our Circle C properties until 2032. Refer to Note 9 for a summary of incentives we received in connection with the Circle C settlement.

The Circle C settlement, as amended in 2004, permits development of 1.16 million square feet of commercial space, 504 multi-family units and 830 single-family residential lots. As of December 31, 2023, our Circle C community had remaining entitlements for 660,985 square feet of commercial space and 56 residential units. We are pursuing rezoning that would reallocate the commercial space to multi-family use.

Lantana

Lantana is a community south of Barton Creek in Austin. Regional utility and road infrastructure is in place with capacity to serve Lantana at full build-out as permitted under our existing entitlements. Lantana Place is a partially developed, mixed-use development project within the Lantana community. In addition to Lantana Place, we have remaining entitlements for 160,000 square feet of commercial use on five acres (which we refer to as Tract G07) in the Lantana community.

Lantana Place – Retail. We completed construction of the 99,377-square-foot first phase of Lantana Place in 2018. As of December 31, 2023, we had signed leases for substantially all of the retail space, including the anchor tenant, Moviehouse & Eatery, and a ground lease for an AC Hotel by Marriott, which opened in November 2021.

Lantana Place – The Saint Julia. We have advanced development plans for The Saint Julia, an approximately 300-unit multi-family project that is part of Lantana Place. Our goal is to commence construction as soon as financing and other market conditions warrant. Refer to Note 6 for additional discussion.

The Annie B

In September 2021, we announced plans for The Annie B, a proposed luxury high-rise rental project in downtown Austin. Based on preliminary plans, The Annie B would be developed as a 400-foot tower, consisting of approximately 420,000 square feet with 316 luxury multi-family units for lease. The project includes the historic AO Watson house, which will be renovated and expanded to offer amenities that may include a restaurant, pool and garden, while preserving the property's historic and architectural features. We closed the land purchase in September 2021. We continue to work to finalize our development plans and to evaluate whether the project is most profitable as a for rent or for sale product. Our goal is to commence construction as soon as financing and other market conditions warrant. We own this project through a limited partnership with third-party equity investors. Refer to Notes 2 and 6 for further discussion.

The Saint George

In third-quarter 2022, we began construction on The Saint George, a 316-unit luxury wrap-style multi-family project in north central Austin. The Saint George is being built on approximately four acres and is comprised of studio, one and two bedroom units for lease and an attached parking garage. We purchased the land and entered into third-party equity financing for the project in December 2021. We entered into a construction loan for the project in July 2022 and began construction in third-quarter 2022. We currently expect to achieve substantial completion by third-quarter 2024. We own this project through a limited partnership with a third-party equity investor. Refer to Notes 2 and 6 for further discussion.

Lakeway

After extensive negotiation with the City of Lakeway, utility suppliers and neighboring property owners, during 2023 we secured the right to develop a multi-family project on approximately 35 acres of undeveloped property in Lakeway, Texas located in the greater Austin area. The multi-family project is expected to utilize the road, drainage and utility infrastructure we are required to build, subject to certain conditions, which is secured by a \$2.3 million letter of credit under our revolving credit facility. Refer to Note 6 and "Capital Resources and Liquidity – Revolving Credit Facility and Other Financing Arrangements" below for additional discussion. Refer to Note 9 for discussion of our sale of The Oaks at Lakeway in 2017.

Our other Texas properties include:

Magnolia Place

In August 2021, we began construction on the first phase of development of Magnolia Place, our H-E-B, L.P (H-E-B) grocery shadow-anchored, mixed-use project in Magnolia, Texas. The first phase of development consists of two retail buildings totaling 18,582 square feet, all pad sites, and the road, utility and drainage infrastructure necessary to support the entire development. Except for a storm water drainage pond and certain City of Magnolia water supply upgrades, which are expected to be completed by the end of 2024, the first phase of development was completed in third-quarter 2022, and the two retail buildings were turned over to our retail tenants to begin their finish-out process. H-E-B completed construction and opened its 95,000-square-foot grocery store on an adjoining 18-acre site in fourth-quarter 2022. As of December 31, 2023, we had signed leases for all the retail space in the first phase of development and all tenants were open for business. During second-quarter 2022, we sold one retail pad site for \$2.3 million and sold another retail pad site in third-quarter 2022 for \$1.1 million. In third-quarter 2022, we also sold 28 acres consisting of all of the undeveloped single-family residential land for \$3.2 million. In February 2024, we completed the sale of approximately 47 acres planned for a second phase of retail development, all

remaining pad sites and up to 600 multi-family units, for \$14.5 million. As of March 25, 2024, the remaining Magnolia Place project consists of the two fully-leased retail buildings and potential development of approximately 11 acres planned for 275 multi-family units.

Jones Crossing

In 2017, we entered into a 99-year ground lease pursuant to which we leased a 72-acre tract of land in College Station, Texas, the location of Texas A&M University, for Jones Crossing, an H-E-B-anchored, mixed-use project. Construction of the first phase of the retail component of the Jones Crossing project was completed in 2018, consisting of 154,092 square feet. The H-E-B grocery store opened in September 2018, and, as of December 31, 2023, we had signed leases for substantially all of the retail space, including the H-E-B grocery store. As of December 31, 2023, we had approximately 23 undeveloped commercial acres with estimated development potential of approximately 104,750 square feet of commercial space and four retail pad sites. We continue to evaluate options for the 21-acre multi-family component of this project. During 2023, we separated the ground lease for the multi-family parcel from the primary ground lease.

Kingwood Place

In 2018, we purchased a 54-acre tract of land in Kingwood, Texas (in the greater Houston area) to be developed as Kingwood Place, an H-E-B-anchored, mixed-use development project. The Kingwood Place project includes 151,877 square feet of retail lease space, anchored by a 103,000-square-foot H-E-B grocery store, and five pad sites. Construction of two retail buildings, totaling approximately 41,000 square feet, was completed in August 2019, and the H-E-B grocery store opened in November 2019. An 8,000-square-foot retail building was completed in June 2020. We have signed ground leases on four retail pad sites and one retail pad site remains available for lease. As of December 31, 2023, we had signed leases for substantially all of the retail space, including the H-E-B grocery store. We own this project through a limited partnership with third-party equity investors. Refer to Notes 2 and 6 for further discussion.

In October 2022, we closed on the sale of a 10-acre multi-family tract of land at Kingwood Place for \$5.5 million. In connection with the sale, we made a \$5.0 million principal payment on the Kingwood Place construction loan.

West Killeen Market

In 2015, we acquired approximately 21 acres in Killeen, Texas, near Fort Cavazos, to develop the West Killeen Market project, an H-E-B shadow-anchored retail project and sold 11 acres to H-E-B. The project encompasses 44,493 square feet of commercial space and three pad sites adjacent to a 90,000 square-foot H-E-B grocery store. Construction at West Killeen Market was completed and the H-E-B grocery store opened in 2017. As of December 31, 2023, we had signed leases for approximately 74 percent of the retail space at West Killeen Market. During third-quarter 2022, we sold the last remaining retail pad site for \$1.0 million.

New Caney

In 2018, we purchased a 38-acre tract of land, in partnership with H-E-B, in New Caney, Texas, originally planned for the future development of an H-E-B-anchored, mixed-use project. Subject to completion of development plans, we anticipate that the New Caney project will include restaurants and retail services, totaling approximately 145,000 square feet, five pad sites and a 10-acre multi-family parcel planned for approximately 275 multi-family units. We finalized the lease for the H-E-B grocery store in March 2019, and upon execution of this lease, we acquired H-E-B's interests in the partnership for approximately \$5 million. Due to changes in H-E-B's development timeline, the H-E-B lease was terminated in fourth-quarter 2022. We are currently working on options for an alternative retail anchor and do not plan to commence construction of the New Caney project prior to 2025.

Our development plans for The Annie B, Section N and The Saint Julia will require significant additional capital, which we currently intend to pursue through project-level debt and third-party equity capital arrangements through joint ventures in which we receive development management fees and asset management fees and with our potential returns increasing above our relative equity interest in each project as negotiated return hurdles are achieved. We anticipate seeking additional debt to finance the development of Phase II of Holden Hills. We are also pursuing other development projects. These potential development projects and projects in our portfolio could require extensive additional permitting and will be dependent on market conditions and financing. Because of the nature and cost of the approval and development process and uncertainty regarding market demand for a particular use, there is uncertainty regarding the nature of the final development plans and whether we will be able to successfully execute the plans.

Competition

We operate in highly competitive industries, namely the real estate development and leasing industries. Refer to Part I, Item 1A. “Risk Factors” for further discussion of competitive factors relating to our businesses.

Revolving Credit Facility and Other Financing Arrangements

Obtaining and maintaining adequate financing is a critical component of our business. For information about our revolving credit facility and other financing arrangements, refer to “Capital Resources and Liquidity – Revolving Credit Facility and Other Financing Arrangements” in MD&A and Notes 2 and 6.

Regulation and Environmental Matters

Our real estate investments are subject to extensive and complex local, city, county and state laws, rules and regulations regarding permitting, zoning, subdivision, utilities and water quality as well as federal laws, rules and regulations regarding air and water quality, and protection of the environment, endangered species and their habitats. Such regulation has delayed and may continue to delay development of our properties and may result in higher development and administrative costs. Refer to Part I, Item 1A. “Risk Factors” for further discussion.

We have made, and will continue to make, expenditures for the protection of the environment with respect to our real estate development activities. Emphasis on environmental matters will result in additional costs in the future. Further, regulatory and societal responses intended to reduce potential climate change impacts may increase our costs to develop, operate and maintain our properties.

Corporate Responsibility

With the oversight of the Nominating and Corporate Governance Committee of our Board, we have posted to our website information regarding our corporate responsibility performance and objectives, including discussions about our human capital management, governance, sustainability objectives and related policies adopted by our Board.

Human Capital

We believe that our employees are one of our greatest resources and that our dedicated and talented team is the foundation of our success and achievements. We are committed to supporting inclusion in the workplace and encouraging the health and well-being of our employees. At December 31, 2023, we had a total of 33 employees, all of whom were full-time employees. We believe we have a good relationship with our employees, none of whom are represented by a union. We adopted a Labor and Human Rights Policy, recommended by our Board's Nominating and Corporate Governance Committee and approved by our Board.

Sustainability

As a real estate development company centered in Austin, Texas, we understand the value that a healthy environment and healthy people bring to our projects, our company and our stakeholders. As a member of the U.S. Green Building Council (USGBC), we work along with council members with the goal of transforming the way buildings and communities are designed, built and operated in order to create environmentally and socially responsible properties for a more sustainable life. For more than 15 years, we have partnered with leaders in sustainable development, engineering and design, including, among others, USGBC and The Center for Maximum Potential Building Systems. We have built a range of projects recognized as being on the leading edge of sustainable practices, including Block 21, the first mixed-use high rise tower in Austin to receive the USGBC LEED (Leadership in Energy & Environmental Design) Silver certification, and many of our residential communities and retail developments. Our Holden Hills project is being designed to focus on health and wellness, sustainability and energy conservation. The Saint June project was designed to celebrate the natural landscape and provides a guidebook describing ways residents can use the green features of the community to further enhance its sustainability. We believe that our customers recognize our environmental stewardship and will continue to reward thoughtful and sustainable development. We adopted an Environmental Policy and a Vendor Code of Conduct, recommended by our Board's Nominating and Corporate Governance Committee and approved by our Board.

Item 1A. Risk Factors

This report contains “forward-looking statements” within the meaning of the United States (U.S.) federal securities laws. Forward-looking statements are all statements other than statements of historical fact, such as plans, projections or expectations. For additional information, refer to “Cautionary Statement” in Items 7. and 7A. Management’s Discussion and Analysis of Financial Condition and Results of Operations and Quantitative and Qualitative Disclosures About Market Risk.

We undertake no obligation to update our forward-looking statements, which speak only as of the date made, notwithstanding any changes in our assumptions, business plans, actual experience, or other changes. We caution readers that forward-looking statements are not guarantees of future performance, and our actual results may differ materially from those anticipated, expected, projected or assumed in the forward-looking statements. Important factors that can cause our actual results to differ materially from those anticipated in the forward-looking statements are discussed below. Investors should carefully consider the risks described below in addition to the other information set forth in this Annual Report on Form 10-K. The risk factors described herein are not all of the risks we may face. Other risks not presently known to us or that we currently believe are immaterial may materially and adversely affect our business if they occur, and the trading price of our securities could decline, and you may lose part or all of your investment. Moreover, new risks emerge from time to time. Further, our business may also be affected by general risks that apply to all companies operating in the U.S., which we have not included below.

Risks Relating to our Business and Industry

We cannot assure you that our current business strategy will be successful.

We cannot assure you that our current business strategy will be successful. For a description of our current business strategy, refer to “Business Strategy” in MD&A. Results of the past sales of our properties are not indicative of results of future sales. The timing of property sales and proceeds from such sales are difficult to predict and depend on market conditions and other factors. Our ability to generate revenue in our leasing operations depends on our ability to successfully develop new projects and our ability to obtain attractive rental and occupancy rates on existing and new projects. Austin, our primary market, has experienced significant growth in demand for residential projects in recent years, particularly during 2020 and 2021 related in part to COVID-19 pandemic-influenced in-migration; however, prices and demand for residential real estate in the Austin area have generally moderated and in some submarkets declined. In addition, we have faced challenging market conditions in recent periods due to high interest rates, tightened bank credit and high inflation, among other things. During 2023, we made operating loans totaling \$3.3 million to two of our joint ventures to pay costs that were higher than anticipated and in first-quarter 2024, we made operating loans totaling \$2.7 million to two of our joint ventures to pay costs that were higher than anticipated. We anticipate making future operating loans to three of our joint ventures totaling up to \$3.8 million over the next 12 months. Our estimates of future operating loans are based on estimates of future costs of the partnerships and anticipated future operating loans from the Class B limited partners of approximately \$2.5 million. Our development plans for our undeveloped land and land under development may change over time, including as a result of changes in real estate market conditions, economic conditions, the cost and availability of capital and changes in laws, such as changes resulting from Texas Senate Bill 2038 enacted in 2023, discussed further below.

Our development plans for future projects require significant additional debt and equity capital. We have increasingly raised equity capital from third parties through joint venture structures, which have their own risks. We may not be able to obtain the funding necessary to implement our business strategy on acceptable terms or at all. Furthermore, our business strategy may not produce sufficient revenues even if we are able to obtain the necessary capital. Due to the nature of our development-focused business, we do not expect to generate sufficient recurring cash flow to cover our general and administrative expenses each period. Our long-term success will depend on our ability to profitably execute our development plans over time.

Inflation, higher borrowing costs, tightened bank credit, more limited availability of equity capital, increased construction and labor costs and supply chain constraints have had an adverse impact on us and may continue to do so.

Our industry has been experiencing inflation, higher borrowing costs, tightened bank credit, more limited availability of equity capital, increased construction costs, higher labor costs, labor shortages, and supply chain constraints. Inflation in the U.S. increased rapidly during 2021 through June 2022. Since June 2022, the rate of inflation

generally has declined; however, it has remained at high levels compared to recent historical periods. In response, the Federal Reserve raised the federal funds target rate multiple times from March 2022 through July 2023, by 525 basis points on a cumulative basis. These factors have increased our costs, adversely impacted the projected profitability of our new projects, delayed the start of or completion of projects, adversely impacted our ability to raise equity capital on attractive terms and in our desired time frame and adversely impacted our ability to sell some properties at attractive prices in our desired time frame; these trends may continue or worsen.

On completed projects, we have experienced increased borrowing costs on our variable rate debt due to higher interest rates and increased operating costs due to inflation. As of December 31, 2023, all of our consolidated debt was variable rate debt. For all such debt, the average interest rate increased for 2023 compared to 2022 and may continue to rise in the future if prevailing market interest rates rise. Refer to Note 6 for additional information. Further increases in interest rates would further increase our interest costs and the costs of refinancing existing debt or incurring new debt, which would adversely affect our profits and cash flow. Our operating expenses impacted by inflation include contracted services for our properties such as janitorial and engineering services, utilities, repairs and maintenance and insurance. Inflation may cause the value of our properties to rise, which could lead to higher property taxes. Our general and administrative expenses include compensation costs, professional fees and technology services, all of which may continue to increase due to inflation.

Inflation and higher interest rates may also adversely impact a potential buyer's ability to obtain financing on favorable terms, decreasing demand for the purchase of our properties and lowering their market value. High inflation could have a negative impact on our tenants' ability to pay rent or absorb rent increases. In addition, rising costs and delays in delivery of materials may increase the risk of default by contractors and subcontractors on ongoing construction projects.

If we are unable to offset rising costs by value engineering or raising rents and sales prices, our profitability and cash flows would be adversely impacted, and we may be required to recognize additional impairment charges in the future. Further, these factors have caused and may continue to cause a decline in demand for our real estate, which could harm our revenues, profits and cash flow.

A decline in general economic conditions, particularly in the Austin, Texas area, could harm our business.

Our business may be adversely affected by periods of economic uncertainty, economic weakness or recession, declining employment levels, declining consumer confidence and spending, declining access to capital, geopolitical instability, or the public's perception that any of these events or conditions may occur, be present or worsen. Our business is especially sensitive to economic conditions in the Austin, Texas area, where the majority of our properties are located. As discussed elsewhere in this report, our business was adversely impacted during 2022 and 2023 by rising inflation and interest rates and other adverse economic conditions. Further, Russia's invasion of Ukraine beginning in February 2022 and the war in Israel and surrounding areas beginning in the fourth quarter of 2023 have adversely affected global stability.

These types of adverse economic conditions can result in a general decline in real estate acquisition, disposition, development and leasing activity, a general decline in the value of real estate and in rents and increases in tenant defaults. As a result of a decline in economic conditions, the demand for and value of our real estate may be reduced, our development projects may be further delayed, and we could realize losses, diminished profitability or additional asset impairments.

We are vulnerable to concentration risks because our operations are primarily located in the Austin, Texas area and are primarily focused on residential, residential-centric mixed-use, and retail real estate.

Our real estate operations are primarily located in the Austin, Texas area. While our real estate operations have expanded to include select markets in Texas outside of the Austin area, the geographic concentration of the majority of our operations and of the properties we may have under development at any given time means that our business is more vulnerable to negative changes in local economic, regulatory, weather and other conditions than the businesses of larger, more geographically diversified companies. The performance of the Austin area's economy and our other select markets in Texas greatly affects our revenue and the values of our properties. We cannot assure you that these markets will grow or that underlying real estate fundamentals will be favorable in these markets.

As a result of our focus on residential, residential-centric mixed-use, and retail projects in Austin, we may be exposed to greater risks than if our investment focus was based on more diversified types of properties. Weakening in the Austin residential market generally makes it more difficult for us to sell our residential properties at attractive prices or to rent our properties at attractive rents. Weakening in the Austin residential market may also adversely impact the demand for retail projects, as may any other trends that cause consumers not to shop at retail locations. Refer to "Overview of Financial Results for 2023 – Real Estate Market Conditions" in Part II, Items 7. and 7A. for more information.

We may not be able to raise additional capital for future projects on acceptable terms, if at all.

Our industry is capital-intensive and requires significant up-front expenditures to secure land and pursue development and construction. We have relied on proceeds from property sales and debt financing and cash flow from operations as our primary sources of funding. We have also relied on third-party project-level equity financing of our subsidiaries, which we expect to continue to increase in the future. Our ability to raise additional capital in the future will depend on conditions in the equity and debt markets, general economic and real estate conditions and our financial condition, performance and prospects, among other factors, many of which are not within our control. We may not be able to raise additional capital on acceptable terms if at all. Costs of debt and equity capital increased substantially during 2022 and 2023 and may continue to be high or increase. Any inability to raise additional capital on acceptable terms when needed for existing or future projects could delay or terminate future projects, hinder our ability to complete projects, and prevent us from refinancing debt obligations, which could have a material adverse effect on our business, financial condition and results of operations.

Part of our business strategy depends on maintaining strong relationships with key tenants and our inability to do so could adversely affect our business.

We have formed strategic relationships with key tenants as part of our overall strategy for particular retail and mixed-use development projects and may enter into other similar arrangements in the future. For example, our West Killeen Market, Jones Crossing, Kingwood Place and Magnolia Place mixed-use development projects are each anchored by an H-E-B grocery store. Any deterioration in our relationship with H-E-B or our inability to form and retain strategic relationships with key tenants or enter into other similar arrangements in the future could adversely affect our business. If we are unable to renew a lease we have with a key tenant at one of our properties, or to re-lease the space to another key tenant of similar or better quality, we could experience material adverse consequences with respect to such property, such as a higher vacancy rate, less favorable leasing terms, reduced cash flow and reduced property values. Similarly, if one or more of our key tenants becomes insolvent or enters into bankruptcy proceedings, our business could be materially adversely impacted.

Loss of key personnel could negatively affect our business.

We depend on the experience and knowledge of our executive officers and other key personnel who guide our strategic direction and execute our business strategy, have extensive market knowledge and relationships, and exercise substantial influence over our operations. Among the reasons that these individuals are important to our success is that each has a regional industry reputation that attracts business and investment opportunities and assists us in negotiations with lenders, existing and potential tenants, community stakeholders and industry personnel. The loss of any of our executive officers or other key personnel could negatively affect our business.

We could be impacted by our investments through joint ventures, which involve risks not present in investments in which we are the sole owner.

We have increased our use of third-party equity financing of our subsidiaries' development projects. We expect to continue to fund development projects through the use of such joint ventures. Joint ventures involve risks not present with our wholly-owned properties, including but not limited to, the possibility the other joint venture partners may possess the ability to take or force action contrary to our interests or withhold consent contrary to our requests, have business goals which are or become inconsistent with ours, or default on their financial obligations to the joint venture, which may require us to fulfill the joint venture's financial obligations as a legal or practical matter. We and our joint venture partners may each have the right to initiate a buy-sell arrangement, which could cause us to sell our interest, or acquire a joint venture partner's interest, at a time when we otherwise would not have entered into such a transaction. In addition, a sale or transfer by us to a third party of our interests in the joint venture may be subject to consent rights or rights of first refusal in favor of our partners which would restrict our ability to dispose of our interest in the joint venture. Each joint venture agreement is individually negotiated, and our ability to operate,

finance, or dispose of a joint venture project in our sole discretion is limited to varying degrees depending on the terms of the applicable joint venture agreement. Refer to Note 2 for further discussion of our investments in joint ventures.

Adverse weather conditions, public safety issues, geopolitical instability, and other potentially catastrophic events in our Texas markets could adversely affect our business.

Adverse weather conditions, including natural disasters, public safety issues, geopolitical instability, and other potentially catastrophic events in our Texas markets may adversely affect our business, financial condition and results of operations. Adverse weather conditions may be amplified by or increase in frequency due to the effects of climate change. These events may delay development and sale activities, interrupt our leasing operations, reduce demand for our properties, damage roads providing access to our assets or damage our property resulting in substantial repair or replacement costs to the extent not covered by insurance. Any of these factors could cause shortages and price increases in labor or raw materials, reduce property values, or cause a loss of revenue, each of which could have a material adverse effect on our business, financial condition and results of operations.

Failure to succeed in new markets may limit our growth.

We have acquired in the past, and we could acquire in the future, properties that are outside of the Austin, Texas area, which is our primary market. Our historical experience in existing markets does not ensure that we will be able to operate successfully in new markets. Entering into new markets exposes us to a variety of risks, including difficulty evaluating local market conditions and local economies, developing new business relationships in the area, competing with other companies that already have an established presence in the area, hiring and retaining personnel, evaluating quality tenants in the area, and a lack of familiarity with local governmental and permitting procedures. Furthermore, expansion into new markets may divert management's time and other resources away from our current primary market. As a result, we may not be successful in expanding into new markets, which could adversely impact our results of operations and limit our growth.

Our insurance coverage on our properties may be inadequate to cover any losses we may incur and our insurance costs may increase.

We maintain insurance on our properties, including business interruption, property, liability, fire and extended coverage. However, there are certain types of losses, generally of a catastrophic nature, such as floods or acts of war or terrorism that may be uninsurable or not economical to insure. Further, insurance companies often increase premiums, require higher deductibles, reduce limits, restrict coverage, and refuse to insure certain types of risks, which may result in increased costs or adversely affect our business. We may be unable to renew our current insurance coverage in adequate amounts or at reasonable premiums. We use our discretion when determining amounts, coverage limits and deductibles for insurance based on retaining an acceptable level of risk at a reasonable cost. This may result in insurance coverage that, in the event of a substantial loss, would not be sufficient to pay the full current market value or current replacement cost of our lost investment. In addition, we may become liable for injuries and accidents at our properties that are underinsured. A significant uninsured loss or increase in insurance costs could materially and adversely affect our business, liquidity, financial condition and results of operations.

Our business may be adversely affected by information technology disruptions and cybersecurity breaches of our systems or the systems of our contractors.

Many of our business processes and records depend on information systems to conduct day-to-day operations and lower costs, and therefore, we are vulnerable to the increasing threat of information system disruptions and cybersecurity incidents. We also utilize the services of a number of independent contractors, such as general construction contractors, engineers, architects, leasing agents, property managers, technology service providers and attorneys, whose businesses are also vulnerable to the increasing threat of cybersecurity incidents and other information system disruptions. These risks include, but are not limited to, installation of malicious software, phishing, ransomware, credential attacks, unauthorized access to data and other cybersecurity incidents that could lead to disruptions in information systems, unauthorized release of confidential or otherwise protected information, employee theft or misuse of confidential or otherwise protected information and the corruption of data. Increased use of remote work and virtual platforms may increase our risk of cybersecurity incidents. Our information systems and those of our contractors are also vulnerable to damage or interruption from fire, floods, power loss, telecommunications failures, computer viruses, break-ins and similar events. A significant theft, loss, loss of access

to, or fraudulent use of employee, tenant or other company data could adversely impact our reputation and could result in a loss of business, as well as remedial and other expenses, fines and litigation. There can be no assurance that our security efforts and measures and those of our independent contractors will be effective.

We have experienced targeted and non-targeted cybersecurity incidents in the past and may experience them in the future. While these cybersecurity incidents did not result in any material loss to us as of March 25, 2024, there can be no assurance that we will not experience any such losses in the future. Further, as cybersecurity threats continue to evolve and become more sophisticated, we may be required to expend significant additional resources to continue to modify or enhance our protective measures or to investigate and remediate any vulnerabilities to cybersecurity threats. Refer to Item 1C. "Cybersecurity" for further information on our cybersecurity governance, risk management and strategy.

Any major public health crisis could adversely affect our business.

The U.S. and other countries have experienced, and may experience in the future, outbreaks of contagious diseases or other health crises that affect public health and public perception of health risk. For example, the COVID-19 pandemic and the public health response to it, had significant disruptive effects on global economic, market and social conditions and on our business. In the event of another public health crisis, we cannot predict the extent to which individuals and businesses may voluntarily restrict their activities, the extent to which governments may reinstitute restrictions, nor the extent to which such potential events may have an adverse impact on the economy or our business. Any future major public health crisis could have a material adverse impact on our business, results of operations and financial condition.

Risks Relating to our Indebtedness

We have significant amounts of debt, may incur additional debt, and need significant amounts of cash to service our debt. If we are unable to generate sufficient cash to service our debt, or are unable to refinance our debt as it becomes due, our liquidity, financial condition and results of operations could be materially and adversely affected.

As of December 31, 2023, our outstanding debt totaled \$175.2 million and our cash and cash equivalents totaled \$31.4 million. As of March 25, 2024, principal payments due on outstanding debt during 2024 total \$68.0 million. We estimate our interest payments during 2024 will total approximately \$13.6 million, assuming interest rates in effect on our debt at December 31, 2023, no new debt agreements, and completed or scheduled principal payments as of March 25, 2024 on debt outstanding at December 31, 2023. Except for our Comerica Bank revolving credit facility, all of our loans are project-level loans. Our project loans are generally secured by all or substantially all of the assets of the project, and our Comerica Bank revolving credit facility is secured by substantially all of our assets other than those encumbered by separate project-level financing. Stratus, as the parent company, is typically required to guarantee the payment of the project loans, in some cases until certain development milestones and/or financial conditions are met, in some cases on a full recourse basis and in other cases on a more limited recourse basis. As of December 31, 2023, Stratus, as the parent company, guaranteed the payment of all of the project loans, except for the Jones Crossing loan and Lantana Place construction loan. In addition, as described elsewhere in this report, as of December 31, 2023, all of our consolidated debt was variable rate debt, and interest due on such debt rises as interest rates rise. Refer to Note 6 for additional discussion.

Our level of indebtedness could have significant adverse consequences. For example, it could:

- Increase our vulnerability to adverse changes in economic and industry conditions;
- Require us to dedicate a substantial portion of our cash flow from operations and proceeds from asset sales to pay or provide for our indebtedness, thus reducing the availability of cash flows to fund working capital, development projects, capital expenditures, land acquisitions and other general corporate purposes;
- Limit our flexibility to plan for, or react to, changes in our business and the markets in which we operate;
- Force us to dispose of one or more of our properties, possibly on unfavorable terms;
- Place us at a competitive disadvantage to our competitors that have less debt;
- Limit our ability to obtain future financing to fund our working capital, our development activities, capital expenditures, debt service requirements and other financing needs;

- Limit our ability to obtain bonds, letters of credit or guarantees to governmental authorities and others to ensure completion of certain projects; and/or
- Limit our ability to refinance our indebtedness or cause the refinancing terms to be less favorable than the terms of our original indebtedness.

Our ability to make scheduled debt service payments or to refinance our indebtedness depends on our future operating and financial performance, which is subject to economic, financial, competitive and other factors beyond our control. Our inability to extend, repay or refinance our debt when it becomes due, including upon a default or acceleration event, could allow our lenders to declare all amounts outstanding under the loans due and payable, seek to foreclose on the collateral securing the loans and/or seek to force us into involuntary bankruptcy proceedings. In addition, any difficulty in obtaining sufficient capital for planned development expenditures could also cause project delays, which could increase our costs, or could cause us to abandon projects already underway. There can be no assurance that we will generate cash flow from operations in an amount sufficient to enable us to service our debt, make necessary capital expenditures, or to fund our other liquidity needs.

Our current financing arrangements contain, and our future financing arrangements likely will contain, financial and restrictive covenants, and the failure to comply with such covenants could result in a default that accelerates the required payment of such debt.

The terms of the agreements governing our indebtedness include restrictive covenants, including covenants that require that certain financial ratios be maintained. The debt arrangements that we and our subsidiaries have contain significant limitations that may restrict our ability and the ability of our subsidiaries to, among other things:

- borrow additional money or provide guarantees;
- pay dividends, repurchase equity or make other distributions to equityholders;
- make loans, advances or other investments or create liens on assets;
- sell assets, enter into sale-leaseback transactions or enter into transactions with affiliates; or
- permit a change of management or control, sell all or substantially all of our assets, or engage in mergers, consolidations or other business combinations. Refer to “Capital Resources and Liquidity” in Part II, Items 7. and 7A. and Note 6 for additional discussion of restrictive covenants in our debt agreements.

Failure to comply with any of the restrictive covenants in our loan documents could result in a default that may, if not cured or waived, accelerate the payment under our debt obligations which would likely have a material adverse effect on our liquidity, financial condition and results of operations. We may not be able to obtain waivers or modifications of covenants from our lenders and lenders may require fees or higher interest rates to grant any such requests. Certain of our debt arrangements have cross-default or cross-acceleration provisions, which could have a wider impact on liquidity than might otherwise arise from a default or acceleration of a single debt instrument. We cannot assure you that we could adequately address any such defaults, cross-defaults or acceleration of our debt payment obligations in a sufficient or timely manner, or at all. Our ability to comply with our covenants will depend upon our future economic performance. These covenants may adversely affect our ability to finance our future operations, satisfy our capital needs or engage in other business activities that may be desirable or advantageous to us.

In order to maintain compliance with the covenants in our debt agreements and carry out our business plan, we may need to use cash to pay down the principal balance of the loan, contribute additional equity or make an operating loans to a joint venture or raise additional debt or equity capital, including project-level financing of our subsidiaries. Such additional funding may not be available on acceptable terms, if at all, when needed. If new debt is added to our current debt levels, the risks described above could intensify.

Risks Relating to Real Estate Operations

Our business, results of operations, cash flows and financial condition are greatly affected by the performance of the real estate industry.

The U.S. real estate industry is highly cyclical and is affected by global, national and local economic conditions, general employment and income levels, availability of financing, inflation, interest rates, and consumer confidence and spending. As discussed above, our industry was adversely impacted during 2022 and 2023 by rising inflation

and interest rates, and rising or high inflation and interest rates may continue in 2024 and beyond. Other factors that may impact real estate businesses include over-building, changes in traffic patterns, changes in demographic trends, changes in tenant and buyer preferences and changes in government requirements, including tax law changes and changes in zoning laws. These factors are outside of our control and may have a material adverse effect on our business, profits and the timing and amounts of our cash flows.

There can be no assurance that the properties in our development portfolio will be completed in accordance with the anticipated timing or cost.

We currently have several projects at various stages of development. The development of the projects in our portfolio is subject to numerous risks, many of which are outside of our control, including:

- inability to obtain, or delays in obtaining, entitlements;
- inability to obtain financing on acceptable terms, or delays in obtaining such financing;
- increases in labor costs, labor shortages, increases in the costs of building materials, other cost increases or overruns;
- inability to engage reliable contractors or default by any of the contractors that we engage to construct our projects;
- site accidents; and
- failure to secure tenants or buyers of our properties in the anticipated time frame, on acceptable terms, or at all.

We can provide no assurances that we will complete any of the projects in our development portfolio on the anticipated schedule or within the budget, or that, once completed, these properties will achieve the results that we expect. During 2023, we made operating loans totaling \$3.3 million to two of our joint ventures to pay costs that were higher than anticipated and in first-quarter 2024, we made operating loans totaling \$2.7 million to two of our joint ventures to pay costs that were higher than anticipated. We anticipate making future operating loans to three of our joint ventures totaling up to \$3.8 million over the next 12 months. Our estimates of future operating loans are based on estimates of future costs of the partnerships and anticipated future operating loans from the Class B limited partners of approximately \$2.5 million. Under our construction loans, advances are typically made in accordance with established budget allocations, and if the lender deems that the undisbursed proceeds of the loan are insufficient to meet the costs of completing the project, the lender may decline to make additional advances until the borrower deposits with the lender sufficient additional funds to cover the deficiency. If the development of our projects is not completed in accordance with our anticipated timing or cost, or the properties fail to achieve the financial results we expect, it could have a material adverse effect on our business, financial condition, results of operations and cash flows and ability to repay our debt, including project-related debt.

Our Holden Hills project involves the development of a large number of residential lots, which exposes us to risks specific to that business.

Our Holden Hills project involves the development of a large number of residential lots. Our ability to successfully monetize our investment in developed lots will depend on the availability and cost of financing for purchasers of the lots, for residential construction and for homebuyers, which may be adversely impacted by rising or sustained high interest and mortgage rates. We must dedicate a significant amount of time and capital to construct project infrastructure and amenities over a long period of time before the project may generate revenue. Any delays in the development of the community and sale of properties exposes us to the risk that the market assumptions on which we based our development plans may deteriorate and adversely affect or eliminate potential cash flow and profits.

Litigation challenging Senate Bill 2038 may make valuation of our Holden Hills and Section N projects more difficult and execution of our development plans more complex and costly.

We have completed the statutory process to remove all of our relevant land subject to development, including primarily Holden Hills and Section N, from the extraterritorial jurisdiction (ETJ) of the City of Austin, as permitted under Texas Senate Bill 2038 (the ETJ Law). We have also made filings with Travis County to grandfather the Holden Hills and Section N projects under most laws in effect in Travis County at the time of the filings. Several cities in Texas have brought a lawsuit challenging the ETJ Law, alleging among other things, that it constitutes an unconstitutional delegation of legislative authority to private parties under the Texas constitution.

If the ETJ Law is upheld, our projects formerly subject to both the jurisdiction of Travis County and the City of Austin, primarily our Holden Hills and Section N projects, will no longer be subject to the City of Austin regulations applicable in the ETJ. If the ETJ Law is upheld, we expect that the removal of our properties from the ETJ of the City of Austin will streamline the development permitting process, allow greater flexibility in the design of projects, potentially decrease certain development costs, and potentially permit meaningful increases in development density. We believe that the litigation challenging the ETJ Law makes valuation of our Holden Hills and Section N projects more difficult.

In light of the ETJ Law, we have begun work on assessing potential revisions to our development plans. If the litigation is not timely resolved, we may decide to proceed with a revised development plan and incur costs in alignment with the revised plan, subject to the risk that the ETJ law will be invalidated. We may not be able to realize any benefits from the ETJ Law in a time frame and a manner consistent with our plans.

Risks associated with our ownership of substantial amounts of undeveloped land or land under development could adversely affect our business and financial results.

We own a substantial amount of undeveloped land and land under development. If demand for undeveloped real estate, or retail, residential or multi-family properties deteriorates, we may not be able to develop or complete development of our land profitably, may not be able to fully recover the costs of some of the land we own, may choose to forfeit deposits on land controlled through options or purchase contracts, and may choose to sell land for prices lower than our costs, which may cause losses or additional impairment charges. Changes in real estate market conditions, economic conditions, the cost and availability of capital and changes in laws, among other things, may cause us to change our development plans for our undeveloped land and land under development.

It may be difficult for us to sell our real estate at times and prices advantageous to us.

Real estate is a relatively illiquid asset and its value may be materially adversely affected by a decline in the value of real estate in our markets. It may be difficult for us to sell our real estate quickly if the need or desire arises, at prices or on terms we find acceptable. We are in the process of engaging brokers to explore the sale of our five stabilized retail projects, and no assurance can be given that we will be able to sell these properties at prices or on terms we find acceptable. The relatively illiquid nature of real estate assets may limit our ability to make rapid adjustments in the size and content of our portfolio of assets in response to changes in economic or other conditions, may constrain our ability to pay our debts, and may lead to losses or additional impairment charges. Refer to "Critical Accounting Estimates" in Part II, Items 7. and 7A. for more information.

Significant competition could have an adverse effect on our business.

Our competitors include local developers who are committed primarily to particular markets and also regional and national developers who acquire and develop properties throughout the U.S. Many of our competitors are larger and financially stronger than we are, have more resources than we do, and have greater economies of scale and lower cost structures. If we fail to compete effectively, our business and profitability will be adversely affected.

Our operations are subject to an intensive regulatory approval process and opposition from environmental and special interest groups, either or both of which could cause delays and increase the costs of our development efforts or preclude such developments entirely.

Real estate projects must generally comply with local land development regulations and may need to comply with state and federal regulations. Before we can develop a property, we must obtain a variety of approvals from local and state governments with respect to such matters as zoning and other land use entitlements and issues, and subdivision, site planning and environmental issues under applicable regulations. Obtaining all of the necessary permits and entitlements to develop a parcel of land is often difficult and costly, and may take several years or more to complete. Furthermore, these laws and regulations are subject to change. In some situations, we may be unable to obtain the necessary permits and/or entitlements to proceed with a real estate development or may be required to alter our plans for the development. In addition, the zoning that ultimately is approved could include density provisions that would limit the number of homes and other structures that could be built within the boundaries of a particular area. Any of these may limit, delay or increase the costs of acquisition of land and development of our properties.

Because government agencies and special interest groups from time to time express concerns about certain of our development plans, and in the future may express similar concerns, our ability to develop these properties and realize future income from our properties could be delayed, reduced, prevented or made more expensive. In addition, any failure to comply with these laws or regulations could result in capital or operating expenditures or significant financial penalties or restrictions on our operations that could adversely affect present and future operations or our ability to sell our properties, and thereby, our financial condition, results of operations and cash flows. Further, the contractors and/or subcontractors we rely on to perform the construction of our properties are also subject to a significant number of local, state and federal laws and regulations, including laws involving matters that are not within our control. If they fail to comply with all applicable laws, we can suffer reputational damage, and may be exposed to potential liability.

Our operations are subject to environmental regulations, which can change at any time and could increase our costs. Further, increasing climate change concerns may increase our costs.

Real estate development is subject to state and federal environmental regulations and to possible interruption or termination because of environmental considerations, including but not limited to, air and water quality, and protection of endangered species and their habitats. In addition, in those cases where an endangered or threatened species is involved and agency rulemaking and litigation are ongoing, the outcome of such rulemaking and litigation can be unpredictable, and at any time can result in unplanned or unforeseeable restrictions on or even the prohibition of development in identified environmentally sensitive areas. Certain of our developments include habitats of endangered species. We have obtained the necessary permits from the U.S. Fish and Wildlife Service to allow the development of our properties. However, future endangered species listings or habitat designations could impact development of our properties.

Under various federal, state and local laws and regulations relating to the environment, as a current or former owner or operator of real property, we may be liable for costs and damages resulting from the presence or discharge of hazardous or toxic substances, waste or petroleum products at, on, in, under or migrating through such properties, whether generated from our property or other property, including costs to investigate and clean up such contamination and liability for harm to natural resources. The costs of removal or remediation, and the impact on the development potential and development timeline could be substantial. These laws often impose liability whether or not the owner or operator knew of, or was responsible for, the presence of any hazardous or toxic substances. Environmental laws also may impose restrictions in the manner in which a property may be used or businesses may be operated, and these restrictions may require substantial expenditures. Environmental laws provide for sanctions in the event of noncompliance and may be enforced by governmental agencies or, in certain circumstances, by private parties. Certain environmental laws and common law principles could be used to impose liability for release of and exposure to hazardous substances, including asbestos and other airborne contaminants. In addition, third parties may seek recovery from owners or operators of real properties for personal injury or property damage associated with exposure to released hazardous substances. The cost of defending against claims of liability, of compliance with environmental regulatory requirements, of remediating any contaminated property, or of paying personal injury claims could materially adversely affect our business, assets or results of operations.

From time to time, the Environmental Protection Agency and similar federal, state or local agencies review land developers' compliance with environmental laws and may levy fines and penalties for failure to strictly comply with applicable environmental laws or impose additional requirements for future compliance as a result of past failures. Any such actions taken with respect to us may increase our costs and result in project delays. We are making, and will continue to make, expenditures with respect to our real estate development for the protection of the environment. New environmental regulations or changes in existing regulations or their enforcement may be enacted and such new regulations or changes may require significant expenditures by us. The recent trend toward stricter standards in environmental legislation and regulations is likely to continue and could have a material adverse effect on our operating costs.

Further, regulatory and societal responses intended to reduce potential climate change impacts may increase our costs to develop, operate and maintain our properties, including but not limited to, costs of building materials, energy and utility costs and insurance costs. Increasing governmental and societal focus on environmental, social and governance matters has increased, is controversial, and may continue to increase our costs of assessing and reporting on such matters. If we are unable to adequately address such matters, our reputation and our business could be adversely impacted.

Risks Relating to Leasing Operations

We may be unable to achieve and sustain satisfactory occupancy and rental rates at our retail and mixed-use projects.

In 2022 and 2023, our leasing operations included the lease of retail space to tenants in a variety of businesses at retail and mixed-use properties that we developed. Retail projects that have not yet stabilized may fail to meet our original expectations for a number of reasons, including changes in market and economic conditions, competition, and construction or leasing delays. Our ability to achieve and sustain acceptable occupancy and rental rates may be adversely affected by oversupply, decrease in demand and declines in market rental rates. We face competition in attracting tenants to choose our retail and mixed-use projects over those of other developers and owners of similar properties. If our competitors offer space at rental rates below our current rates or the market rates, we may lose current or potential tenants to other properties in our markets and we may need to reduce rental rates below our current rates in order to retain tenants upon expiration of their leases. Increased competition for tenants may require us to make improvements to properties beyond those that we would otherwise have planned to make.

Once entered into, our retail leases typically range from five to ten years or longer. We may be unable to renew existing leases as they come due at the same or higher rental rates or at all. Adverse market or economic conditions that negatively impact our tenants' businesses could adversely impact their ability to meet their obligations under the leases or to renew the leases. The loss or failure to renew a key tenant may make it more difficult to lease or renew leases on the remainder of the affected properties. Our retail tenants face continual competition in attracting customers, often including from online competitors. There has generally been a decline over time in the brick-and-mortar retail industry due to increases in on-line shopping, which generally has had an adverse impact on retail development projects. If we are unable to lease our retail properties, collect rent payments from tenants or release space on comparable or more favorable terms, such failure could have a material adverse effect on our financial condition and ability to service our debt obligations.

We may be unable to achieve and sustain satisfactory occupancy and rental rates at our multi-family properties.

In 2022 and 2023, our leasing operations also included the lease of residences in multi-family projects that we developed. Multi-family projects that have not yet stabilized may fail to meet our original expectations for a number of reasons, including changes in market and economic conditions, competition, and construction or leasing delays. Our ability to achieve and sustain acceptable occupancy and rental rates may be adversely affected by oversupply, decrease in demand and declines in market rental rates. We also face competition in attracting tenants to our multi-family projects, including from other multi-family properties as well as from condominiums and single-family homes available for rent or purchase.

Once entered into, our multi-family leases are typically for a term of 12 months. As these leases typically permit the residents to leave at the end of the lease term without penalty, our rental revenues are impacted by declines in market rents more quickly than if our leases were for longer terms. Further, we may be unable to renew existing leases as they come due. Adverse economic conditions that negatively impact our tenants' employment could adversely impact our tenants' ability to pay rent and/or cause tenants and potential tenants to prefer housing alternatives with lower rents. In addition, economic developments that favor home ownership over renting, such as low or declining interest rates, favorable or improving mortgage terms or a strong or strengthening job market, could also have an adverse impact on the profitability of our multi-family properties. If we are unable to lease our multi-family properties, collect rent payments from tenants or release space on comparable or more favorable terms, such failure could have a material adverse effect on our financial condition and ability to service our debt obligations.

Costs in our leasing operations, many of which are fixed, may continue to increase.

Whether or not the properties in our leasing operations are occupied, we continue to incur expenses such as maintenance costs, insurance costs and property taxes. We have experienced and may continue to experience increases in our operating expenses in our leasing operations, including due to inflation.

Risks Relating to Ownership of Shares of Our Common Stock

Our common stock is thinly traded; therefore, our stock price may fluctuate more than the stock market as a whole and it may be difficult to sell large numbers of our shares at prevailing trading prices.

As a result of the thin trading market for shares of our common stock, our stock price may fluctuate significantly more than the stock market as a whole or the stock prices of similar companies. Without a larger public float, shares of our common stock will be less liquid than the shares of common stock of companies with broader public ownership, and as a result, it may be difficult for investors to sell the number of shares they desire at an acceptable price. Trading of a relatively small volume of shares of our common stock may have a greater effect on the trading price than would be the case if our public float were larger.

Our charter documents and Delaware law contain anti-takeover provisions and our by-laws contain an exclusive forum provision.

Anti-takeover provisions in our charter documents and Delaware law may make an acquisition of us more difficult. These provisions may discourage potential takeover attempts, discourage bids for our common stock at a premium over market price or adversely affect the market price of, and the voting and other rights of the holders of, our common stock. These provisions could also discourage proxy contests and make it more difficult for stockholders to elect directors other than the candidates nominated by the Board. Refer to Exhibit 4.1 for further discussion of anti-takeover provisions and an exclusive forum provision in our charter documents and Delaware law.

We may not pay dividends on our common stock or repurchase shares of our common stock in the future.

Holders of our common stock are entitled to receive dividends only when and if they are declared by our Board. Further, our Comerica Bank debt agreements prohibit us from paying a dividend on our common stock without the bank's prior written consent. Although we declared special cash dividends on our common stock in March 2017 and September 2022 after receiving written consents from Comerica Bank and we anticipate returning capital to stockholders in connection with any sales of our completed retail projects, we may not decide to or be able to pay special cash dividends in the future. Comerica Bank's consents to the payment of dividends in March 2017 and September 2022 are not indicative of the bank's willingness to consent to the payment of future dividends.

Additionally, our Comerica Bank debt agreements contain a restrictive covenant limiting common stock repurchases to \$1.0 million in the aggregate during the term of the agreements. Any repurchases of our common stock in excess of \$1.0 million would require a waiver from Comerica Bank. During third-quarter 2022 and fourth quarter 2023, we received written consents from Comerica Bank in order to implement our \$10.0 million share repurchase program and subsequent \$5.0 million share repurchase program, respectively. In connection with any sales of our completed retail projects, we may seek Comerica Bank's consent to repurchase additional shares of common stock. Comerica Bank's consents to share repurchase programs in the past are not indicative of the bank's willingness to consent to any future share repurchase programs. Our \$10.0 million program was completed in October 2023 and in November 2023 our Board approved a new \$5.0 million program. As of March 25, 2024, \$5.0 million remained available for the repurchase of shares under the \$5.0 million program. The timing, price and number of shares that may be repurchased under the program will be based on market conditions, applicable securities laws and other factors considered by management and the Capital Committee of the Board. Share repurchases under the program may be made from time to time through solicited or unsolicited transactions in the open market, in privately negotiated transactions or by other means in accordance with securities laws. Our share repurchase program does not obligate us to repurchase any specific amount of shares, does not have an expiration date, and may be suspended, modified or discontinued at any time without prior notice, which may decrease the trading price of our common stock.

Any future declaration of dividends or decision to repurchase our common stock is at the discretion of our Board, subject to restrictions under our Comerica Bank debt agreements, and will depend on our financial results, cash requirements, projected compliance with covenants in our debt agreements, outlook and other factors deemed relevant by our Board.

Item 1B. Unresolved Staff Comments

None.

Item 1C. Cybersecurity

Cybersecurity Risk Management and Strategy

We have developed and implemented a cybersecurity risk management program intended to protect the confidentiality, integrity and availability of our information systems and the information stored on those systems. Our program is integrated into our overall risk management program and shares common reporting channels and governance processes that apply across our risk management program to other legal, compliance, operational and financial risk areas.

Our cybersecurity risk management program is based on the National Institute of Standards and Technology Cybersecurity Framework (NIST CSF). This does not imply that we meet any particular technical standards, specifications or requirements, but only that we use the NIST CSF as a guide to help us identify, assess and manage cybersecurity risks relevant to our business.

Our cybersecurity risk management program includes:

- a cybersecurity policy outlining our procedures for the protection of our information systems and the information stored on those systems;
- risk assessments designed to help identify material cybersecurity risks to our information systems and the information stored on those systems;
- a team of employees (as further described below) responsible for managing our cybersecurity risk assessment processes, our security controls and our response to cybersecurity incidents;
- cybersecurity awareness training of our employees;
- the use of external service providers that assess, test and otherwise assist with aspects of our cybersecurity controls;
- the use of security information and event management software tools to help protect against, detect, analyze and respond to cybersecurity threats;
- an incident response plan that includes procedures for responding to cybersecurity incidents; and
- a cybersecurity risk management process with respect to third-party service providers.

We have focused on strengthening our cybersecurity risk management program during the past few years and intend to continue to improve our program, including through additional processes to oversee and identify risks from cybersecurity threats associated with our use of third-party service providers. We have experienced cybersecurity incidents in the past and may experience them in the future. However, we have not experienced any risks from cybersecurity threats, including as a result of prior cybersecurity incidents, that have materially affected us or that we believe are reasonably likely to materially affect us, including our business strategy, results of operations or financial condition. For information about risks from cybersecurity threats that could be reasonably likely to materially affect us, please refer to “Our business may be adversely affected by cybersecurity incidents or other disruptions to our information systems or our contractors’ information systems” included in Item 1A. “Risk Factors.”

Cybersecurity Governance

Our Board considers risks from cybersecurity threats as part of its risk oversight function and has delegated to the Audit Committee oversight of our information and technology security policies and the internal controls regarding information and technology security and cybersecurity risks.

The Audit Committee receives periodic reports from our Chief Financial Officer on our cybersecurity risks and cybersecurity risk management program. The Audit Committee reports to the full Board regarding its activities, including those related to cybersecurity. The full Board also receives briefings from our Chief Financial Officer on our cybersecurity risks and cybersecurity risk management program.

We have an information technology (IT) Steering Committee consisting of senior management that is responsible for establishing IT priorities for Stratus and providing input and guidance on IT issues, including cybersecurity matters and incident response. Our IT Steering Committee is led by our IT Director and includes senior members from Stratus’ different departments.

We have an IT Security Team consisting of our IT Director and Network Administrator/Security Analyst responsible for monitoring our information systems for cybersecurity threats and incidents, detecting and analyzing cybersecurity incidents, and reporting cybersecurity incidents to our Incident Response Team (described below). Our IT Security Team is led by our IT Director. Our IT Security Team may also include one or more external IT technical experts depending on the nature and scope of any particular cybersecurity threat or incident.

We have an Incident Response Team consisting of management personnel that is responsible for promptly responding to cybersecurity incidents. Our Incident Response Team is led by our Chief Financial Officer and includes our IT Director, Network Administrator/Security Analyst, Vice President – Finance, and General Counsel. Our Incident Response Team may also include one or more external IT technical experts and subject-matter experts depending on the nature and scope of any particular cybersecurity incident. As our Incident Response Team leader, our Chief Financial Officer is responsible for reporting any significant cybersecurity incident to our Chief Executive Officer, Audit Committee, and Board.

Our Chief Financial Officer has over 25 years of experience supervising public company IT departments. Our IT Director has 25 years of experience in the development, implementation and maintenance of public company information systems with a focus on network and IT infrastructure security; four years of experience in cybersecurity matters, including identifying and assessing cybersecurity risks and developing and implementing cybersecurity risk management strategies and programs; and has completed educational programs in cybersecurity risk management. Our Network Administrator/Security Analyst holds a Master of Science degree in Cybersecurity from a Center of Academic Excellence in Cyber Defense designated university and has two years of experience working with our information systems, including endpoint security software and Security Information and Event Management tool management.

Item 3. Legal Proceedings

We are from time to time involved in legal proceedings that arise in the ordinary course of our business. We do not believe, based on currently available information, that the outcome of any legal proceeding will have a material adverse effect on our financial condition or results of operations. We maintain liability insurance to cover some, but not all, potential liabilities normally incident to the ordinary course of our business as well as other insurance coverage customary in our business, with such coverage limits as management deems prudent. Refer to Part I, Item 1A. “Risk Factors” for further discussion.

Item 4. Mine Safety Disclosures

Not applicable.

Information About Our Executive Officers

Certain information as of March 25, 2024, regarding our executive officers is set forth in the following table and accompanying text. Each of our executive officers serves at the discretion of our Board of Directors.

Name	Age	Position or Office
William H. Armstrong III	59	Chairman of the Board, President and Chief Executive Officer
Erin D. Pickens	62	Senior Vice President and Chief Financial Officer

Mr. Armstrong has been employed by us since our inception in 1992. Mr. Armstrong has served as President since August 1996, Chief Executive Officer since May 1998 and Chairman of the Board since August 1998. Mr. Armstrong previously served as President, Chief Operating Officer and Chief Financial Officer, from 1996 to 1998. Mr. Armstrong also serves as a director of Moody National REIT II, Inc., a publicly traded real estate investment trust, from September 2017 to present. Mr. Armstrong previously served as a director of Moody National REIT I, Inc., a publicly traded real estate investment trust, from September 2008 until September 2017. Mr. Armstrong previously served as secretary-treasurer of Green Business Certification Inc., an organization that drives implementation of the LEED green building program, from March 2021 to January 2024.

Ms. Pickens has served as our Senior Vice President since May 2009 and our Chief Financial Officer since June 2009. Ms. Pickens previously served as Executive Vice President and Chief Financial Officer of Tarragon Corporation from November 1998 until April 2009, and as Vice President and Chief Accounting Officer from

September 1996 until November 1998 and Accounting Manager from June 1995 until August 1996 for Tarragon and its predecessors. Ms. Pickens is a licensed Certified Public Accountant. Ms. Pickens is a current member of the American Institute of Certified Public Accountants and the Texas Society of Certified Public Accountants.

PART II**Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities****Common Stock**

Our common stock trades on The Nasdaq Stock Market (NASDAQ) under the symbol "STRS." As of March 25, 2024, there were 294 holders of record of our common stock including participants in security position listings.

Common Stock Dividends and Share Repurchase Programs

In 2017, we paid a special cash dividend of \$1.00 per share (totaling approximately \$8 million) on our common stock after the sale of our Oaks at Lakeway project, and in 2022, we paid a special cash dividend of \$4.67 per share (totaling approximately \$40 million) on our common stock after the sales of Block 21, The Santal and The Saint Mary, in each case after receiving the consent of Comerica Bank. Our ability to pay dividends is restricted by the terms of our Comerica Bank debt agreements, which prohibit us from paying a dividend on our common stock without Comerica Bank's prior written consent. In addition, certain of our project loan agreements contain provisions that restrict our subsidiaries from distributing cash to Stratus, as the parent company. Any future declaration of dividends is at the discretion of our Board of Directors (the Board), subject to restrictions under our Comerica Bank debt agreements, and will depend on our financial results, cash requirements, projected compliance with covenants in our debt agreements, outlook and other factors deemed relevant by our Board.

In 2022, with written consent from Comerica Bank, our Board approved a share repurchase program, which authorized repurchases of up to \$10.0 million of our common stock. In October 2023, we completed the share repurchase program. In total, under the completed share repurchase program we acquired 389,378 shares of our common stock for a cost of \$10.0 million at an average price of \$25.68 per share. In November 2023, with written consent from Comerica Bank, our Board approved a new share repurchase program, which authorizes repurchases of up to \$5.0 million of our common stock. Our Comerica Bank debt agreements contain a restrictive covenant limiting common stock repurchases to \$1.0 million in the aggregate during the term of the agreements. Any repurchases of our common stock outside of our approved \$5.0 million share repurchase program would require a waiver from Comerica Bank. Refer to Part I, Item 1A. "Risk Factors" for further discussion.

Unregistered Sales of Equity Securities

None.

Issuer Purchases of Equity Securities

The following table sets forth information with respect to shares of our common stock that we repurchased under our share purchase programs during the three months ended December 31, 2023.

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs ^a	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs ^a
October 1, 2023 through October 31, 2023	2,759	\$ 26.61	2,759	\$ —
November 1, 2023 through November 30, 2023	—	—	—	5,000,000
December 1, 2023 through December 31, 2023	—	—	—	5,000,000
Total	<u>2,759</u>	<u>\$ 26.61</u>	<u>2,759</u>	<u>\$ 5,000,000</u>

- a. On September 2, 2022, we announced that our Board approved a share repurchase program authorizing repurchases of up to \$10.0 million of our common stock. Share repurchases under the program were made from time to time through solicited or unsolicited transactions in the open market, in privately negotiated transactions or by other means in accordance with securities laws. In October 2023, we completed the share repurchase program, which did not have an expiration date. On November 14, 2023, we announced that our Board approved a new share repurchase program authorizing repurchases of up to \$5.0 million of our common stock. The timing, price and number of shares that may be repurchased under the program will be based on market conditions, applicable securities laws and other factors considered by management and the Capital Committee of the Board. Share repurchases under the program may be made from time to time through solicited or

unsolicited transactions in the open market, in privately negotiated transactions or by other means in accordance with securities laws. The share repurchase program does not obligate us to repurchase any specific amount of shares, does not have an expiration date, and may be suspended, modified or discontinued at any time without prior notice.

Item 6. Reserved

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

In Management's Discussion and Analysis of Financial Condition and Results of Operations, "we," "us," "our" and "Stratus" refer to Stratus Properties Inc. and all entities owned or controlled by Stratus Properties Inc. You should read the following discussion in conjunction with our consolidated financial statements and the related discussion of "Business and Properties" and "Risk Factors" included elsewhere in this Form 10-K. The results of operations reported and summarized below are not necessarily indicative of future operating results, and future results could differ materially from those anticipated in forward-looking statements (refer to "Cautionary Statement" and Part I, Item 1A. "Risk Factors" herein). All subsequent references to "Notes" refer to Notes to Consolidated Financial Statements located in Part II, Item 8. "Financial Statements and Supplementary Data."

OVERVIEW

We are a diversified real estate company with headquarters in Austin, Texas. We are engaged primarily in the entitlement, development, management, leasing and sale of multi-family and single-family residential and commercial real estate properties in the Austin, Texas area and other select markets in Texas. In addition to our developed properties, we have a development portfolio that consists of approximately 1,600 acres of commercial and multi-family and single-family residential projects under development or undeveloped land held for future use. We generate revenues and cash flows from the sale of our developed and undeveloped properties and the lease of our retail, mixed-use and multi-family properties. Refer to Part I, Items 1. and 2. "Business and Properties," and Note 10 for further discussion of our operating segments and "Business Strategy" below for a discussion of our business strategy.

BUSINESS STRATEGY

Our primary business objective is to create value for stockholders by methodically developing and enhancing the value of our properties and then selling them or holding them for lease. We endeavor to sell completed properties at times when we believe market conditions are favorable to us. We are focused on the development of pure residential and residential-centric mixed-use projects in Austin and other select markets in Texas, which we believe continue to be attractive locations. Our successful development program of securing and maintaining development entitlements, developing and stabilizing properties, and selling them or holding them as part of our leasing operations is a key element of our strategy. We may also seek to refinance properties, in order to benefit from, when available, an increase in the value of the property or from lower interest rates, or for other reasons.

From time to time, when deemed appropriate by our Board of Directors (the Board) and permitted pursuant to the terms of our debt agreements, we may return capital to stockholders, as we did in 2022 and 2017 with special cash dividends totaling approximately \$40 million and \$8 million respectively, and as we did during 2022 and 2023 through our \$10.0 million share repurchase program, which was completed in October 2023. In November 2023, our Board approved a new \$5.0 million share repurchase program.

Our investment strategy focuses on projects that we believe will provide attractive long-term returns, while limiting our financial risk. We plan to continue to develop properties using project-level debt and third-party equity capital through joint ventures in which we receive development management fees and asset management fees, with our potential returns increasing above our relative equity interest in each project as negotiated return hurdles are achieved. Refer to Note 2. We expect to continue our limited use of our revolving credit facility and to retain sufficient cash to operate our business, taking into account risks associated with changing market conditions and the variability in cash flows from our business.

Our main sources of revenue and cash flow are expected to be sales of our properties to third parties or distributions from joint ventures, the timing of and proceeds from which are difficult to predict and depend on market conditions and other factors. We also generate cash flow from rental income in our leasing operations and from

development and asset management fees received from our properties. Due to the nature of our development-focused business, we do not expect to generate sufficient recurring cash flow to cover our general and administrative expenses each period. However, we believe that the unique nature and location of our assets, and our team's ability to execute successfully on development projects, have and will continue to provide us with positive cash flows and net income over time, as evidenced by our sales of The Santal and The Saint Mary in 2021 and Block 21 in 2022 and the cash distribution from the Holden Hills partnership in 2023. Further, we believe our investment strategy, current liquidity and portfolio of projects provide us with many opportunities to increase value for our stockholders.

We do not currently have any material commitments to contribute additional cash to our joint venture projects or wholly owned development projects other than the potential additional \$10.0 million of capital that we may be required to contribute to our Holden Hills joint venture and our share (related to Section N) of the cost of the Tecoma Improvements discussed below under "Recent Development Activities – Current Residential Activities – Barton Creek – Holden Hills." However, during 2023 and first-quarter 2024, we made operating loans totaling \$3.3 million and \$2.7 million, respectively, to the limited partnerships for The Annie B and for The Saint June, and we anticipate making future operating loans to the limited partnerships for The Annie B, The Saint June and The Saint George totaling up to \$3.8 million over the next 12 months. Our estimates of future operating loans are based on estimates of future costs of the partnerships and anticipated future operating loans from the Class B limited partners of approximately \$2.5 million. Refer to Note 2 and "Capital Resources and Liquidity – Revolving Credit Facility and Other Financing Arrangements" and "Capital Resources and Liquidity – Liquidity Outlook" for further discussion. In addition, our development plans for future projects require significant additional capital.

Largely as a result of our property sales in 2021 and 2022, the cash distribution from the Holden Hills partnership in 2023 and focused liquidity management on our part, as of December 31, 2023, consolidated cash totaled \$31.4 million and we had \$40.5 million available under our revolving credit facility, net of \$13.3 million of letters of credit committed against the facility, with no amounts drawn on the facility.

We were challenged by difficult conditions in the real estate business in 2023. Interest rates, which began rising in 2022, continued to increase, and costs remained elevated. We saw limited opportunities for transactions on favorable terms. Accordingly, during this market cycle, we have been working to maintain our business, advance our projects under construction or development, control costs and advance entitlements, relationships and opportunities to position us to capture value when market conditions improve. During 2023, among other things, we completed construction and began lease-up of The Saint June multi-family project, continued construction of The Saint George multi-family project, advanced construction on the Holden Hills project, managed our completed retail projects and advanced entitlements on other projects.

Although 2023 was challenging, we see reasons for optimism regarding improving real estate market conditions in our markets as the year 2024 progresses. Our retail portfolio consists of five stabilized projects, namely Jones Crossing, Kingwood Place, Lantana Place, Magnolia Place and West Killeen Market, and we are in the process of engaging brokers to explore the sale of these properties. In connection with any such sales, we anticipate returning capital to stockholders, subject to obtaining required consents from Comerica Bank. We believe we have sufficient liquidity and access to capital to sell properties when market conditions are favorable to us and to hold our properties or to continue to develop our properties, as applicable, through the market cycle. We expect to re-evaluate our strategy as sales and development progress on the projects in our portfolio and as market conditions continue to evolve.

OVERVIEW OF FINANCIAL RESULTS FOR 2023

Sources of revenue and income. As a result of the sale of Block 21 in May 2022, Stratus has two operating segments: Real Estate Operations and Leasing Operations. Block 21, which encompassed Stratus' Hotel and Entertainment operating segments, along with some leasing operations, is reflected as discontinued operations in the Consolidated Statements of Income for the year ended December 31, 2022. We operate primarily in Austin, Texas and in other select markets in Texas.

Our Real Estate Operations encompass our activities associated with our entitlement, development, and sale of real estate. The current focus of our real estate operations is multi-family and single-family residential properties and residential-centric mixed-use properties. We may sell or lease the real estate we develop, depending on market conditions. Multi-family and retail rental properties that we develop are reclassified to our Leasing Operations segment when construction is completed and they are ready for occupancy. Revenue in our Real Estate Operations

may be generated from the sale of properties that are developed, undeveloped or under development, depending on market conditions. Developed property sales can include an individual tract of land that has been developed and permitted for residential use, or a developed lot with a residence already built on it. In addition to our developed properties, we have a development portfolio that consists of approximately 1,600 acres of commercial and multi-family and single-family residential projects under development or undeveloped land held for future use.

Revenue in our Leasing Operations is generated from the lease of space at retail and mixed-use properties that we developed and the lease of residences in the multi-family projects that we developed. We may also generate income from the sale of our leased properties, depending on market conditions.

Refer to Note 10 and Items 1. and 2. "Business and Properties" for discussion of the assets in our Real Estate Operations and Leasing Operations.

Summary financial results for 2023. Our net loss attributable to common stockholders totaled \$(14.8) million, or \$(1.85) per diluted share, for 2023, compared to a net income attributable to common stockholders of \$90.4 million, or \$10.99 per diluted share, for 2022. The decrease is primarily the result of income from discontinued operations in 2022 totaling \$96.8 million related to the sale of Block 21 in that year. Refer to Note 4 for additional discussion. Our total stockholders' equity increased \$33.3 million over the last two fiscal years to \$191.5 million at December 31, 2023 from \$158.1 million at December 31, 2021. The increase was primarily a result of profitable property sales and reflects a special cash dividend of approximately \$40 million in 2022 and share repurchases totaling \$10.0 million in 2022 and through 2023.

Our revenues totaled \$17.3 million for 2023, compared with \$37.5 million for 2022. The decrease in revenues in 2023, compared with 2022, primarily reflects \$18.6 million from sales of undeveloped real estate properties in 2022 compared to none in 2023 as well as sales of two completed Amarra Villas homes in 2022 compared to one home in 2023. The decrease in revenue in our Real Estate Operations segment was partially offset by a \$2.0 million increase in revenue in our Leasing Operations segment in 2023 as a result of commencement of operations at Magnolia Place in late 2022 and The Saint June in mid-2023, as well as increased revenue at Kingwood Place, in connection with new leases.

Real Estate Market Conditions. Because of the concentration of our assets primarily in the Austin, Texas area, and in other select markets in Texas, real estate market conditions in these regions significantly affect our business. These market conditions historically have moved in periodic cycles and can be volatile. Real estate development in Austin, where most of our real estate under development and undeveloped real estate is located, has historically been constrained as a result of various restrictions imposed by the city of Austin. Additionally, several special interest groups have traditionally opposed development in Austin.

In addition to the traditional influence of state and federal government employment levels on the local economy, the Austin-Round Rock, Texas area (Austin-Round Rock) has been influenced by growth in the technology sector. Large, high-profile technology companies have expanded their profile in Austin-Round Rock recently as the technology sector has clustered in this market. The COVID-19 pandemic and the increase in remote work has also resulted in population increases in Texas and within the Austin area. Based on the U.S. Census Bureau's Vintage 2023 population estimates, the state of Texas had the largest population gain of any U.S. state between April 2020 and July 2023. There has generally been a decline over time in the brick-and-mortar retail industry due to increases in on-line shopping, which accelerated during the pandemic. We have responded to these retail trends by incorporating more multi-family residential space and more food and beverage and entertainment space into our development plans.

According to the 2020 U.S. Census (the most recent complete census), the population of the Austin-Round Rock area increased by approximately 33 percent and added over half a million residents to become the fastest-growing large metro area in the U.S. from 2010 through 2020. As of 2020, the Austin-Round Rock area had a population of approximately 2.3 million people. In addition, 93 percent of the housing units were occupied in the Austin-Round Rock area, which was higher than average occupancy rates for the U.S. and Texas. According to the Texas Demographic Center Population Estimates, the population of the Austin-Round Rock area increased an additional 7.2 percent from the 2020 Census count to January 2023.

In 2022, the American Growth Project ranked Austin as the second-fastest-growing city in the United States based on economic growth. According to data provided by the U.S. Census Bureau, the median family income levels in the Austin-Round Rock area increased by 14 percent over a three-year period from 2016 to 2019 (the most recently

available information). The expanding economy resulted in rising demand for residential housing and retail services. Property tax and sales tax receipts rose by 44 percent and 16 percent, respectively, in the city of Austin during fiscal year 2016 through fiscal year 2020. During 2023, the median home value in Austin began to decline some from its peak of over \$550,000 in April 2022 to about \$455,000 in September 2023. The median home value in Austin was still about 10 percent higher than the national median home value in 2023.

Vacancy rates in the city of Austin, Texas are noted below.

Building Type	December 31,	
	2023	2022
Office Buildings (Class A) ^a	23.1 %	18.9 %
Multi-Family Buildings ^b	7.4 %	5.9 %
Retail Buildings ^c	3.4 %	3.4 %

a. CB Richard Ellis: Austin MarketView

b. Colliers, CoStar Group, Inc.

c. Marcus & Millichap Research Services, CoStar Group, Inc.

During the past two years, the U.S. economy experienced steep rises in inflation and interest rates. Our industry has been experiencing construction and labor cost increases, supply chain constraints, labor shortages, higher borrowing costs and tightening bank credit. The U.S. Federal Reserve has raised the Federal Funds rate by 5.25 percent over 11 rate hikes between March 2022 and July 2023 to combat inflation. While the U.S. Federal Reserve has signaled that it may lower rates in 2024, there is no certainty with respect to the timing and pace of potential decreases or if such decreases will occur. Interest rates may remain at or near recent highs, which creates further uncertainty for the U.S. economy. Refer to Item 1A. Risk Factors for further discussion.

CRITICAL ACCOUNTING ESTIMATES

Management's discussion and analysis of our financial condition and results of operations are based on our consolidated financial statements, which have been prepared in conformity with accounting principles generally accepted in the U.S. The preparation of these financial statements requires that we make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. We base these estimates on historical experience and on assumptions that we consider reasonable under the circumstances; however, reported results could differ from those based on the current estimates under different assumptions and/or conditions. The areas requiring the use of management's estimates are discussed in Note 1 under the heading "Use of Estimates." Critical accounting estimates are those estimates made in accordance with U.S. generally accepted accounting principles that involve a significant level of estimation uncertainty and have had or are reasonably likely to have a material impact on our financial condition or results of operations. Our critical accounting estimates are discussed below.

Real Estate Impairment Assessments. Real estate is classified as held for sale, under development, held for investment or land available for development (refer to Note 1). When events or circumstances indicate that an asset's carrying amount may not be recoverable, an impairment test is performed. For real estate held for sale, if estimated fair value less costs to sell is less than the related carrying amount, a reduction of the asset's carrying value to fair value less costs to sell is required. For real estate under development, land available for development and real estate held for investment, if the projected undiscounted cash flow from the asset is less than the related carrying amount, a reduction of the carrying amount of the asset to fair value is required. Generally, we determine fair value using valuation techniques such as discounted expected future cash flows.

In developing estimated future cash flows for impairment testing for our real estate assets, we have incorporated our own market assumptions including those regarding real estate prices, sales pace, sales and marketing costs, and infrastructure costs. Our assumptions are based, in part, on general economic conditions, the current state of the real estate industry, expectations about the short- and long-term outlook for the real estate market, and competition from other developers or operators in the area in which we develop or operate our properties. These assumptions can significantly affect our estimates of future cash flows. For those properties held for sale and deemed to be impaired, we determine fair value based on appraised values, adjusted for estimated costs to sell, as we believe this is the value for which the property could be sold.

We recorded impairment charges on real estate totaling \$0.7 million during 2022. We recorded no impairment charges during 2023.

Deferred Tax Assets Valuation Allowance. The carrying amounts of deferred tax assets are required to be reduced by a valuation allowance if, based on the available evidence, it is more likely than not that such assets will not be realized. Accordingly, we assess the need to establish valuation allowances for deferred tax assets periodically based on the more-likely-than-not realization threshold criterion. In the assessment of the need for a valuation allowance, appropriate consideration is given to all positive and negative evidence related to the realization of the deferred tax assets. This assessment considers, among other matters, the nature, frequency and severity of current and cumulative losses, the potential to recognize gains on sales of properties, forecasts of future profitability, the duration of statutory carryforward periods, our experience with operating loss and tax credit carryforwards not expiring unused, and tax planning alternatives. This process involves significant management judgment about assumptions that are subject to change based on variances between projected and actual operating performance and changes in our business environment or operating or financing plans.

We regularly evaluate the recoverability of our deferred tax assets, considering available positive and negative evidence, including earnings history and the forecast of future taxable income. During 2022, we recorded a \$0.3 million non-cash credit to reduce the valuation allowance on our deferred tax assets, primarily attributable to the reversal of deferred tax assets associated with the sale of Block 21. We had deferred tax assets (net of deferred tax liabilities and valuation allowances) totaling \$173 thousand at December 31, 2023. Refer to Note 7 for further discussion.

Profit Participation Incentive Plan and Long-Term Incentive Plan. Refer to Notes 1 and 8 for our accounting policies related to the Stratus Profit Participation Incentive Plan (PPIP) and Long-Term Incentive Plan (LTIP). During 2023, we recorded \$201 thousand to project development costs (\$2 thousand in 2022) and credited \$(41) thousand to general and administrative expenses (charged \$0.5 million in 2022) related to the PPIP and LTIP. The accrued liability for the PPIP and LTIP totaled \$3.1 million at December 31, 2023 (included in other liabilities).

The most significant assumptions in the estimation of the \$3.1 million PPIP and LTIP liability at December 31, 2023 were estimated capitalization rates ranging from 4.3 percent to 6.5 percent, expected remaining service periods ranging from 1.4 years to 2.8 years, and estimated transaction costs ranging from 1.3 percent to 7.8 percent of sale prices. The assumptions for the PPIP liability as of December 31, 2022 were estimated capitalization rates ranging from 4.3 percent to 7.5 percent, expected remaining service periods ranging from 0.5 years to 3.3 years, and estimated transaction costs ranging from 1.3 percent to 7.9 percent. In July 2023, Kingwood Place reached a valuation event under the PPIP and Stratus obtained an appraisal of the property to determine the payout under the PPIP. The accrued liability under the PPIP related to Kingwood Place was reduced to \$1.6 million at December 31, 2023, and was settled in RSUs with a three-year vesting period awarded to eligible participants in the first quarter of 2024.

RECENT DEVELOPMENT ACTIVITIES

The discussion below focuses on our recent residential and commercial development activity. For a description of our properties containing additional information, refer to Items 1. and 2. “Business and Properties.”

Residential. As of December 31, 2023, the number of our residential lots/units that are developed, under development and available for potential development by area are shown below:

	Residential Lots/Units			Total
	Developed	Under Development	Potential Development ^a	
Barton Creek:				
Amarra Drive:				
Phase III lots	2	—	—	2
Amarra Villas ^b	2	8	—	10
The Saint June	182	—	—	182
Other homes	—	—	10	10
Holden Hills ^c	—	475	—	475
Section N ^d	—	—	1,412	1,412
Other Barton Creek sections	—	—	2	2
Circle C multi-family	—	—	56	56
The Annie B ^d	—	—	316	316
The Saint George	—	316	—	316
Lakeway	—	—	270	270
Lantana (The Saint Julia) ^d	—	—	306	306
Jones Crossing ^d	—	—	275	275
Magnolia Place ^e	—	—	875	875
New Caney ^d	—	—	275	275
Total Residential Lots/Units	186	799	3,797	4,782

- a. Our development of the properties identified under the heading “Potential Development” is dependent upon the approval of our development plans and permits by governmental agencies, including the city of Austin, Travis County and other local governments in our Texas markets. Those governmental agencies may not approve one or more development plans and permit applications related to such properties or may require us to modify our development plans. Accordingly, our development strategy with respect to those properties may change in the future. While we may be proceeding with approved infrastructure projects or planning activities for some of these properties, they are not considered to be “under development” for disclosure in this table until construction activities have begun.
- b. In first-quarter 2024, we sold one Amarra Villas home for \$4.0 million, and as of March 25, 2024, one home was under contract to sell for \$3.6 million.
- c. For further discussion of the ETJ process and ongoing development planning that may result in changes in our development plans and increased densities for Holden Hills and Section N, refer to “Barton Creek” below.
- d. For a discussion of this project, refer to Items 1. and 2. “Business and Properties.”
- e. In February 2024, we completed the sale of approximately 47 acres planned for up to 600 multi-family units, a second phase of retail development and all remaining pad sites in Magnolia Place for \$14.5 million. As of March 25, 2024, the remaining potential development is approximately 11 acres planned for 275 multi-family units.

Barton Creek

Amarra Multi-family. During 2022, we sold a six-acre multi-family tract of land for \$2.5 million.

Amarra Villas. The Villas at Amarra Drive (Amarra Villas) is a 20-unit project within the Amarra development for which we completed site work in 2015. We have been constructing and selling the units over time. The homes average approximately 4,400 square feet and are being marketed as “lock and leave” properties, with golf course access and cart garages. In 2022, we began construction on the last ten homes. We sold a completed home for \$2.4 million in second-quarter 2022. In fourth-quarter 2022, we sold one home for \$3.6 million. In first-quarter 2023, we completed and sold of one home for \$2.5 million. Construction was completed on two of the homes in fourth-quarter 2023 and one home was completed and sold in February 2024 for \$4.0 million. Construction on the last

seven homes continues to progress, and as of March 25, 2024, one home was under contract to sell for \$3.6 million and eight homes remain available for sale.

The Saint June. In third-quarter 2021, we began construction on The Saint June, a 182-unit luxury garden-style multi-family project within the Amarra development. The first units were available for occupancy in July 2023, and construction was completed in fourth-quarter 2023. As of March 25, 2024, we had signed leases for approximately 75 percent of the units.

Holden Hills. Our final large residential development within the Barton Creek community, Holden Hills, consists of 495 acres. The community has been designed to feature unique residences to be developed in multiple phases with a focus on health and wellness, sustainability and energy conservation. Phases I and II of the Holden Hills development plan encompass the development of the home sites. Original plans for phase I are designed to consist of 337 luxury residence sites to be developed in nine distinct communities or “pods,” and 12 single-family platted home sites or “estate lots” and includes related amenities and infrastructure. Phase I also includes the Tecoma Improvements, described below. Original plans for phase II are designed to consist of 63 luxury residence sites to be developed in five pods and 63 single-family platted estate lots and includes related amenities and infrastructure. The luxury residences have been designed to range in size from 2,000 square feet to 4,600 square feet. The estate lots have been designed to range in size from 0.9 acres to 2.7 acres. As a result of the ETJ process described below, our development plans for Holden Hills are under review.

We entered into a limited partnership agreement with a third-party equity investor for this project in January 2023, and in February 2023 obtained construction financing for Phase I of the project and commenced infrastructure construction. We contributed to the partnership the Holden Hills land and related personal property at an agreed value of \$70.0 million, and our 50.0 percent partner contributed \$40.0 million in cash. Immediately thereafter, the Holden Hills partnership distributed \$30.0 million of cash to us. Further, the Holden Hills partnership reimbursed us for certain initial project costs and closing costs of approximately \$5.8 million. We consolidate the Holden Hills partnership, and the contribution from our partner was accounted for as a noncontrolling interest in subsidiary. Refer to Notes 2 and 6 for further discussion.

We and the equity investor have agreed to contribute up to an additional \$10.0 million each to the partnership if called upon by the general partner, which is one of our subsidiaries. The initial and potential additional equity contributions are projected to constitute a sufficient amount of equity capital to develop both Phase I and Phase II of the Holden Hills project. The partnership anticipates securing additional debt financing for the development of Phase II. The construction of homes on the pods or estate lots would require additional capital. We expect to complete site work for Phase I, including the construction of road, utility, drainage and other required infrastructure, in late 2024. Accordingly, our current projections anticipate that we could start building homes and/or selling home sites in 2025. We may sell the developed pods and estate lots or may elect to build and sell, or build and lease, homes on some or all of the pods and estate lots, depending on financing and market conditions. Pods and estate lots may also be acquired from the Holden Hills partnership by a limited partner for further development under procedures approved by the partners.

We entered into a development agreement with the Holden Hills partnership (Development Agreement) that provides that, as part of Phase I, the Holden Hills partnership will construct certain street, drainage, water, sidewalk, electric and gas improvements in order to extend the Tecoma Circle roadway on Section N land owned by us from its current terminus to Southwest Parkway, estimated to cost approximately \$14.7 million (the Tecoma Improvements). The Tecoma Improvements will enable access and provide utilities necessary for the development of both Holden Hills and Section N. Pursuant to the Development Agreement, we will reimburse the Holden Hills partnership for 60 percent of the costs of the Tecoma Improvements. We have posted standby letters of credit with the City of Austin under our revolving credit facility with Comerica Bank totaling approximately \$11.0 million as fiscal security for completion of certain infrastructure improvements benefiting the Holden Hills project and have agreed to leave such fiscal security in place until the improvements are completed. As of December 31, 2023, the Holden Hills partnership had \$8.0 million remaining to complete the Tecoma Improvements.

The Holden Hills partnership is expected to be eligible to be reimbursed in the future by Travis County Municipal Utility Districts (MUD) for a portion of costs of the Tecoma Improvements and also for a portion of costs related only to the Holden Hills project, with such MUD reimbursements currently estimated to be up to a maximum of \$6.4 million for the Tecoma Improvements and \$8.0 million for only the Holden Hills project. The Holden Hills partnership has agreed to deliver to us 60 percent of any MUD reimbursements for Tecoma Improvement costs paid directly by us, when such reimbursements are received by the partnership. The amount and timing of MUD

reimbursements depends upon, among other factors, the amount and timing of actual costs incurred, the MUD having a sufficient tax base within its district to issue bonds and obtaining the necessary state approval for the sale of the bonds. Accordingly, the amount and timing of the receipt of MUD reimbursements is uncertain.

Section N. Using an entitlement strategy similar to that used for Holden Hills, we continue to progress the development plans for Section N, our approximately 570-acre tract located along Southwest Parkway in the southern portion of the Barton Creek community adjacent to Holden Hills. We are designing a dense, mid-rise, mixed-use project, with extensive multi-family and retail components, coupled with limited office, entertainment and hospitality uses, surrounded by extensive outdoor recreational and greenspace amenities, which is expected to result in a significant increase in development density as compared to our prior plans. In addition, due to the ETJ process described below, our development plans for Section N are under review.

ETJ Process. Texas Senate Bill 2038 (the ETJ Law) became effective September 1, 2023. We have completed the statutory process to remove all of our relevant land subject to development, including primarily Holden Hills and Section N, from the extraterritorial jurisdiction (ETJ) of the City of Austin, as permitted by the ETJ Law. We have also made filings with Travis County to grandfather the Holden Hills and Section N projects under most laws in effect in Travis County at the time of the filings. Several cities in Texas have brought a lawsuit challenging the ETJ Law. If the ETJ Law is upheld, we expect that the removal of our properties from the ETJ of the City of Austin will streamline the development permitting process, allow greater flexibility in the design of projects, potentially decrease certain development costs, and potentially permit meaningful increases in development density. In light of the ETJ Law, we have begun work on assessing potential revisions to our development plans for Holden Hills and Section N. For additional discussion, refer to Item 1A. "Risk Factors."

The Saint George

The Saint George is a luxury wrap-style multi-family project under construction on approximately four acres in north central Austin, with approximately 316 units comprised of studio, one and two bedroom units and an attached parking garage. We purchased the land and entered into third-party equity financing for the project in December 2021. We entered into a construction loan for the project in July 2022 and began construction in third-quarter 2022. We currently expect to achieve substantial completion by third-quarter 2024. Refer to Notes 2 and 6 for further discussion.

Circle C Community

As of December 31, 2023, our Circle C community had remaining entitlements for 660,985 square feet of commercial space and 56 multi-family units. We are pursuing rezoning that would reallocate the commercial space to multi-family use.

Lakeway

After extensive negotiation with the City of Lakeway, utility suppliers and neighboring property owners, during 2023 we secured the right to develop a multi-family project on approximately 35 acres of undeveloped property in Lakeway, Texas located in the greater Austin area. The multi-family project is expected to utilize the road, drainage and utility infrastructure we are required to build, subject to certain conditions, which is secured by a \$2.3 million letter of credit under our revolving credit facility. Refer to Note 6 and "Capital Resources and Liquidity – Revolving Credit Facility and Other Financing Arrangements" below for additional discussion.

The Annie B

In September 2021, we purchased the land and announced plans for The Annie B, a proposed luxury high-rise project in downtown Austin to be developed as a 400-foot tower, consisting of approximately 420,000 square feet with 316 luxury residential units. Stratus Block 150, L.P. raised \$11.7 million in third-party equity capital and entered into a \$14.0 million loan to finance part of the costs of land acquisition and budgeted pre-development costs for The Annie B. We continue to work to finalize our development plans and to evaluate whether the project is most profitable as a for rent or for sale product. Our goal is to commence construction as soon as financing and other market conditions warrant. Refer to Notes 2 and 6 for additional discussion.

Kingwood Place

In October 2022, we closed the sale of a 10-acre multi-family tract of land planned for approximately 275 multi-family units for \$5.5 million at Kingwood Place, an H-E-B, L.P. (H-E-B) grocery anchored, mixed-use project in

Kingwood, Texas. In connection with the sale, we made a \$5.0 million principal payment on the Kingwood Place construction loan. We have no acreage remaining at Kingwood Place planned for residential use.

Magnolia Place

In 2022, we sold 28 acres of undeveloped residential land at Magnolia Place, an H-E-B grocery shadow-anchored, mixed-use project in Magnolia, Texas for \$3.2 million. In February 2024, we completed the sale of approximately 47 acres planned for a second phase of retail development, all remaining pad sites and up to 600 multi-family units, for \$14.5 million. In connection with the sale, the Magnolia construction loan with a balance of \$8.8 million was repaid. Following the sales, we have retained our existing two retail buildings totaling 18,582 square feet and potential development of approximately 11 acres planned for 275 multi-family units.

Other Residential

We have advanced development plans for The Saint Julia, an approximately 300-unit multi-family project that is part of Lantana Place, a partially developed, mixed-use development project located south of Barton Creek in Austin.

We continue to evaluate options for the 21-acre multi-family component of Jones Crossing, an H-E-B grocery anchored, mixed-use development located in College Station, Texas. During 2023, we separated the ground lease for the multi-family parcel from the primary ground lease.

Commercial. As of December 31, 2023, the number of square feet of our commercial property developed, under development and our remaining entitlements for potential development are shown below:

	Commercial Property			Total
	Developed	Under Development	Potential Development ^a	
Barton Creek:				
Entry corner	—	—	5,000	5,000
Amarra retail/office	—	—	83,081	83,081
Section N ^b	—	—	1,560,810	1,560,810
Circle C ^c	—	—	660,985	660,985
Lantana:				
Lantana Place	99,377	—	—	99,377
Tract G07	—	—	160,000	160,000
Magnolia Place ^d	18,582	—	15,000	33,582
West Killeen Market	44,493	—	—	44,493
Jones Crossing	154,092	—	104,750	258,842
Kingwood Place	151,877	—	—	151,877
New Caney ^b	—	—	145,000	145,000
The Annie B ^b	—	—	8,325	8,325
Office building in Austin	—	—	7,285	7,285
Total Square Feet	468,421	—	2,750,236	3,218,657

- Our development of the properties identified under the heading "Potential Development" is dependent upon the approval of our development plans and permits by governmental agencies, including the city of Austin, Travis County and other local governments in our Texas markets. Those governmental agencies may not approve one or more development plans and permit applications related to such properties or may require us to modify our development plans. Accordingly, our development strategy with respect to those properties may change in the future. While we may be proceeding with approved infrastructure projects or planning activities for some of these properties, they are not considered to be "under development" for disclosure in this table until construction activities have begun.
- For a discussion of this project, refer to Items 1. and 2. "Business and Properties."
- We are pursuing rezoning of approximately 216 undeveloped acres planned for 660,985 square feet of commercial space from commercial to multi-family.
- In February 2024, we completed the sale of approximately 47 acres planned for up to 600 multi-family units, a second phase of retail development of approximately 15,000 square feet and all remaining pad sites in Magnolia Place for \$14.5 million. As of March 25, 2024, the remaining potential development is approximately 11 acres planned for 275 multi-family units.

As a result of our commercial development activity, we own and operate stabilized retail properties within the following development projects:

- *West Killeen Market* is our H-E-B shadow-anchored retail project in West Killeen, Texas, near Fort Cavazos. As of December 31, 2023, we had executed leases for approximately 74 percent of the 44,493-square-foot retail space. During third-quarter 2022, we sold the last remaining pad site for \$1.0 million.
- *Jones Crossing* is our H-E-B-anchored mixed-use project in College Station, Texas, the location of Texas A&M University. As of December 31, 2023, we had signed leases for substantially all of the completed retail space, including the H-E-B grocery store, totaling 154,092 square feet. The Jones Crossing site has future development opportunities. As of December 31, 2023, we had approximately 23 undeveloped acres with estimated development potential of approximately 104,750 square feet of commercial space and four retail pad sites.
- *Lantana Place - Retail* is part of our mixed-use development project within the Lantana community south of Barton Creek in Austin, Texas. As of December 31, 2023, we had signed leases for substantially all of the 99,377-square-foot retail space, including the anchor tenant, Moviehouse & Eatery, and a ground lease for an AC Hotel by Marriott that opened in November 2021.
- *Kingwood Place* is our H-E-B-anchored, mixed-use development project in Kingwood, Texas (in the greater Houston area). We have constructed 151,877 square feet of retail space at Kingwood Place, including an H-E-B grocery store, and as of December 31, 2023, we had signed leases for substantially all of the retail space, including the H-E-B grocery store. We have also signed ground leases on four of the retail pad sites. One retail pad site remains available for lease.
- *Magnolia Place* is our H-E-B shadow-anchored, mixed-use development project in Magnolia, Texas. We have constructed 18,582 square feet of retail space at Magnolia Place. As of December 31, 2023, we had signed leases for all the retail space in the first phase of development, and all tenants were open for business. As discussed above, in February 2024, we sold the land planned for a second phase of retail development and all remaining pad sites.

We are in the process of engaging brokers to explore the sale of these stabilized retail properties. Refer to Part I, Items 1. and 2. "Business and Properties" for further discussion.

RESULTS OF OPERATIONS

We are continually evaluating the development and sale potential of our properties and will continue to consider opportunities to enter into transactions involving our properties, including possible joint ventures or other arrangements. As a result, and because of numerous factors affecting our business activities as described herein, our past operating results are not necessarily indicative of our future results. We use operating income or loss to measure the performance of each operating segment. Corporate, eliminations and other includes consolidated general and administrative expenses, which primarily consist of employee compensation and other costs described herein.

The following table summarizes our operating results (in thousands):

	Years Ended December 31,	
	2023	2022
Operating (loss) income:		
Real estate operations ^a	\$ (7,218)	\$ 164
Leasing operations ^b	5,410	9,621
Corporate, eliminations and other ^c	(15,138)	(17,548)
Operating loss	\$ (16,946)	\$ (7,763)
Interest expense, net	\$ —	\$ (15)
Net loss from continuing operations	\$ (16,493)	\$ (7,077)
Net income from discontinued operations ^d	\$ —	\$ 96,820
Net (loss) income attributable to common stockholders	\$ (14,807)	\$ 90,426

a. Includes sales commissions and other revenues together with related expenses. Includes impairment charges for real estate properties of \$0.7 million in 2022. There were no impairment charges in 2023.

- b. The year 2022 includes a \$4.8 million pre-tax gain recognized on the reversal of accruals for costs to lease and construct buildings under a master lease arrangement that we entered into in connection with the sale of The Oaks at Lakeway in 2017. Refer to Note 9.
- c. Includes consolidated general and administrative expenses and eliminations of intersegment amounts.
- d. The year 2022 includes a \$119.7 million pre-tax gain on the May 2022 sale of Block 21.
- As a result of the sale of Block 21 in May 2022, we have two operating segments: Real Estate Operations and Leasing Operations (refer to Notes 4 and 10). The following is a discussion of our operating results by segment.

Real Estate Operations

The following table summarizes our Real Estate Operations results (in thousands):

	Years Ended December 31,	
	2023	2022
Revenues:		
Developed property sales	\$ 2,493	\$ 5,982
Undeveloped property sales	—	18,620
Commissions and other	58	148
Total revenues	2,551	24,750
Cost of sales, including depreciation and amortization	(9,769)	(23,866)
Impairment of real estate	—	(720)
Operating (loss) income	\$ (7,218)	\$ 164

Developed Property Sales. The following table summarizes our developed property sales (in thousands):

	Years Ended December 31,					
	2023			2022		
	Lots/Units	Revenues	Average Cost per Lot/Unit	Lots/Homes	Revenues	Average Cost per Lot/Home
Barton Creek						
Amarra Villas homes	1	\$ 2,493	\$ 2,159	2	\$ 5,982	\$ 2,800
Total Residential	1	\$ 2,493		2	\$ 5,982	

The decrease in revenues from developed property sales for 2023, compared to 2022, reflects the sales of two Amarra Villas homes in 2022 compared to the sale of one Amarra Villas home in 2023. As of December 31, 2023, two developed Phase III lots and two completed Amarra Villas homes remained unsold.

Undeveloped Property Sales. In 2022, we closed \$18.6 million of undeveloped property sales consisting of (i) a 10 acre multi-family tract of land in Kingwood Place for \$5.5 million, (ii) 28 acres of residential land at Magnolia Place for \$3.2 million, (iii) a six-acre multi-family tract of land in Amarra Drive for \$2.5 million, (iv) a retail pad site at Magnolia Place for \$2.3 million, (v) a 0.3 acre tract of land in Austin for \$1.6 million, (vi) a retail pad site at Magnolia Place for \$1.1 million, (vii) a retail pad site at West Killeen Market for \$1.0 million, (viii) a 2.4 acre tract of land in San Antonio for \$0.8 million and (ix) a tract of land in Austin for \$0.6 million. There were no undeveloped property sales in 2023.

Real Estate Cost of Sales and Depreciation and Amortization. Cost of sales includes the cost of property sold, allocated overhead costs and significant recurring property operating costs, including property taxes, maintenance and marketing expenses. Cost of sales totaled \$9.8 million in 2023 and \$23.9 million in 2022. The decrease in cost of sales in 2023, compared with 2022, primarily reflects a decrease in undeveloped property sales in 2023 compared to 2022. Recurring property operating costs, including property taxes, maintenance and marketing expenses totaled \$6.7 million in 2023 and \$6.6 million in 2022.

Impairment of Real Estate. During 2022, we recorded impairment charges totaling \$720 thousand. These included a \$650 thousand impairment charge related to the Amarra Villas and a \$70 thousand impairment charge for the

multi-family tract of land at Kingwood Place that sold for \$5.5 million in October 2022. We recorded no impairment charges during 2023.

Leasing Operations

The following table summarizes our Leasing Operations results (in thousands):

	Years Ended December 31,	
	2023	2022
Rental revenue	\$ 14,719	\$ 12,754
Rental cost of sales, excluding depreciation	(5,177)	(4,439)
Depreciation	(4,132)	(3,506)
Gain on sales of assets	—	4,812
Operating income	<u>\$ 5,410</u>	<u>\$ 9,621</u>

Rental Revenue. In 2023, rental revenue primarily included revenue from our retail and mixed-use projects Lantana Place, Kingwood Place, Jones Crossing, West Killeen Market and Magnolia Place and from our multi-family project, The Saint June. In 2022, rental revenue primarily included revenue from our retail and mixed-use projects Lantana Place, Jones Crossing, Kingwood Place and West Killeen Market. The increase in rental revenue in 2023, compared to 2022, primarily reflects revenue from Magnolia Place and The Saint June, which commenced operations in late 2022 and mid-2023, respectively, as well as increased revenue at Kingwood Place, in connection with new leases. We expect rental revenue to increase in 2024 compared to 2023, as 2024 will reflect the rental revenue from the operations of Magnolia Place and The Saint June for the full year and also is expected to include rental revenue following the completion of The Saint George, which is expected to occur by third-quarter 2024.

Rental Cost of Sales and Depreciation. Rental costs of sales and depreciation expense increased in 2023, compared to 2022, primarily as a result of commencement of operations at The Saint June in mid-2023 and Magnolia Place in late 2022, and costs of landscaping repairs and replacements at retail properties following the Texas winter storm in February 2023.

Gain on Sales of Assets. For 2022, we recognized a gain on the reversal of accruals for costs to lease and construct buildings under a master lease arrangement that we entered into in connection with our sale of The Oaks at Lakeway in 2017. Refer to Note 9 under the heading “Deferred Gain on Sale of The Oaks at Lakeway” for further discussion.

Corporate, Eliminations and Other

Corporate, eliminations and other (refer to Note 10) includes consolidated general and administrative expenses, which primarily consist of employee compensation and other costs. Consolidated general and administrative expenses totaled \$15.2 million in 2023 and \$17.6 million in 2022. The decrease in general and administrative expenses in 2023, compared to 2022, was primarily a result of lower compensation costs associated with lower estimated cash incentive awards for 2023 and a reduction in the accrued liability for the Profit Participation Incentive Plan (PPIP) resulting from a decreased valuation for Kingwood Place partially offset by salary increases. Legal fees were also lower compared to 2022. Corporate, eliminations and other also includes eliminations of intersegment amounts between our operating segments.

Non-Operating Results

Interest Expense, Net. Interest costs (before capitalized interest) totaled \$12.5 million in 2023 and \$6.6 million in 2022. Interest costs in 2023 were higher, compared to 2022, primarily reflecting increased average interest rates as well as an increase in average debt balances. As of December 31, 2023, all of our debt was variable-rate debt, and for all such debt, the interest rates have increased during the last two years. Refer to Note 6 and “Debt Maturities and Other Contractual Obligations” for additional information.

Substantially all of our interest costs were capitalized in 2023 and 2022. Capitalized interest totaled \$12.5 million in 2023 and \$6.6 million in 2022, and is primarily related to development activities at Barton Creek (Holden Hills, Section N and The Saint June), The Saint George and The Annie B.

Provision for Income Taxes. We recorded a provision for income taxes of \$1.5 million in 2023 and \$0.4 million in 2022. We had deferred tax assets (net of deferred tax liabilities and valuation allowances) totaling \$173 thousand at

December 31, 2023, and \$38 thousand at December 31, 2022. Refer to Note 7 for further discussion of income taxes.

Total Comprehensive Loss Attributable to Noncontrolling Interests in Subsidiaries. Our partners' share of loss totaled \$1.7 million and \$0.7 million in 2023 and 2022, respectively.

Discontinued Operations

On May 31, 2022, Stratus completed the sale of Block 21 to Ryman Hospitality Properties, Inc. (Ryman) for \$260.0 million, subject to certain purchase price adjustments, and including Ryman's assumption of \$136.2 million of existing mortgage debt, with the remainder paid in cash. Stratus' net proceeds of cash and restricted cash totaled \$112.3 million (including \$6.9 million escrowed at closing and disbursed in full to Stratus in June 2023). Stratus recorded a pre-tax gain on the sale of \$119.7 million in second-quarter 2022 included in net income (loss) from discontinued operations. Block 21 was Stratus' wholly owned mixed-use real estate property in downtown Austin, Texas. Block 21 contains the 251-room W Austin Hotel and is home to Austin City Limits Live at the Moody Theater, a 2,750-seat entertainment venue that serves as the location for the filming of Austin City Limits, the longest running music series in American television history. Block 21 also includes Class A office space, retail space and the 3TEN ACL Live entertainment venue and business.

In accordance with accounting guidance, Stratus reported the results of operations of Block 21 as discontinued operations in the consolidated statements of comprehensive income because the disposal represented a strategic shift that had a major effect on operations. Block 21 did not have any other comprehensive income and Stratus' consolidated statements of cash flows are reported on a combined basis without separately presenting discontinued operations.

Net income from discontinued operations totaled \$96.8 million in 2022. The net income for 2022 primarily reflects a \$119.7 million pre-tax gain on the sale of Block 21.

CAPITAL RESOURCES AND LIQUIDITY

Volatility in the real estate market, including the markets in which we operate, can impact the timing of and proceeds received from sales of our properties, which may cause uneven cash flows from period to period. However, we believe that the unique nature and location of our assets will provide us positive cash flows over time.

Comparison of Year-to-Year Cash Flows

Operating Activities. Cash used in operating activities totaled \$51.3 million in 2023 and \$55.3 million in 2022. Expenditures for purchases and development of real estate properties totaled \$44.5 million in 2023, primarily related to development of our Barton Creek properties, particularly Holden Hills and Amarra Villas, and \$24.5 million in 2022, primarily related to development of our Barton Creek properties, particularly Amarra Villas and, to a lesser extent, Holden Hills. The cash outflow resulting from the decrease in accounts payable, accrued liabilities and other for 2022 is primarily related to the payment of awards under our PPIP and the timing of tax payments, including property taxes.

Investing Activities. Cash (used in) provided by investing activities totaled \$(47.0) million in 2023 and \$50.0 million in 2022. During 2022, we received net proceeds from the sale of Block 21 of \$105.8 million (excluding the release of reserves previously presented as restricted cash but including \$6.9 million escrowed at closing). As no claims were made against the escrowed amounts, the \$6.9 million was disbursed in full to us in June 2023.

Capital expenditures totaled \$46.0 million for 2023, primarily related to The Saint George and The Saint June, and \$54.8 million for 2022, primarily for The Saint June, The Saint George and Magnolia Place projects.

Financing Activities. Cash provided by (used in) financing activities totaled \$84.9 million in 2023 and \$(19.2) million in 2022. During 2023 and 2022, we had no net borrowings on the Comerica Bank revolving credit facility. Net borrowings on other project and term loans totaled \$51.4 million in 2023, primarily reflecting borrowings on The Saint George and The Saint June construction loans and Amarra Villas construction credit facility, partially offset by the payoff of the New Caney land loan, compared with net borrowings of \$14.3 million in 2022, primarily reflecting borrowings on the Magnolia Place and The Saint June construction loans and Amarra Villas revolving credit facility. In first-quarter 2024, we made a \$3.8 million principal payment on the Amarra Villas revolving credit facility upon closing of a sale of one of the Amarra Villas homes, repaid the \$8.8 million Magnolia Place construction loan in connection with the sale of undeveloped land and made a \$1.4 million principal payment of the Annie B land loan in

connection with the loan modification. Refer to the table “Debt Maturities and Other Contractual Obligations” below for a presentation of our outstanding debt and principal maturities for the years ending December 31, 2024 through 2027 and thereafter.

During 2023, we received contributions from a noncontrolling interest owner of \$40.0 million, related to the Holden Hills partnership formation. During 2022, we received contributions from a noncontrolling interest owner of \$15.0 million, related to The Saint George partnership. During 2023, we paid distributions of \$13 thousand to noncontrolling interest owners related to the dissolution of The Saint Mary. No distributions to noncontrolling interest owners were paid during 2022.

On September 1, 2022, after receiving written consent from Comerica Bank, our Board declared a special cash dividend of \$4.67 per share (totaling \$40.0 million) on our common stock, which was paid on September 29, 2022 to stockholders of record as of September 19, 2022. Our Board also approved a share repurchase program, which authorized repurchases of up to \$10.0 million of our common stock. In October 2023, we completed the share repurchase program. In total, under the completed share repurchase program, we acquired 389,378 shares of our common stock for a total cost of \$10.0 million at an average price of \$25.68 per share.

In November 2023, with written consent from Comerica Bank, our Board approved a new share repurchase program, which authorizes repurchases of up to \$5.0 million of our common stock. The repurchase program authorizes us, in management’s and the Capital Committee of the Board’s discretion, to repurchase shares from time to time, subject to market conditions and other factors. The timing, price and number of shares that may be repurchased under the program will be based on market conditions, applicable securities laws and other factors considered by management and the Capital Committee of the Board. Share repurchases under the program may be made from time to time through solicited or unsolicited transactions in the open market, in privately negotiated transactions or by other means in accordance with securities laws. The share repurchase program does not obligate us to repurchase any specific amount of shares, does not have an expiration date, and may be suspended, modified or discontinued at any time without prior notice. As of December 31, 2023, we had not repurchased any shares under the new program.

Revolving Credit Facility and Other Financing Arrangements

As of December 31, 2023, we had \$31.4 million in cash and cash equivalents and restricted cash of \$1.0 million, and no amount was borrowed under our revolving credit facility. Of the \$31.4 million in consolidated cash and cash equivalents at December 31, 2023, \$5.5 million held at certain consolidated subsidiaries is subject to restrictions on distribution to the parent company pursuant to project loan agreements.

At December 31, 2023, we had total debt of \$177.4 million based on the principal amounts outstanding, compared with \$123.9 million at December 31, 2022. As of December 31, 2023, the maximum amount that could be borrowed under the Comerica Bank revolving credit facility was \$53.8 million, resulting in availability of \$40.5 million, net of letters of credit totaling \$13.3 million issued under the revolving credit facility, \$11.0 million of which secure our obligation to build certain roads and utilities facilities benefiting Holden Hills and Section N. In first-quarter 2024, based on updated property appraisals received, the maximum amount that could be borrowed under the revolving credit facility was reduced to \$52.9 million, resulting in availability of \$39.6 million, net of letters of credit committed under the facility as of March 25, 2024. In March 2023, we entered into a modification of the revolving credit facility, which extended the maturity date to March 27, 2025 and increased the floor of the facility’s benchmark rate. As amended, advances under the revolving credit facility bear interest at one-month Bloomberg Short-Term Bank Yield Index (BSBY) Rate (with a floor of 0.50 percent) plus 4.00 percent. In May 2023, we entered into another modification of the revolving credit facility to increase the maximum amount of letters of credit that may be issued under the revolving credit facility from \$11.5 million to \$13.3 million. In July 2023, we entered into a \$2.3 million letter of credit to secure our obligations to construct and pay for certain utility infrastructure in Lakeway, Texas, estimated to cost approximately \$2.3 million. Refer to Note 6 for additional discussion. Refer to “Debt Maturities and Other Contractual Obligations” below for a table illustrating the timing of principal payments due on our outstanding debt as of December 31, 2023.

In April 2023, we made an operating loan of \$1.5 million to Stratus Block 150, L.P. to facilitate the partnership’s ability to pay ongoing costs of The Annie B project during the pre-construction period. In August 2023 and February 2024, we made additional operating loans of \$800 thousand and \$2.4 million, respectively, to Stratus Block 150, L.P. The loans bear interest at one-month BSBY Rate plus 5.00 percent, are subordinate to The Annie B land loan and must be repaid before distributions may be made to the partners. In February 2024, the interest rates on the operating loans were changed to one-month Term Secured Overnight Financing Rate (SOFR) plus 5.00 percent.

In June 2023, we made an operating loan of \$750 thousand to The Saint June, L.P. to support the partnership's ability to pay its construction loan interest, which has risen above the amount originally budgeted due to rising interest rates. In October 2023 and January 2024, we made additional operating loans of \$250 thousand and \$339 thousand, respectively, to The Saint June, L.P., and the Class B Limited Partner made operating loans of \$250 thousand and \$339 thousand, respectively, to The Saint June, L.P. The loans bear interest at one-month Term SOFR plus 5.00 percent, are subordinate to The Saint June construction loan and must be repaid before distributions may be made to the partners.

In response to the phase-out of London Interbank Offered Rate (LIBOR) as a benchmark interest rate, interest terms were modified or transitioned to the replacement rate for the Jones Crossing loan, The Saint June construction loan, The Annie B land loan, the Kingwood Place loan and the Magnolia Place construction loan to replace the LIBOR benchmark rate with either one-month Term SOFR or one-month SBBY Rate. Refer to Note 6 for further discussion.

In December 2023, the Kingwood Place construction loan was modified to extend the maturity to December 6, 2024, and change the interest rate to Term SOFR Rate plus 2.75 percent. Under the Kingwood Place loan, Term SOFR Rate is defined as one-month Term SOFR plus 0.11 percent and is subject to a floor of 0.50 percent. Also in December 2023, the Lantana Place construction loan was amended to extend the date through which we could request advances under the loan to December 31, 2024. In February 2024, The Annie B land loan was modified to extend the maturity to September 1, 2025, and change the interest rate to Term SOFR Rate plus 3.00 percent. Under The Annie B land loan, Term SOFR Rate is defined as one-month Term SOFR plus 0.10 percent and is subject to a floor of 0.50 percent. In connection with the modification, we made a \$1.4 million principal payment on the loan and are required to make another principal payment of \$630 thousand in February 2025. Refer to Note 6 for further discussion.

Our debt agreements require compliance with specified financial covenants. The Jones Crossing loan includes a requirement that we maintain liquid assets, as defined in the agreement, of not less than \$2 million. The Saint June construction loan includes a requirement that we maintain liquid assets, as defined in the agreements, of not less than \$10 million. The Comerica Bank revolving credit facility, the Lantana Place construction loan, the Amarra Villas credit facility, the Kingwood Place construction loan, the West Killeen Market construction loan, The Saint June construction loan, The Annie B land loan, The Saint George construction loan and the Holden Hills construction loan include a requirement that we maintain a net asset value, as defined in each agreement, of \$125 million. The Comerica Bank revolving credit facility, the Amarra Villas credit facility, the Kingwood Place construction loan, The Annie B land loan, The Saint George construction loan and the Holden Hills construction loan also include a requirement that we maintain a debt-to-gross asset value, as defined in the agreements, of not more than 50 percent. The West Killeen Market construction loan, the Kingwood Place construction loan, the Jones Crossing loan and the Lantana Place construction loan each include a financial covenant requiring the applicable Stratus subsidiary to maintain a debt service coverage ratio as defined in each agreement. As of December 31, 2023, we were in compliance with all of our financial covenants. However, our Jones Crossing project did not pass the debt service coverage ratio (DSCR) test under the Jones Crossing loan in each of fourth-quarter 2022 and first-quarter 2023. The DSCR test under the Jones Crossing loan is not a financial covenant and not meeting the DSCR test is not an event of default; however, to avoid a "Cash Sweep Period," as defined in the loan agreement, we made principal payments of \$231 thousand and \$1.7 million in February 2023 and May 2023, respectively, to restore the DSCR to the required threshold. As permitted under the Jones Crossing loan agreement, in August 2023 the Jones Crossing subsidiary separated the ground lease for the multi-family parcel (the Multi-Family Phase) from the primary ground lease, and the Multi-Family Phase was released from the loan collateral. In October 2023, the Jones Crossing loan was modified effective August 1, 2023 to remove the Multi-Family Phase from certain defined terms and to revise the DSCR calculation to exclude the Multi-Family Phase from expenses on a retroactive basis beginning in second-quarter 2023. Accordingly, the DSCR met the threshold in second-quarter and third-quarter 2023. In fourth-quarter 2023, the DSCR was slightly below the threshold, and we made a \$13 thousand principal payment to restore the DSCR to the required threshold. Based on our current estimates of the Jones Crossing project's operating income and interest rates, we project that we will meet the DSCR test over the next 12 months.

Stratus' and its subsidiaries' debt arrangements, including Stratus' guaranty agreements contain significant limitations that may restrict Stratus' and its subsidiaries' ability to, among other things: borrow additional money or issue guarantees; pay dividends, repurchase equity or make other distributions to equityholders; make loans, advances or other investments; create liens on assets; sell assets; enter into sale-leaseback transactions; enter into transactions with affiliates; permit a change of control or change in management; sell all or substantially all of its

assets; and engage in mergers, consolidations or other business combinations. Our Comerica Bank revolving credit facility, Amarra Villas credit facility, The Annie B land loan, The Saint George construction loan, Kingwood Place construction loan and the Holden Hills construction loan require Comerica Bank's prior written consent for any common stock repurchases in excess of \$1.0 million or any dividend payments, which was obtained in connection with the special cash dividend and share repurchase programs. Any future declaration of dividends or decision to repurchase our common stock is at the discretion of our Board, subject to restrictions under our Comerica Bank debt agreements, and will depend on our financial results, cash requirements, projected compliance with covenants in our debt agreements, outlook and other factors deemed relevant by our Board. Our future debt agreements, future refinancings of or amendments to existing debt agreements or other future agreements may restrict our ability to declare dividends or repurchase shares.

Our project loans are generally secured by all or substantially all of the assets of the project, and our Comerica Bank revolving credit facility is secured by substantially all of our assets other than those encumbered by separate project level financing. In addition, we, as the parent company, are typically required to guarantee all or a significant portion of the payment of our project loans, in some cases until certain development milestones and/or financial conditions are met, in some cases on a full recourse basis and in other cases on a more limited recourse basis. As of December 31, 2023, we, as the parent company, guaranteed the payment of all of the project loans, except for the Jones Crossing loan and the Lantana Place construction loan. We were released from the guarantee of the Lantana Place construction loan in August 2022, and our guarantee of the Jones Crossing loan is generally limited to non-recourse carve-out obligations. Refer to Note 6 for additional discussion.

Our construction loans typically permit advances only in accordance with budgeted allocations and subject to specified conditions and require lender consent for changes to plans and specifications exceeding specified amounts. If the lender deems undisbursed proceeds insufficient to meet costs of completing the project, the lender may decline to make additional advances until the borrower deposits with the lender sufficient additional funds to cover the deficiency the lender deems to exist. The inability to satisfy a condition to receive advances for a specified time period after lender's refusal, or the failure to complete a project by a specified completion date, may be an event of default, subject to exceptions for force majeure.

DEBT MATURITIES AND OTHER CONTRACTUAL OBLIGATIONS

The following table summarizes our total debt maturities based on the principal amounts outstanding as of December 31, 2023 (in thousands):

	2024	2025	2026	2027	2028	Thereafter	Total
Comerica Bank revolving credit facility	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Jones Crossing loan	—	—	22,594	—	—	—	22,594
The Annie B land loan ^a	14,000	—	—	—	—	—	14,000
Construction loans:							
Kingwood Place ^b	28,282	—	—	—	—	—	28,282
The Saint June ^c	27,814	—	—	—	—	—	27,814
The Saint George	—	—	25,570	—	—	—	25,570
Lantana Place	319	350	379	21,992	—	—	23,040
Amarra Villas credit facility ^d	15,682	—	—	—	—	—	15,682
Magnolia Place ^e	8,810	—	—	—	—	—	8,810
West Killeen Market	58	5,198	—	—	—	—	5,256
Holden Hills	—	—	6,341	—	—	—	6,341
Total	\$ 94,965	\$ 5,548	\$ 54,884	\$ 21,992	\$ —	\$ —	\$ 177,389

a. In February 2024, we extended the maturity date of this loan to September 1, 2025. In connection with the extension, we also made a principal payment of \$1.4 million on this loan and are required to make an additional principal payment of \$630 thousand in February 2025.

b. The maturity date is December 6, 2024.

- c. Includes an operating loan from our third-party partner of \$250 thousand. The maturity date of The Saint June construction loan is October 2, 2024. We have options to extend the maturity for two additional 12-month terms if certain conditions are met.
- d. In February 2024, we made a \$3.8 million principal payment on this credit facility upon the closing of a sale of one the Amarra Villas homes. The maturity date for this credit facility is June 19, 2024.
- e. The maturity date is August 12, 2024. In February 2024, this loan was repaid in full with proceeds from the sale of 47 acres of undeveloped land.

The following table summarizes the weighted-average interest rate of each loan, all of which have variable rates, for the periods presented:

	December 31,	
	2023	2022 ^a
Comerica Bank revolving credit facility ^b	— %	4.97 %
Jones Crossing loan	7.27	3.85
The Annie B land loan	7.96	4.67
New Caney land loan ^c	—	4.06
Construction loans:		
Kingwood Place	7.74	4.06
The Saint June ^d	7.87	5.89
The Saint George ^e	7.68	—
Lantana Place	7.47	4.18
Amarra Villas revolving credit facility	8.11	5.10
Magnolia Place ^f	8.38	5.12
Holden Hills ^g	8.38	—
West Killeen Market	7.75	4.45

- a. At March 31, 2022, we had an outstanding balance of \$38 thousand for the loan under the Paycheck Protection Program (PPP loan). The PPP loan bore interest at 1.00 percent. The PPP loan matured and the remaining balance was repaid on April 15, 2022.
- b. We did not have an outstanding balance during 2023. At December 31, 2023, the interest rate for the revolving credit facility was 9.42 percent.
- c. In March 2023, we repaid this loan.
- d. We did not have an outstanding balance during first-quarter 2022.
- e. We did not have an outstanding balance during 2022 or during first-quarter 2023.
- f. In February 2024, this loan was repaid with proceeds from the sale of 47 acres of undeveloped land.
- g. We did not have an outstanding balance during 2022 or during first-quarter and second-quarter 2023.

We estimate our interest payments during 2024 will total approximately \$13.6 million, assuming interest rates in effect on our debt at December 31, 2023, no new debt agreements, and completed or scheduled principal payments as of March 25, 2024 on debt outstanding at December 31, 2023.

We had firm commitments totaling approximately \$41 million at December 31, 2023 primarily related to construction of The Saint George, Holden Hills and Amarra Villas and as of March 25, 2024, we have not started construction on any new projects. We have construction loans, as well as remaining equity capital contributed to the Holden Hills partnership, to fund these projected cash outlays for the projects over the next 12 months following this filing except for anticipated operating loans to The Saint George Apartments, L.P., Stratus Block 150, L.P. and The Saint June, L.P. described below and 60 percent of the costs of the Tecoma Improvements for which we have agreed to reimburse the Holden Hills partnership. As of December 31, 2023, the Holden Hills partnership had \$8.0 million remaining to complete the Tecoma Improvements. Refer to "Recent Development Activities – Current Residential Activities – Barton Creek – Holden Hills" above for further discussion of the Tecoma Improvements. Also, we anticipate making future operating loans to The Saint George Apartments, L.P., Stratus Block 150, L.P. and The Saint June, L.P. totaling up to \$3.8 million over the next 12 months following this filing to enable the partnerships to pay debt service and project costs. Our estimates of future operating loans are based on estimates of future costs of

the partnerships and anticipated future operating loans from the Class B limited partners of approximately \$2.5 million. The operating loans would bear interest at one-month Term SOFR plus 5.00 percent and would be repaid before distributions may be made to the partners. Refer to Note 9 for further discussion of future cash requirements.

We project that we will be able to meet our debt service and other cash obligations for at least the next 12 months following this filing. Our stabilized commercial properties (West Killeen Market, Jones Crossing, Lantana Place, Kingwood Place and Magnolia Place) are projected to generate sufficient cash flow to cover debt service on the project loans over the next 12 months following this filing. For other projected pre-development costs, much of which are discretionary, and for our costs of the Tecoma Improvements, for our projected operating loans to partnerships and general and administrative expenses, we had cash and cash equivalents of \$31.4 million at December 31, 2023 and availability under our revolving credit facility (which matures on March 27, 2025) of approximately \$40.5 million as of December 31, 2023 which is expected to be sufficient to fund these cash requirements for the next 12 months. In first-quarter 2024, based on updated property appraisals received, the maximum amount that could be borrowed under the revolving credit facility was reduced to \$52.9 million, resulting in availability of \$39.6 million, net of letters of credit committed under the facility as of March 25, 2024.

We expect to successfully extend the maturities or refinance our debt that matures in the next 12 months. For future potential significant development projects, we would not plan to enter into commitments to incur material costs for the projects until we obtain what we project to be adequate financing to cover anticipated cash outlays. As discussed under "Business Strategy" above, our main source of revenue and cash flow is expected to come from sales of our properties to third parties or distributions from joint ventures, the timing of and proceeds from which are difficult to predict and depend on market conditions and other factors. We also generate cash flow from rental revenue in our leasing operations and from development and asset management fees received from our properties. Due to the nature of our development-focused business, we do not expect to generate sufficient recurring cash flow to cover our general and administrative expenses each period. However, we believe that the unique nature and location of our assets, and our team's ability to execute successfully on development projects, will provide us with positive cash flows and net income over time. No assurances can be given that the results anticipated by our projections will occur. Refer to Note 6 and "Risk Factors" included in Part I, Item 1A. for further discussion.

Our ability to meet our cash obligations over the longer term will depend on our future operating and financial performance and cash flows, including our ability to sell or lease properties profitably and extend or refinance debt as it becomes due, which is subject to economic, financial, competitive and other factors beyond our control.

RECENT ACCOUNTING STANDARDS

For a discussion of recently issued accounting standards, see Note 1 in the Notes to Consolidated Financial Statements.

OFF-BALANCE SHEET ARRANGEMENTS

Refer to Note 9 for discussion of our off-balance sheet arrangements.

CAUTIONARY STATEMENT

Management's Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements in which we discuss factors we believe may affect our future performance. Forward-looking statements are all statements other than statements of historical fact, such as plans, projections or expectations related to inflation, interest rates, supply chain constraints, availability of bank credit, our ability to meet our future debt service and other cash obligations, future cash flows and liquidity, the Austin and Texas real estate markets, the planning, financing, development, construction, completion and stabilization of our development projects, plans to sell, recapitalize, or refinance properties, future operational and financial performance, MUD reimbursements for infrastructure costs, regulatory matters, including the expected impact of the ETJ Law and related ongoing litigation, leasing activities, tax rates, future capital expenditures and financing plans, possible joint ventures, partnerships, or other strategic relationships, other plans and objectives of management for future operations and development projects, and potential future cash returns to stockholders, including the timing and amount of repurchases under our share repurchase program. The words "anticipate," "may," "can," "plan," "believe," "potential," "estimate," "expect," "project," "target," "intend," "likely," "will," "should," "to be" and any similar expressions or statements are intended to identify those assertions as forward-looking statements.

Under our Comerica Bank debt agreements, we are not permitted to repurchase our common stock in excess of \$1.0 million or pay dividends on our common stock without Comerica Bank's prior written consent, which was obtained in connection with the share repurchase program. Any future declaration of dividends or decision to repurchase our common stock is at the discretion of our Board, subject to restrictions under our Comerica Bank debt agreements, and will depend on our financial results, cash requirements, projected compliance with covenants in our debt agreements, outlook and other factors deemed relevant by our Board. Our future debt agreements, future refinancings or amendments to existing debt agreements or other future agreements may restrict our ability to declare dividends or repurchase shares.

We caution readers that forward-looking statements are not guarantees of future performance, and our actual results may differ materially from those anticipated, expected, projected or assumed in the forward-looking statements. Important factors that can cause our actual results to differ materially from those anticipated in the forward-looking statements include, but are not limited to, our ability to implement our business strategy successfully, including our ability to develop, construct and sell or lease properties on terms our Board considers acceptable, increases in operating and construction costs, including real estate taxes, maintenance and insurance costs, and the cost of building materials and labor, increases in inflation and interest rates, supply chain constraints, availability of bank credit, defaults by contractors and subcontractors, declines in the market value of our assets, market conditions or corporate developments that could preclude, impair or delay any opportunities with respect to plans to sell, recapitalize or refinance properties, a decrease in the demand for real estate in select markets in Texas where we operate, particularly in Austin, changes in economic, market, tax, business and geopolitical conditions, potential U.S. or local economic downturn or recession, the availability and terms of financing for development projects and other corporate purposes, our ability to collect anticipated rental payments and close projected asset sales, loss of key personnel, our ability to enter into and maintain joint ventures, partnerships, or other strategic relationships, including risks associated with such joint ventures, any major public health crisis, our ability to pay or refinance our debt, extend maturity dates of our loans or comply with or obtain waivers of financial and other covenants in debt agreements and to meet other cash obligations, eligibility for and potential receipt and timing of receipt of MUD reimbursements, industry risks, changes in buyer preferences, potential additional impairment charges, competition from other real estate developers, our ability to obtain various entitlements and permits, changes in laws, regulations or the regulatory environment affecting the development of real estate, opposition from special interest groups or local governments with respect to development projects, weather- and climate-related risks, environmental risks, litigation risks, including the timing and resolution of the ongoing litigation challenging the ETJ Law and our ability to implement any revised development plans in light of the ETJ Law, the failure to attract buyers or tenants for our developments or such buyers' or tenants' failure to satisfy their purchase commitments or leasing obligations, cybersecurity incidents and other factors described in more detail under the heading "Risk Factors" in Part I, Item 1A. of this Form 10-K.

Investors are cautioned that many of the assumptions upon which our forward-looking statements are based are likely to change after the date the forward-looking statements are made. Further, we may make changes to our business plans that could affect our results. We caution investors that we undertake no obligation to update our forward-looking statements, which speak only as of the date made, notwithstanding any changes in our assumptions, business plans, actual experience, or other changes.

Item 8. Financial Statements and Supplementary Data**Index to Consolidated Financial Statements**

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Management's Annual Report on Internal Control Over Financial Reporting	47
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MANAGEMENT'S ANNUAL REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Stratus Properties Inc.'s (the Company's) management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. Internal control over financial reporting is defined in Rule 13a-15(f) or 15d-15(f) under the Securities Exchange Act of 1934 as a process designed by, or under the supervision of, the Company's principal executive and principal financial officers and effected by the Company's Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:

- Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the Company's assets;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the Company's financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Company's management, including its principal executive officer and principal financial officer, assessed the effectiveness of its internal control over financial reporting as of the end of the fiscal year covered by this annual report on Form 10-K. In making this assessment, the Company's management used the criteria set forth in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). Based on its assessment, management concluded that, as of December 31, 2023, the Company's internal control over financial reporting is effective based on the COSO criteria.

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

/s/ Erin D. Pickens
Erin D. Pickens
Senior Vice President
and Chief Financial Officer

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders
Stratus Properties Inc.
Austin, Texas

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Stratus Properties Inc. and subsidiaries (the “Company”) as of December 31, 2023 and 2022, and the related consolidated statements of comprehensive income (loss), stockholders’ equity, and cash flows the years then ended, and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) related to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of a critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing separate opinions on the critical audit matter or on the accounts or disclosures to which it relates.

Impairment assessment on long-lived assets - Refer to Notes 1 and 3 to the consolidated financial statements

The Company’s long-lived assets at December 31, 2023 consist primarily of held for sale real estate assets of \$7,382,000, real estate under development of \$260,642,000, real estate held for investment, net of \$144,112,000 and land available for development of \$47,451,000. The real estate assets are individually reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. For real estate held for sale, if estimated fair value less costs to sell is less than the related carrying amount, a reduction of the asset’s carrying value to fair value less costs to sell is required. For real estate under development, land available for development and real estate held for investment, an impairment exists when the carrying amount of an

asset exceeds the aggregate projected future cash flows over the anticipated holding period on an undiscounted basis. An impairment loss is measured based on the excess of the property's carrying amount over its fair value. The Company's undiscounted cash flows are subjective and are based, in part, on estimates and assumptions such as real estate prices, pace of sales, sales and marketing costs, infrastructure development costs and capitalization rates. In the event a property's carrying amount is not recoverable, the Company determines fair value based on appraised values, adjusted for estimated costs to sell. Evaluation of appraisals is subjective and is based, in part, on estimates and assumptions such as real estate prices, market rental rates, capitalization rates, and discount rates that could differ materially from actual results.

Significant judgment is exercised by management in evaluating the recoverability and fair value of the long-lived assets noted above. Given these factors, the related audit effort in evaluating these management judgments was challenging, subjective, and complex and required a high degree of auditor judgment.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the undiscounted cash flow analyses prepared by management for purposes of their long-lived assets impairment at December 31, 2023 included, among other things, the following:

- We obtained an understanding and evaluated the design of internal controls over management's evaluation of the recoverability of the carrying amount of long-lived assets based on undiscounted cash flows and the measurement of impairment based on fair value estimates derived from appraisals less estimated costs to sell.
- We evaluated the reasonableness of significant assumptions in the undiscounted cash flow analyses, including estimates of real estate prices, market rental rates, capitalization rates, and discount rates, for properties with impairment indicators. In addition, we tested the mathematical accuracy of the undiscounted cash flow analyses.
- We evaluated the reasonableness of management's undiscounted cash flow analyses by comparing management's projections to earlier projections for the same property, current year results of similar properties, and external market sources.
- We evaluated whether the assumptions in any of the analyses above were consistent with evidence obtained in other areas of the audit.

We have served as the Company's auditor since 2022.

/s/ CohnReznick LLP

Dallas, Texas
March 28, 2024

STRATUS PROPERTIES INC.
CONSOLIDATED BALANCE SHEETS
(In Thousands, Except Par Value)

	December 31,	
	2023	2022
ASSETS		
Cash and cash equivalents	\$ 31,397	\$ 37,666
Restricted cash	1,035	8,043
Real estate held for sale	7,382	1,773
Real estate under development	260,642	239,278
Land available for development	47,451	39,855
Real estate held for investment, net	144,112	92,377
Lease right-of-use assets	11,174	10,631
Deferred tax assets	173	38
Other assets	14,400	15,479
Total assets	<u>\$ 517,766</u>	<u>\$ 445,140</u>
LIABILITIES AND EQUITY		
Liabilities:		
Accounts payable	\$ 15,629	\$ 15,244
Accrued liabilities, including taxes	6,660	7,049
Debt	175,168	122,765
Lease liabilities	15,866	14,848
Deferred gain	2,721	3,519
Other liabilities	7,117	9,642
Total liabilities	<u>223,161</u>	<u>173,067</u>
Commitments and contingencies		
Equity:		
Stockholders' equity:		
Common stock, par value of \$0.01 per share, 150,000 shares authorized, 9,586 and 9,439 shares issued, respectively and 8,003 and 7,991 shares outstanding, respectively	96	94
Capital in excess of par value of common stock	197,735	195,773
Retained earnings	26,645	41,452
Common stock held in treasury, 1,583 shares and 1,448 shares at cost, respectively	<u>(32,997)</u>	<u>(30,071)</u>
Total stockholders' equity	191,479	207,248
Noncontrolling interests in subsidiaries	103,126	64,825
Total equity	<u>294,605</u>	<u>272,073</u>
Total liabilities and equity	<u>\$ 517,766</u>	<u>\$ 445,140</u>

The accompanying Notes to Consolidated Financial Statements are an integral part of these consolidated financial statements.

STRATUS PROPERTIES INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME
(In Thousands, Except Per Share Amounts)

	Years Ended December 31,	
	2023	2022
Revenues:		
Real estate operations	\$ 2,551	\$ 24,744
Leasing operations	14,719	12,754
Total revenues	17,270	37,498
Cost of sales:		
Real estate operations	9,615	23,761
Leasing operations	5,177	4,439
Depreciation and amortization	4,257	3,586
Total cost of sales	19,049	31,786
General and administrative expenses	15,167	17,567
Impairment of real estate	—	720
Gain on sales of assets	—	(4,812)
Total	34,216	45,261
Operating loss	(16,946)	(7,763)
Interest expense, net	—	(15)
Other income, net	1,912	1,103
Net loss before income taxes and equity in unconsolidated affiliate's income (loss)	(15,034)	(6,675)
Provision for income taxes	(1,524)	(389)
Equity in unconsolidated affiliate's income (loss)	65	(13)
Net loss from continuing operations	(16,493)	(7,077)
Net income from discontinued operations	—	96,820
Net (loss) income and total comprehensive (loss) income	(16,493)	89,743
Total comprehensive loss attributable to noncontrolling interests	1,686	683
Net (loss) income and total comprehensive (loss) income attributable to common stockholders	\$ (14,807)	\$ 90,426
Net (loss) income per share attributable to common stockholders, basic and diluted:		
Continuing operations	\$ (1.85)	\$ (0.78)
Discontinued operations	—	11.77
	\$ (1.85)	\$ 10.99
Weighted-average shares of common stock outstanding, basic and diluted	7,996	8,228
Dividends declared per share of common stock	\$ —	\$ 4.67

The accompanying Notes to Consolidated Financial Statements are an integral part of these consolidated financial statements.

STRATUS PROPERTIES INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands)

	Years Ended December 31,	
	2023	2022
Cash flow from operating activities:		
Net (loss) income	\$ (16,493)	\$ 89,743
Adjustments to reconcile net (loss) income to net cash used in operating activities:		
Depreciation and amortization	4,257	3,586
Cost of real estate sold	1,997	15,596
Impairment of real estate	—	720
Gain on sale of discontinued operations	—	(119,695)
Gain on sales of assets	—	(4,812)
Stock-based compensation	1,941	1,723
Debt issuance cost amortization	851	1,101
Equity in unconsolidated affiliates' (income) loss	(65)	13
Deferred income taxes	(135)	5,971
Purchases and development of real estate properties	(44,451)	(24,454)
Decrease in other assets	1,661	3,805
Decrease in accounts payable, accrued liabilities and other	(817)	(28,557)
Net cash used in operating activities	<u>(51,254)</u>	<u>(55,260)</u>
Cash flow from investing activities:		
Capital expenditures	(45,962)	(54,813)
Proceeds from sale of discontinued operations	—	105,813
Payments on master lease obligations	(977)	(989)
Other, net	(15)	(8)
Net cash (used in) provided by investing activities	<u>(46,954)</u>	<u>50,003</u>
Cash flow from financing activities:		
Borrowings from revolving credit facility	—	30,000
Payments on revolving credit facility	—	(30,000)
Borrowings from project loans	60,692	33,163
Payments on project and term loans	(9,247)	(18,831)
Payment of dividends	(678)	(38,693)
Finance lease principal payments	(15)	(4)
Stock-based awards net payments	(789)	(452)
Purchases of treasury stock	(2,137)	(7,866)
Noncontrolling interests' distributions	(13)	—
Noncontrolling interests' contributions	40,000	15,032
Financing costs	(2,882)	(1,522)
Net cash provided by (used in) financing activities	<u>84,931</u>	<u>(19,173)</u>
Net decrease in cash, cash equivalents and restricted cash	<u>(13,277)</u>	<u>(24,430)</u>
Cash, cash equivalents and restricted cash at beginning of year	45,709	70,139
Cash, cash equivalents and restricted cash at end of year	<u>\$ 32,432</u>	<u>\$ 45,709</u>

The accompanying Notes to Consolidated Financial Statements, which include information regarding noncash transactions, are an integral part of these consolidated financial statements.

STRATUS PROPERTIES INC.
CONSOLIDATED STATEMENTS OF EQUITY

(In Thousands)

Stockholders' Equity

	Common Stock				Common Stock Held in Treasury			Noncontrolling Interests in Subsidiaries	Total Equity
	Number of Shares	At Par Value	Capital in Excess of Par Value	Retained Earnings (Accumulated Deficit)	Number of Shares	At Cost	Total		
Balance at December 31, 2021	9,388	\$ 94	\$ 188,759	\$ (8,963)	1,143	\$ (21,753)	\$ 158,137	\$ 50,476	\$ 208,613
Common stock repurchases	—	—	—	—	294	(7,866)	(7,866)	—	(7,866)
Cash dividend	—	—	—	(40,011)	—	—	(40,011)	—	(40,011)
Vested stock-based awards	51	—	—	—	—	—	—	—	—
Director fees paid in shares of common stock	—	—	6	—	—	—	6	—	6
Stock-based compensation	—	—	1,716	—	—	—	1,716	—	1,716
Grant of restricted stock units (RSUs) under the Profit Participation Incentive Plan (PPIP)	—	—	5,292	—	—	—	5,292	—	5,292
Tender of shares for stock-based awards	—	—	—	—	11	(452)	(452)	—	(452)
Noncontrolling interests' contributions	—	—	—	—	—	—	—	15,032	15,032
Total comprehensive income (loss)	—	—	—	90,426	—	—	90,426	(683)	89,743
Balance at December 31, 2022	9,439	94	195,773	41,452	1,448	(30,071)	207,248	64,825	272,073
Common stock repurchases	—	—	—	—	96	(2,137)	(2,137)	—	(2,137)
Vested stock-based awards	147	2	—	—	—	—	2	—	2
Director fees paid in shares of common stock	—	—	24	—	—	—	24	—	24
Stock-based compensation	—	—	1,938	—	—	—	1,938	—	1,938
Tender of shares for stock-based awards	—	—	—	—	39	(789)	(789)	—	(789)
Noncontrolling interests' distributions	—	—	—	—	—	—	—	(13)	(13)
Noncontrolling interests' contributions	—	—	—	—	—	—	—	40,000	40,000
Total comprehensive loss	—	—	—	(14,807)	—	—	(14,807)	(1,686)	(16,493)
Balance at December 31, 2023	9,586	\$ 96	\$ 197,735	\$ 26,645	1,583	\$ (32,997)	\$ 191,479	\$ 103,126	\$ 294,605

The accompanying Notes to Consolidated Financial Statements are an integral part of these consolidated financial statements.

STRATUS PROPERTIES INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business and Principles of Consolidation. Stratus Properties Inc. (Stratus), a Delaware corporation, is engaged primarily in the entitlement, development, management, leasing and sale of multi-family and single-family residential and commercial real estate properties in the Austin, Texas area and other select markets in Texas. The real estate and leasing operations of Stratus are conducted primarily through its subsidiaries. Stratus consolidates its wholly owned subsidiaries, subsidiaries in which Stratus has a controlling interest and variable interest entities (VIEs) in which Stratus is determined to be the primary beneficiary. All significant intercompany transactions have been eliminated in consolidation. Refer to Note 4 for a discussion of Stratus' discontinued operations.

Concentration of Risks. Stratus conducts its operations in the Austin, Texas area and other select markets in Texas. Consequently, any significant economic downturn in the Texas market, and the Austin market specifically, could potentially have an adverse effect on Stratus' business, results of operations and financial condition. Stratus has taken steps to obtain Federal Deposit Insurance Corporation (FDIC) protection for much of its cash deposits; however it typically has some cash balances on deposit with banks in excess of FDIC-insured limits. Any loss of uninsured deposits could have an adverse effect on Stratus' future financial condition, liquidity and operations. To help address this risk, as of December 31, 2023, \$23.2 million was invested in an FDIC insured cash sweep platform.

Use of Estimates. The preparation of Stratus' financial statements in conformity with accounting principles generally accepted in the United States (U.S.) requires management to make estimates and assumptions that affect the amounts reported in these financial statements and accompanying notes. The more significant areas requiring the use of management estimates include the estimates of future cash flow from development and sale of real estate properties used in the assessment of impairments; profit recognition related to the sales of real estate; deferred income taxes and related valuation allowances; income taxes; allocation of certain indirect costs; profit pools under the Profit Participation Incentive Plan (PPIP) and the Long-Term Incentive Plan (LTIP); and asset lives for depreciation. Actual results could differ from those estimates.

Cash and cash equivalents. All highly liquid investments with a maturity of three months or less when purchased are considered cash equivalents.

Restricted cash. Stratus' restricted cash of \$1.0 million is comprised of bank deposits.

Real Estate. Real estate held for investment is stated at cost, less accumulated depreciation. Real estate held for sale is stated at the lower of cost or fair value less costs to sell. The cost of real estate held for sale includes acquisition, development, construction and carrying costs, and other related costs incurred through the development stage.

Real estate under development and land available for development are stated at cost. Stratus capitalizes interest on funds used in developing properties from the date of initiation of development activities through the date the property is substantially complete and ready for use or sale. Common costs are allocated based on the relative fair value of individual land parcels. Certain carrying costs including property taxes are capitalized for properties currently under development. Stratus capitalizes improvements that increase the value of properties and have useful lives greater than one year. Costs related to repairs and maintenance are charged to expense as incurred.

Stratus performs an impairment test when events or circumstances indicate that an asset's carrying amount may not be recoverable. Events or circumstances that Stratus considers indicators of impairment include significant decreases in market values, adverse changes in regulatory requirements (including environmental laws), significant budget overruns for properties under development, and current period or projected operating cash flow losses from properties held for investment. Impairment tests for properties held for investment and properties under development involve the use of estimated future net undiscounted cash flows expected to be generated from the operation of the property and its eventual disposition. If projected undiscounted cash flow is less than the related carrying amount, then a reduction of the carrying amount of the long-lived asset to fair value is required. Generally, Stratus determines fair value using valuation techniques such as discounted expected future cash flows. Impairment tests for properties held for sale involve management estimates of fair value based on estimated market values for similar properties in similar locations and management estimates of costs to sell. If estimated fair value less costs to

sell is less than the related carrying amount, then a reduction of the carrying amount of the asset to fair value less costs to sell is required.

Should market conditions deteriorate in the future or other events occur that indicate the carrying amount of Stratus' real estate assets may not be recoverable, Stratus will reevaluate the expected cash flows from each property to determine whether any impairment exists.

Depreciation. Real estate held for investment is depreciated on a straight-line basis over the properties' estimated lives of 30 to 40 years. Furniture, fixtures and equipment are depreciated on a straight-line basis over a 3 to 15-year period. Tenant improvements are depreciated over the related lease terms.

Accrued Property Taxes. Stratus estimates its property taxes based on prior year property tax payments and other current events that may impact the amount. Upon receipt of the property tax bill, Stratus adjusts its accrued property tax balance at year-end to the actual amount of taxes due for such year. Accrued property taxes included in accrued liabilities totaled \$4.2 million at December 31, 2023 and \$3.8 million at December 31, 2022.

Revenue Recognition. Revenue or gains on sales of real estate are recognized when control of the asset has been transferred to the buyer if collection of substantially all of the consideration to which Stratus will be entitled is probable and Stratus has satisfied all other performance obligations under the contract. Consideration is allocated among multiple performance obligations or distinct nonfinancial assets to be transferred to the buyer based on relative fair value. Consideration is reasonably determined and deemed likely of collection when Stratus has signed sales agreements and has determined that the buyer has demonstrated a commitment to pay.

Stratus recognizes its rental income on a straight-line basis based on the terms of its signed leases with tenants. Recoveries from tenants for taxes, insurance and other commercial property operating expenses are recognized as revenues in the period the related costs are incurred. Stratus recognizes sales commissions and management and development fees when earned, as properties are sold or when the services are performed.

Cost of Sales. Cost of sales includes the cost of real estate sold as well as costs directly attributable to the properties sold, properties held for sale, and land available for development, such as marketing, maintenance and property taxes. Cost of sales also includes operating costs and depreciation for properties held for investment and municipal utility district reimbursements. A summary of Stratus' cost of sales follows (in thousands):

	Years Ended December 31,	
	2023	2022
Project expenses and allocation of overhead costs (see below)	\$ 6,718	\$ 6,611
Leasing operations	5,177	4,439
Depreciation and amortization	4,257	3,586
Cost of developed property sales	2,159	5,601
Cost of undeveloped property sales	—	11,524
Other, net	738	25
Total cost of sales	\$ 19,049	\$ 31,786

Allocation of Overhead Costs. Stratus allocates a portion of its overhead costs to both capitalized real estate costs and cost of sales based on the percentage of time certain employees worked in the related areas (i.e. costs of construction and development activities are capitalized to real estate under development, and costs of project management, sales and marketing activities are charged to expense as cost of sales). Stratus capitalizes only direct and certain indirect project costs associated with the acquisition, development and construction of a real estate project. Indirect costs include allocated costs associated with certain pooled resources (such as rent, office supplies, insurance, telephone and postage) which are used to support Stratus' development projects, as well as general and administrative functions. Allocations of pooled resources are based only on those employees directly responsible for development (i.e., project managers and subordinates). Stratus charges to expense indirect costs that do not clearly relate to a real estate project, such as all salaries and costs related to its Chief Executive Officer and Chief Financial Officer.

Advertising Costs. Advertising costs are charged to expense as incurred and are included as a component of cost of sales. Advertising costs totaled \$0.2 million in 2023 and \$0.5 million in 2022.

Income Taxes. Stratus accounts for deferred income taxes under an asset and liability method, whereby deferred tax assets and liabilities are recognized based on the tax effects of temporary differences between the financial statements and the tax basis of assets and liabilities, as measured by currently enacted tax rates. The effect on deferred income tax assets and liabilities of a change in tax rates or laws is recognized in income or loss in the period in which such changes are enacted. Stratus periodically evaluates the need for a valuation allowance to reduce deferred tax assets to estimated recoverable amounts. Stratus establishes a valuation allowance to reduce its deferred tax assets and records a corresponding charge to earnings if it is determined, based on available evidence at the time, that it is more likely than not that any portion of the deferred tax assets will not be realized. In evaluating the need for a valuation allowance, Stratus estimates future taxable income based on projections and ongoing tax strategies. This process involves significant management judgment about assumptions that are subject to change based on variances between projected and actual operating performance and changes in Stratus' business environment or operating or financial plans. Refer to Note 7 for further discussion.

Earnings Per Share. Stratus' basic net (loss) income per share of common stock was calculated by dividing the net (loss) income attributable to common stockholders by the weighted-average shares of common stock outstanding during the period. A reconciliation of net (loss) income and weighted-average shares of common stock outstanding for purposes of calculating diluted net (loss) income per share (in thousands, except per share amounts) follows:

	Years Ended December 31,	
	2023	2022
Net loss from continuing operations	\$ (16,493)	\$ (7,077)
Net income from discontinued operations	—	96,820
Net (loss) income	\$ (16,493)	\$ 89,743
Net loss attributable to noncontrolling interests	1,686	683
Net (loss) income attributable to common stockholders	\$ (14,807)	\$ 90,426
Weighted-average shares of common stock outstanding, basic and diluted ^a	7,996	8,228
Net (loss) income per share attributable to common stockholders, basic and diluted:		
Continuing operations	\$ (1.85)	\$ (0.78)
Discontinued operations	—	11.77
Net (loss) income per share attributable to common stockholders, basic and diluted	\$ (1.85)	\$ 10.99

a. Excludes approximately 217 thousand and 295 thousand shares in 2023 and 2022, respectively, of common stock associated with RSUs that were anti-dilutive as a result of the net losses from continuing operations.

Stock-Based Compensation. Compensation costs for share-based payments to employees are measured at fair value and charged to expense over the requisite service period for awards that are expected to vest. The fair value of RSUs is based on Stratus' stock price on the date of grant. Stratus estimates forfeitures at the time of grant and revises those estimates in subsequent periods if actual forfeitures differ from those estimates through the final vesting date of the awards. Based on Stratus' history, turnover among RSU recipients is rare. Therefore, Stratus does not currently apply a forfeiture rate when estimating stock-based compensation costs for RSUs. The awards are amortized on a straight-line basis over the estimated service period.

Stratus may grant RSUs that settle in cash or stock to employees and nonemployees under the PPIP and LTIP. The value of these awards in excess of the liability amount, if any, as of the date of the capital transaction or valuation event is amortized on a straight-line basis over the estimated service period. Refer to Note 8 for further discussion.

Related Party Transactions. Refer to Notes 2 and 4 for discussion of LCHM Holdings, LLC (LCHM), its manager, and JBM Trust, which are related parties as a result of LCHM's representation on Stratus' Board of Directors (the Board). LCHM and JBM Trust have invested in certain of Stratus' limited partnerships.

Through the first quarter of 2022, Stratus had an arrangement with Whitefish Partners, LLC (Whitefish Partners), formerly known as Austin Retail Partners, LLC, for services provided by a consultant of Whitefish Partners who is

the son of Stratus' President and Chief Executive Officer. Payments to Whitefish Partners for the consultant's consulting services and expense reimbursements totaled \$190 thousand for 2022, which included \$20 thousand as an annual incentive award for 2021 and a \$135 thousand cash bonus related to payouts for development projects under the PPIP. In April 2022, Stratus hired the consultant as an employee at an annual salary of \$100 thousand. As an employee, he is eligible for the same health and retirement benefits provided to all Stratus employees and is also eligible for annual incentive awards and for awards under the PPIP and the LTIP. As of December 31, 2023, the employee has two outstanding awards under the PPIP. The liability associated with these awards at December 31, 2023 is nominal in amount relative to the consolidated financial statements. In first-quarter 2023, he received \$22 thousand as an annual incentive award for 2022, and his annual salary was increased to \$120 thousand. In first-quarter 2024, he received \$22 thousand as an annual incentive award for 2023, and his annual salary was increased to \$124 thousand. Refer to Note 8 for discussion of the PPIP and LTIP.

Recently Issued Accounting Standards. In August 2023, the Financial Accounting Standards Board (the FASB) issued Accounting Standards Update (ASU), No. 2023-05, "Business Combinations – Joint Venture Formations." This ASU addresses the accounting for contributions made to a joint venture, upon formation, in a joint venture's separate financial statements. The pronouncement requires a joint venture to initially measure contributions at fair value upon formation, which is more relevant than the carrying amounts of the contributed net assets and would reduce equity method basis differences. The ASU is effective prospectively for all joint venture formations with a formation date on or after January 1, 2025. Stratus does not expect the pronouncement to have a material effect on its consolidated financial statements.

In November 2023, the FASB issued ASU No. 2023-07, "Segment Reporting – Improvements to Reportable Segments Disclosures", which enhances disclosures of significant segment expenses regularly provided to the chief operating decision maker, extends certain annual disclosures to interim periods and permits more than one measure of segment profit or loss to be reported under certain conditions. The amendments are effective for fiscal years beginning after December 15, 2023 and early adoption of the amendment is permitted. Stratus expects adoption of the pronouncement will lead to additional segment disclosure in its consolidated financial statements for 2024.

In December 2023, the FASB issued ASU No. 2023-09, "Income Taxes (Topic 740) – Improvements to Income Tax Disclosures". This ASU requires public business entities to disclose a tabular rate reconciliation of both percentages and reporting currency amounts on an annual basis. The ASU also requires disclosure of information on amount of income taxes paid disaggregated by federal, state and foreign taxes. This ASU is effective for annual periods beginning after December 15, 2024. Stratus does not expect the pronouncement to have a material effect on its consolidated financial statements.

NOTE 2. LIMITED PARTNERSHIPS

Holden Hills, L.P. In first-quarter 2023, Holden Hills, L.P. (the Holden Hills partnership), a Texas limited partnership and subsidiary of Stratus, was formed for the development of Holden Hills, Stratus' final large residential development within the Barton Creek community in Austin, Texas, consisting of 495 acres and designed to feature unique residences (Holden Hills Project). The Holden Hills partnership is governed by a limited partnership agreement between a wholly owned subsidiary of Stratus as Class A limited partner and an unaffiliated equity investor as Class B limited partner, and another wholly owned subsidiary of Stratus which serves as general partner. The partners made the following initial capital contributions to the Holden Hills partnership: (i) Stratus contributed the Holden Hills land and related personal property at an agreed value of \$70.0 million and (ii) The Class B limited partner contributed \$40.0 million in cash. Immediately following the Class B limited partner's initial capital contribution, \$30.0 million of cash was distributed by the Holden Hills partnership to Stratus. Further, the Holden Hills partnership reimbursed Stratus for certain initial project costs and closing costs of approximately \$5.8 million. As a result of these transactions, Stratus holds, indirectly through its wholly owned subsidiaries, a 50.0 percent equity interest in the Holden Hills partnership, and the Class B limited partner holds the remaining 50.0 percent equity interest in the Holden Hills partnership. Stratus' potential returns on its equity investment in the Holden Hills partnership may increase above its relative equity interest as negotiated return hurdles are achieved. Refer to "Potential Returns" below for further discussion. Stratus consolidates the Holden Hills partnership; therefore, its contribution of the Holden Hills land and related personal property was recorded at historical cost and the contribution from the Class B limited partner was accounted for as a noncontrolling interest in subsidiary.

In addition to each partner's initial capital contribution, upon the call of the general partner from time to time, Stratus is obligated to make capital contributions up to an additional \$10.0 million, and the Class B limited partner is also obligated to make capital contributions up to an additional \$10.0 million.

Stratus has the authority to manage the day-to-day operations of the Holden Hills partnership, subject to approval rights of the Class B limited partner for specified “major decisions,” including project and operating budgets, the business plan and amendments thereto; sales, leases or transfers of any portion of the Holden Hills Project to any partner, affiliate of any partner, or to any unaffiliated third party other than as contemplated in the business plan; incurring any debt, mortgage or guaranty; capital calls in excess of those previously agreed upon; admitting a new partner; and certain transfers of direct or indirect interests in the Holden Hills partnership. The business plan includes rights of first refusal in favor of the Class B limited partner for sale of luxury residence sites to be developed in distinct communities or “pods” to a third party. A “deadlock” may be declared by any partner if any limited partner does not approve any two major decisions proposed by the general partner within any 12-month period. Prior to the third anniversary of the effective date of the limited partnership agreement, a buy-sell provision can be triggered only if there is a deadlock. On or after the third anniversary, any partner can initiate a buy-sell at any time by written notice to the other partner, specifying the buyout price.

Stratus has entered into a development agreement with the Holden Hills partnership pursuant to which the Holden Hills partnership will construct certain street, drainage, water, sidewalk, electric and gas improvements in order to extend the Tecoma Circle roadway on Section N land owned by Stratus from its current terminus to Southwest Parkway, estimated to cost approximately \$14.7 million (the Tecoma Improvements), and Stratus will reimburse the partnership for 60 percent of the costs. The Tecoma Improvements will enable access and provide utilities necessary for the development of both Holden Hills and Section N. As of December 31, 2023, the Holden Hills partnership had \$8.0 million remaining to complete the Tecoma Improvements.

The Holden Hills partnership has agreed to pay Stratus a development management fee of 4 percent of certain construction costs for Phase I of the project, and an asset management fee of \$150 thousand per year starting 15 months after construction starts on the project payable from available cash flow after debt service.

In first-quarter 2023, the Holden Hills partnership entered into a loan agreement with Comerica Bank to finance the development of Phase I of the project. The Holden Hills construction loan is secured by the Holden Hills Project and guaranteed by Stratus. Refer to Note 6 for discussion of the loan agreement.

The Saint George Apartments, L.P. In November 2021, The Saint George Apartments, L.P. (The Saint George partnership), a Texas limited partnership and subsidiary of Stratus, was formed to purchase land and develop, construct and lease The Saint George, a 316-unit luxury wrap-style multi-family project in Austin. In December 2021, The Saint George partnership purchased the land for the project for \$18.5 million. In December 2021, an unrelated equity investor contributed \$18.3 million to The Saint George partnership for a 90.0 percent interest. In July 2022, The Saint George Apartments, L.P. entered into a construction loan agreement. Borrowings on the construction loan are secured by The Saint George project and are guaranteed by Stratus until certain conditions are met. Refer to Note 6 for further discussion of the loan agreement. In connection with closing the construction financing, Stratus made an additional capital contribution of \$1.7 million and the unaffiliated Class B limited partner made an additional capital contribution of \$15.0 million, bringing Stratus’ total capital contributions to \$3.7 million (consisting of pursuit costs and \$2.2 million in cash) and the Class B limited partner’s total capital contributions to \$33.4 million. Stratus has a 10.0 percent interest in The Saint George partnership. Stratus’ potential returns may increase above its relative equity interest if negotiated return hurdles are achieved. Refer to “Potential Returns” below for further discussion.

The Saint George partnership is governed by a limited partnership agreement between Stratus and the equity investor, and a wholly owned subsidiary of Stratus serves as the general partner. The general partner has the authority to manage the day-to-day operations of the partnership, subject to approval rights of the limited partners for specified matters. The general partner will manage The Saint George partnership in exchange for an asset management fee of \$300 thousand per year beginning two years after construction of The Saint George, and will earn a development management fee of 4 percent of certain construction costs for The Saint George. The limited partnership agreement contains a buy-sell option pursuant to which at any time either party will have the right to initiate a buy-sell of the other party’s interests. Transfers of interests in the partnership are subject to substantial restrictions.

Stratus Block 150, L.P. In September 2021, Stratus Block 150, L.P., a Texas limited partnership and a subsidiary of Stratus, completed financing transactions from which a portion of the proceeds were used to purchase the land for Block 150, now known as The Annie B, a proposed luxury multi-family high-rise development in downtown

Austin, Texas. The proceeds will also be used to fund predevelopment costs of the project. These financing transactions included (i) a \$14.0 million land loan and (ii) \$11.7 million from the sale of Class B limited partnership interests in a private placement offering, along with \$3.9 million in cash and pursuit costs contributed by wholly owned subsidiaries of Stratus. The Annie B land loan is secured by The Annie B project and guaranteed by Stratus until certain conditions are met. Refer to Note 6 for further discussion of the land loan.

In first-quarter 2022, pursuant to the limited partnership agreement, wholly owned subsidiaries of Stratus contributed an additional \$1.4 million in cash to Stratus Block 150, L.P. No additional capital contributions are required to be made by the partners. As of December 31, 2023, Stratus holds, in the aggregate, a 31.0 percent indirect equity interest in Stratus Block 150, L.P. No individual Class B limited partner has an equity interest greater than 25.0 percent. One of the participants in the private placement offering, JBM Trust, which purchased a limited partnership interest initially representing a 5.9 percent equity interest in Stratus Block 150, L.P., has a trustee who also serves as sole manager of LCHM.

Stratus Block 150, L.P. is governed by a limited partnership agreement between Stratus and the equity investors, and a wholly owned subsidiary of Stratus serves as the general partner. The general partner has the authority to manage the day-to-day operations of the partnership, subject to approval rights of the limited partners for specified matters. Stratus plans to capitalize The Annie B in a two-phase process consisting of the initial land partnership phase and potentially followed by a development partnership phase. No asset management fee will be paid to the general partner during the land partnership phase. If the general partner determines to proceed with the development partnership phase, the general partner would continue to manage Stratus Block 150, L.P. and would begin to receive an asset management fee to be agreed on at that time. During the development partnership phase, the general partner would receive a development management fee of approximately 4 percent of certain construction costs for The Annie B. Transfers of interests in the partnership are subject to substantial restrictions. If a change of control of Stratus occurs as defined in the limited partnership agreement, each Class B limited partner has a put right to require Stratus to purchase all but not less than all of its interests for a price generally providing a cumulative 10.0 percent annual return on capital contributions.

The Saint June, L.P. In June 2021, The Saint June, L.P., a Texas limited partnership and a subsidiary of Stratus, entered into a construction loan to develop The Saint June, a 182-unit luxury garden-style multi-family project within the Amarra development of the Barton Creek community in Austin, Texas. The loan is secured by The Saint June project and is guaranteed by Stratus until certain conditions are met. Refer to Note 6 for further discussion of this loan.

In July 2021, an unrelated equity investor contributed \$16.3 million to The Saint June, L.P. partnership for a 65.87 percent interest. Stratus has a 34.13 percent interest in The Saint June, L.P. following its contribution of land, development costs and \$1.1 million of cash. Stratus' potential returns may increase above its relative equity interest if negotiated return hurdles are achieved. Refer to "Potential Returns" below for further discussion.

The Saint June, L.P. is governed by a limited partnership agreement between Stratus and the equity investor, and a wholly owned subsidiary of Stratus serves as the general partner. The general partner has the authority to manage the day-to-day operations of the partnership, subject to approval rights of the limited partners for specified matters. The general partner will manage The Saint June, L.P. in exchange for an asset management fee of \$210 thousand per year beginning two years after construction of The Saint June, which began in July 2021, and will earn a development management fee of 4 percent of certain construction costs for The Saint June. The limited partnership agreement contains a buy-sell option pursuant to which at any time either party will have the right to initiate a buy-sell of the other party's interests. Transfers of interests in the partnership are subject to substantial restrictions.

Stratus Kingwood Place, L.P. In August 2018, Stratus Kingwood Place, L.P., a Texas limited partnership and a subsidiary of Stratus (the Kingwood, L.P.), completed a \$10.7 million private placement, approximately \$7 million of which, combined with a \$6.8 million loan from Comerica Bank, was used to purchase a 54-acre tract of land located in Kingwood, Texas for \$13.5 million, for the development of Kingwood Place, an H-E-B-anchored mixed-use development project (Kingwood Place). Two of the participants in the Kingwood Offering, LCHM and JBM Trust, each purchased Kingwood Class B limited partnership interests initially representing an 8.8 percent equity interest in the Kingwood, L.P.

Kingwood, L.P. is governed by a limited partnership agreement between Stratus and the equity investors, and a wholly owned subsidiary of Stratus serves as the general partner. The general partner has the authority to manage the day-to-day operations of the partnership, subject to approval rights of the limited partners for specified matters.

The general partner manages the Kingwood, L.P., in exchange for an asset management fee of \$283 thousand per year and earns a development management fee of 4 percent of certain construction costs for Kingwood Place. Transfers of interests in the partnership are subject to substantial restrictions.

In December 2018, the Kingwood, L.P., entered into a construction loan agreement with Comerica Bank, which superseded and replaced the land acquisition loan agreement discussed above and provided for a loan totaling \$32.9 million to finance a portion of the costs associated with construction of Kingwood Place, which was subsequently modified and increased to \$35.4 million in January 2020 (refer to Note 6 for further discussion). Borrowings on the Kingwood Place construction loan are secured by the Kingwood Place project, and are guaranteed by Stratus until certain conditions are met. Approximately \$15 million was funded by borrower equity, contributed by Stratus and private equity investors.

In October 2019, Stratus acquired an unrelated equity investor's 33.33 percent interest in Kingwood, L.P. for \$5.8 million. Following the acquisition, Stratus has a 60.0 percent interest in the Kingwood, L.P. Stratus' potential returns may increase above its relative equity interest if negotiated return hurdles are achieved. Refer to "Potential Returns" below for further discussion.

Operating Loans to Partnerships. In April 2023, Stratus made an operating loan of \$1.5 million to Stratus Block 150, L.P. to facilitate the partnership's ability to pay ongoing costs of The Annie B project during the pre-construction period. In August 2023 and February 2024, Stratus made additional operating loans of \$800 thousand and \$2.4 million, respectively, to Stratus Block 150, L.P. The loans bear interest at one-month Bloomberg Short-Term Bank Yield Index (BSBY) Rate plus 5.00 percent, are subordinate to The Annie B land loan and must be repaid before distributions may be made to the partners. In February 2024, the interest rate on the operating loans were changed to one-month Term Secured Overnight Financing Rate (SOFR) plus 5.00 percent.

In June 2023, Stratus made an operating loan of \$750 thousand to The Saint June, L.P. to support the partnership's ability to pay its construction loan interest, which has risen above the amount originally budgeted due to rising interest rates. In October 2023 and January 2024, Stratus made additional operating loans of \$250 thousand and \$339 thousand, respectively, to The Saint June, L.P., and the Class B Limited Partner made operating loans of \$250 thousand and \$339 thousand, respectively, to The Saint June, L.P. The loans bear interest at one-month Term SOFR plus 5.00 percent, are subordinate to The Saint June construction loan and must be repaid before distributions may be made to the partners.

Potential Returns. The following table presents the distribution percentages for the limited partnerships in which Stratus' potential returns may increase above its relative equity interest if certain hurdles are achieved.

	Distribution Percentages							
	The Saint George Apartments, L.P.		The Saint June, L.P.		Holden Hills, L.P.		Stratus Kingwood Place, L.P.	
	Stratus	Third-party Class B Limited Partner	Stratus	Third-party Class B Limited Partner	Stratus	Third-party Class B Limited Partner	Stratus	Third-party Class B Limited Partners
Until all partners have received a return of their capital contributions and a 9.0 percent cumulative return;	10.00 %	90.00 %	34.13 %	65.87 %	50.00 %	50.00 %	60.00 %	40.00 %
Until all partners have received an 11.0 percent cumulative return;	—	—	—	—	—	—	68.00	32.00
Until the Class B limited partner has received a 12.0 percent cumulative return;	20.00	80.00	44.13	55.87	55.00	45.00	—	—
Until the Class B limited partner has received an 18.0 percent cumulative return;	30.00	70.00	—	—	—	—	—	—
Thereafter	50.00	50.00	54.13	45.87	65.00	35.00	76.00	24.00

Accounting for Limited Partnerships. Stratus has performed evaluations and concluded that The Saint George Apartments, L.P., Stratus Block 150, L.P., The Saint June, L.P., Stratus Kingwood Place, L.P. and Holden Hills, L.P. are VIEs and that Stratus is the primary beneficiary of each VIE. Accordingly, the partnerships' financial statements

are consolidated in Stratus' financial statements. Stratus will continue to re-evaluate which entity is the primary beneficiary of these partnerships in accordance with applicable accounting guidance.

The cash and cash equivalents held at these limited partnerships are subject to restrictions on distribution to the parent company pursuant to the individual partnership loan agreements.

Stratus' consolidated balance sheets include the following assets and liabilities of the partnerships (in thousands). All intercompany balances are eliminated.

	December 31,	
	2023 ^a	2022
Assets: ^b		
Cash and cash equivalents	\$ 5,531	\$ 7,744
Restricted cash	193	—
Real estate under development	140,347	107,968
Land available for development	1,911	3,927
Real estate held for investment, net ^c	87,005	31,415
Lease right-of-use assets	420	106
Other assets	3,122	4,397
Total assets	238,529	155,557
Liabilities: ^d		
Accounts payable	12,751	10,473
Accrued liabilities, including taxes	1,793	1,296
Debt	100,205	55,305
Lease liabilities	421	107
Other liabilities	391	371
Total liabilities	115,561	67,552
Net assets	\$ 122,968	\$ 88,005

a. Includes the assets and liabilities of the Holden Hills partnership, which was formed in January 2023.

b. Substantially all of the assets are available to settle only obligations of the partnerships.

c. In third-quarter 2023, construction of The Saint June was substantially completed, and the carrying value of the asset was reclassified from real estate under development to real estate held for investment.

d. All of the debt is guaranteed by Stratus until certain conditions are met as provided in the applicable loan agreements. The creditors for the remaining liabilities do not have recourse to the general credit of Stratus.

NOTE 3. REAL ESTATE, NET

Stratus' consolidated balance sheets include the following net real estate assets (in thousands):

	December 31,	
	2023	2022
Real estate held for sale:		
Developed lots and completed homes	\$ 7,382	\$ 1,773
Real estate under development:		
Acreage, multi-family units, commercial square footage and homes	260,642	239,278
Land available for development:		
Undeveloped acreage and vacant office building for future renovation	47,451	39,855
Real estate held for investment:		
The Saint June	50,827	—
Kingwood Place	37,166	34,239
Lantana Place	31,001	30,284
Jones Crossing	25,008	25,032
West Killeen Market	10,063	10,192
Magnolia Place	6,740	5,761
Furniture, fixtures and equipment	727	491
Total	161,532	105,999
Accumulated depreciation	(17,420)	(13,622)
Total real estate held for investment, net	144,112	92,377
Total real estate, net	\$ 459,587	\$ 373,283

Real estate held for sale. Real estate held for sale includes developed lots and completed homes. Developed lots include individual tracts of land that have been developed and permitted for residential use. As of December 31, 2023, Stratus owned two developed lots and two completed Amarra Villas homes.

Real estate under development. Acreage under development includes real estate for which infrastructure work over the entire property has been completed, is currently being completed or is able to be completed and for which necessary permits have been obtained. Real estate under development also includes commercial and residential properties under construction. Stratus' real estate under development as of December 31, 2023 increased from December 31, 2022, primarily as a result of the development costs for The Saint George and Barton Creek properties, particularly Holden Hills and Amarra Villas.

In third-quarter 2022, Stratus recorded a \$650 thousand impairment charge related to one of the Amarra Villas homes that was sold in first-quarter 2023 for \$2.5 million. The charge was due to estimated total project costs and costs of sale for the home under construction that exceeded its contractual sale price.

In November 2017, the city of Magnolia and the state of Texas approved the creation of a municipal utility district (MUD) which provides an opportunity for Stratus to recoup certain road and utility infrastructure costs incurred in connection with the development of Magnolia Place. Real estate held for investment as of December 31, 2023, includes approximately \$12 million of costs eligible for reimbursement by the Magnolia MUD.

Land available for development. Undeveloped acreage includes real estate that can be sold "as is" (i.e., planning, infrastructure or development work is not currently in progress on such property). Stratus' undeveloped acreage as of December 31, 2023 included land permitted for residential and commercial development and vacant pad sites at Jones Crossing, Kingwood Place and Magnolia Place. In February 2024, Stratus sold the remaining pad sites at Magnolia Place. Refer to Note 6 for further discussion.

In September 2021, Stratus entered into a contract to sell the multi-family tract of land at Kingwood Place, which was planned for approximately 275 multi-family units, for \$5.5 million. The sale closed in October 2022. Upon

entering into the contract, Stratus recorded a \$625 thousand impairment charge in third-quarter 2021 to reduce the carrying value of the land to its fair value based on the contractual sale price less estimated selling costs. In third-quarter 2022, Stratus recorded a \$70 thousand impairment charge due to selling costs in excess of the previous estimate.

Real estate held for investment. The Saint June is a luxury garden-style multi-family project consisting of 182 units. The Kingwood Place project includes 151,877 square-feet of retail space anchored by an H-E-B grocery store and leased pad sites. The Lantana Place project includes 99,377 square feet for the retail phase of a mixed-use project. The Jones Crossing project includes 154,092 square-feet for the first phase of the retail component of an H-E-B-anchored, mixed-use development. The West Killeen Market project includes 44,493 square-feet of retail space adjacent to a 90,000 square-foot H-E-B grocery store. The Magnolia Place project includes 18,582 square feet in the retail component of an H-E-B-shadow anchored, mixed-used development.

Capitalized interest. Stratus recorded capitalized interest of \$12.5 million in 2023 and \$6.6 million in 2022.

NOTE 4. ASSET SALES

Block 21 - Discontinued Operations. Block 21 was Stratus' wholly owned mixed-use real estate property in downtown Austin, Texas containing the 251-room W Austin Hotel and Austin City Limits Live at the Moody Theater, a 2,750-seat entertainment venue, Class A office space, retail space and the 3TEN ACL Live entertainment venue. On May 31, 2022, Stratus completed the previously announced sale of Block 21 to Ryman Hospitality Properties, Inc. (Ryman) for \$260.0 million, subject to certain purchase price adjustments, and including Ryman's assumption of \$136.2 million of existing mortgage debt, with the remainder paid in cash. A portion of the proceeds, \$6.9 million, was escrowed and held in restricted cash at December 31, 2022. These proceeds were released from restriction in June 2023 and disbursed in full to Stratus and reclassified to the operating account. Stratus recorded a pre-tax gain on the sale of \$119.7 million in second-quarter 2022.

In accordance with accounting guidance, Stratus reported the results of operations of Block 21 as discontinued operations in the consolidated statement of comprehensive income for 2022 because the disposal represents a strategic shift that had a major effect on operations. Block 21 did not have any other comprehensive income and Stratus' consolidated statements of cash flows are reported on a combined basis without separately presenting discontinued operations.

Block 21's results of operations in the consolidated statements of comprehensive (loss) income consist of the following (in thousands):

	Five Months Ended May 31, 2022
Revenues: ^a	
Hotel	\$ 12,653
Entertainment	10,004
Leasing operations and other	932
Total revenue	23,589
Cost of sales:	
Hotel	8,869
Entertainment	7,472
Leasing operations and other	710
Depreciation ^b	—
Total cost of sales	17,051
General and administrative expenses	337
Gain on sale of assets	(119,695)
Operating income	125,896
Interest expense, net	(3,236)
Provision for income taxes	(25,840)
Net income from discontinued operations	\$ 96,820

a. In accordance with accounting guidance, amounts are net of eliminations of intercompany sales totaling \$510 thousand for the five months ended May 31, 2022.

b. In accordance with accounting guidance, depreciation is not recognized subsequent to classification as assets held for sale, which occurred in the fourth quarter of 2021.

Capital expenditures associated with discontinued operations totaled \$0.2 million in 2022.

Kingwood Place Land Sale. In September 2021, Stratus entered into a contract to sell the multi-family tract of land at Kingwood Place, which was planned for approximately 275 multi-family units, for \$5.5 million. The sale closed in October 2022. Upon entering into the contract, Stratus recorded a \$625 thousand impairment charge in third-quarter 2021 to reduce the carrying value of the land to its fair value based on the contractual sale price less estimated selling costs. In third-quarter 2022, Stratus recorded a \$70 thousand impairment charge due to selling costs in excess of the previous estimate.

Amarra Villas. In February 2021, Stratus entered into a contract to sell one of the Amarra Villas homes. The sale closed in March 2023 for \$2.5 million. Stratus recorded a \$650 thousand impairment charge in third-quarter 2022 because the estimated total project costs and costs of sale for the home under construction exceeded its contractual sale price. In fourth-quarter 2022, we sold another Amarra Villas home for \$3.6 million. In first-quarter 2024, we sold another Amarra Villas home for \$4.0 million.

Magnolia Place. In February 2024, Stratus completed the sale of approximately 47 acres planned for a second phase of retail development, all remaining pad sites and up to 600 multi-family units, for \$14.5 million. In connection with the sale, the Magnolia construction loan with a balance of \$8.8 million was repaid.

NOTE 5. FAIR VALUE MEASUREMENTS

Fair value accounting guidance includes a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 inputs) and the lowest priority to unobservable inputs (Level 3 inputs).

The carrying value for certain Stratus financial instruments (i.e., cash and cash equivalents, restricted cash, accounts payable and accrued liabilities) approximates fair value because of their short-term nature and generally negligible credit losses.

The fair value of Stratus' debt also approximates fair value, as the interest rates are variable and approximate prevailing market interest rates available for similar mortgage debt. Stratus' debt is recorded at cost and is not actively traded. Fair value is estimated based on discounted future expected cash flows at estimated current market interest rates available for similar mortgage debt. Accordingly, Stratus' debt is classified within Level 2 of the fair value hierarchy. The fair value of debt does not represent the amounts that will ultimately be paid upon the maturities of the loans.

NOTE 6. DEBT

Stratus' debt follows (in thousands):

	December 31,	
	2023	2022 ^a
Comerica Bank revolving credit facility, ^b average interest rate of 4.97% in 2022	\$ —	\$ —
Jones Crossing loan, average interest rate of 7.27% in 2023 and 3.85% in 2022	22,340	24,143
The Annie B land loan, average interest rate of 7.96% in 2023 and 4.67% in 2022	13,983	13,969
New Caney land loan, ^c average interest rate of 4.06% in 2022	—	4,047
Construction loans:		
Kingwood Place construction loan, average interest rate of 7.74% in 2023 and 4.06% in 2022	28,160	27,507
The Saint June construction loan, ^d average interest rate of 7.87% in 2023 and 5.89% in 2022	27,668	13,829
The Saint George construction loan, ^e average interest rate of 7.68% in 2023	24,657	—
Lantana Place construction loan, average interest rate of 7.47% in 2023 and 4.18% in 2022	22,961	21,782
Amarra Villas revolving credit facility, average interest rate of 8.11% in 2023 and 5.10% in 2022	15,682	5,366
Magnolia Place construction loan, ^f average interest rate of 8.38% in 2023 and 5.12% in 2022	8,731	6,816
Holden Hills construction loan, ^g average interest rate of 8.38% in 2023	5,736	—
West Killeen Market construction loan, average interest rate of 7.75% in 2023 and 4.45% in 2022	5,250	5,306
Total debt ^h	<u>\$ 175,168</u>	<u>\$ 122,765</u>

- a. At March 31, 2022, Stratus had an outstanding balance of \$38 thousand for the loan under the Paycheck Protection Program (PPP loan). The PPP loan bore interest at 1.00 percent. The PPP loan matured and the remaining balance was repaid on April 15, 2022.
- b. Stratus did not have an outstanding balance during 2023 or at December 31, 2022. At December 31, 2023, the interest rate for the revolving credit facility was 9.42 percent.
- c. In March 2023, Stratus repaid this loan.
- d. There was no outstanding balance during first-quarter 2022.
- e. There was no outstanding balance during 2022 or during first-quarter 2023.
- f. In February 2024, Stratus repaid this loan.
- g. There was no outstanding balance during 2022 or during first-quarter and second-quarter 2023.
- h. Includes net reductions for unamortized debt issuance costs of \$2.2 million at December 31, 2023, and \$1.1 million at December 31, 2022.

Comerica Bank revolving credit facility. As of December 31, 2023, Stratus had \$40.5 million available under the Comerica Bank revolving credit facility. Letters of credit, totaling \$13.3 million were committed under the facility as of December 31, 2023, \$11.0 million of which was issued to secure Stratus' obligation to build certain roads and utilities facilities benefiting Holden Hills and Section N. In February 2023, the Holden Hills property was removed from the borrowing base for the revolving credit facility, and the maximum amount that could be borrowed was reduced. In first-quarter 2024, based on updated property appraisals received, the maximum amount that could be borrowed under the revolving credit facility was reduced to \$52.9 million, resulting in availability of \$39.6 million, net of letters of credit committed under the facility as of March 25, 2024. The loan is secured by substantially all assets that do not serve as security for project loans. In March 2023, Stratus entered into a modification of the revolving credit facility, which extended the maturity date to March 27, 2025, and increased the floor of one-month BSBY Rate. As amended, advances under the revolving credit facility bear interest at one-month BSBY Rate (with a floor of 0.50 percent) plus 4.00 percent. In May 2023, Stratus entered into a modification of the revolving credit facility to increase the maximum amount of letters of credit that may be issued under the revolving credit facility from \$11.5 million to \$13.3 million. In July 2023, Stratus entered into a \$2.3 million letter of credit to secure its obligations, which are subject to certain conditions, to construct and pay for certain utility infrastructure in Lakeway, Texas, estimated to cost approximately \$2.3 million. The loan agreement requires Stratus to maintain a net asset value, as defined in the loan agreement, of \$125 million and an aggregate debt-to-gross asset value of not more than 50.0 percent. Comerica Bank's prior written consent is required for any common stock repurchases in excess of \$1.0 million and any dividend payments.

Jones Crossing loan. In June 2021, a Stratus wholly-owned subsidiary entered into a \$24.5 million loan with Regions Bank (the Jones Crossing loan) to refinance the construction loan.

The Jones Crossing loan has a maturity date of June 17, 2026, and bears interest at one-month Term SOFR plus 2.25 percent, provided one-month Term SOFR shall not be less than 0.15 percent. Payments of interest only on the Jones Crossing loan are due monthly through the term of the loan with the outstanding principal due at maturity. The Jones Crossing loan requires the Jones Crossing project to meet a debt service coverage ratio (DSCR) test of 1.15 to 1.00 measured quarterly and, starting June 30, 2023, on a rolling 12 month basis. If the DSCR falls below 1.15 to 1.00, it is not an event of default, but a "Cash Sweep Period" (as defined in the Jones Crossing loan) results, which limits Stratus' ability to receive cash from its Jones Crossing subsidiary, unless a principal payment is made on the loan to restore the DSCR to the required threshold. The DSCR fell below 1.15 to 1.00 in each of fourth-quarter 2022 and first-quarter 2023, and the Jones Crossing subsidiary made principal payments of \$231 thousand and \$1.7 million in February 2023 and May 2023, respectively, to bring the DSCR back above 1.15 to 1.00 and a Cash Sweep Period did not occur. As permitted under the Jones Crossing loan agreement, in August 2023 the Jones Crossing subsidiary separated the ground lease for the multi-family parcel (the Multi-Family Phase) from the primary ground lease, and the Multi-Family Phase was released from the loan collateral. In October 2023, the Jones Crossing loan was modified effective August 1, 2023 to remove the Multi-Family Phase from certain defined terms and to revise the DSCR calculation to exclude the Multi-Family Phase from expenses on a retroactive basis beginning in second-quarter 2023. Accordingly, the DSCR met the threshold in second-quarter and third-quarter 2023. In fourth-quarter 2023, the DSCR was slightly below the threshold, and a \$13 thousand principal payment was made in first-quarter 2024 to bring the DSCR back above the threshold. The Jones Crossing loan is secured by the Jones Crossing project, and Stratus has provided a guaranty limited to non-recourse carve-out obligations and environmental indemnification. In addition, any default under the ground leases, which grant Stratus the right to occupy the Jones Crossing property, would trigger the carve-out guaranty. The Jones Crossing loan contains certain financial covenants, including a requirement that Stratus maintain liquid assets of at least \$2.0 million

The Annie B land loan. In September 2021, Stratus Block 150, L.P. entered into an 18-month, \$14.0 million land loan with Comerica Bank to acquire the land for The Annie B project (The Annie B land loan). In February 2023, Stratus Block 150, L.P. entered into a modification agreement that extended the maturity date of the loan to March 1, 2024, and changed the interest rate to one-month BSBY Rate (with a floor of 0.50 percent) plus 3.00 percent. In connection with the modification agreement, Stratus Block 150, LP, escrowed an interest reserve of \$0.6 million with the lender. The Annie B land loan is guaranteed by Stratus and secured by The Annie B project. The loan agreement contains financial covenants, including a requirement that Stratus maintain a net asset value, as defined in the agreement, of \$125.0 million and an aggregate debt-to-gross asset value of not more than 50.0 percent and places certain restrictions on distributions from the partnership to its partners, including Stratus. The Annie B land loan requires Comerica Bank's prior written consent for any Stratus common stock repurchases in excess of \$1.0 million or any dividend payments. In February 2024, The Annie B land loan was modified to extend the maturity to September 1, 2025, and change the interest rate to Term SOFR Rate plus 3.00 percent. Under the Annie B land loan, Term SOFR Rate is defined as one-month Term SOFR plus 0.10 percent and is subject to a floor of 0.50

percent. In connection with the modification, Stratus made a \$1.4 million principal payment on the loan and is required to make another principal payment of \$630 thousand in February 2025.

New Caney land loan. In March 2019, a Stratus wholly-owned subsidiary entered into a \$5.0 million land loan with Texas Capital Bank, which was scheduled to mature in March 2023 after Stratus exercised its options to extend the loan for two 12-month periods. This loan was repaid at its maturity in March 2023.

Kingwood Place construction loan. In 2018, the Kingwood, L.P. entered into a construction loan agreement with Comerica Bank (the Kingwood Place construction loan), which provides financing for a portion of the costs associated with construction of Kingwood Place. Project costs totaling approximately \$15.0 million were funded by borrower equity, contributed by Stratus and private equity investors. In January 2020, the Kingwood Place construction loan was modified to increase the loan amount by \$2.5 million to a total of \$35.4 million. The increase was used to fund the construction of a retail building on an existing Kingwood Place retail pad. In December 2022, the loan was amended to extend the maturity date to December 6, 2023. The amendment also converted the benchmark rate from the London Interbank Offered Rate to one-month BSBY Rate (with a floor of 0.50 percent) plus 2.75 percent. In December 2023, the loan was amended to extend the maturity date to December 6, 2024 and change the interest rate to Term SOFR Rate plus 2.75 percent. Under the Kingwood Place construction loan, Term SOFR Rate is defined as one-month Term SOFR plus 0.11 percent and is subject to a floor of 0.50 percent. Principal payments of \$20,133 plus accrued interest are due monthly with the remaining balance due at maturity. Borrowings on the Kingwood Place construction loan are secured by the Kingwood Place project, and are guaranteed by Stratus until certain conditions are met. The loan agreement contains financial covenants, including a requirement that Stratus maintain a net asset value, as defined in the agreement, of \$125.0 million and an aggregate debt-to-gross asset value of not more than 50.0 percent. In addition, Kingwood Place must meet a DSCR ratio of 1.10 to 1.00 measured as of June 30, 2024. If the DSCR is less than 1.10 to 1.00, it is not an event of default unless the partnership does not make a principal payment on the loan to meet the DSCR threshold. The loan agreement places certain restrictions on distributions from the partnership to its partners, including Stratus. The Kingwood Place construction loan requires Comerica Banks' prior written consent for any common stock repurchases in excess of \$1.0 million and any dividend payments.

Lantana Place construction loan. In 2017, a Stratus wholly-owned subsidiary entered into a \$26.3 million construction loan with Southside Bank (the Lantana Place construction loan) to finance the initial phase of Lantana Place. Borrowings on the Lantana Place construction loan are secured by the Lantana Place project, except for The Saint Julia. In January 2021, Stratus entered into amendments to the Lantana Place construction loan in which Stratus' Lantana Place subsidiary was granted a waiver of the debt service coverage ratio covenant until September 30, 2021, at which point the ratio was measured by reference to the three-month period then ended, and subsequently increased each quarter until measured by reference to the 12-month period ended June 30, 2022, and then on a trailing 12-month period for each quarter thereafter. As part of the January 2021 amendment, Stratus repaid \$2.0 million in principal on the Lantana Place construction loan.

In August 2022, Stratus and Southside Bank amended the Lantana Place construction loan. Pursuant to the agreement, the date through which Stratus can request advances under the loan was extended through December 31, 2023, the interest rate for the loan was changed to one-month Term SOFR plus 2.40 percent, subject to a 3.00 percent floor, and the maturity date of the loan was extended to July 1, 2027. In addition, the land planned for The Saint Julia, a proposed multi-family project at Lantana Place, was released from the collateral for the loan. The debt service coverage ratio was also changed to 1.25 to 1.00, and Stratus was released as guarantor under the related guaranty.

In December 2023, Stratus and Southside Bank amended the Lantana Place construction loan to extend the date through which Stratus can request advances under the loan to December 31, 2024.

Payments of interest only on the construction loan were due monthly through July 1, 2023. Beginning August 1, 2023, monthly payments of principal and interest based on a 30-year amortization were due, with the outstanding principal due at maturity.

The Saint June construction loan. In June 2021, The Saint June, L.P. entered into a construction loan with Texas Capital Bank to finance a portion of the cost of the development and construction of The Saint June. Available borrowings under the loan total the least of (i) \$30.3 million, (ii) 60.0 percent of the total construction costs, or (iii) 55.0 percent of the as-stabilized appraised value of the property.

The loan matures on October 2, 2024, with two options to extend the maturity for an additional 12 months, subject to satisfying specified conditions and the payment of an extension fee for each extension. In January 2023, Stratus and Texas Capital Bank amended The Saint June construction loan. Pursuant to the agreement, the interest rate for the loan was changed to one-month Term SOFR plus 2.85 percent, subject to a 3.50 percent floor. Payments of interest only on the loan are due monthly through October 2, 2024, with the outstanding principal due at maturity.

The loan is secured by The Saint June project and was fully guaranteed by Stratus. However, the guaranty converted to a 50.0 percent repayment guaranty upon completion of construction of The Saint June. Further, once The Saint June, L.P. is able to maintain a debt service coverage ratio of 1.25 to 1.00, the repayment guaranty will be eliminated. Notwithstanding the foregoing, Stratus will remain liable for customary carve-out obligations and environmental indemnity. Stratus is also required to maintain a net asset value, as defined by the guaranty, of \$125.0 million and liquid assets of at least \$10.0 million. The Saint June, L.P. is not permitted to make distributions to its partners, including Stratus, until completion of The Saint June project, payment of construction costs and the project continues to satisfy an assumed debt service coverage ratio of not less than 1.00 to 1.00 for three consecutive months. The project must comply with a specified loan-to-value ratio covenant.

Magnolia Place construction loan. In August 2021, a Stratus wholly-owned subsidiary entered into a \$14.8 million construction loan with Veritex Community Bank secured by the Magnolia Place project and scheduled to mature on August 12, 2024, with two options to extend the maturity for an additional 12 months, subject to conditions. In February 2024, this loan was repaid in full in connection with the sale of approximately 47 acres of undeveloped land.

West Killeen Market construction loan. In 2016, a Stratus wholly-owned subsidiary entered into a \$9.9 million construction loan agreement with Southside Bank (the West Killeen Market loan) to finance a portion of the construction of the West Killeen Market project. The loan is secured by the West Killeen Market project and is guaranteed by Stratus until Stratus' West Killeen Market subsidiary is able to maintain a debt service ratio of 1.50 to 1.00 as of the end of each fiscal quarter after completion of construction on the project, measured by reference to the trailing six-month period ending on the last day of such quarter. In June 2022, Stratus and Southside Bank amended the West Killeen Market construction loan. Pursuant to the agreement, the principal amount of the loan is fully advanced and funded at an amount of \$6.0 million, the interest rate for the loan was changed to one-month Term SOFR plus 2.75 percent, subject to a 3.00 percent floor, and the maturity date of the loan was extended three years to July 31, 2025. Principal and interest payments based on a 30-year amortization are due monthly and the remaining balance is payable at maturity.

The loan agreement contains financial covenants, including a requirement that Stratus maintain a net asset value, as defined in the agreement, of \$125.0 million and a requirement that Stratus' West Killeen Market maintains a debt service coverage ratio of at least 1.35 to 1.00 measured by reference to a trailing 12-month period for each quarter.

Amarra Villas credit facility. In March 2019, two Stratus wholly-owned subsidiaries entered into an amended and restated loan agreement with Comerica Bank relating to the construction of the Amarra Villas project. The amended and restated loan agreement provided for an increase in the revolving credit facility commitment to \$15.0 million and an extension of the maturity date to March 19, 2022. In March 2022, the Stratus subsidiaries and Comerica Bank agreed to an extension of the maturity date to June 19, 2022, while they negotiated a modification of this facility. In June 2022, Stratus subsidiaries and Comerica Bank entered into a modification agreement pursuant to which the commitment amount of the Amarra Villas credit facility was increased to \$18.0 million, the interest rate was changed to one-month BSBY Rate (with a floor of 0.00 percent) plus 3.00 percent, and the maturity date was extended to June 19, 2024.

The Amarra Villas credit facility contains financial covenants, including a requirement that Stratus maintain a net asset value, as defined in the agreement, of \$125.0 million and an aggregate debt-to-gross asset value of not more than 50.0 percent. At December 31, 2023, Stratus had \$2.3 million available under its \$18.0 million Amarra Villas credit facility. Principal paydowns occur as homes are sold, and additional amounts are borrowed as additional homes are constructed. The loan is secured by the Amarra Villas project and guaranteed by Stratus. The Amarra Villas credit facility requires Comerica Banks' prior written consent for any common stock repurchases in excess of \$1.0 million and any dividend payments. In March 2023, Stratus made a \$2.2 million principal payment on the credit facility upon the closing of a sale of one of the Amarra Villas homes. In February 2024, Stratus made a \$3.8 million principal payment on the credit facility upon the closing of a sale of another one of the Amarra Villas homes.

The Saint George construction loan. In July 2022, The Saint George Apartments, L.P. entered into a \$56.8 million loan with Comerica Bank to provide financing for the construction of The Saint George multi-family project. The construction loan has a maturity date of July 19, 2026, with two options to extend the maturity for an additional 12 months, subject to satisfying specified conditions, including the applicable debt service coverage ratios, and the payment of an extension fee for each extension. Advances under the construction loan bear interest at one-month BSBY Rate (with a floor of 0.00 percent) plus 2.35 percent.

Payments of interest only on the construction loan are due monthly through July 19, 2026, with the outstanding principal due at maturity. During any extension periods, the principal balance of the construction loan will be payable in monthly installments of principal and interest based on a 30-year amortization calculated at 6.50 percent with the outstanding principal due at maturity.

Borrowings on the construction loan are secured by The Saint George project and are guaranteed by Stratus. Stratus provided a full completion guaranty and 25.0 percent repayment guaranty, which will be eliminated once the project meets specified conditions including a debt service coverage ratio of at least 1.20 to 1.00 and confirmation that the loan-to-value ratio does not exceed 65.0 percent. Notwithstanding the foregoing, Stratus remains liable for customary carve-out obligations and environmental indemnity. The loan agreement contains financial covenants, including a requirement that Stratus maintain a net asset value, as defined in the agreement, of \$125.0 million and an aggregate debt-to-gross asset value of not more than 50.0 percent. The Saint George Apartments, L.P. is not permitted to make distributions to its partners, including Stratus, while the loan remains outstanding.

Holden Hills construction loan. In February 2023, the Holden Hills partnership entered into a loan agreement with Comerica Bank to finance the development of Phase I of the Holden Hills Project.

The loan agreement provides for a senior secured construction loan in the aggregate principal amount of the least of (i) \$26.1 million, (ii) 23.0 percent of the total development costs for Phase I or (iii) the amount that would result in a maximum loan-to-value ratio of 28.0 percent. The loan has a maturity date of February 8, 2026. Advances under the loan bear interest at one-month BSBY Rate (with a floor of 0.50 percent), plus 3.00 percent. Payments of interest only on the loan are due monthly until the maturity date with the outstanding principal due at maturity. The Holden Hills partnership may prepay all or any portion of the loan without premium or penalty. Amounts repaid under the loan may not be reborrowed.

The loan is secured by the Holden Hills Project, including the land related to both Phase I and Phase II, and the Phase I improvements. After completion of construction of Phase I, the Holden Hills partnership may sell and obtain releases of the liens on single-family platted home sites, individual pods or the Phase II land, subject to specified conditions, and upon payment to the lender of specified amounts related to the parcel to be released. The Holden Hills partnership is not permitted to make distributions to its partners, including Stratus, while the loan is outstanding. The Holden Hills partnership must apply all Municipal Utility District (MUD) reimbursements it receives and is entitled to retain as payments of principal on the loan.

Stratus entered into a guaranty for the benefit of the lender pursuant to which Stratus guaranteed the payment of the loan and the completion of Phase I, including the Tecoma Improvements (which benefit both the Holden Hills Project and Section N). Stratus is also liable for customary carve-out obligations and an environmental indemnity. Stratus must maintain a net asset value, as defined in the agreement, of not less than \$125.0 million, and a debt-to-gross-asset value of not more than 50.0 percent.

Financial Covenants and Compliance. Stratus' and its subsidiaries' debt arrangements, including Stratus' guaranty agreements, contain significant limitations that may restrict Stratus' and its subsidiaries' ability to, among other things: borrow additional money or issue guarantees; pay dividends, repurchase equity or make other distributions to equityholders; make loans, advances or other investments; create liens on assets; sell assets; enter into sale-leaseback transactions; enter into transactions with affiliates; permit a change of control or change of management; sell all or substantially all of its assets; and engage in mergers, consolidations or other business combinations. As of December 31, 2023, Stratus and its subsidiaries were in compliance with the financial covenants contained in the financing agreements discussed above.

Interest Payments. Interest paid on debt totaled \$11.4 million in 2023 and \$4.9 million in 2022.

Maturities. Maturities of debt based on the principal amounts and terms outstanding at December 31, 2023 total \$95.0 million in 2024, \$5.5 million in 2025, \$54.9 million in 2026, \$22.0 million in 2027, and none thereafter.

NOTE 7. INCOME TAXES

Stratus' provision for income taxes consists of the following (in thousands):

	Years Ended December 31,	
	2023	2022
Current	\$ 1,659	\$ (981)
Deferred	(135)	1,370
Provision for income taxes	\$ 1,524	\$ 389

The components of deferred income taxes follow (in thousands):

	December 31,	
	2023	2022
Deferred tax assets and liabilities:		
Real estate, commercial leasing assets and facilities	\$ 8,548	\$ 4,707
Employee benefit accruals	923	1,005
Other assets	4,012	3,745
Net operating loss credit carryforwards	2	3
Other liabilities	(3,553)	(3,237)
Valuation allowance	(9,759)	(6,185)
Deferred tax assets, net	\$ 173	\$ 38

Stratus continues to maintain a valuation allowance on substantially all of its remaining net deferred tax assets. In evaluating the recoverability of the remaining deferred tax assets, management considered available positive and negative evidence, giving greater weight to the uncertainty regarding projected future financial results.

Upon a change in facts and circumstances, management may conclude that sufficient positive evidence exists to support a reversal of, or decrease in, the valuation allowance in the future, which would favorably impact Stratus' results of operations. Stratus' future results of operations may be negatively impacted by an inability to realize a tax benefit for future tax losses or for items that will generate additional deferred tax assets that are not more likely than not to be realized. Stratus' future results of operations may be favorably impacted by reversals of valuation allowances if Stratus is able to demonstrate sufficient positive evidence that its deferred tax assets will be realized.

Reconciliations of the U.S. federal statutory tax rate to Stratus' effective income tax rate follow (dollars in thousands):

	Years Ended December 31,			
	2023		2022	
	Amount	Percent	Amount	Percent
Income tax benefit computed at the federal statutory income tax rate	\$ (3,144)	21 %	\$ (1,405)	21 %
Adjustments attributable to:				
Increase (decrease) in valuation allowance	3,574	(24)	(255)	4
Noncontrolling interests	355	(2)	141	(2)
Executive compensation limitation	197	(1)	664	(10)
State taxes	(45)	—	177	(3)
Net, other	587	(4)	1,067	(16)
Provision for income taxes	\$ 1,524	(10)%	\$ 389	(6)%

Stratus paid federal income taxes and state margin taxes totaling \$1.5 million in 2023 and \$37.7 million in 2022. Stratus received a \$40 thousand state margin tax refund in 2023. In connection with the CARES Act and the ability to carry back net operating losses, Stratus received a \$5.1 million U.S. federal income tax refund in 2022. During 2023, Stratus incurred current state income taxes in addition to U.S. federal current income taxes primarily due to taxable income generated from cash received in the Holden Hills transaction discussed in Note 2.

Uncertain Tax Positions. Stratus has recorded unrecognized tax benefits related to federal examinations. A summary of the changes in unrecognized tax benefits follows (in thousands):

	Year Ended December 31, 2022
Balance at January 1	\$ 221
(Reductions) additions for tax positions related to prior years	(221)
Balance at December 31	\$ —

As of December 31, 2023, Stratus had no unrecognized tax benefits. During 2022, approximately \$0.2 million of unrecognized tax benefits were recognized as a result of the completion of federal examinations.

Stratus records liabilities offsetting the tax provision benefits of uncertain tax positions to the extent it estimates that a tax position is more likely than not to be sustained upon examination by the taxing authorities. Stratus has elected to classify any interest and penalties related to income taxes within income tax expense in its consolidated statements of comprehensive income (loss). As of December 31, 2023, no such interest costs have been accrued.

Stratus files both U.S. federal income tax and state margin tax returns. With limited exceptions, Stratus is no longer subject to U.S. federal income tax examinations by tax authorities for the years prior to 2020 and state margin tax examinations for the years prior to 2019.

On August 16, 2022, the Inflation Reduction Act of 2022 (the IR Act) was enacted in the United States. Among other provisions, the IR Act imposes a new one percent excise tax on the fair market value of net corporate stock repurchases made by covered corporations, effective for tax years beginning after December 31, 2022. The excise tax did not have a material effect on Stratus' consolidated financial statements. Refer to Note 8 for discussion of Stratus' share repurchase programs.

NOTE 8. EQUITY TRANSACTIONS, STOCK-BASED COMPENSATION, EMPLOYEE BENEFITS AND DEVELOPMENT INCENTIVE PLANS

Equity

The Comerica Bank revolving credit facility, Amarra Villas revolving credit facility, The Annie B land loan, The Saint George construction loan, Kingwood Place construction loan and Holden Hills construction loan require Comerica Bank's prior written consent for any common stock repurchases in excess of \$1.0 million or any dividend payments, which was obtained in 2022 in connection with the special cash dividend and completed \$10.0 million share repurchase program, and in November 2023 in connection with the new \$5.0 million share repurchase program.

Dividends. On September 1, 2022, after receiving written consent from Comerica Bank, Stratus' Board declared a special cash dividend of \$4.67 per share (totaling \$40.0 million) on Stratus' common stock, which was paid on September 29, 2022 to stockholders of record as of September 19, 2022. Accrued liabilities as of December 31, 2023, included \$0.6 million representing dividends accrued for unvested RSUs in accordance with the terms of the awards. The accrued dividends will be paid to the holders of the RSUs, if and when they vest.

Share Repurchase Programs. On September 1, 2022, after receiving written consent from Comerica Bank, Stratus' Board approved a share repurchase program, which authorized repurchases of up to \$10.0 million of Stratus' common stock. The repurchase program authorized Stratus, in management's discretion, to repurchase shares from time to time, subject to market conditions and other factors. In October 2023, Stratus completed the share repurchase program. In total, Stratus acquired 389,378 shares of its common stock under the share repurchase program for a total cost of \$10.0 million at an average price of \$25.68 per share.

In November 2023, with written consent from Comerica Bank, Stratus' Board approved a new share repurchase program, which authorizes repurchases of up to \$5.0 million of Stratus' common stock. The repurchase program authorizes Stratus, in management's and the Capital Committee of the Board's discretion, to repurchase shares from time to time, subject to market conditions and other factors. As of December 31, 2023, Stratus had not purchased any shares under the new program.

Stock-based Compensation

Stock Award Plans. On May 12, 2022, the stockholders of Stratus approved the 2022 Stock Incentive Plan (the Plan). The Plan authorizes the issuance of up to 500,000 shares of common stock. Awards for no more than

250,000 shares may be granted to a participant in a single year, however, an annual limit of \$300,000 applies to the sum of all cash, equity-based awards and other compensation granted to a non-employee director for services as a member of the board, and a maximum grant date value of equity-based awards granted during a single year may not exceed \$200,000 of such annual limit. Upon approval of the Plan by stockholders, Stratus ceased making new awards under any prior plans. The Plan had 291,177 shares available for new grants as of December 31, 2023.

Stock-Based Compensation Costs. Compensation costs charged against earnings for RSUs, the only stock-based awards granted over the last several years, totaled \$1.9 million for 2023 and \$1.7 million for 2022. Stock-based compensation costs are capitalized when appropriate. Based on Stratus' history, turnover among RSU recipients is rare. Therefore, Stratus does not currently apply a forfeiture rate when estimating stock-based compensation costs for RSUs.

RSUs. RSUs granted under the plans provide for the issuance of common stock to non-employee directors and employees and consultants at no cost to the recipients. The RSUs are converted into shares of Stratus common stock ratably and generally vest in increments over a one to four year period following the grant date. For employees and consultants, the awards generally fully vest upon retirement, death and disability, and upon a qualifying termination of employment in connection with a change of control. For directors, the awards will fully vest upon a change of control and there will be a partial acceleration of vesting because of retirement, death and disability for RSUs granted prior to 2022 and full acceleration of vesting under these scenarios for RSUs granted beginning in 2022.

Among the RSUs granted during 2022 and 2023, in May 2022, in accordance with the terms of the PPIP, Stratus granted 173,726 stock-settled RSUs with an aggregate grant-date fair value of \$7.4 million, based on Stratus' stock price on the date of issuance, in connection with Lantana Place, which reached a valuation event under the PPIP in September 2021, and the sale of The Santal in December 2021 (see further discussion of the PPIP under "Development Incentive Plans" below).

A summary of outstanding unvested RSUs as of December 31, 2023, and activity during the year ended December 31, 2023, follow (dollars in thousands):

	Number of RSUs	Aggregate Intrinsic Value
Balance at January 1	282,269	
Granted	24,816	
Vested	(145,248)	
Balance at December 31	161,837	\$ 4,671

The total fair value of RSUs granted was \$0.6 million for 2023 and \$8.3 million for 2022. The total intrinsic value of RSUs vested was \$3.0 million during 2023 and \$2.0 million during 2022. As of December 31, 2023, Stratus had \$1.6 million of total unrecognized compensation cost related to unvested RSUs expected to be recognized over a weighted-average period of 1.1 years.

The following table includes amounts related to vesting of RSUs (in thousands, except shares of Stratus common stock tendered):

	Years Ended December 31,	
	2023	2022
Stratus shares tendered to pay the minimum required taxes ^a	39,424	11,277
Amounts Stratus paid for employee taxes	\$ 789	\$ 452

a. Under terms of the related plans and agreements, upon vesting of RSUs, employees may tender shares of Stratus common stock to Stratus to pay the minimum required taxes.

Employee Benefits

Stratus maintains a 401(k) defined contribution plan subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA). The 401(k) plan provides for an employer matching contribution equal to 100 percent of the participant's contribution, subject to a limit of 5 percent of the participant's annual salary. Stratus' policy is to make an additional safe harbor contribution equal to 3 percent of each participant's total compensation. The 401(k)

plan also provides for discretionary contributions. Stratus' contributions to the 401(k) plan totaled \$0.7 million in 2023 and \$0.6 million in 2022.

Development Incentive Plans

Profit Participation Incentive Plan and Long-Term Incentive Plan. In 2018, the Stratus Compensation Committee of the Board (the Committee) unanimously adopted the PPIP, which provides participants with economic incentives tied to the success of the development projects designated by the Committee as approved projects under the PPIP. In February 2023, the Committee approved the LTIP, which amends and restates the PPIP, and is effective for participation interests awarded under development projects on or after its effective date. Outstanding participation interests granted under the PPIP will continue to be governed by the terms of the prior PPIP. The PPIP and LTIP provide participants with economic incentives tied to the success of the development projects designated by the Committee as approved projects under the PPIP and LTIP. Under the PPIP and LTIP, 25 percent of the profit (as described below) for each approved project following a capital transaction (each as defined in the PPIP and LTIP) will be set aside in a pool. The Committee will allocate participation interests in each pool to certain officers, employees and consultants determined to be instrumental in the success of the project. The profit is equal to the net proceeds to Stratus from a capital transaction after Stratus has received a return of its costs and expenses, any capital contributions and a preferred return of 10 percent per year on the approved project. Provided the applicable service conditions are met, each participant is eligible to earn a bonus equal to his or her allocated participation interest in the applicable profit pool. Bonus payments to executive officers under the LTIP are subject to reduction or elimination if required NAV-based results established by the Committee have not been achieved, if average payouts under the annual incentive plan over a prescribed time-period are below target, or if payouts under the annual incentive plan for the same calendar year are greater. Bonuses under the PPIP and LTIP are payable in cash prior to March 15 of the year following the capital transaction, unless the participant is an executive officer, in which case annual cash payouts under the PPIP and LTIP are limited to no more than four times the executive officer's base salary, and any amounts due under the PPIP and LTIP in excess of that amount will be converted to an equivalent number of stock-settled RSUs based on the 12-month trailing average price of Stratus common stock during the year of the capital transaction, with a one-year vesting period.

If a capital transaction has not occurred prior to the third anniversary of the date an approved project is substantially complete (a valuation event), the Committee will obtain a third-party appraisal of the approved project as of the valuation event. Based on the appraised value, the Committee will determine if any profit would have been generated after applying the hurdles and reductions, if applicable, described above, and if so, the amount of any bonus that would have been attributable to each participant. Any such amount will convert into an equivalent number of stock-settled RSUs based on the 12-month average trailing price of Stratus common stock during the year of the valuation event. The RSUs will be granted in the year following the valuation event and will vest in annual installments over a three-year period, provided that the participant satisfies the applicable service conditions. The fair value of the RSUs will be determined based on the price of Stratus' common stock on the date of grant. If the grant date fair value exceeds the calculated bonus amount, the incremental portion will be amortized ratably over the three-year vesting period. If a participant leaves Stratus and forfeits their RSUs, Stratus will reverse the expense associated with that award.

In 2018, the Committee designated seven development projects as approved projects under the PPIP, and granted awards of participation interests in the profit pools of each approved project to participants. During 2019, the Committee designated Magnolia Place as an approved project under the PPIP and granted awards of participation interests to participants. During first-quarter 2022, the Committee designated The Saint June as an approved project under the PPIP, and the awards of participation interests were granted to participants in August 2022. In August 2023, the Compensation Committee designated The Saint George as an approved project under the LTIP and granted awards of participation interests to participants. As required for liability-based awards under Accounting Standards Codification 718, *Stock-Based Compensation*, at the date of grant, Stratus estimates the fair value of each award and adjusts the fair value in each subsequent reporting period. Estimates related to the awards may change over time due to differences between projected and actual development progress and costs, market conditions and the timing of capital transactions or valuation events.

Stratus estimated the profit pool of each approved project by projecting the cash flow from operations, the net sales price, the timing of a capital transaction or valuation event and Stratus' equity and preferred return including costs to complete for projects under development. The primary fair value assumptions used at December 31, 2023, were projected cash flows, estimated capitalization rates ranging from 4.25 percent to 6.50 percent, projected remaining

service periods for each project ranging from 1.4 years to 2.8 years, and estimated transaction costs of approximately 1.25 percent to 7.83 percent.

The sale of The Saint Mary in January 2021 was a capital transaction under the PPIP. During February 2022, \$2.1 million was paid in cash to eligible participants.

In September 2021, Lantana Place reached a valuation event under the PPIP. The profit pool was \$3.9 million, of which \$0.2 million was paid in cash during February 2022 and the remaining accrued liability of \$3.7 million was settled in RSUs with a three-year vesting period awarded to eligible participants during second-quarter 2022 following stockholder approval of Stratus' new stock incentive plan.

The sale of The Santal in December 2021 was a capital transaction under the PPIP. The profit pool was \$6.7 million, of which \$5.0 million was paid in cash to eligible participants during February 2022. During second-quarter 2022, following stockholder approval of Stratus' new stock incentive plan, the remaining accrued liability related to The Santal of \$1.6 million was settled in RSUs with a one-year vesting period awarded to one participant for whom the cash compensation limitation was reached.

For the RSUs awarded in connection with Lantana Place and The Santal, the aggregate grant date value was \$2.1 million greater than the accrued liability for the two projects as a result of the different valuation methodology described above. During second-quarter 2022, Stratus transferred the \$5.3 million accrued liability balance under the PPIP for Lantana Place and The Santal that was settled in RSUs to capital in excess of par value and is amortizing the \$2.1 million balance of the grant-date value with a charge to general and administrative expenses and a credit to capital in excess of par value over the three-year or one-year vesting periods of the related RSUs.

In July 2023, Kingwood Place reached a valuation event under the PPIP and Stratus obtained an appraisal of the property to determine the payout under the PPIP. The accrued liability under the PPIP related to Kingwood Place was reduced to \$1.6 million at December 31, 2023, and was settled in RSUs with a three-year vesting period awarded to eligible participants in the first quarter of 2024.

A summary of PPIP and LTIP costs follows (in thousands):

	Years Ended December 31,	
	2023	2022
(Credited) charged to general and administrative expense	\$ (41)	\$ 524
Capitalized to project development costs	201	2
Total PPIP and LTIP costs	<u>\$ 160</u>	<u>\$ 526</u>

The accrued liability for the PPIP and the LTIP totaled \$3.1 million at December 31, 2023, and the accrued liability for the PPIP totaled \$3.0 million at December 31, 2022 (included in other liabilities).

NOTE 9. COMMITMENTS AND CONTINGENCIES

Construction Contracts. Stratus had firm commitments totaling approximately \$41 million at December 31, 2023 primarily related to construction of The Saint George, Holden Hills and Amarra Villas. We have construction loans, as well as remaining equity capital contributed to the Holden Hills partnership, to fund these projected cash outlays for the projects over the next 12 months except for anticipated operating loans to The Saint George Apartments, L.P., Stratus Block 150, L.P. and The Saint June, L.P. described below and 60 percent of the costs of the Tecoma Improvements for which we have agreed to reimburse the Holden Hills partnership. As of December 31, 2023, the Holden Hills partnership had \$8.0 million remaining to complete the Tecoma Improvements. Also, we anticipate making future operating loans to The Saint George Apartments, L.P., Stratus Block 150, L.P. and The Saint June, L.P. totaling up to \$3.8 million over the next 12 months to enable the partnerships to pay debt service and project costs. The estimates of future operating loans are based on estimates of future costs of the partnerships and anticipated future operating loans from the Class B limited partners of approximately \$2.5 million. The operating loans would bear interest at one-month Term SOFR plus 5.00 percent and would be repaid before distributions may be made to the partners.

Letters of Credit. As of December 31, 2023, Stratus had letters of credit totaling \$13.3 million issued under the revolving credit facility, \$11.0 million of which secure our obligation to build certain roads and utilities facilities benefiting Holden Hills and Section N (refer to Note 6 for further discussion).

Rental Income. As of December 31, 2023, Stratus' minimum rental income, including scheduled rent increases under noncancelable long-term leases of developed retail space and ground leases, totaled \$10.7 million in 2024, \$10.8 million in 2025, \$10.9 million in 2026, \$10.7 million in 2027, \$10.2 million in 2028 and \$84.5 million thereafter, with the longest lease extending through 2039.

H-E-B Profit Participation. H-E-B has profit participation rights in the Jones Crossing, Kingwood Place, and Lakeway projects. H-E-B is entitled to 10 percent of any cash flow from operations or profit from the sale of these properties after Stratus receives a return of its equity plus a preferred return of 10 percent. Stratus may enter into similar profit participation agreements for future projects.

Leases. Stratus' most significant lease is a 99-year ground lease for approximately 72 acres of land in College Station, Texas on which it is developing the Jones Crossing project. Stratus also leases various types of assets, including office space, vehicles and office equipment under non-cancelable leases. Stratus entered into one lease during fourth-quarter 2022 that is classified as a finance lease, and the other leases are classified as operating leases. As of December 31, 2023, the remaining term of the finance lease is approximately four years with a weighted-average discount rate of 6.4 percent used to determine the lease liability.

Supplemental balance sheet information related to leases is as follows (in thousands):

	Classification on the Consolidated Balance Sheet	December 31,	
		2023	2022
Assets			
Operating right-of-use assets	Lease right-of-use assets	\$ 11,174	\$ 10,631
Finance right-of-use assets	Other assets	62	79
Liabilities			
Operating lease liability	Lease liabilities	\$ 15,866	\$ 14,848
Finance lease liability	Other liabilities	65	80

Operating lease costs were \$2.1 million in 2023 and \$1.5 million in 2022. Stratus paid \$1.6 million during 2023 and \$757 thousand in 2022 for operating lease liabilities recorded in the consolidated balance sheet (included in operating cash flows in the consolidated statements of cash flows). As of December 31, 2023 and 2022, the weighted-average discount rate used to determine the lease liabilities was 6.2 percent and 6.0 percent, respectively. As of December 31, 2023, the weighted-average remaining lease term was approximately 84 years (90 years as of December 31, 2022).

The future minimum payments for operating leases recorded on the consolidated balance sheet at December 31, 2023 follow (in thousands):

Years ending December 31,	
2024	\$ 1,406
2025	1,374
2026	689
2027	706
2028	744
Thereafter	107,105
Total payments	112,024
Present value adjustment	(96,158)
Present value of net minimum lease payments	\$ 15,866

Circle C Settlement. In 2002, the city of Austin granted final approval of a development agreement (the Circle C settlement) and permanent zoning for Stratus' real estate located within the Circle C community in southwest Austin. The Circle C settlement firmly established all essential municipal development regulations applicable to Stratus' Circle C properties until 2032. The city of Austin also provided Stratus \$15.0 million of development fee credits, which are in the form of credit bank capacity, in connection with its future development of its Circle C and other Austin-area properties for waivers of fees and reimbursement for certain infrastructure costs. In addition, Stratus can elect to sell up to \$1.5 million of the incentives per year to other developers for their use in paying City fees related to their projects as long as the projects are within the desired development zone, as defined within the Circle C settlement. To the extent Stratus sells the incentives to other developers, Stratus recognizes the income from the sale when title is transferred and compensation is received. As of December 31, 2023, Stratus had permanently used \$12.4 million of its City-based development fee credits, including cumulative amounts sold to third parties totaling \$5.1 million. Fee credits used for the development of Stratus' properties effectively reduce the basis of the related properties and Stratus defers recognition of any gain associated with the use of the fees until the affected properties are sold. Stratus also had \$0.9 million in credit bank capacity in use as temporary fiscal deposits as of December 31, 2023. Available credit bank capacity was \$1.8 million at December 31, 2023.

Deferred Gain on Sale of The Oaks at Lakeway. In 2017, Stratus sold The Oaks at Lakeway to FHF I Oaks at Lakeway, LLC for \$114.0 million in cash. The Oaks at Lakeway is an H-E-B anchored retail project located in Lakeway, Texas. The parties entered into three master lease agreements at closing: (1) one covering unleased in-line retail space, with a five-year term (the In-Line Master Lease), (2) one covering the hotel pad with a 99-year term (the Hotel Master Lease) and (3) one covering four unleased pad sites, three of which have ten-year terms, and one of which has a 15-year term (the Pad Site Master Lease).

The In-Line Master Lease expired in February 2022 and the Hotel Master Lease was terminated in November 2020. As such, Stratus has no further obligations under these two master leases. With respect to the Pad Site Master Lease, Stratus has leased the one pad site with a 15-year term, reducing the monthly rent payment net of rent collections for this pad site to approximately \$2,500. Stratus may assign this lease to the purchaser and terminate the obligation under the Pad Site Master Lease for this pad site with a payment of \$560 thousand to the purchaser. The lease for the remaining three unleased pad sites under the Pad Site Master Lease expires in February 2027. To the extent leases are executed for the remaining three unleased pad sites, tenants open for business, and the leases are then assigned to the purchaser, the master lease obligation could be reduced further.

In first-quarter 2022, Stratus reassessed its plans with respect to construction of the remaining buildings on the three remaining unleased pad sites and determined that, rather than execute leases and build the buildings, it is less costly to continue to pay the monthly rent (approximately \$73 thousand per month) pursuant to the Pad Site Master Lease until the lease expires in February 2027. In connection with this determination, Stratus reversed an accrual of costs to lease and construct these buildings, resulting in recognition of an additional \$4.8 million of gain during 2022. A contract liability of \$2.7 million is presented as a deferred gain in the consolidated balance sheets at December 31, 2023, compared with \$3.5 million at December 31, 2022. The reduction in the deferred gain balance primarily reflects Pad Site Master Lease payments. The remaining deferred gain balance is expected to be reduced primarily by future Pad Site Master Lease payments.

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

Litigation. Stratus may from time to time be involved in various legal proceedings of a character normally incident to the ordinary course of its business. Stratus believes that potential liability from any of these pending or threatened proceedings will not have a material adverse effect on Stratus' financial condition or results of operations.

NOTE 10. BUSINESS SEGMENTS

As a result of the sale of Block 21, Stratus has two operating segments: Real Estate Operations and Leasing Operations. Block 21, which encompassed Stratus' Hotel and Entertainment segments, along with some leasing operations, was sold in May 2022 and is presented as discontinued operations.

The Real Estate Operations segment is comprised of Stratus' real estate assets (developed for sale, under development and available for development), which consists of its properties in Austin, Texas (including the Barton Creek Community, which includes Section N, Holden Hills, Amarra multi-family and commercial land, Amarra Villas, Amarra Drive lots and other vacant land; the Circle C community; the Lantana community, which includes a portion of Lantana Place planned for a multi-family phase known as The Saint Julia; The Saint George; and the land for The Annie B); in Lakeway, Texas, located in the greater Austin area (Lakeway); in College Station, Texas (land for future phases of retail and multi-family development and retail pad sites at Jones Crossing); and in Magnolia, Texas (land for a future phase of retail development and for future multi-family use and retail pad sites at Magnolia Place, all of which were sold in February 2024 except for approximately 11 acres planned for future multi-family use), Kingwood, Texas (a retail pad site) and New Caney, Texas (New Caney), each located in the greater Houston area.

The Leasing Operations segment is comprised of Stratus' real estate assets held for investment that are leased or available for lease and includes The Saint June, West Killeen Market, Kingwood Place, the retail portions of Lantana Place and Magnolia Place, the completed retail portion of Jones Crossing and retail pad sites subject to ground leases at Lantana Place, Kingwood Place and Jones Crossing.

Stratus uses operating income or loss to measure the performance of each segment. General and administrative expenses, which primarily consist of employee salaries, wages and other costs, are managed on a consolidated basis and are not allocated to Stratus' operating segments. The following segment information reflects management determinations that may not be indicative of what the actual financial performance of each segment would be if it were an independent entity.

Revenues From Contracts with Customers. Stratus' revenues from contracts with customers follow (in thousands):

	Year Ended December 31,	
	2023	2022
Real Estate Operations:		
Developed property sales	\$ 2,493	\$ 5,982
Undeveloped property sales	—	18,620
Commissions and other	58	142
	<u>2,551</u>	<u>24,744</u>
Leasing Operations:		
Rental revenue	14,719	12,754
	<u>14,719</u>	<u>12,754</u>
Total revenues from contracts with customers	<u>\$ 17,270</u>	<u>\$ 37,498</u>

Financial Information by Business Segment. Summarized financial information by segment for the year ended December 31, 2023, based on Stratus' internal financial reporting system utilized by its chief operating decision maker, follows (in thousands):

	Real Estate Operations ^a	Leasing Operations	Corporate, Eliminations and Other ^b	Total
Revenues:				
Unaffiliated customers	\$ 2,551	\$ 14,719	\$ —	\$ 17,270
Cost of sales, excluding depreciation and amortization	(9,615)	(5,177)	—	(14,792)
Depreciation and amortization	(154)	(4,132)	29	(4,257)
General and administrative expenses	—	—	(15,167)	(15,167)
Operating (loss) income	<u>\$ (7,218)</u>	<u>\$ 5,410</u>	<u>\$ (15,138)</u>	<u>\$ (16,946)</u>
Capital expenditures and purchases and development of real estate properties	\$ 44,451	\$ 45,962	\$ —	\$ 90,413
Total assets at December 31, 2023 ^c	324,659	162,322	30,785	517,766

a. Includes sales commissions and other revenues together with related expenses.

b. Includes consolidated general and administrative expenses and eliminations of intersegment amounts.

- c. Corporate, eliminations and other includes cash and cash equivalents and restricted cash of \$29.9 million. The remaining cash and cash equivalents and restricted cash is reflected in the operating segments' assets.

Summarized financial information by segment for the year ended December 31, 2022, based on Stratus' internal financial reporting system utilized by its chief operating decision maker, follows (in thousands):

	Real Estate Operations ^a	Leasing Operations	Corporate, Eliminations and Other ^b	Total
Revenues:				
Unaffiliated customers	\$ 24,744	\$ 12,754	\$ —	\$ 37,498
Intersegment	6	—	(6)	—
Cost of sales, excluding depreciation	(23,766)	(4,439)	5	(28,200)
Depreciation and amortization	(100)	(3,506)	20	(3,586)
General and administrative expenses	—	—	(17,567)	(17,567)
Impairment of real estate ^c	(720)	—	—	(720)
Gain on sales of assets ^d	—	4,812	—	4,812
Operating income (loss)	\$ 164	\$ 9,621	\$ (17,548)	\$ (7,763)
Capital expenditures and purchases and development of real estate properties	\$ 24,454	\$ 54,600	\$ 213	\$ 79,267
Total assets at December 31, 2022 ^e	288,270	109,964	46,906	445,140

- a. Includes sales commissions and other revenues together with related expenses.
- b. Includes consolidated general and administrative expenses and eliminations of intersegment amounts.
- c. Includes \$650 thousand for one of the Amarra Villas homes that was sold for \$2.5 million in March 2023 and \$70 thousand for the multi-family tract of land at Kingwood Place sold for \$5.5 million in October 2022.
- d. Represents a pre-tax gain recognized on the reversal of accruals for costs to lease and construct buildings under a master lease arrangement that we entered into in connection with the sale of The Oaks at Lakeway in 2017. Refer to Note 9.
- e. Corporate, eliminations and other includes \$43.4 million of cash and cash equivalents and restricted cash, primarily received from the May 2022 sale of Block 21. The remaining cash and cash equivalents and restricted cash is reflected in the operating segments' assets.

NOTE 11. SUBSEQUENT EVENTS

Stratus evaluated events after December 31, 2023, and through the date the financial statements were issued, and determined any events or transactions occurring during this period that would require recognition or disclosure are appropriately addressed in these financial statements.

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

Not applicable.

Item 9A. Controls and Procedures

(a) Evaluation of disclosure controls and procedures. Our Chief Executive Officer and Chief Financial Officer, with the participation of management, have evaluated the effectiveness of our "disclosure controls and procedures" (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) to allow timely decisions regarding required disclosure as of the end of the period covered by this annual report on Form 10-K. Based on their evaluation, they have concluded that our disclosure controls and procedures were effective as of the end of the period covered by this report.

(b) Changes in internal control over financial reporting. There has been no change in our internal control over financial reporting that occurred during the fiscal quarter ended December 31, 2023, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

(c) Management's annual report on internal control over financial reporting is included in Part II, Item 8. "Financial Statements and Supplementary Data."

Item 9B. Other Information

During the quarter ended December 31, 2023, no director or officer of Stratus adopted or terminated any “Rule 10b5-1 trading arrangement” or “non-Rule 10b5-1 trading arrangement,” as such terms are defined in Item 408(a) of Regulation S-K.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Information required by this item will be contained in our definitive proxy statement to be filed with the Securities and Exchange Commission (SEC) pursuant to Regulation 14A relating to our 2024 annual meeting of stockholders and is incorporated herein by reference. The information required by Item 10 regarding our executive officers appears in a separately captioned heading after Item 4. “Information About our Executive Officers” in Part I of this report.

Item 11. Executive Compensation

Information required by this item will be contained in our definitive proxy statement to be filed with the SEC pursuant to Regulation 14A relating to our 2024 annual meeting of stockholders and is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Information required by this item will be contained in our definitive proxy statement to be filed with the SEC pursuant to Regulation 14A relating to our 2024 annual meeting of stockholders and is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence

Information required by this item will be contained in our definitive proxy statement to be filed with the SEC pursuant to Regulation 14A relating to our 2024 annual meeting of stockholders and is incorporated herein by reference.

Item 14. Principal Accounting Fees and Services

Information required by this item (including fees billed to us by CohnReznick LLP - PCAOB ID No. 596 and BKM Sowan Horan, LLP - PCAOB ID No. 5127) will be contained in our definitive proxy statement to be filed with the SEC pursuant to Regulation 14A relating to our 2024 annual meeting of stockholders and is incorporated herein by reference.

PART IV

Item 15. Exhibits, Financial Statement Schedules

(a)(1). Financial Statements.

The consolidated statements of comprehensive income, cash flows and equity, and the consolidated balance sheets are included as part of Part II, Item 8. “Financial Statements and Supplementary Data.”

(a)(3). Exhibits.

Exhibit Number	Exhibit Title	Filed with this Form 10-K	Incorporated by Reference		
			Form	File No.	Date Filed
2.1	Agreement of Sale and Purchase, dated February 15, 2017, between Stratus Lakeway Center, LLC and FHF I Oaks at Lakeway, LLC.		8-K	001-37716	2/21/2017
2.2	Agreement of Sale and Purchase, dated October 26, 2021 between Stratus Block 21, L.L.C. and Ryman Hospitality Properties, Inc.		10-K	001-37716	3/31/2022
2.3	Membership Interest Purchase Agreement, dated October 26, 2021 between Stratus Block 21 Investments, L.P. and Ryman Hospitality Properties, Inc.		10-K	001-37716	3/31/2022
3.1	Composite Certificate of Incorporation of Stratus Properties Inc.		10-Q	001-37716	5/15/2023
3.2	Second Amended and Restated By-Laws of Stratus Properties Inc., as amended effective August 3, 2017.		10-Q	001-37716	8/9/2017
4.1	Description of Common Stock of Stratus Properties Inc.	X			
4.2	Investor Rights Agreement by and between Stratus Properties Inc. and Moffett Holdings, LLC dated as of March 15, 2012.		8-K	000-19989	3/20/2012
4.3	Assignment and Assumption Agreement by and among Moffett Holdings, LLC, LCHM Holdings, LLC and Stratus Properties Inc., dated as of March 3, 2014.		13D	000-19989	3/5/2014
4.4	Specimen Common Stock Certificate.		8-A/A	000-19989	8/26/2010
10.1	Development Agreement effective as of August 15, 2002, between Circle C Land Corp. and City of Austin.		10-Q	000-19989	11/14/2002
10.2	First Amendment dated June 21, 2004, Second Amendment dated November 9, 2004, and Third Amendment dated March 2, 2005, to Development Agreement effective as of August 15, 2002, between Circle C Land Corp. and City of Austin.		10-K	000-19989	3/16/2015
10.3	Loan Agreement by and between Stratus Properties Inc., certain of its subsidiaries and Comerica Bank, dated as of June 29, 2018.		8-K	001-37716	7/5/2018
10.4	Amended and Restated Revolving Promissory Note by and between Stratus Properties Inc., certain of its subsidiaries and Comerica Bank, dated as of May 13, 2022.		10-Q	001-37716	5/16/2022
10.5	Modification Agreement by and between Stratus Properties Inc., certain of its subsidiaries and Comerica Bank, effective as of April 14, 2020.		8-K	001-37716	4/17/2020
10.6	Second Modification Agreement by and between Stratus Properties Inc., certain of its subsidiaries and Comerica Bank, effective as of June 12, 2020.		8-K	001-37716	6/15/2020
10.7	Third Modification Agreement by and between Stratus Properties Inc., certain of its subsidiaries and Comerica Bank, effective as of May 13, 2022.		10-Q	001-37716	5/16/2022
10.8	Fourth Modification Agreement by and between Stratus Properties Inc., certain of its subsidiaries and Comerica Bank, effective as of November 8, 2022.		10-K	001-37716	3/31/2023
10.9	Fifth Modification Agreement by and between Stratus Properties Inc., certain of its subsidiaries and Comerica Bank, effective as of March 10, 2023.		10-K	001-37716	3/31/2023

Exhibit Number	Exhibit Title	Filed with this Form 10-K	Incorporated by Reference		
			Form	File No.	Date Filed
10.10	Sixth Modification Agreement by and between Stratus Properties Inc., certain of its subsidiaries and Comerica Bank, effective as of May 31, 2023.		10-Q	001-37716	8/14/2023
10.11	Loan Agreement by and between College Station 1892 Properties, L.L.C., as borrower, and Regions Bank, as lender, dated June 17, 2021.		8-K	001-37716	6/23/2021
10.12	Promissory Note by and between College Station 1892 Properties, L.L.C. and Regions Bank dated June 17, 2021.		8-K	001-37716	6/23/2021
10.13	First Amendment of Loan Agreement by and between College Station 1892 Properties, L.L.C., as borrower, and Regions Bank, as lender, effective as of August 1, 2023.		10-Q	001-37716	11/14/2023
10.14	Guaranty of Recourse Obligations by Stratus Properties Inc. for the benefit of Regions Bank dated June 17, 2021 with respect to the Loan Agreement by and between College Station 1892 Properties, L.L.C., as borrower, and Regions Bank, as lender, dated June 17, 2021.		10-K	001-37716	3/31/2022
10.15	Construction Loan Agreement by and between Lantana Place, L.L.C., as borrower, and Southside Bank, as lender, dated April 28, 2017.		8-K	001-37716	5/3/2017
10.16	Promissory Note by and between Lantana Place, L.L.C. and Southside Bank dated April 28, 2017.		10-K	001-37716	3/31/2022
10.17	First amendment to Construction Loan Agreement by and between Lantana Place, L.L.C., as borrower, and Southside Bank, as lender, dated December 13, 2017.		10-K	001-37716	3/16/2018
10.18	Loan Modification Agreement by and between Lantana Place, L.L.C., as borrower, and Southside Bank, as lender, effective as of June 19, 2020.		10-Q	001-37716	6/25/2020
10.19	Second Modification Agreement by and between Lantana Place, L.L.C and Southside Bank, effective as of January 4, 2021.		10-K	001-37716	3/15/2021
10.20	Loan Modification Agreement by and between Lantana Place, L.L.C and Southside Bank, effective as of January 13, 2022.		10-K	001-37716	3/31/2022
10.21	Loan Modification Agreement by and between Lantana Place, L.L.C. and Southside Bank, effective as of August 26, 2022.		10-Q	001-37716	11/14/2022
10.22	Loan Modification Agreement by and between Lantana Place, L.L.C. and Southside Bank, effective as of December 14, 2023.	X			
10.23	Guaranty Agreement by Stratus Properties Inc. in favor of Southside Bank dated April 28, 2017 with respect to the Construction Loan Agreement by and between Lantana Place, L.L.C., as borrower, and Southside Bank, as lender, dated April 28, 2017.		10-K	001-37716	3/31/2022
10.24	Construction Loan Agreement by and between Stratus Kingwood Place, L.P., as borrower, and Comerica Bank, as lender, dated December 6, 2018.		8-K	001-37716	12/12/2018
10.25	Amended and Restated Installment Note by and between Stratus Kingwood Place, L.P. and Comerica Bank, effective as of December 6, 2023.	X			

Exhibit Number	Exhibit Title	Filed with this Form 10-K	Incorporated by Reference		
			Form	File No.	Date Filed
10.26	Modification Agreement by and among Stratus Kingwood Place, L.P., as borrower, Stratus Properties Inc. as guarantor, and Comerica Bank, as lender, effective as of January 17, 2020.		10-Q	001-37716	6/25/2020
10.27	Second Modification Agreement by and among Stratus Kingwood Place, L.P., as borrower, Stratus Properties Inc. as guarantor, and Comerica Bank, as lender, effective as of December 6, 2022.		10-K	001-37716	3/31/2023
10.28	Third Modification Agreement by and among Stratus Kingwood Place, L.P., as borrower, Stratus Properties Inc. as guarantor, and Comerica Bank, as lender, effective as of December 6, 2023.	X			
10.29	Guaranty Agreement by Stratus Properties Inc. for the benefit of Comerica Bank dated December 6, 2018.		10-K	001-37716	3/31/2022
10.30	Loan Agreement by and among The Saint June, L.P., as borrower, Texas Capital Bank, National Association, as administrative agent, and each of the lenders party thereto, dated June 2, 2021.		8-K	001-37716	6/8/2021
10.31	Note by and between The Saint June, L.P. and Texas Capital Bank, National Association dated June 2, 2021.		8-K	001-37716	6/8/2021
10.32	Guaranty Agreement by Stratus Properties Inc. for the benefit of Texas Capital Bank, National Association dated June 2, 2021 with respect to the Loan Agreement by and among The Saint June, L.P., as borrower, Texas Capital Bank, National Association, as administrative agent, and each of the lenders party thereto, dated June 2, 2021.		10-K	001-37716	3/31/2022
10.33	Interest Rate Index Replacement Agreement dated January 3, 2023 with respect to the Loan Agreement by and among The Saint June, L.P., as borrower, Texas Capital Bank, National Association, as administrative agent, and each of the lenders party thereto, dated June 2, 2021.		10-K	001-37716	3/31/2023
10.34	Construction Loan Agreement by and between The Saint George Apartments, L.P., as borrower, and Comerica Bank, as lender, dated July 19, 2022.		8-K	001-37716	7/21/2022
10.35	Amended and Restated Installment Note by and between The Saint George Apartments, L.P. and Comerica Bank dated July 19, 2022.		8-K	001-37716	7/21/2022
10.36	Guaranty Agreement by Stratus Properties Inc. for the benefit of Comerica Bank dated July 19, 2022 with respect to the Construction Loan Agreement by and between The Saint George Apartments, L.P., as borrower, and Comerica Bank, as lender, dated July 19, 2022.		8-K	001-37716	7/21/2022
10.37	Construction Loan Agreement by and between Holden Hills, L.P., as borrower, and Comerica Bank, as lender, dated February 8, 2023.		8-K	001-37716	2/14/2023
10.38	Installment Note by and between Holden Hills, L.P. and Comerica Bank dated February 8, 2023.		8-K	001-37716	2/14/2023
10.39	Guaranty by Stratus Properties Inc. for the benefit of Comerica Bank dated February 8, 2023 with respect to the Construction Loan Agreement by and between Holden Hills, L.P., as borrower, and Comerica Bank, as lender, dated February 8, 2023.		8-K	001-37716	2/14/2023

Exhibit Number	Exhibit Title	Filed with this Form 10-K	Incorporated by Reference		
			Form	File No.	Date Filed
10.40	Amended and Restated Limited Partnership Agreement of Stratus Kingwood Place, L.P. entered into by and among Stratus Northpark, L.L.C., Stratus Properties Operating Co., L.P., and several Class B Limited Partners.		10-Q	001-37716	8/9/2018
10.41	First Amendment to the Amended and Restated Limited Partnership Agreement of Stratus Kingwood Place, L.P.		10-K	001-37716	3/18/2019
10.42	Second Amendment to the Amended and Restated Limited Partnership Agreement of Stratus Kingwood Place, L.P.		10-K	001-37716	3/15/2021
10.43†	Amended and Restated Limited Partnership Agreement of Stratus Block 150, L.P. entered into by and among The Stratus Block 150 GP, L.L.C., Stratus Properties Operating Co., L.P., and several Class B Limited Partners.		10-Q	001-37716	11/15/2021
10.44†	First Amendment to the Amended and Restated Limited Partnership Agreement of Stratus Block 150, L.P.		10-Q	001-37716	5/16/2022
10.45†	Amended and Restated Limited Partnership Agreement of Holden Hills, L.P. entered into by and among Holden Hills GP, L.L.C., Stratus Properties Operating Co., L.P., and Bartoni, LLC.		10-K	001-37716	3/31/2023
10.46†	Development Agreement effective as of January 31, 2023, between Stratus Properties Operating Co., L.P. and Holden Hills, L.P.		10-K	001-37716	3/31/2023
10.47*	Stratus Properties Inc. 2017 Stock Incentive Plan.		8-K	001-37716	5/18/2017
10.48*	Stratus Properties Inc. 2022 Stock Incentive Plan.		8-K	001-37716	5/13/2022
10.49*	Stratus Properties Inc. Director Compensation.	X			
10.50*	Severance and Change of Control Agreement between Stratus Properties Inc. and William H. Armstrong III, effective April 1, 2022.		10-K	001-37716	3/31/2022
10.51*	Severance and Change of Control Agreement between Stratus Properties Inc. and Erin D. Pickens, effective April 1, 2022.		10-K	001-37716	3/31/2022
10.52*	Consulting Agreement between Stratus Properties Inc. and James C. Leslie, dated November 4, 2022.		10-K	001-37716	3/31/2023
10.53	Stock Repurchase Agreement between Stratus Properties Inc. and James C. Leslie, dated November 1, 2022.		10-K	001-37716	3/31/2023
10.54*	Stratus Properties Inc. Profit Participation Incentive Plan and Form of Award Notice.		10-K	001-37716	3/18/2019
10.55*	Stratus Properties Inc. Long-Term Incentive Plan and Form of Award Notice.		10-Q	001-37716	5/15/2023
10.56*	Stratus Properties Inc. Executive Annual Incentive Plan (effective January 2023).		10-Q	001-37716	5/15/2023
10.57*	Form of Notice of Grant of Restricted Stock Units under the Stratus Properties Inc. 2017 Stock Incentive Plan for Non-Employee Director Grants (adopted May 2019).		10-Q	000-19989	5/10/2019
10.58*	Form of Notice of Grant of Restricted Stock Units under the Stratus Properties Inc. 2022 Stock Incentive Plan for Non-Employee Director Grants (adopted July 2022).		10-K	001-37716	3/31/2023

Exhibit Number	Exhibit Title	Filed with this Form 10-K	Incorporated by Reference		
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10.59*	Form of Notice of Grant of Restricted Stock Units (adopted 2021).		10-Q	001-37716	8/16/2021
10.60*	Form of Notice of Grant of Restricted Stock Units for Awards under the Profit Participation Incentive Plan (adopted 2021).		10-Q	001-37716	8/16/2021
10.61*	Form of Restricted Stock Unit Agreement for Awards under the Executive Annual Incentive Plan (adopted 2024).	X			
10.62*	Form of Restricted Stock Unit Agreement for Awards under the Profit Participation Incentive Plan and Long-Term Incentive Plan (adopted 2024).	X			
10.63*	Form of Restricted Stock Unit Agreement (adopted 2024).	X			
16.1	Letter to the Securities and Exchange Commission from BKM Sowan Horan, LLP.		8-K	001-37716	11/14/2022
16.2	Letter to the Securities and Exchange Commission from CohnReznick LLP.		8-K	001-37716	11/14/2022
21.1	List of subsidiaries.	X			
23.1	Consent of CohnReznick LLP.	X			
24.1	Power of Attorney (included on signature page).	X			
31.1	Certification of Principal Executive Officer pursuant to Rule 13a-14(a)/15d-14(a).	X			
31.2	Certification of Principal Financial Officer pursuant to Rule 13a-14(a)/15d-14(a).	X			
32.1	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350.	X			
32.2	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350.	X			
97.1	Stratus Properties Inc. Incentive-Based Compensation Recovery Policy, effective as of October 2, 2023.	X			
101.INS	XBRL Instance Document – the XBRL Instance Document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.	X			
101.SCH	Inline XBRL Taxonomy Extension Schema.	X			
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase.	X			
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase.	X			
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase.	X			
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase.	X			
104	The cover page from this Annual Report on Form 10-K, formatted in Inline XBRL and contained in Exhibit 101.	X			

* Indicates management contract or compensatory plan or arrangement.

† Certain identified information has been excluded from this exhibit because it is both not material and is the type that the registrant customarily and actually treats as private or confidential.

Item 16. Form 10-K Summary.

Not applicable.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on March 28, 2024.

STRATUS PROPERTIES INC.

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

Power of Attorney. BE IT KNOWN: that each person whose signature appears below constitutes and appoints William H. Armstrong III, Erin D. Pickens and Kenneth N. Jones, and each of them acting individually, his or her true and lawful attorneys-in-fact and agents, each with the full power of substitution, for him or her in any and all capacities, to sign any amendments to this Annual Report on Form 10-K, and to file the same, with all exhibits thereto and other documents in connection therewith, with the U.S. Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform any other act and thing requisite and necessary to be done, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or his or her substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

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

Name	Capacity	Date
<u>/s/ William H. Armstrong III</u> William H. Armstrong III	Chairman of the Board, President and Chief Executive Officer (Principal Executive Officer)	March 28, 2024
<u>/s/ Erin D. Pickens</u> Erin D. Pickens	Senior Vice President and Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	March 28, 2024
<u>/s/ Laurie L. Dotter</u> Laurie L. Dotter	Director	March 28, 2024
<u>/s/ Kate B. Henriksen</u> Kate B. Henriksen	Director	March 28, 2024
<u>/s/ James E. Joseph</u> James E. Joseph	Director	March 28, 2024
<u>/s/ Michael D. Madden</u> Michael D. Madden	Director	March 28, 2024
<u>/s/ Charles W. Porter</u> Charles W. Porter	Director	March 28, 2024
<u>/s/ Neville L. Rhone Jr.</u> Neville L. Rhone Jr.	Director	March 28, 2024

**DESCRIPTION OF SECURITIES REGISTERED
UNDER SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934**

As of the date of this Annual Report on Form 10-K of which this Exhibit 4.1 is a part, Stratus Properties Inc. has one class of securities registered under Section 12 of the Securities Exchange Act of 1934, as amended: our common stock.

The following summary of the terms of our capital stock is not meant to be complete and is qualified by reference to the relevant provisions of the General Corporation Law of the State of Delaware (the Delaware General Corporation Law) and our amended and restated certificate of incorporation, as amended (our certificate of incorporation), and our second amended and restated by-laws (our by-laws). Both our certificate of incorporation and by-laws are exhibits to this Annual Report on Form 10-K filed with the Securities and Exchange Commission.

Authorized Capital Stock

Our certificate of incorporation authorizes us to issue up to 150,000,000 shares of common stock, \$0.01 par value per share, and 50,000,000 shares of preferred stock, \$0.01 par value per share.

Description of Common Stock

Voting rights. Each share of common stock is entitled to one vote on all matters voted upon by our stockholders, including the election of directors, and do not have cumulative voting rights. Holders of our common stock are entitled to elect all of the members of the class of directors whose term is expiring, subject to the rights of holders of preferred stock, by a plurality vote. Unless otherwise required by law, our certificate of incorporation or by-laws, any matter brought before any meeting of stockholders, other than the election of directors, is decided by the affirmative vote of a majority of the shares present in person or represented by proxy and entitled to vote thereon, a quorum being present.

Dividends. Holders of our common stock are entitled to receive dividends when, as and if declared by our board of directors out of funds legally available therefor and subject to the rights of holders of preferred stock.

Liquidation rights. Holders of common stock are entitled to share ratably in all assets legally available for distribution to holders of our common stock in the event of our liquidation, winding up or dissolution, subject to the rights of holders of preferred stock.

Other rights and preferences. The issued and outstanding shares of our common stock are, and the shares of our common stock that we may issue in the future will be, validly issued, fully paid and non-assessable. Shares of our common stock are not redeemable, have no sinking fund provisions, and have no subscription, conversion or preemptive rights.

Transfer agent. The transfer agent and registrar for our common stock is Computershare Inc.

NASDAQ. Our common stock is listed on The Nasdaq Stock Market under the symbol "STRS."

Certain Provisions of Our Certificate of Incorporation and By-laws

Classified Board. Our board of directors has been divided into three classes, with each class consisting, as nearly as possible, of one-third of the total number of the directors and serving a three-year term. This classification of our board of directors may prevent our stockholders from changing the membership of the entire board of directors in a relatively short period of time. At least two annual meetings, instead of one, generally will be required to change the majority of directors. The classified board provisions could have the effect of prolonging the time required for one of our stockholders with significant voting power to gain majority representation on our board of directors. Where approval by a majority of the directors is necessary for a transaction, such as in the case of an interested stockholder business combination (as discussed below), the inability to gain majority representation on our board of directors immediately could discourage takeovers and tender offers.

Supermajority Voting/Fair Price Requirements. Our certificate of incorporation provides that the approval of the holders of not less than 85 percent of our outstanding common stock is required for:

- any merger or consolidation of our company or any of our subsidiaries with or into any person or entity, or any affiliate of that person or entity, who was within the two years prior to the transaction a beneficial owner of 20 percent or more of our outstanding common stock, which we refer to as an interested party;

- any merger or consolidation of an interested party with or into our company or any of our subsidiaries;
- any sale, lease, exchange, mortgage, pledge, transfer or other disposition of more than 10 percent of the fair market value of the total assets of our company or any of our subsidiaries in one or more transactions involving an interested party;
- the adoption of any plan or proposal for liquidation or dissolution of our company proposed by or on behalf of any interested party;
- the issuance or transfer by us or any of our subsidiaries of securities of our company having a fair market value of \$1 million or more to any interested party in one or more transactions; or
- any recapitalization, reclassification, merger or consolidation of our company or any of our subsidiaries that would increase an interested party's voting power in our company or any of our subsidiaries.

However, the 85 percent voting requirement is not applicable if:

- our board approves the transaction, or approves the acquisition of the common stock that caused the interested person to become an interested person, and the vote includes the affirmative vote of a majority of our directors who are not affiliates of the interested party and who were members of our board prior to the time the interested party became the interested party;
- the transaction is solely between us and any of our wholly owned subsidiaries or between any of our wholly owned subsidiaries; or
- the transaction is a merger or consolidation and the consideration to be received by our common stockholders is at least as high as the highest price per share paid by the interested party for our common stock on the date the common stock was last acquired by the interested party or during a period of two years prior.

Amendments to Supermajority Voting/Fair Price Requirements. The affirmative vote of at least 85 percent of our outstanding capital stock is required to amend, alter, change or repeal the provisions in our certificate of incorporation providing for the supermajority voting/fair price requirements described above, or to adopt any provisions inconsistent therewith. In addition, our certificate of incorporation and our by-laws require the affirmative vote of at least 85 percent of our outstanding capital stock to amend, alter, change or repeal the provisions providing for the classified board structure, and the provisions prohibiting stockholders to act by written consent, to call a special meeting or to fill a vacancy on our board of directors.

Effects of Authorized but Unissued Common Stock and Blank Check Preferred Stock. One of the effects of the existence of authorized but unissued common stock and undesignated preferred stock may be to enable our board of directors to make more difficult or to discourage an attempt to obtain control of our company by means of a merger, tender offer, proxy contest or otherwise, and thereby to protect the continuity of management. If, in the due exercise of its fiduciary obligations, our board of directors were to determine that a takeover proposal was not in our best interest, such shares could be issued by our board of directors without stockholder approval in one or more transactions that might prevent or render more difficult or costly the completion of the takeover transaction by diluting the voting or other rights of the proposed acquirer or

insurgent stockholder group, by putting a substantial voting block in institutional or other hands that might undertake to support the position of the incumbent board of directors, by effecting an acquisition that might complicate or preclude the takeover, or otherwise.

In addition, our certificate of incorporation grants our board of directors broad power to establish the rights and preferences of authorized but unissued shares of preferred stock. The issuance of shares of preferred stock could decrease the amount of earnings and assets available for distribution to holders of shares of common stock. The issuance also may adversely affect the rights and powers, including voting rights, of those holders and may have the effect of delaying, deterring or preventing a change in control of our company.

Advance Notice of Intention to Nominate a Director. Our by-laws permit a stockholder to nominate a person for election as a director only if written notice of such stockholder's intent to make a nomination has been delivered to our Secretary within the time periods and in the manner specified in our by-laws. Any nomination that fails to comply with these requirements may be disqualified.

Advance Notice of Stockholder Proposals. Our by-laws permit a stockholder proposal to be presented at a stockholders' meeting only if prior written notice of the proposal has been delivered to our Secretary within the time periods and in the manner specified in our by-laws.

No Ability of Stockholders to Call Special Meetings. Our certificate of incorporation and by-laws provide that, except to the extent that holders of preferred stock have the right to call a special meeting in some circumstances, only our board of directors, the chairman of our board, or the president may call special meetings of the stockholders.

No Ability of Stockholders to Act by Written Consent. Our certificate of incorporation denies our stockholders the right to take any action required or permitted to be taken at any annual or special meeting of stockholders by written consent.

Removal of Directors; Filling Vacancies on Board of Directors. Under the Delaware General Corporation Law, a director on a classified board may be removed only for cause by a vote of the shareholders. Our certificate of incorporation and by-laws provide that newly created directorships resulting from any increase in the number of directors and any vacancies on our board of directors resulting from the death, resignation, disqualification or removal of a director, or other reason, may be filled only by a majority vote of the remaining directors, regardless of any quorum requirements. Any director so elected will hold office for the remainder of the full term of the class of directors in which the new directorship was created or the vacancy occurred and until such director's successor has been elected and qualified.

Amendment of By-laws. Our certificate of incorporation and by-laws provide that our by-laws may be altered, amended, changed or repealed by vote of the stockholders or at any meeting of our board of directors by the vote of a majority of the directors present or as otherwise provided by statute.

Limitation of Liability of Directors and Officers. As permitted by the Delaware General Corporation Law, our certificate of incorporation includes a provision that eliminates the personal liability of our directors and officers for monetary damages for breach of fiduciary duty as a director or officer, respectively, except for liability (1) for any breach of the director's or officer's duty of loyalty to our company or its stockholders, (2) for acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law, (3) of a director under section 174 of the Delaware General Corporation Law (4) for any transaction from which the director or officer derived an improper personal benefit or (5) of an officer in any action by or in the right of the company. The effect of this provision is to eliminate our rights and our stockholders' rights to recover monetary damages against a director for breach of a fiduciary duty of care and to eliminate our stockholders' rights to recover monetary damages for direct claims against an officer for breach of a fiduciary duty of care. The provision does not eliminate or limit our right, or the right of a stockholder, to seek non-monetary relief, such as an injunction or rescission. In addition, our certificate of incorporation provides for mandatory indemnification rights to the fullest extent permitted by law to any director or executive officer who (because of the fact that he or she is our director or officer) is involved in a legal proceeding. These indemnification rights include reimbursement for expenses incurred by the director or officer in advance of the final disposition of a proceeding according to applicable law.

Forum for Adjudication of Disputes

Our by-laws provide that to the fullest extent permitted by law, and unless we consent in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware (Court of Chancery) shall be the sole and exclusive forum for (1) any derivative action or proceeding brought in the name or right of our company or on its behalf, (2) any action asserting a claim for breach of a fiduciary duty owed by any director, officer, employee, stockholder or other agent of the company to the company or our stockholders, (3) any action arising or asserting a claim arising pursuant to any provision of the Delaware General Corporation Law or any provision of our certificate of incorporation or by-laws or as to which the Delaware General Corporation Law confers jurisdiction on the Court of Chancery or (4) any action asserting a claim governed by the internal affairs, doctrine, including, without limitation, any action to interpret, apply, enforce or determine the validity of our certificate of incorporation or by-laws. Any person or entity purchasing or otherwise acquiring any interest in share of our company's stock will be deemed to have notice of and consented to these provisions.

The exclusive forum provision will not preclude or contract the scope of exclusive federal or concurrent jurisdiction for actions brought under the federal securities laws including the Securities Exchange Act of 1934, as amended, or the Securities Act of 1933, as amended. This provision may increase costs to bring a claim, discourage claims or limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers or other employees, which may discourage such lawsuits against us or our directors, officers and other employees. If a court were to find the exclusive forum provision contained in our by-laws to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions.

Description of Preferred Stock

Our board of directors may, without stockholder approval, authorize us to issue shares of preferred stock in series and may, at the time of issuance, determine the rights, preferences and limitations of each series, including but not limited to dividend, voting, conversion and liquidation preference rights. Satisfaction of any dividend preferences of outstanding shares of preferred stock would reduce the amount of funds available for the payment of dividends on shares of common stock. Holders of shares of preferred stock may be entitled to receive a preference payment in the event of any liquidation, dissolution or winding-up of our company before any payment is made to the holders of shares of common stock. In some circumstances, the issuance of shares of preferred stock may render more difficult or tend to discourage a merger, tender offer or proxy contest, the assumption of control by a holder of a large block of our securities or the removal of incumbent management. The issuance of any shares of preferred stock in the future could adversely affect the rights of the holders of common stock.

LOAN MODIFICATION AGREEMENT

THIS LOAN MODIFICATION AGREEMENT (this "Modification") is entered into on December 14, 2023 (the "date of this Modification"), by and between **SOUTHSIDE BANK**, a Texas state bank ("Lender") and **LANTANA PLACE, L.L.C.**, a Texas limited liability company ("Borrower").

WHEREAS, Borrower and Lender entered into a Construction Loan Agreement dated effective April 28, 2017 (as heretofore amended, the "Loan Agreement") respecting a construction loan (the "Loan") in the maximum principal amount of \$26,310,482.00 for Borrower's Project known as "Lantana Place" in Travis County, Texas as therein described; and

WHEREAS, the Loan is evidenced by a Promissory Note dated April 28, 2017 (as heretofore amended, the "Note") in the maximum principal amount of \$26,310,482.00; and

WHEREAS, the Loan was previously modified and amended as provided in the following: (i) Loan Modification Agreement dated effective June 19, 2020, between Borrower and Lender; (ii) Second Modification Agreement dated effective as of December 31, 2020, between Borrower and Lender; (iii) Modification Agreement dated effective as of January 13, 2022, between Borrower and Lender; and (iv) that certain Modification Agreement dated effective as of August 26, 2022, between Borrower and Lender.

WHEREAS, Borrower and Lender now desire to further amend the Loan as hereinafter set forth.

NOW, THEREFORE, Borrower and Lender hereby represent, stipulate, covenant and agree as follows:

1. Loan Balance. As of the date of this Modification, the unpaid principal balance of the Note is \$23,039,824.32.
2. Remaining Loan Advances. The December 31, 2018 deadline for advances under the Note, which was previously extended to December 31, 2023, is hereby further extended to permit advances under the Note until December 31, 2024. Subject to the terms, conditions and limitations set forth in the Note, the Loan Agreement and the other Security Documents, the sum of \$3,123,408.20 remains available for advance under the Note to pay for tenant improvements and leasing commissions payable by Borrower in connection with leases for the Project.

Lender shall have no obligation to make any other advances under the Note, and in no event shall Lender be obligated to make any advances after December 31, 2024.

3. Collateral. The Deed of Trust and all other collateral for the Note shall continue to secure payment of the Note as amended hereby, except that Lender has released its liens against the property described in Exhibit "A" attached hereto.

4. Payment of Fees and Expenses. Upon demand by Lender, Borrower shall promptly pay, or reimburse Lender for, all reasonable legal fees and any other expenses incurred by Lender in connection with this Modification. In addition, Borrower shall pay to Lender the sum of \$2,000.00 as a modification fee, payable upon execution of this Modification by all parties.
5. Representations. Borrower represents and warrants to Lender that each of the representations and warranties set forth in the Loan Agreement are true and correct as of the date of this Modification, as if made on the date of this Modification, except for any representations that are specifically limited to a specified date or time period prior to the date of this Modification.
6. No Event of Default. Borrower represents and warrants to Lender that no Event of Default exists under the terms of the Loan Agreement, as amended hereby, and to the best of Borrower's knowledge, there exist no facts or circumstances that, with the giving of notice and the expiration of any applicable cure period, would reasonably be expected to become an Event of Default.
7. Ratification. Borrower hereby (i) ratifies, adopts and reaffirms each of the terms and provisions of the Loan Agreement, the Note, and the other documents evidencing or securing payment of the Loan, as heretofore modified and amended, subject only to the modifications contained herein; (ii) agrees that no provisions of the documents evidencing or securing payment of the Loan have been waived except as expressly provided herein; and (iii) waives and releases any defenses to enforcement of the documents evidencing or securing payment of the Loan. In the event of any conflict between the terms of this Modification and terms of the other documents evidencing or securing payment of the Loan, this Modification shall govern and control.
8. Defined Terms. Unless otherwise expressly provided herein, terms defined in the Loan Agreement shall have the same meaning when used in this Modification.
9. Counterparts and Signatures. This Modification may be signed in multiple counterparts, all of which taken together shall constitute a single document. Facsimile signatures are permissible and shall be as binding as original ink signatures.
10. Final Agreement. THIS WRITTEN AGREEMENT 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.

(End of Page – Signature Page Follows)

IN WITNESS WHEREOF, the parties have caused this Loan Modification Agreement to be duly executed as of the month, day and year first stated above.

LENDER:

SOUTHSIDE BANK

By: /s/ Pam Cunningham
Pam Cunningham, Executive VP

BORROWER:

LANTANA PLACE, L.L.C.,
a Texas limited liability company

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

LISTS OF EXHIBITS
TO
Loan Modification Agreement

The following listed exhibit is provided pursuant to Item 601(a)(5) of Regulation S-K. The exhibit has been omitted pursuant to Item 601(a)(5) of Regulation S-K because the information contained therein is not material and is not otherwise publicly disclosed. The registrant undertakes to furnish supplementally a copy of the exhibit to the Securities and Exchange Commission upon request.

Exhibit A – Legal Description



Amended and Restated Revolving Promissory Note
 One-Month Term Secured Overnight Financing Rate (SOFR)

AMOUNT \$35,370,000.00	NOTE DATE December 6, 2023	MATURITY DATE December 6, 2024 (subject to acceleration as set forth in the Loan Documents)
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1. Promise to Pay. 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 Thirty-Five Million Three Hundred Seventy Thousand and No/100^{ths} Dollars (U.S.) (\$35,370,000.00), together with interest thereon in accordance with the terms and conditions of this Note. Capitalized terms used but not defined in this Note shall have the meaning given to such capitalized terms in the Loan Agreement.

2. Payments; Interest.

2.1. Payment Amount; Payment Date; Computation Period. This Amended and Restated Installment Note (this “**Note**”) is a note under which 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.

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.

When the aggregate unpaid principal amount of all Advances made at any time under this Note equals the Loan Amount, no further advances shall be available under this Note.

Accrued and unpaid interest hereunder shall be payable monthly, in arrears commencing on the first Business Day of the next succeeding month following the date of this Note and continuing on the first Business Day of each succeeding month thereafter until the Maturity Date (whether as stated herein, by acceleration, or otherwise), when the entire unpaid balance of principal and interest and all other sums hereunder shall be due and payable in full (unless sooner accelerated in accordance with the terms of this Note or the other Loan Documents). Commencing on January 2, 2024, and continuing on the first Business Day of each month thereafter until the Maturity Date, in addition to accrued interest, principal on this Note shall be paid in equal monthly principal installments in an amount equal \$20,133.26. Unless sooner accelerated in accordance with the terms of this Note or the other Loan Documents, the entire remaining unpaid balance of principal and accrued interest on this Note shall be payable on the Maturity Date set forth above.

The sum of all advances made hereunder shall not exceed the face amount hereof, and amounts repaid may not be reborrowed. The principal amount payable under this Note shall be the sum of all advances made by the Bank to or at the request of the undersigned less principal payments actually

received by the Bank. The books and records of the Bank shall be the best evidence of the principal amount and the unpaid interest amount owing at any time under this Note and shall be conclusive absent manifest error.

Interest accruing hereunder 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 interest rate on the date of each such change.

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 Construction Loan Agreement dated December 6, 2018, executed by and between Bank and the undersigned, as amended by that certain Modification Agreement dated effective as of January 17, 2020, executed by the undersigned, Guarantor and Bank, and recorded at Clerk's File No. 2020006407, Real Property Records of Montgomery County, Texas (the "**First Modification**"), as further amended by that certain, Second Modification Agreement dated effective as of December 6, 2022, executed by the undersigned, Guarantor and Bank, and recorded as Clerk's File No. 2022147034, Real Property Records of Montgomery County, Texas (the "**Second Modification**"), as further amended by that certain Third Modification Agreement dated effective as of December 6, 2023, executed by the undersigned, Guarantor and Bank (the "**Third Modification**" and together with the First Modification and Second Modification, collectively the "**Prior Modification**"), as the same may be further supplemented, amended or restated from time to time.

2.2. Interest Rate. Subject to the terms and conditions of this Note, the unpaid principal balance of all Indebtedness outstanding under this Note from time to time shall bear interest at the Applicable Interest Rate. The Term SOFR Rate shall be the initial basis for the Applicable Interest Rate under this Note and effective as of the Interest Period commencing on the date of this Note and continuing for each succeeding Interest Period ending thereafter, the unpaid principal balance of all Indebtedness outstanding under this Note shall bear interest at the Applicable Interest Rate based upon the Term SOFR Rate for the Interest Period applicable thereto. 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. No interest shall accrue under this Note until the date of the first Advance made by Bank; after that, interest on all Advances shall accrue and be computed on the principal balance outstanding from time to time under this Note in accordance with the terms hereof until the same is paid in full.

2.3. Default Rate; Late Payments. 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 a per annum rate of 3% above the otherwise Applicable Interest Rate (the "**Default Rate**"), which interest shall be payable upon demand. In addition to the foregoing, a late payment charge equal to 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 (excluding the final installment due on the Maturity Date, whether by acceleration or otherwise), 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).

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

2.5. Business Day. 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.

2.6. Legal Tender. 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 with Bank for all sums due hereunder when due in accordance with the terms hereof.

2.7. Interest Limitation.

In no event shall the interest payable under this Note at any time exceed the Maximum Rate. The term "**Maximum Rate**", as used herein, shall mean at the particular time in question the maximum nonusurious rate of interest which, under applicable law, may then be charged on this Note. If on any day the Applicable Interest Rate hereunder in respect of any Indebtedness under this Note shall exceed the Maximum Rate for that day, the rate of interest applicable to such Indebtedness shall be fixed at the Maximum Rate on that day and on each day thereafter until the total amount of interest accrued on the unpaid principal balance of this Note equals the total amount of interest which would have accrued if there had been no Maximum Rate. If such maximum rate of interest changes after the date hereof, the Maximum Rate shall be automatically increased or decreased, as the case may be, without notice to the undersigned from time to time as of the effective date of each change in such maximum rate. For purposes of determining the Maximum Rate under the law of the State of Texas, the applicable interest rate ceiling shall be the "weekly ceiling" from time to time in effect under Chapter 303 of the Texas Finance Code, as amended.

This Note and all the other 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.

2.8. No Responsibility for Changes to the Applicable Interest Rate. The undersigned acknowledges that (i) the methods of calculation, publication schedule, rate revision practices, or availability of the Term SOFR Rate at any time may change without notice, and (ii) the Term SOFR Rate may be withdrawn, modified, or amended without notice. Bank does not warrant or accept any responsibility for, and shall not have any liability with respect to, the administration, submission, or any other matter related to the Term SOFR Rate. Each determination by Bank of the Term SOFR Rate shall be conclusive and binding for all purposes, absent manifest error.

2.9. Rate Conforming Changes. Notwithstanding anything to the contrary herein or in any other Loan Document, Bank shall have the right to make Rate Conforming Changes from time to time and, any amendments or modifications to any Loan Document implementing or evidencing such Rate Conforming Changes will become effective without any further action or consent of the undersigned.

3. Prepayments. In the event that the Term SOFR Rate is the basis for 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 make any payment of principal or interest hereunder at any time that the Term SOFR 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 whether or not Bank shall have funded or committed to fund such Advance. 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, for the period from the date of such prepayment or of such failure to borrow, through the last day of the relevant Interest Period, at the applicable rate of interest for such Advance 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 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 Advance at the Term SOFR Rate through the purchase of an underlying deposit in an amount equal to the amount of such Advance and having a maturity comparable to the relevant Interest Period; provided, however, that Bank may fund any Term SOFR Rate-based Advance 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 such time without premium or penalty except as set forth above. 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.

4. Unavailability of Applicable Interest Rate; Change of Law.

4.1. Generally. If, at any time, Bank's obligation to maintain any of the Indebtedness hereunder at an Applicable Interest Rate based on the Term SOFR Rate is suspended in accordance with the terms of this Note, then (a) the Prime Referenced Rate at such time will replace the Term SOFR Rate for all purposes hereunder, (b) the Applicable Interest Rate hereunder in respect of such Indebtedness will be the Applicable Interest Rate based upon the Prime Referenced Rate, and (c) Bank shall have the right to make Rate Conforming Changes as provided above, in each case, without any further action or consent of the undersigned.

4.2. Bank Unable to Determine the Applicable Interest Rate. If, at any time, Bank determines (which determination shall be conclusive and binding for all purposes) that, (a) Bank is unable to determine or ascertain the Term SOFR Rate, or (b) the Term SOFR Rate will not adequately and fairly cover or reflect the cost to Bank of maintaining any of the Indebtedness under this Note (including, without limitation, as a result of the alteration of the methods of calculation or availability of the Term SOFR Rate), Bank shall promptly give notice thereof to the undersigned. Thereafter, until Bank notifies the undersigned that the foregoing conditions or circumstances no longer exist, the right of the undersigned to request a Term SOFR Rate-based Advance and any obligation of Bank to maintain any of the Indebtedness outstanding under this Note at an Applicable Interest Rate based on the Term SOFR Rate shall be suspended, and the Prime Referenced Rate will replace the Term SOFR Rate in accordance with the provisions of Section 4.1.

4.3. Legal Impossibility. If, at any time, Bank determines (which determination shall be conclusive and binding for all purposes) that any Change in Law shall make it unlawful or impossible, or that any Governmental Authority has asserted that it is unlawful, for Bank to make or maintain any of the Indebtedness under this Note with interest based upon the Term SOFR Rate, Bank shall promptly 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, the right of the undersigned to request a Term SOFR Rate-based Advance and any obligation of Bank to maintain any of the Indebtedness hereunder at an Applicable Interest Rate based on the Term SOFR Rate shall be suspended and the Prime Referenced Rate will replace the Term SOFR Rate in accordance with Section 4.1.

4.4. Yield Maintenance. If any Change in Law shall (a) subject Bank 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 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 imposed by the jurisdiction in which Bank's principal executive 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, compulsory loan, insurance charge or similar requirement against assets of, deposits with or for the account of, or credit extended by Bank, or shall impose on Bank or the 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.

4.5. Changes to Capital or Liquidity. 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, such additional amount or amounts as will 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.

5. Indebtedness; Collateral. This Note is secured by, among other things: (i) that certain Deed of Trust, Assignment of Leases and Rents, Security Agreement and Fixture Filing dated as of December 6,

2018, executed by the undersigned in favor of the trustee named therein, for the benefit of Bank, recorded at Clerk's File No. 2018116194, Real Property Records of Montgomery County, Texas, as amended by the Prior Modification and as may be further as amended, supplemented or restated from time to time and (ii) an Assignment of Rents and Leases dated December 6, 2018, executed by the undersigned in favor of the Bank, recorded at Clerk's File No. 2018116195, Real Property Records of Montgomery County, Texas, as amended by the Prior Modification and as may be further as amended, supplemented or restated from time to time. The Indebtedness is secured by and Bank is granted a security interest in and lien upon the 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 the undersigned's principal dwelling or in the undersigned's real property which is not a purchase money security interest as to that portion, unless expressly provided to the contrary in another place, or (ii) if the undersigned has (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, unless expressly provided to the contrary in another place, or (iii) if the undersigned 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 unless expressly provided to the contrary in another place.

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

6. Miscellaneous.

6.1. Right of Setoff. The undersigned authorize(s) the Bank to charge any account(s) of the undersigned with the Bank for any and all sums due hereunder when due; provided, however, that such authorization shall not affect 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.

6.2. Joint and Several Liability. 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.

6.3. Waiver. 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 release, substitution or nonenforcement of any security, or release or substitution of the undersigned, any guarantor or any other party, whether with or without notice, shall affect

the obligations 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.

6.4. Collection Costs. 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.

6.5. Entire Agreement; Governing Law. 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 9.12 OF THE LOAN AGREEMENT BY THIS REFERENCE AS IF THE SAME WERE INCLUDED HEREIN IN ITS ENTIRETY.**

6.6. Multiple Counterparts/Scanned Originals. This Note or any of the other Loan Documents (i) may be executed in several counterparts, and each executed copy shall constitute an original instrument, but such counterparts shall together constitute but one and the same instrument, and (ii) a photocopy, facsimile, .pdf or scanned copy of an executed counterpart of this Note or any of the other Loan Documents shall be sufficient to bind the party whose signature appears hereon. In addition, the undersigned acknowledges and agrees to provide originals of this Note and the other Loan Documents to Bank upon its request. Notwithstanding the foregoing, if any of the Loan Documents require an original be recorded or filed with a county or other governmental agency (e.g., mortgages or deeds of trust), the funding of any loan or the advance of any draw request hereunder will be delayed until either Bank receives evidence that the document has actually been recorded with a county or other governmental agency, whichever the case may be, or Bank has been issued gap insurance acceptable to Bank by a title insurance company approved by Bank.

6.7. No Waiver. 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.

6.8. *Waiver of Jury Trial.* **THIS NOTE INCORPORATES SECTION 9.13 OF THE LOAN AGREEMENT BY THIS REFERENCE AS IF THE SAME WERE INCLUDED HEREIN IN ITS ENTIRETY.**

6.9. *Time.* Time is of the essence with respect to the undersigned's obligations under this Note.

6.10. *Payments Set Aside.* To the extent that any payment by or on behalf of the undersigned is made to Bank, or Bank exercises its right of setoff, and such payment or the proceeds of such setoff or any part thereof is subsequently invalidated, declared to be fraudulent or preferential, set aside or required (including pursuant to any settlement entered into by Bank in its discretion) to be repaid to a trustee, receiver or any other party, in connection with any proceeding under any bankruptcy law or otherwise, then to the extent of such recovery, the obligation or part thereof originally intended to be satisfied shall be revived and continued in full force and effect as if such payment had not been made or such setoff had not occurred.

6.11. *Captions.* The article and section headings used in this Note are for convenience of reference only and shall not affect, alter or define the meaning or interpretation of the text of any article or section contained in this Note.

6.12. *Amendment and Restatement.* This Note amends, restates, and supersedes in its entirety that certain Amended and Restated Installment Note in the face amount of \$35,370,000.00 dated January 17, 2020 (the "**Prior Note**"), made by the undersigned payable to Bank and is delivered in reaffirmation, restatement, modification, extension and rearrangement thereof. This Note is in no way intended to constitute, and does not constitute, a novation of the indebtedness evidenced by the Prior Note. The Prior Note together with this Note, evidence a single indebtedness in the maximum principal amount of \$35,370,000.00.

7. *Definitions.* 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, and shall include a Term SOFR Rate-based Advance and (subject to the terms of this Note) a Prime Rate-based Advance.

"**Applicable Interest Rate**" means the Term SOFR Rate plus the Applicable Margin or (subject to the terms of this Note) the Prime Referenced Rate plus the Applicable Margin, as otherwise determined in accordance with the terms and conditions of this Note.

"**Applicable Margin**" means (i) with respect to the Term SOFR Rate, 2.75% per annum and (ii) with respect to the Prime Referenced Rate, 1.25% per annum.

"**Business Day**" means any day, other than a Saturday, Sunday or any other day designated as a holiday under Federal or applicable State statute or regulation, on which Bank is open for all or substantially all of its domestic and international business (including dealings in foreign exchange) in Detroit, Michigan;

provided, however, for purposes of determining the Term SOFR Rate, a Business Day shall also exclude a day on which the Securities Industry and Financial Markets Association (“SIFMA”) recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in U.S. Government Securities.

“**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, application or implementation 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, rule, 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, application 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, application 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 or foreign 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.

“**Collateral**” means, collectively, all items deposited in any account of the undersigned with Bank and all proceeds of such items (cash or otherwise), all account balances of the undersigned from time to time with Bank, all property of the undersigned from time to time in the possession of Bank and 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 Bank.

“**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).

“**Indebtedness**” means, collectively, the indebtedness and liabilities under this Note and any other indebtedness and liabilities of any kind of the undersigned to 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 Bank or to a third party and subsequently acquired by Bank including, without limitation, any late charges; loan fees or charges; overdraft indebtedness; any interest and fees that accrue after the commencement by or against the undersigned in any bankruptcy proceeding regardless of whether such

interest and fees are allowed claims in such proceeding; 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 Bank as a result of any financial accommodation to the undersigned; and reasonable costs and expenses of attorneys and paralegals, whether inside or outside counsel is used, and whether any suit or other action is instituted, and to court costs if suit or action is instituted, and whether any such fees, costs or expenses are incurred at the trial court level or on appeal, in bankruptcy, in administrative proceedings, in probate proceedings or otherwise.

“**Interest Period**” means a period of one (1) month. The initial Interest Period hereunder shall commence as of the date of this Note, as set forth above, and shall end on the first Business Day of the next succeeding month following the date of this Note. The next occurring Interest Period, and each succeeding Interest Period, shall commence on the first Business Day of the month and shall end on the first Business Day of the next succeeding month; provided, however, that no Interest Period shall extend beyond the Maturity Date.

“**Loan Documents**” means collectively, 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, instruments or agreements may have been or may hereafter be amended from time to time.

“**Maturity Date**” means the maturity date of this Note as set forth at the top of Page 1 hereof (subject to acceleration as set forth in the Loan Documents).

“**Person**” means 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.

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

“**Prime Rate-based Advance**” means an Advance which bears interest at the Prime Referenced Rate plus the Applicable Margin, subject to the terms of this Note.

“**Prime Referenced Rate**” means, for any day, a per annum interest rate which is equal to the Prime Rate in effect on such day, but in no event and at no time shall the Prime Referenced Rate be less than one-half of one percent (0.50%) per annum.

“**Rate Conforming Changes**” means, with respect to the Term SOFR Rate, any technical, administrative or operational changes (including, without limitation and as applicable, changes to the definition of the “Applicable Interest Rate,” the definition of “Business Day,” timing and frequency of determining rates and making payments of interest, timing of borrowing requests or prepayment, conversion or continuation notices, length of lookback periods, the applicability and terms of breakage provisions and other technical, administrative or operational matters) that Bank decides may be appropriate to reflect the adoption and implementation of the Term SOFR Rate, and to permit the administration thereof by Bank in a manner

substantially consistent with market practice (or, if Bank decides that adoption of any portion of such market practice is not administratively feasible or if Bank determines that no market practice for the administration of the Term SOFR Rate exists, in such other manner of administration as Bank decides is reasonably necessary in connection with the administration of this Note and the other Loan Documents).

“Term SOFR Administrator” means the CME Group Benchmark Administration Limited (or a successor administrator of the term secured overnight financing rate).

“Term SOFR Administrator’s Website” means the website of the Term SOFR Administrator, currently at <https://www.cmegroup.com/market-data/cme-group-benchmark-administration/term-sofr.html>, or any successor source for the secured overnight financing rate identified as such by the Term SOFR Administrator from time to time.

“Term SOFR Rate” means, for any Interest Period, the rate per annum equal to the Term SOFR Screen Rate at or about 8:00 a.m. (Detroit, Michigan time) (or as soon thereafter as practical) as determined for each Interest Period, two (2) Business Days prior to the beginning of such Interest Period with a term of one (1) month plus 0.11%; provided that, except for a determination by Bank pursuant to Section 4.2 or Section 4.3 herein, if such rate is not published on such determination date then the Term SOFR Rate will be the Term SOFR Screen Rate on the first Business Day immediately prior thereto; provided, however, and notwithstanding anything to the contrary set forth in this Note, if at any time the Term SOFR Rate determined as provided herein would be less than one-half of one percent (.50%) per annum, then the Term SOFR Rate shall be deemed to be one-half of one percent (.50%) per annum.

“Term SOFR Rate-based Advance” means an Advance which bears interest at the Term SOFR Rate plus the Applicable Margin, subject to the terms of this Note.

“Term SOFR Screen Rate” means the CME Term SOFR Reference Rates, as administered by the Term SOFR Administrator and published on the applicable screen page (or such other commercially available source providing such rate or quotations as may be designated by Bank from time to time) on the Term SOFR Administrator’s Website.

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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 KINGWOOD PLACE, L.P., a Texas limited partnership

By: Stratus Northpark, L.L.C., a Texas limited liability company, General Partner

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

Signature Page - Amended and Restated Installment Note

**WHEN RECORDED RETURN TO:
HOLLAND & KNIGHT LLP
1722 ROUTH STREET, SUITE 1500
DALLAS, TEXAS 75201-4533
ATTENTION: RACHEL NIPPER**

THIRD MODIFICATION AGREEMENT

This THIRD MODIFICATION AGREEMENT (this “**Agreement**”) dated effective as of December 6, 2023 is by and among **STRATUS KINGWOOD PLACE, L.P.**, a Texas limited partnership (“**Borrower**”), **STRATUS PROPERTIES INC.**, a Delaware corporation (“**Guarantor**”) (Borrower and Guarantor herein sometimes called “**Loan Parties**” or “**Loan Party**”, as the context may require), and **COMERICA BANK**, a Texas banking association (“**Lender**”).

W I T N E S S E T H:

WHEREAS, the following documents have previously been executed and delivered by Borrower to Lender, relating to a loan (the “**Loan**”) from Lender to Borrower in the principal amount of \$35,370,000.00, each dated December 6, 2018 (unless otherwise indicated below):

- A. Construction Loan Agreement (the “**Loan Agreement**”);
- B. Amended and Restated Installment Note (the “**Prior Note**”) dated as of January 17, 2020, in the stated principal amount of \$35,370,000.00 and payable to Lender;
- C. Deed of Trust, Assignment of Leases and Rents, Security Agreement and Fixture Filing (the “**Security Instrument**”) covering certain real property and personal property described therein (the “**Property**”), recorded at Clerk’s File No. 2018116194, Real Property Records of Montgomery County, Texas;
- D. Assignment of Rents and Leases (the “**Assignment**”), recorded at Clerk’s File No. 2018116195, Real Property Records of Montgomery County, Texas;
- E. Collateral Assignment of Contracts and Plans and Other Agreements Affecting Real Estate (the “**Collateral Assignment**”);

the instruments described above and all other documents evidencing, securing or otherwise executed in connection with the Loan, including the Guaranty, Prior Modifications, the Amended and Restated Note and Environmental Indemnity (each as defined below), being herein collectively called the “**Loan Documents**”;

WHEREAS, Guarantor has guaranteed certain obligations of Borrower pursuant to the Guaranty (the “**Guaranty**”) of even date with the Loan Agreement, executed by Guarantor in favor of Lender;

WHEREAS, Borrower and Guarantor also executed and delivered to Lender, that certain Environmental Indemnity Agreement (the “**Environmental Indemnity**”) of even date with the Loan Agreement in favor of Lender;

WHEREAS, the Loan Documents were previously modified by that certain Modification Agreement dated effective as of January 17, 2020, executed by Borrower, Guarantor and Lender, and recorded at Clerk’s File No. 2020006407, Real Property Records of Montgomery County, Texas (the “**First Modification**”) and that certain Second Modification Agreement dated effective as of December 6, 2022, executed by Borrower, Guarantor and Lender, and recorded as Clerk’s File No. 2022147034, Real Property Records of Montgomery County, Texas (the “**Second Modification**” and together with the First Modification, collectively, the “**Prior Modifications**”).

WHEREAS, Borrower has requested that Lender extend the Maturity Date and make other modifications to the Loan Documents, and Lender is willing to do so on the terms and conditions hereinafter set forth;

WHEREAS, contemporaneously herewith, and in connection with this Agreement, Borrower has executed and delivered to Lender that certain Amended and Restated Installment Note dated of even date herewith in the stated principal amount of \$35,370,000.00 and payable to the order of Lender (along with any and all renewals, modifications, rearrangements, reinstatements, enlargements, or extensions of such promissory note or of any promissory note or notes given in renewal, substitution or replacement thereof, the “**Amended and Restated Note**”), in substitution, amendment and restatement of the Prior Note.

WHEREAS, Lender is the owner and holder of the Prior Note and the Amended and Restated Note, and Borrower is the owner of the Property as more particularly described on Exhibit A attached hereto and made a part hereof;

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

1. **Defined Terms.** Capitalized terms not otherwise defined herein shall have the same definition as set forth in the Loan Agreement. This Agreement and the Amended and Restated Note constitute “Loan Documents”, as such term is defined in the Loan Agreement or defined in any of the other Loan Documents.

2. **Extension.** The Maturity Date is extended to December 6, 2024. The liens, security interests, assignments and other rights evidenced by the Loan Documents are renewed and extended to secure payment of the Amended and Restated Note as extended hereby. Any right or option of Borrower which purports to extend beyond such date is modified to expire on

such date. The extension evidenced hereby is the Second Extension Option set forth in the Loan Agreement. Borrower shall have no further right or option to extend the maturity date of the Amended and Restated Note.

3. **Substitution of Promissory Note.** Lender acknowledges receipt of the Amended and Restated Note and confirms that the Amended and Restated Note is in substitution for (and not in addition to) the Prior Note. All references in the Loan Documents to the “Note” and/or other similar references to an Amended and Restated Installment Note dated January 17, 2020 from Borrower to Lender in the amount of \$35,370,000.00 are amended to mean, and are amended to reflect, the Amended and Restated Installment Note dated December 6, 2023 executed by Borrower in favor of Lender in the amount of \$35,370,000.00, and any and all renewals, modifications, rearrangements, reinstatements, enlargements, or extensions of such promissory note or of any promissory note or notes given in renewal, substitution or replacement therefor.

4. **Extension Fee.** As consideration for the extension of the Maturity Date, contemporaneously with the execution and delivery of this Agreement and as a condition to its effectiveness, Borrower shall pay to Lender an extension fee in the amount of \$75,088.41 in immediately available funds, which shall be fully earned by Lender as of the date of this Agreement.

5. **Modifications of Loan Documents.** The Loan Documents are modified as set forth on Schedule I and Schedule II attached hereto. Schedule I and Schedule II are incorporated by reference as if the same were included in all respects. When recorded, this Agreement will not contain Schedule I or Schedule II but all unrecorded copies of this Agreement will contain Schedule I and Schedule II.

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

7. **Representations of Borrower.** Borrower hereby represents and warrants that (a) Borrower owns the Property; (b) the Loan Documents to which Borrower is a party and this Agreement constitute the legal, valid and binding obligations of Borrower enforceable in accordance with their terms, subject to bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium and other laws applicable to creditors' rights or the collection of debtors' obligations generally; (c) the execution and delivery of this Agreement by Borrower do not contravene, result in a breach of or constitute a default under any deed of trust, deed to secure debt, mortgage, loan agreement, indenture or other contract, agreement or undertaking to which Borrower is a party or by which Borrower or any of its properties may be bound (nor would such execution and delivery constitute such a default with the passage of time or the giving of notice or both) and do not violate or contravene any law, order, decree, rule or regulation to which Borrower is subject; (d) to the best of Borrower's knowledge there exists no uncured default under the Loan Documents; (e) to the best of Borrower's knowledge, there are no offsets, claims or defenses to the Loan Documents; and (f) there has been no change in the organizational structure of Borrower since the date of the closing of the Loan and Borrower is currently duly organized and legally existing under the laws of its state of organization. Borrower agrees to indemnify and hold Lender harmless against any loss, claim, damage, liability or expense (including without limitation reasonable attorneys' fees actually incurred) incurred as a result of any representation or warranty made by Borrower herein proving to be untrue in any material respect.

8. **Representations of Guarantor.** Guarantor hereby represents and warrants that (a) the Loan Documents to which Guarantor is a party and this Agreement constitute the legal, valid and binding obligations of Guarantor enforceable in accordance with their terms, subject to bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium and other laws applicable to creditors' rights or the collection of debtors' obligations generally; (b) the execution and delivery of this Agreement by Guarantor do not contravene, result in a breach of or constitute a default under any deed of trust, deed to secure debt, mortgage, loan agreement, indenture or other contract, agreement or undertaking to which Guarantor is a party or by which Guarantor or any of its properties may be bound (nor would such execution and delivery constitute such a default with the passage of time or the giving of notice or both) and do not violate or contravene any law, order, decree, rule or regulation to which Guarantor is subject; (c) to the best of Guarantor's knowledge there exists no uncured default under the Loan Documents; and (d) to the best of Guarantor's knowledge, there are no offsets, claims or defenses to the Loan Documents. Guarantor agrees to indemnify and hold Lender harmless against any loss, claim, damage, liability or expense (including without limitation reasonable attorneys' fees actually incurred) incurred as a result of any representation or warranty made by Guarantor herein proving to be untrue in any material respect.

9. **Additional Documentation.** Loan Parties, upon request from Lender, agree to execute such other and further documents as may be reasonably necessary or appropriate to consummate the transactions contemplated herein or to perfect the liens and security interests intended to secure the payment of the Loan.

10. **Default.** If any Loan Party shall fail to keep or perform any of the covenants or agreements contained herein or if any statement, representation or warranty contained herein

proves to have been false or misleading in any material respect as of the date made, Borrower shall be deemed to be in default under the Loan Documents and Lender shall be entitled at its option to exercise any and all of the rights and remedies granted pursuant to the Loan Documents or to which Lender may otherwise be entitled, whether at law or in equity.

11. **Recordation; Title Insurance.** Contemporaneously with the execution and delivery hereof, Borrower shall, at its sole cost and expense, obtain and deliver to Lender an endorsement of the Title Insurance insuring the lien of the Security Instrument, under Procedural Rule P-9b(3) of the applicable title insurance rules and regulations, in form and content acceptable to Lender, stating that the company issuing said Title Insurance will not claim that policy coverage has terminated or that policy coverage has been reduced, solely by reason of the execution of this Agreement.

12. **Ratification of Loan Documents.** Except as provided herein, the terms and provisions of the Loan Documents shall remain unchanged and shall remain in full force and effect. The Loan Documents, as modified and amended hereby, are hereby ratified and confirmed in all respects. All liens, security interests, mortgages and assignments granted or created by or existing under the Loan Documents continue, unabated, in full force and effect, to secure Borrower's obligation to repay the Amended and Restated Note. All references in any of the Loan Documents to a Loan Document shall hereafter refer to such Loan Document as amended hereby.

13. **Integration.** This Agreement supersedes and merges all prior and contemporaneous promises, representations and agreements with respect to the matters set forth herein. No modification of this Agreement or any waiver of rights hereunder shall be effective unless made by supplemental agreement, in writing, executed by Lenders and Loan Parties. Lenders and Loan Parties further agree that this Agreement may not in any way be explained or supplemented by a prior, existing or future course of dealings between the parties or by any prior, existing, or future performance between the parties pursuant to this Agreement or otherwise.

14. **Costs and Expenses.** Contemporaneously with the execution and delivery of this Agreement and as a condition to its effectiveness, Borrower shall pay, or cause to be paid, all costs and expenses incident to the preparation hereof and the consummation of the transactions specified herein, including without limitation, any Title Insurance and Title Insurance endorsement charges, recording fees and fees and expenses of legal counsel to Lender.

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

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

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

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

19. **CHOICE OF LAW AND VENUE. SECTION 9.12 OF THE LOAN AGREEMENT IS HEREBY INCORPORATED BY REFERENCE INTO THIS AGREEMENT AS IF THE SAME WERE CONTAINED HEREIN.**

20. **Notice of Final Agreement.** Loan Parties and Lender hereby take notice of and agree to the following:

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

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

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

IN WITNESS WHEREOF, Loan Parties and Lender have executed this Agreement on the respective dates of acknowledgement to be effective as of the date first above written.

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**SIGNATURE PAGE OF BORROWER TO
THIRD MODIFICATION AGREEMENT**

STRATUS KINGWOOD PLACE, L.P., a Texas limited partnership

By: Stratus Northpark, L.L.C., a Texas limited liability company, General Partner

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

STATE OF TEXAS §
 §
COUNTY OF TRAVIS §

This instrument was acknowledged before me on December 5, 2023, by Erin D. Pickens, Senior Vice President of Stratus Northpark, L.L.C., a Texas limited liability company, as General Partner **of STRATUS KINGWOOD PLACE, L.P.**, a Texas limited partnership, on behalf of said partnership. Such person is personally known to me or produced a state issued driver's license as identification.

[SEAL] /s/ Leticia L. Silva

Notary Public in and for the State of Texas
Printed Name: Leticia L. Silva
My Commission Expires: 02-23-2027

**SIGNATURE PAGE OF GUARANTOR TO
THIRD MODIFICATION AGREEMENT**

STRATUS PROPERTIES INC.,
a Delaware corporation

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

STATE OF TEXAS §
 §
COUNTY OF TRAVIS §

This instrument was ACKNOWLEDGED before me this 5th day of December, 2023, by Erin D. Pickens, Senior Vice President of **STRATUS PROPERTIES INC.**, a Delaware corporation, on behalf of said corporation. Such person is personally known to me or produced a state issued driver's license as identification.

[SEAL] /s/ Leticia L. Silva

Notary Public in and for the State of Texas
Printed Name: Leticia L. Silva
My Commission Expires: 02-23-2027

**SIGNATURE PAGE OF LENDER TO
THIRD MODIFICATION AGREEMENT**

LENDER:

COMERICA BANK, a Texas banking association

Name: Elaine Houston

By: /s/ Elaine Houston

Title: Vice President

COMMONWEALTH OF §
MASSACHUSETTS §
§
COUNTY OF MIDDLESEX §

The foregoing instrument was acknowledged before me, the undersigned notary public, this 1st day of December, 2023, by Elaine Houston, Vice President of Comerica Bank, a Texas banking association, who personally appeared, proved to me through satisfactory evidence of identification, which was Texas Drivers License, to be the person whose name is signed on the preceding or attached document, acknowledged to me that she signed it voluntarily for its stated purpose as Vice President of Comerica Bank, a Texas banking association, and did take an oath.

[SEAL] /s/ Michael J. Rosenberg
Notary Public in and for the Commonwealth of Massachusetts
Printed Name: Michael J. Rosenberg
My Commission Expires: May 16, 2025

LIST OF EXHIBITS AND SCHEDULES
TO
Third Modification Agreement

The following list of exhibits and schedules is provided pursuant to Item 601(a)(5) of Regulation S-K. Certain exhibits have been omitted pursuant to Item 601(a)(5) of Regulation S-K because the information contained therein is not material and is not otherwise publicly disclosed. The registrant undertakes to furnish supplementally a copy of the exhibits and schedules to the Securities and Exchange Commission upon request.

Exhibit A – Legal Description of Property

Schedule I – Modifications of Loan Documents¹

Schedule II – Form of Borrower Compliance Certificate

¹ Schedule I has been filed as an exhibit to this Third Modification Agreement.

SCHEDULE I

1. Debt Service Coverage Ratio.

- a. The Mortgaged Property shall achieve a Debt Service Coverage Ratio greater than or equal to 1.10:1.00 (the “**Required DSCR**”) measured as of June 30, 2024. If the foregoing covenant is not satisfied, Borrower shall, within 10 days after Lender’s written demand, pay to Lender, as a mandatory payment of principal of the Amended and Restated Note, an amount which, if such amount were applied against the outstanding principal balance of the Amended and Restated Note, would be sufficient to satisfy the Required DSCR, calculating the outstanding principal balance of the Amended and Restated Note after giving effect to such mandatory payment actually made. Borrower shall deliver to Lender the compliance certificate attached hereto as Schedule II evidencing the Mortgage Property’s Debt Service Coverage Ratio (measured as of June 30, 2024) (collectively, the “**Borrower Compliance Certificate**”) on or before July 30, 2024. A default under this section as a result of a failure to make the payment required this section shall be deemed an immediate Event of Default notwithstanding any other grace, notice or cure period contained in the Loan Documents.
- b. Notwithstanding anything to the contrary contained in the Loan Documents, for purposes of calculating the Debt Service Coverage Ratio pursuant to this Section 2, Operating Expenses shall be calculated based on the greater of (i) pro forma expenses for the Mortgaged Property for a twelve (12) month period as assumed in the Appraisal obtained by Lender in connection with the Second Extension Option and (ii) for the prior three (3) month period immediately prior to June 30, 2024, which sum shall then be annualized, all actual operating expenses of the Mortgaged Property for the period in question, including, without limitation, (a) ad valorem real estate taxes and assessments (on an accrual basis, based on the best information then available and approved by Lender); (b) insurance premiums (on an accrual basis, based on the best information then available and approved by Lender); and (c) operating expenses actually incurred by Borrower for the management, operation, cleaning, marketing, maintenance and repair of the Mortgaged Property, including (1) the greater of actual management fees or an assumed annual management fee of four percent (4.0%) of Operating Revenues, and (2) a replacement reserve equal to the greater of (x) actual reserves, or (y) \$.10 per square foot per annum. Operating Expenses for this purpose shall exclude (1) any capital expenditures; (2) any payment or expense to which Borrower was or is to be reimbursed for costs from proceeds of the Loan, insurance, eminent domain, or any source other than Operating Revenues and (3) and any regularly scheduled payments of principal or interest due and owing under the Loan Documents. Operating Expenses shall not include any non-cash expense item such as depreciation or amortization, as such terms are used for accounting or federal income tax purposes.

2. Loan Agreement. The Loan Agreement is modified as follows:

- a. Monthly Principal Installments. Notwithstanding anything to the contrary contained in the Loan Documents, commencing on the first Business Day of the first month after the commencement of the Second Extension Period, and continuing on the first Business Day of each month thereafter until the Maturity Date, Borrower shall pay to Lender a monthly payment of principal (each a “**Second Extension Monthly Principal Installment**”) in an amount equal to \$20,133.26, which Second Extension Monthly Principal Installments shall be due and payable in addition to accrued interest due and payable under the Amended and Restated Note on each such date.
- b. Advances of the Loan. As of the date of this Agreement, the unpaid principal balance of the Amended and Restated Note is \$28,160,147.93. Notwithstanding anything to the contrary contained in the Loan Documents, but subject to all conditions for Advances set forth in the Loan Documents, there remains \$1,846,017.40 of the Loan which remains available for Advances to pay for tenant improvements, leasing commissions, and other Property related costs in accordance with the Budget, each as approved by Lender.
- c. Statements and Reports. Notwithstanding anything to the contrary contained in the Loan Documents, and in addition to any statements and reports that Borrower is obligated to deliver to Lender pursuant to the Loan Documents, Borrower agrees to deliver to Lender, during the term of the Loan and until the Loan has been fully paid and satisfied, the following statements and reports: (i) quarterly financial statements of Borrower within forty-five (45) days after the end of each calendar quarter, prepared and certified to by the chief financial officer of Borrower; (ii) annual financial statements of Borrower within ninety (90) days after the end of each calendar year, which shall be prepared and certified to by the chief financial officer of Borrower; and (iii) the Borrower Compliance Certificate on or before July 30, 2024.

STRATUS PROPERTIES INC.
DIRECTOR COMPENSATION
(As of August 10, 2023)

Cash Compensation

Each non-employee director of Stratus Properties Inc. (“Stratus”) receives an annual fee of \$35,000. The lead independent director receives an additional annual fee of \$25,000. Committee chairs receive an additional annual fee as follows: Audit Committee, \$17,500; Compensation Committee, \$12,500; and Nominating and Corporate Governance Committee and any other committee receiving fees, \$10,000. Each committee member, excluding the chair of each committee, receives an additional annual fee as follows: Audit Committee members, \$7,500; Compensation Committee members, \$6,000; and Nominating and Corporate Governance Committee members and any other committee members receiving fees, \$5,000. Each director also receives reimbursement for reasonable out-of-pocket expenses incurred in attending board and committee meetings.

Equity-Based Compensation

Each non-employee director receives equity-based compensation under Stratus’ stock incentive plans, which were approved by Stratus’ stockholders. Each year, each non-employee director receives a grant of restricted stock units (“RSUs”) having a grant date fair value equal to \$65,000. Beginning in 2024, the grant date for the RSU award each year will be on or around the date of Stratus’ annual meeting of stockholders. The RSUs will fully vest on the first anniversary of the grant date. Each RSU entitles the director to receive one share of Straus common stock upon vesting.

Stock Purchase Elections

Non-employee directors may elect to exchange all or a portion (in 25% increments) of their annual retainer for an equivalent number of shares of Stratus’ common stock on the payment date, based on the fair market value of Stratus’ common stock on the trading date immediately preceding the payment date.

STRATUS PROPERTIES INC.

**RESTRICTED STOCK UNIT AGREEMENT
UNDER THE _____ STOCK INCENTIVE PLAN**

1. (a) Pursuant to the Stratus Properties Inc. _____ Stock Incentive Plan (the "Plan"), on _____, 20__ (the "Grant Date"), Stratus Properties Inc., a Delaware corporation (the "Company") granted _____ restricted stock units ("Restricted Stock Units" or "RSUs") to _____ (the "Participant") on the terms and conditions set forth in this Restricted Stock Unit Agreement (the "Agreement") and in the Plan. These RSUs were awarded in partial satisfaction of an award and in accordance with the terms of the Company's Executive Annual Incentive Plan.

(b) Defined terms not otherwise defined herein shall have the meanings set forth in Section 2 of the Plan.

(c) Subject to the terms, conditions, and restrictions set forth in the Plan and herein, each RSU granted hereunder represents the right to receive from the Company, on the respective scheduled vesting date for such RSU set forth in Section 2(a) of this Agreement or on such earlier date as provided in Section 5 of this Agreement (the "Vesting Date"), one share (a "Share") of Common Stock of the Company ("Common Stock"), free of any restrictions, all amounts notionally credited to the Participant's Dividend Equivalent Account (as defined in Section 4 of this Agreement) with respect to such RSU, and all securities and property comprising all Property Distributions (as defined in Section 4 of this Agreement) deposited in such Dividend Equivalent Account with respect to such RSU.

(d) As soon as practicable after the Vesting Date (but no later than 30 days from such date) for any RSUs granted hereunder, the Participant shall receive from the Company the number of Shares to which the vested RSUs relate, free of any restrictions, a cash payment for all amounts notionally credited to the Participant's Dividend Equivalent Account with respect to such vested RSUs, and all securities and property comprising all Property Distributions deposited in such Dividend Equivalent Account with respect to such vested RSUs.

2. (a) The RSUs granted hereunder shall vest in one installment on the first anniversary of the Grant Date.

(b) Until the respective Vesting Date for an RSU granted hereunder, such RSU, all amounts notionally credited in any Dividend Equivalent Account related to such RSU, and all securities or property comprising all Property Distributions deposited in such Dividend Equivalent Account related to such RSU shall be subject to forfeiture as provided in Section 5 of this Agreement.

3. Except as provided in Section 4 of this Agreement, an RSU shall not entitle the Participant to any incidents of ownership (including, without limitation, dividend and voting

rights) in any Share until the RSU shall vest and the Participant shall be issued the Share to which such RSU relates nor in any securities or property comprising any Property Distribution deposited in a Dividend Equivalent Account related to such RSU until such RSU vests.

4. From and after the Grant Date of an RSU until the issuance of the Share payable in respect of such RSU, the Participant shall be credited, as of the payment date therefor, with (i) the amount of any cash dividends and (ii) the amount equal to the Fair Market Value of any Shares, Subsidiary securities, other securities, or other property distributed or distributable in respect of one share of Common Stock to which the Participant would have been entitled had the Participant been a record holder of one share of Common Stock at all times from the Grant Date to such issuance date (a "Property Distribution"). All such credits shall be made notionally to a dividend equivalent account (a "Dividend Equivalent Account") established for the Participant with respect to all RSUs granted hereunder with the same Vesting Date. The Committee may, in its discretion, deposit in the Participant's Dividend Equivalent Account the securities or property comprising any Property Distribution in lieu of crediting such Dividend Equivalent Account with the Fair Market Value thereof, or may otherwise adjust the terms of the Award as permitted under Section 5(b) of the Plan.

5. (a) Except as set forth in Section 5(b) and 5(c) of this Agreement, all unvested RSUs provided for in this Agreement, all amounts credited to the Participant's Dividend Equivalent Accounts with respect to such RSUs, and all securities and property comprising Property Distributions deposited in such Dividend Equivalent Accounts with respect to such RSUs shall immediately be forfeited on the date the Participant ceases to be an Eligible Individual (the "Termination Date"). In the event of a sale by the Company of its equity interest in a Subsidiary following which such entity is no longer a Subsidiary of the Company, persons who continue to be employed by such entity following such sale shall cease to be Eligible Individuals for purposes of the Plan and this Agreement.

(b) Notwithstanding the foregoing, if the Participant ceases to be an Eligible Individual (the "Termination") by reason of the Participant's death, Disability, or Retirement, all the unvested RSUs granted hereunder, all amounts credited to the Participant's Dividend Equivalent Accounts with respect to such RSUs, and all securities and property comprising Property Distributions deposited in such Dividend Equivalent Accounts with respect to such RSUs shall vest as of the Participant's Termination Date.

(c) If the Participant ceases to be an Eligible Individual by reason of the Participant's Termination by his employer or principal without Cause or Participant's termination of employment with Good Reason, then the RSUs granted hereunder that have not yet vested, all amounts credited to the Participant's Dividend Equivalent Accounts with respect to such RSUs, and all securities and property comprising Property Distributions deposited in such Dividend Equivalent Accounts with respect to such RSUs shall vest as of the Participant's Termination Date. This provision applies both before and after a Change of Control of the Company.

6. The RSUs granted hereunder, any amounts notionally credited in the Participant's Dividend Equivalent Accounts, and any securities and property comprising Property

Distributions deposited in such Dividend Equivalent Accounts are not transferable by the Participant otherwise than by will or by the laws of descent and distribution.

7. All notices hereunder shall be in writing and, if to the Company, shall be delivered personally to the Secretary of the Company or mailed to its principal office, 212 Lavaca Street, Suite 300, Austin, Texas 78701, addressed to the attention of the Secretary; and, if to the Participant, shall be delivered personally or mailed to the Participant at the address on file with the Company. Such addresses may be changed at any time by notice from one party to the other.

8. This Agreement is subject to the provisions of the Plan. The Plan may at any time be amended by the Board, except that any such amendment of the Plan that would materially impair the rights of the Participant hereunder may not be made without the Participant's consent. The Committee may amend this Agreement at any time in any manner that is not inconsistent with the terms of the Plan and that will not result in the application of Section 409A(a)(1) of the Code. Notwithstanding the foregoing, no such amendment may materially impair the rights of the Participant hereunder without the Participant's consent. Except as set forth above, any applicable determinations, orders, resolutions or other actions of the Committee shall be final, conclusive and binding on the Company and the Participant.

9. The Participant is required to satisfy any obligation in respect of withholding or other payroll taxes resulting from the vesting of any RSU granted hereunder or the payment of any securities, cash, or property hereunder, in accordance with procedures established by the Committee, as a condition to receiving any securities, cash payments, or property resulting from the vesting of any RSU or otherwise.

10. Nothing in this Agreement shall confer upon the Participant any right to continue in the employ of the Company or any of its Subsidiaries, or to interfere in any way with the right of the Company or any of its Subsidiaries to terminate the Participant's employment relationship with the Company or any of its Subsidiaries at any time.

11. As used in this Agreement, the following terms shall have the meanings set forth below.

(a) "Disability" shall have occurred if the Participant is (i) unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, or (ii) by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, receiving income replacement benefits for a period of not less than 3 months under an accident and health plan covering employees of the Participant's employer.

(b) "Fair Market Value" shall, with respect to a share of Common Stock, a Subsidiary security, or any other security, have the meaning set forth in the Stratus Properties Inc. Policies of the Committee applicable to the Plan, and, with respect to any other property,

mean the value thereof determined by the board of directors of the Company in connection with declaring the dividend or distribution thereof.

(c) “Key Employee” shall mean any employee who meets the definition of “key employee” as defined in Section 416(i) of the Code.

(d) “Retirement” shall mean early, normal or deferred retirement of the Participant under a tax qualified retirement plan of the Company or any other cessation of the provision of services to the Company or a Subsidiary by the Participant that is deemed by the Committee or its designee to constitute a retirement.

12. The RSUs granted hereunder are intended to comply with or be exempt from the requirements of Section 409A of the Code, and shall be interpreted, construed and administered accordingly. If it is determined that the RSUs do not qualify for an exemption from Section 409A of the Code, then in the event vesting is accelerated pursuant to Section 5 and the Participant is a Key Employee, a distribution of Shares issuable to the Participant, all amounts notionally credited to the Participant’s Dividend Equivalent Account, and all securities and property comprising all Property Distributions deposited in such Dividend Equivalent Account due the Participant upon the vesting of the RSUs shall not occur until six months after the Participant’s Termination Date, unless the Participant’s Termination is due to death. Notwithstanding any provision to the contrary herein, all payments to be made upon a termination of employment hereunder may only be made upon a “separation from service” as defined under Section 409A of the Code.

13. To the extent applicable, this Award is subject to the terms of any compensation clawback policy adopted by the Company, including its Incentive Based Compensation Recovery Policy, as such policy may be amended from time to time, including amendments adopted in order to conform to the requirements of Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act and any resulting rules issued by the SEC or national securities exchanges thereunder. Accordingly, if the Committee or the Board determines that recovery of compensation under such policy is due, then the RSUs are subject to forfeiture or recovery in accordance with the terms of the policy, including but not limited to termination of the Award or recovery by the Company of any shares of Common Stock acquired by the Participant pursuant to this Agreement (or other securities into which such shares have been converted or exchanged) or, if no longer held by the Participant, payment to the Company, without interest, of all cash, securities or other assets received by the Participant upon the sale or transfer of such stock or securities.

14. The Company may, in its sole discretion, deliver any documents related to the Participant's current or future participation in the Plan by electronic means or request Participant's consent to participate in the Plan by electronic means.

STRATUS PROPERTIES INC.

Agreed and Accepted by Participant:

By: _____
Print Name: _____

STRATUS PROPERTIES INC.

**RESTRICTED STOCK UNIT AGREEMENT
UNDER THE _____ STOCK INCENTIVE PLAN**

1. (a) Pursuant to the Stratus Properties Inc. _____ Stock Incentive Plan (the “Plan”), on _____, 20__ (the “Grant Date”), Stratus Properties Inc., a Delaware corporation (the “Company”) granted _____ restricted stock units (“Restricted Stock Units” or “RSUs”) to _____ (the “Participant”) on the terms and conditions set forth in this Restricted Stock Unit Agreement (the “Agreement”) and in the Plan. These RSUs were awarded in satisfaction of certain participation interests granted to Participant under the Company’s Profit Participation Incentive Plan.

(b) Defined terms not otherwise defined herein shall have the meanings set forth in Section 2 of the Plan.

(c) Subject to the terms, conditions, and restrictions set forth in the Plan and herein, each RSU granted hereunder represents the right to receive from the Company, on the respective scheduled vesting date for such RSU set forth in Section 2(a) of this Agreement or on such earlier date as provided in Section 5 of this Agreement (the “Vesting Date”), one share (a “Share”) of Common Stock of the Company (“Common Stock”), free of any restrictions, all amounts notionally credited to the Participant’s Dividend Equivalent Account (as defined in Section 4 of this Agreement) with respect to such RSU, and all securities and property comprising all Property Distributions (as defined in Section 4 of this Agreement) deposited in such Dividend Equivalent Account with respect to such RSU.

(d) As soon as practicable after the Vesting Date (but no later than 30 days from such date) for any RSUs granted hereunder, the Participant shall receive from the Company the number of Shares to which the vested RSUs relate, free of any restrictions, a cash payment for all amounts notionally credited to the Participant’s Dividend Equivalent Account with respect to such vested RSUs, and all securities and property comprising all Property Distributions deposited in such Dividend Equivalent Account with respect to such vested RSUs.

2. (a) The RSUs granted hereunder shall vest in installments as follows:

<u>Scheduled Vesting Date</u>	<u>Number of RSUs</u>
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(b) Until the respective Vesting Date for an RSU granted hereunder, such RSU, all amounts notionally credited in any Dividend Equivalent Account related to such RSU, and all securities or property comprising all Property Distributions deposited in such Dividend Equivalent Account related to such RSU shall be subject to forfeiture as provided in Section 5 of this Agreement.

3. Except as provided in Section 4 of this Agreement, an RSU shall not entitle the Participant to any incidents of ownership (including, without limitation, dividend and voting rights) in any Share until the RSU shall vest and the Participant shall be issued the Share to which such RSU relates nor in any securities or property comprising any Property Distribution deposited in a Dividend Equivalent Account related to such RSU until such RSU vests.

4. From and after the Grant Date of an RSU until the issuance of the Share payable in respect of such RSU, the Participant shall be credited, as of the payment date therefor, with (i) the amount of any cash dividends and (ii) the amount equal to the Fair Market Value of any Shares, Subsidiary securities, other securities, or other property distributed or distributable in respect of one share of Common Stock to which the Participant would have been entitled had the Participant been a record holder of one share of Common Stock at all times from the Grant Date to such issuance date (a "Property Distribution"). All such credits shall be made notionally to a dividend equivalent account (a "Dividend Equivalent Account") established for the Participant with respect to all RSUs granted hereunder with the same Vesting Date. The Committee may, in its discretion, deposit in the Participant's Dividend Equivalent Account the securities or property comprising any Property Distribution in lieu of crediting such Dividend Equivalent Account with the Fair Market Value thereof, or may otherwise adjust the terms of the Award as permitted under Section 5(b) of the Plan.

5. (a) Except as set forth in Section 5(b) and 5(c) of this Agreement, all unvested RSUs provided for in this Agreement, all amounts credited to the Participant's Dividend Equivalent Accounts with respect to such RSUs, and all securities and property comprising Property Distributions deposited in such Dividend Equivalent Accounts with respect to such RSUs shall immediately be forfeited on the date the Participant ceases to be an Eligible Individual (the "Termination Date"). In the event of a sale by the Company of its equity interest in a Subsidiary following which such entity is no longer a Subsidiary of the Company, persons who continue to be employed by such entity following such sale shall cease to be Eligible Individuals for purposes of the Plan and this Agreement.

(b) Notwithstanding the foregoing, if the Participant ceases to be an Eligible Individual (the "Termination") by reason of the Participant's death, Disability, or Retirement, all the unvested RSUs granted hereunder, all amounts credited to the Participant's Dividend Equivalent Accounts with respect to such RSUs, and all securities and property comprising Property Distributions deposited in such Dividend Equivalent Accounts with respect to such RSUs shall vest as of the Participant's Termination Date.

(c) If the Participant ceases to be an Eligible Individual by reason of the Participant's Termination by his employer or principal without Cause or Participant's termination of employment with Good Reason, then the RSUs granted hereunder that have not yet vested, all amounts credited to the Participant's Dividend Equivalent Accounts with respect to such RSUs, and all securities and property comprising Property Distributions deposited in such Dividend Equivalent Accounts with respect to such RSUs shall vest as of the Participant's Termination Date. This provision applies both before and after a Change of Control of the Company.

6. The RSUs granted hereunder, any amounts notionally credited in the Participant's Dividend Equivalent Accounts, and any securities and property comprising Property Distributions deposited in such Dividend Equivalent Accounts are not transferable by the Participant otherwise than by will or by the laws of descent and distribution.

7. All notices hereunder shall be in writing and, if to the Company, shall be delivered personally to the Secretary of the Company or mailed to its principal office, 212 Lavaca Street, Suite 300, Austin, Texas 78701, addressed to the attention of the Secretary; and, if to the Participant, shall be delivered personally or mailed to the Participant at the address on file with the Company. Such addresses may be changed at any time by notice from one party to the other.

8. This Agreement is subject to the provisions of the Plan. The Plan may at any time be amended by the Board, except that any such amendment of the Plan that would materially impair the rights of the Participant hereunder may not be made without the Participant's consent. The Committee may amend this Agreement at any time in any manner that is not inconsistent with the terms of the Plan and that will not result in the application of Section 409A(a)(1) of the Code. Notwithstanding the foregoing, no such amendment may materially impair the rights of the Participant hereunder without the Participant's consent. Except as set forth above, any applicable determinations, orders, resolutions or other actions of the Committee shall be final, conclusive and binding on the Company and the Participant.

9. The Participant is required to satisfy any obligation in respect of withholding or other payroll taxes resulting from the vesting of any RSU granted hereunder or the payment of any securities, cash, or property hereunder, in accordance with procedures established by the Committee, as a condition to receiving any securities, cash payments, or property resulting from the vesting of any RSU or otherwise.

10. Nothing in this Agreement shall confer upon the Participant any right to continue in the employ of the Company or any of its Subsidiaries, or to interfere in any way with the right of the Company or any of its Subsidiaries to terminate the Participant's employment relationship with the Company or any of its Subsidiaries at any time.

11. As used in this Agreement, the following terms shall have the meanings set forth below.

(a) "Disability" shall have occurred if the Participant is (i) unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, or (ii) by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, receiving income replacement benefits for a period of not less than 3 months under an accident and health plan covering employees of the Participant's employer.

(b) "Fair Market Value" shall, with respect to a share of Common Stock, a Subsidiary security, or any other security, have the meaning set forth in the Stratus Properties

Inc. Policies of the Committee applicable to the Plan, and, with respect to any other property, mean the value thereof determined by the board of directors of the Company in connection with declaring the dividend or distribution thereof.

(c) “Key Employee” shall mean any employee who meets the definition of “key employee” as defined in Section 416(i) of the Code.

(d) “Retirement” shall mean early, normal or deferred retirement of the Participant under a tax qualified retirement plan of the Company or any other cessation of the provision of services to the Company or a Subsidiary by the Participant that is deemed by the Committee or its designee to constitute a retirement.

12. The RSUs granted hereunder are intended to comply with or be exempt from the requirements of Section 409A of the Code, and shall be interpreted, construed and administered accordingly. If it is determined that the RSUs do not qualify for an exemption from Section 409A of the Code, then in the event vesting is accelerated pursuant to Section 5 and the Participant is a Key Employee, a distribution of Shares issuable to the Participant, all amounts notionally credited to the Participant’s Dividend Equivalent Account, and all securities and property comprising all Property Distributions deposited in such Dividend Equivalent Account due the Participant upon the vesting of the RSUs shall not occur until six months after the Participant’s Termination Date, unless the Participant’s Termination is due to death. Notwithstanding any provision to the contrary herein, all payments to be made upon a termination of employment hereunder may only be made upon a “separation from service” as defined under Section 409A of the Code.

13. To the extent applicable, this Award is subject to the terms of any compensation clawback policy adopted by the Company, including its Incentive Based Compensation Recovery Policy, as such policy may be amended from time to time, including amendments adopted in order to conform to the requirements of Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act and any resulting rules issued by the SEC or national securities exchanges thereunder. Accordingly, if the Committee or the Board determines that recovery of compensation under such policy is due, then the RSUs are subject to forfeiture or recovery in accordance with the terms of the policy, including but not limited to termination of the Award or recovery by the Company of any shares of Common Stock acquired by the Participant pursuant to this Agreement (or other securities into which such shares have been converted or exchanged) or, if no longer held by the Participant, payment to the Company, without interest, of all cash, securities or other assets received by the Participant upon the sale or transfer of such stock or securities.

14. The Company may, in its sole discretion, deliver any documents related to the Participant's current or future participation in the Plan by electronic means or request Participant's consent to participate in the Plan by electronic means.

STRATUS PROPERTIES INC.

Agreed and Accepted by Participant:

By: _____
Print Name: _____

STRATUS PROPERTIES INC.

**RESTRICTED STOCK UNIT AGREEMENT
UNDER THE _____ STOCK INCENTIVE PLAN**

1. (a) Pursuant to the Stratus Properties Inc. _____ Stock Incentive Plan (the "Plan"), on _____, 20__ (the "Grant Date"), Stratus Properties Inc., a Delaware corporation (the "Company") granted _____ restricted stock units ("Restricted Stock Units" or "RSUs") to _____ (the "Participant") on the terms and conditions set forth in this Restricted Stock Unit Agreement (the "Agreement") and in the Plan.

(b) Defined terms not otherwise defined herein shall have the meanings set forth in Section 2 of the Plan.

(c) Subject to the terms, conditions, and restrictions set forth in the Plan and herein, each RSU granted hereunder represents the right to receive from the Company, on the respective scheduled vesting date for such RSU set forth in Section 2(a) of this Agreement or on such earlier date as provided in Section 5 of this Agreement (the "Vesting Date"), one share (a "Share") of Common Stock of the Company ("Common Stock"), free of any restrictions, all amounts notionally credited to the Participant's Dividend Equivalent Account (as defined in Section 4 of this Agreement) with respect to such RSU, and all securities and property comprising all Property Distributions (as defined in Section 4 of this Agreement) deposited in such Dividend Equivalent Account with respect to such RSU.

(d) As soon as practicable after the Vesting Date (but no later than 30 days from such date) for any RSUs granted hereunder, the Participant shall receive from the Company the number of Shares to which the vested RSUs relate, free of any restrictions, a cash payment for all amounts notionally credited to the Participant's Dividend Equivalent Account with respect to such vested RSUs, and all securities and property comprising all Property Distributions deposited in such Dividend Equivalent Account with respect to such vested RSUs.

2. (a) The RSUs granted hereunder shall vest in installments as follows:

<u>Scheduled Vesting Date</u>	<u>Number of RSUs</u>
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(b) Until the respective Vesting Date for an RSU granted hereunder, such RSU, all amounts notionally credited in any Dividend Equivalent Account related to such RSU, and all securities or property comprising all Property Distributions deposited in such Dividend Equivalent Account related to such RSU shall be subject to forfeiture as provided in Section 5 of this Agreement.

3. Except as provided in Section 4 of this Agreement, an RSU shall not entitle the Participant to any incidents of ownership (including, without limitation, dividend and voting rights) in any Share until the RSU shall vest and the Participant shall be issued the Share to which such RSU relates nor in any securities or property comprising any Property Distribution deposited in a Dividend Equivalent Account related to such RSU until such RSU vests.

4. From and after the Grant Date of an RSU until the issuance of the Share payable in respect of such RSU, the Participant shall be credited, as of the payment date therefor, with (i) the amount of any cash dividends and (ii) the amount equal to the Fair Market Value of any Shares, Subsidiary securities, other securities, or other property distributed or distributable in respect of one share of Common Stock to which the Participant would have been entitled had the Participant been a record holder of one share of Common Stock at all times from the Grant Date to such issuance date (a "Property Distribution"). All such credits shall be made notionally to a dividend equivalent account (a "Dividend Equivalent Account") established for the Participant with respect to all RSUs granted hereunder with the same Vesting Date. The Committee may, in its discretion, deposit in the Participant's Dividend Equivalent Account the securities or property comprising any Property Distribution in lieu of crediting such Dividend Equivalent Account with the Fair Market Value thereof, or may otherwise adjust the terms of the Award as permitted under Section 5(b) of the Plan.

5. (a) Except as set forth in Section 5(b) and 5(c) of this Agreement, all unvested RSUs provided for in this Agreement, all amounts credited to the Participant's Dividend Equivalent Accounts with respect to such RSUs, and all securities and property comprising Property Distributions deposited in such Dividend Equivalent Accounts with respect to such RSUs shall immediately be forfeited on the date the Participant ceases to be an Eligible Individual (the "Termination Date"). In the event of a sale by the Company of its equity interest in a Subsidiary following which such entity is no longer a Subsidiary of the Company, persons who continue to be employed by such entity following such sale shall cease to be Eligible Individuals for purposes of the Plan and this Agreement.

(b) Notwithstanding the foregoing, if the Participant ceases to be an Eligible Individual (the "Termination") by reason of the Participant's death, Disability, or Retirement, all the unvested RSUs granted hereunder, all amounts credited to the Participant's Dividend Equivalent Accounts with respect to such RSUs, and all securities and property comprising Property Distributions deposited in such Dividend Equivalent Accounts with respect to such RSUs shall vest as of the Participant's Termination Date. In the event that the Participant ceases to be an Eligible Individual by reason of the Participant's Termination by his employer or principal without Cause, the Committee or any person to whom the Committee has delegated authority may, in its or his sole discretion, determine that all or any portion of the unvested RSUs granted hereunder, all amounts credited to the Participant's Dividend Equivalent Accounts with respect to such RSUs, and all securities and property comprising Property Distributions deposited in such Dividend Equivalent Accounts with respect to such RSUs shall vest as of the Participant's Termination Date.

(c) If there has been a Change of Control of the Company, and within two years following the date of such Change of Control the Participant ceases to be an Eligible Individual by reason of the Participant's Termination by his employer or principal without

Cause or Participant's termination of employment with Good Reason, then the RSUs granted hereunder that have not yet vested, all amounts credited to the Participant's Dividend Equivalent Accounts with respect to such RSUs, and all securities and property comprising Property Distributions deposited in such Dividend Equivalent Accounts with respect to such RSUs shall vest as of the Participant's Termination Date.

6. The RSUs granted hereunder, any amounts notionally credited in the Participant's Dividend Equivalent Accounts, and any securities and property comprising Property Distributions deposited in such Dividend Equivalent Accounts are not transferable by the Participant otherwise than by will or by the laws of descent and distribution.

7. All notices hereunder shall be in writing and, if to the Company, shall be delivered personally to the Secretary of the Company or mailed to its principal office, 212 Lavaca Street, Suite 300, Austin, Texas 78701, addressed to the attention of the Secretary; and, if to the Participant, shall be delivered personally or mailed to the Participant at the address on file with the Company. Such addresses may be changed at any time by notice from one party to the other.

8. This Agreement is subject to the provisions of the Plan. The Plan may at any time be amended by the Board, except that any such amendment of the Plan that would materially impair the rights of the Participant hereunder may not be made without the Participant's consent. The Committee may amend this Agreement at any time in any manner that is not inconsistent with the terms of the Plan and that will not result in the application of Section 409A(a)(1) of the Code. Notwithstanding the foregoing, no such amendment may materially impair the rights of the Participant hereunder without the Participant's consent. Except as set forth above, any applicable determinations, orders, resolutions or other actions of the Committee shall be final, conclusive and binding on the Company and the Participant.

9. The Participant is required to satisfy any obligation in respect of withholding or other payroll taxes resulting from the vesting of any RSU granted hereunder or the payment of any securities, cash, or property hereunder, in accordance with procedures established by the Committee, as a condition to receiving any securities, cash payments, or property resulting from the vesting of any RSU or otherwise.

10. Nothing in this Agreement shall confer upon the Participant any right to continue in the employ of the Company or any of its Subsidiaries, or to interfere in any way with the right of the Company or any of its Subsidiaries to terminate the Participant's employment relationship with the Company or any of its Subsidiaries at any time.

11. As used in this Agreement, the following terms shall have the meanings set forth below.

(a) "Disability" shall have occurred if the Participant is (i) unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, or (ii) by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a

continuous period of not less than 12 months, receiving income replacement benefits for a period of not less than 3 months under an accident and health plan covering employees of the Participant's employer.

(b) "Fair Market Value" shall, with respect to a share of Common Stock, a Subsidiary security, or any other security, have the meaning set forth in the Stratus Properties Inc. Policies of the Committee applicable to the Plan, and, with respect to any other property, mean the value thereof determined by the board of directors of the Company in connection with declaring the dividend or distribution thereof.

(c) "Key Employee" shall mean any employee who meets the definition of "key employee" as defined in Section 416(i) of the Code.

(d) "Retirement" shall mean early, normal or deferred retirement of the Participant under a tax qualified retirement plan of the Company or any other cessation of the provision of services to the Company or a Subsidiary by the Participant that is deemed by the Committee or its designee to constitute a retirement.

12. The RSUs granted hereunder are intended to comply with or be exempt from the requirements of Section 409A of the Code, and shall be interpreted, construed and administered accordingly. If it is determined that the RSUs do not qualify for an exemption from Section 409A of the Code, then in the event vesting is accelerated pursuant to Section 5 and the Participant is a Key Employee, a distribution of Shares issuable to the Participant, all amounts notionally credited to the Participant's Dividend Equivalent Account, and all securities and property comprising all Property Distributions deposited in such Dividend Equivalent Account due the Participant upon the vesting of the RSUs shall not occur until six months after the Participant's Termination Date, unless the Participant's Termination is due to death. Notwithstanding any provision to the contrary herein, all payments to be made upon a termination of employment hereunder may only be made upon a "separation from service" as defined under Section 409A of the Code.

13. To the extent applicable, this Award is subject to the terms of any compensation clawback policy adopted by the Company, including its Incentive Based Compensation Recovery Policy, as such policy may be amended from time to time, including amendments adopted in order to conform to the requirements of Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act and any resulting rules issued by the SEC or national securities exchanges thereunder. Accordingly, if the Committee or the Board determines that recovery of compensation under such policy is due, then the RSUs are subject to forfeiture or recovery in accordance with the terms of the policy, including but not limited to termination of the Award or recovery by the Company of any shares of Common Stock acquired by the Participant pursuant to this Agreement (or other securities into which such shares have been converted or exchanged) or, if no longer held by the Participant, payment to the Company, without interest, of all cash, securities or other assets received by the Participant upon the sale or transfer of such stock or securities.

14. The Company may, in its sole discretion, deliver any documents related to the Participant's current or future participation in the Plan by electronic means or request Participant's consent to participate in the Plan by electronic means.

STRATUS PROPERTIES INC.

Agreed and Accepted by Participant:

By: _____
Print Name: _____

**List of Subsidiaries of
Stratus Properties Inc.***
(as of December 31, 2023)

Entity	Organized	Name Under Which It Does Business
Santal, L.L.C.	Delaware	Same
Stratus Block 21, L.L.C.	Delaware	Same
Stratus Block 21 Member, L.L.C.	Delaware	Same
Stratus Investments LLC	Delaware	Same
Stratus Properties Operating Co., L.P.	Delaware	Same
Circle C Land, L.P.	Texas	Same
College Station 1892 Properties, L.L.C.	Texas	Same
Holden Hills, L.P.	Texas	Same
Killeen FM 440, L.L.C.	Texas	Same
Lantana Place, L.L.C.	Texas	Same
Magnolia East 149, L.L.C.	Texas	Same
New Caney 242 Investments, L.P.	Texas	Same
Santal I, L.L.C.	Texas	Same
Stratus Block 150, L.P.	Texas	Same
Stratus Block 21 Investments, L.P.	Texas	Same
Stratus Kingwood Place, L.P.	Texas	Same
The Saint George Apartments, L.P.	Texas	Same
The Saint June, L.P.	Texas	Same
The Villas at Amarra Drive, L.L.C.	Texas	Same

* Pursuant to Item 601(b)(21)(ii) of Regulation S-K, the names of certain other subsidiaries of Stratus Properties Inc. are omitted because, considered in the aggregate as a single subsidiary, they would not constitute a "significant subsidiary" as that term is defined in Rule 1-02(w) of Regulation S-X under the Securities Exchange Act of 1934, as amended.

Consent of Independent Registered Public Accounting Firm

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 333-190637 and 333-264997) of Stratus Properties Inc. of our report dated March 28, 2024 with respect to the consolidated financial statements of Stratus Properties Inc. for the year ended December 31, 2023, included in this Annual Report on Form 10-K of Stratus Properties Inc. for the year ended December 31, 2023.

/s/ CohnReznick LLP

Dallas, Texas
March 28, 2024

I, William H. Armstrong III, certify that:

1. I have reviewed this annual report on Form 10-K of Stratus Properties Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: March 28, 2024

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

I, Erin D. Pickens, certify that:

1. I have reviewed this annual report on Form 10-K of Stratus Properties Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: March 28, 2024

By: /s/ Erin D. Pickens

Erin D. Pickens

Senior Vice President and

Chief Financial Officer

Certification Pursuant to 18 U.S.C. Section 1350
(Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002)

In connection with the Annual Report on Form 10-K of Stratus Properties Inc. (the "Company") for the year ended December 31, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), William H. Armstrong III, as Chairman of the Board, President and Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: March 28, 2024

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

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

This certification shall not be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

Certification Pursuant to 18 U.S.C. Section 1350
(Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002)

In connection with the Annual Report on Form 10-K of Stratus Properties Inc. (the "Company") for the year ended December 31, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Erin D. Pickens, as Senior Vice President and Chief Financial Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of her knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: March 28, 2024

By: /s/ Erin D. Pickens
Erin D. Pickens
Senior Vice President and
Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

This certification shall not be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

STRATUS PROPERTIES INC.

Incentive-Based Compensation Recovery Policy

The Board of Directors (the “**Board**”) of Stratus Properties Inc. (the “**Company**”) has determined that it is in the best interests of the Company and its stockholders to adopt this Incentive-Based Compensation Recovery Policy (this “**Policy**”), which provides for the recovery of certain incentive compensation in the event of an Accounting Restatement (as defined below). This Policy is designed to comply with, and shall be interpreted to be consistent with, Section 10D of the Securities Exchange Act of 1934, as amended (the “**Exchange Act**”), Rule 10D-1 promulgated under the Exchange Act (“**Rule 10D-1**”) and Listing Rule 5608 (the “**Listing Standards**”) of The Nasdaq Stock Market (“**NASDAQ**”). As required by SEC Rule 10D-1, the Listing Standards require the Company to adopt a compensation recovery policy as set forth in the rule, comply with the policy and provide related disclosures required by the Listing Standards and in applicable filings with the U.S. Securities and Exchange Commission (“**SEC**”) in order for the Company’s common stock to remain listed on NASDAQ. Capitalized terms not otherwise defined herein have the meanings set forth in Section 2 hereof.

1. Administration

Except as specifically set forth herein, this Policy shall be administered by the Compensation Committee of the Board (the “**Committee**”). The Committee is authorized to interpret and construe this Policy and to make all determinations necessary, appropriate or advisable to administer, and cause the Company to comply with, this Policy, without further action by the Board. Any determinations made by the Committee shall be final and binding on all affected persons, including the Company and the Covered Executives, and need not be uniform with respect to each person covered by the Policy. The Committee is authorized to consult with the full Board, the Audit Committee of the Board, or any other committee of the Board if and to the extent it deems necessary or appropriate to administer, and cause the Company to comply with, this Policy.

2. Definitions

As used in this Policy, the following definitions shall apply:

- (a) “**Accounting Restatement**” means an accounting restatement of the Company’s financial statements due to the material noncompliance of the Company with any financial reporting requirement under the securities laws, including any required accounting restatement to correct an error in previously issued financial statements (i) that is material to the previously-issued financial statements (commonly referred to as a “Big R” restatement), or (ii) that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period (commonly referred to as a “little r” restatement).
- (b) “**Clawback Period**” means, with respect to any Accounting Restatement, the three completed fiscal years of the Company immediately preceding the Restatement Date and any transition period (that results from a change in the Company’s fiscal year) of less than nine months within or immediately following those three completed fiscal years.
- (c) “**Code**” means the U.S. Internal Revenue Code of 1986, as amended. Any reference to a section of the Code or regulation thereunder includes such section or regulation, any

valid regulation or other official guidance promulgated under such section, and any comparable provision of any future legislation or regulation amending, supplementing, or superseding such section or regulation.

- (d) **“Committee”** has the meaning set forth in Section 1 hereof.
- (e) **“Covered Executives”** means the Company’s current and former executive officers, as determined by the Board in accordance with the definition of executive officer set forth in Rule 10D-1 and the Listing Standards.
- (f) **“Effective Date”** means October 2, 2023.
- (g) **“Erroneously Awarded Compensation”** has the meaning set forth in Section 4 of this Policy.
- (h) **“Financial Reporting Measure”** means any measure that is determined and presented in accordance with the accounting principles used in preparing the Company’s financial statements, and any measure that is derived wholly or in part from such measure. Stock price and total stockholder return (and any measure that is derived wholly or in part from stock price or total stockholder return) shall, for purposes of this Policy, be considered a Financial Reporting Measure. For the avoidance of doubt, a Financial Reporting Measure need not be presented within the Company’s financial statements or included in a filing with the SEC.
- (i) **“Incentive-Based Compensation”** means any compensation that is granted, earned or vested based wholly or in part upon the attainment of a Financial Reporting Measure.
- (j) **“Restatement Date”** means the earlier to occur of (i) the date the Board, a committee of the Board or the officer or officers of the Company authorized to take such action if Board action is not required, concludes, or reasonably should have concluded, that the Company is required to prepare an Accounting Restatement, or (ii) the date a court, regulator or other legally authorized body directs the Company to prepare an Accounting Restatement, in each case regardless of if or when the restated financial statements are publicly disseminated or filed with the SEC.

3. Covered Executives; Incentive-Based Compensation

This Policy applies to all Incentive-Based Compensation received by a person: (a) on or after the Effective Date (even if approved, awarded, granted or paid prior to the Effective Date); (b) after beginning service as a Covered Executive; (c) who served as a Covered Executive at any time during the performance period for such Incentive-Based Compensation; (d) while the Company had a class of securities listed on a national securities exchange or a national securities association; and (e) during the Clawback Period.

For purposes of this Policy, Incentive-Based Compensation is deemed “received” in the Company’s fiscal period during which the Financial Reporting Measure specified in the Incentive-Based Compensation award is attained, even if the payment or grant of such Incentive-Based Compensation occurs after the end of that period. For the avoidance of doubt, Incentive-Based Compensation that is subject to both a Financial Reporting Measure vesting condition and a service-based vesting condition shall be considered received when the relevant

Financial Reporting Measure is achieved, even if the Incentive-Based Compensation continues to be subject to the service-based vesting condition.

4. Required Recovery of Erroneously Awarded Compensation in the Event of an Accounting Restatement

In the event of an Accounting Restatement, the Company must recover, reasonably promptly, Erroneously Awarded Compensation, in amounts determined pursuant to this Policy and in accordance with Rule 10D-1 and the Listing Standards, as follows:

- (a) For purposes of this Policy, “**Erroneously Awarded Compensation**” means, in the event of an Accounting Restatement, the amount of Incentive-Based Compensation received that exceeds the amount of Incentive-Based Compensation that otherwise would have been received had it been determined based on the restated amounts in such Accounting Restatement, computed without regard to any taxes paid by the relevant Covered Executive.
 - (i) With respect to Incentive-Based Compensation based on stock price or total stockholder return, where the amount of Erroneously Awarded Compensation is not subject to mathematical recalculation directly from the information in an Accounting Restatement:
 - A. the amount of Erroneously Awarded Compensation will instead be based on a reasonable estimate of the effect of the Accounting Restatement on the stock price or total stockholder return upon which the Incentive-Based Compensation was received; and
 - B. the Company must maintain documentation of the determination of that reasonable estimate and provide such documentation to NASDAQ.
 - (ii) With respect to any compensation plans or programs that take into account Incentive-Based Compensation, the amount of Erroneously Awarded Compensation subject to recovery hereunder includes, but is not limited to, the amount contributed to any notional account based on Erroneously Awarded Compensation and any earnings accrued to date on that notional amount.
- (b) After an Accounting Restatement, the Committee shall promptly determine the amount of any Erroneously Awarded Compensation received by each Covered Executive and shall promptly provide written notice to each Covered Executive by email, certified mail or overnight mail of the amount of any Erroneously Awarded Compensation and a demand for repayment or return of such compensation.
- (c) The Committee shall have discretion to determine the appropriate means of recovering Erroneously Awarded Compensation based on the particular facts and circumstances. Notwithstanding the foregoing, except as set forth in Section 5 below, in no event may the Company accept an amount that is less than the amount of Erroneously Awarded Compensation in satisfaction of a Covered Executive’s obligations hereunder.
- (d) To the extent that the Covered Executive has already reimbursed the Company for any Erroneously Awarded Compensation, the Committee may credit such reimbursed

amount against the amount of Erroneously Awarded Compensation that is subject to recovery under this Policy.

- (e) To the extent that a Covered Executive fails to repay all Erroneously Awarded Compensation to the Company when due, the Company shall take all reasonable and appropriate actions to recover such Erroneously Awarded Compensation from the applicable Covered Executive. The applicable Covered Executive shall be required to reimburse the Company for any and all expenses reasonably incurred (including legal fees) by the Company in recovering such Erroneously Awarded Compensation in accordance with the immediately preceding sentence. Such recovery and reimbursement may include offsetting such Erroneously Awarded Compensation and expenses against any amounts due from the Company or its subsidiaries to the Covered Executive.
- (f) Recovery under this Policy with respect to a Covered Executive shall not require any finding that such Covered Executive engaged in misconduct or was responsible for any error that caused or contributed to the Accounting Restatement.
- (g) Any action by the Company to recover Erroneously Awarded Compensation under this Policy from a Covered Executive shall not, whether alone or in combination with any other action, event or condition, be deemed (i) "good reason" for resignation or to serve as a basis for a claim of constructive termination under any benefits or compensation arrangement applicable to such Covered Executive, or (ii) to constitute a breach of a contract or other arrangement to which such Covered Executive is party.

5. Method of Recovery

The Committee shall determine, in its sole discretion, the timing and method for promptly recovering Erroneously Awarded Compensation hereunder, which may include without limitation (a) seeking reimbursement of all or part of any cash or equity-based award, (b) cancelling prior cash or equity-based awards, whether vested or unvested or paid or unpaid, (c) cancelling or offsetting against base salary and/or any planned future cash or equity-based awards, (d) forfeiture of deferred compensation, subject to compliance with Section 409A of the Code, and (e) any other method that does not contravene any applicable law, including without limitation Section 409A of the Code.

The Company is authorized and directed pursuant to this Policy to recover Erroneously Awarded Compensation in compliance with this Policy unless the Committee or, in the absence of the Committee, a majority of the independent directors serving on the Board, has determined in good faith that recovery would be impracticable solely for one or more of the following limited reasons, and subject to the following procedural and disclosure requirements:

- The direct expense paid to a third party to assist in enforcing the Policy would exceed the amount to be recovered. Before concluding that it would be impracticable to recover any amount of Erroneously Awarded Compensation based on the expense of enforcement, the Committee must make a reasonable attempt to recover such Erroneously Awarded Compensation, document such reasonable attempt(s) to recover and provide that documentation to NASDAQ;
- Recovery would violate home country law where that law was adopted prior to November 28, 2022. Before concluding that it would be impracticable to recover any amount of

Erroneously Awarded Compensation based on violation of home country law, the Committee must satisfy the applicable opinion and disclosure requirements of Rule 10D-1 and the Listing Standards; or

- Recovery would likely cause an otherwise tax-qualified retirement plan, under which benefits are broadly available to employees of the Company, to fail to meet the requirements of Section 401(a)(13) or Section 411(a) of the Code.

6. No Indemnification of Covered Executives Against Loss of Erroneously Awarded Compensation

Notwithstanding the terms of any indemnification or insurance policy, any contractual arrangement with any Covered Executive or any provision of the Company's or any of its subsidiaries' governing or organizational documents (such as articles of incorporation, certificates of incorporation, by-laws or similar document) that provides or may be interpreted to provide to the contrary, the Company shall not indemnify any Covered Executives against the loss of any Erroneously Awarded Compensation, including any payment or reimbursement for the cost of third-party insurance purchased by any Covered Executive to fund potential clawback obligations under this Policy.

7. Committee Indemnification

Any members of the Committee, and any other members of the Board who assist in the administration of this Policy, shall not be personally liable for any action, determination or interpretation made with respect to this Policy and shall be fully indemnified by the Company to the fullest extent permitted under any articles of incorporation, certificate of incorporation, bylaw, similar organizational document, contract, policy or law applicable to the Company with respect to any such action, determination or interpretation.

8. Effective Date

This Policy shall be effective as of the Effective Date. Subject to applicable law, the Committee may affect recovery under this Policy from any amount of compensation approved, awarded, granted, payable or paid to the Covered Executive prior to, on or after the Effective Date.

9. Other Recovery Rights; Company Claims

The Board intends that this Policy shall be applied to the fullest extent of the law. Any right of recovery by the Company under this Policy is in addition to, and not in lieu of, any other remedies or rights of recovery that may be available to the Company under applicable law, including Section 304 of the Sarbanes-Oxley Act of 2002, government regulation, or stock exchange listing requirement or pursuant to the terms of any similar policy in any employment agreement, equity award agreement, or other agreement, policy or plan of the Company and any other legal or equitable remedies available to the Company, including those set forth in any corporate governance guidelines that may be adopted or amended by the Board. Notwithstanding the foregoing, unless otherwise required by applicable law, any amounts recovered under any other such recovery, recoupment or clawback rights that would be recoverable under this Policy shall count toward any required recovery under this Policy and vice versa.

Nothing contained in this Policy, and no recoupment or recovery as contemplated by this Policy, shall limit any claims, damages or other legal or equitable remedies the Company or any of its

affiliates may have against a Covered Executive arising out of or resulting from any actions or omissions by the Covered Executive.

10. Amendment

The Board may amend, modify, supplement, rescind or replace all or any portion of this Policy at any time and from time to time in its discretion, and shall amend this Policy as it deems necessary to comply with applicable law or any rules or standards adopted by NASDAQ or other national securities exchange on which the Company's securities are listed.

11. Acknowledgement of Binding Effect

As a condition to continued employment, each Covered Executive shall sign and deliver to the Company, within 60 calendar days following the later of (i) the Effective Date of this Policy or (ii) the date the individual becomes a Covered Executive, the Acknowledgement Form attached hereto as **Exhibit A**, pursuant to which the Covered Executive agrees to be bound by, and to comply with, the terms and conditions of this Policy. This Policy is binding upon all Covered Executives, even if such Covered Executive fails to execute or deliver the attached Acknowledgment Form to the Company.

12. Severability

The provisions in this Policy are intended to be applied to the fullest extent of the law. To the extent that any provision of this Policy is found to be unenforceable or invalid under any applicable law, such provision shall be applied to the maximum extent permitted, and shall automatically be deemed amended in a manner consistent with its objectives to the extent necessary to conform to any limitations required under applicable law.

13. Successors

This Policy shall be binding and enforceable against all Covered Executives and their beneficiaries, heirs, executors, administrators or other legal representatives.

14. Governing Law; Jurisdiction and Forum; Waiver of Jury Trial

- (a) This Policy shall be governed by, and construed and enforced in accordance with, Section 10 of the Exchange Act, Rule 10D-1 and the Listing Standards, and to the extent applicable, the laws of the State of Delaware.
- (b) The Company and each Covered Executive: (i) submits to the personal jurisdiction of the federal district court with jurisdiction over the location of the Company's headquarters and, if that court lacks jurisdiction, the state court with jurisdiction over the location of the Company's headquarters, and the relevant appellate courts, in the event any dispute arises out of this Policy; (ii) agrees that it, he or she will not attempt to deny or defeat such personal jurisdiction by motion or other request for leave from any such court; and (iii) agrees that it, he or she will not bring any proceeding relating to this Policy in any court other than the court designated in the preceding clause (i).
- (c) The Company and each Covered Executive: (i) waives trial by jury in any action, proceeding, or counterclaim arising out of or in any way connected with this Policy or the administration thereof, and (ii) agrees to refrain from seeking a jury trial in any

lawsuit, proceeding, counterclaim or any other litigation procedure based upon, or arising out of, this Policy.

15. Required Policy-Related Filings and Disclosures

A copy of this Policy and any amendments thereto will be filed as an exhibit to the Company's annual report on Form 10-K filed with the SEC. In addition, the Company shall file all disclosures with respect to this Policy in accordance with the requirements of the federal securities laws, including disclosures required by the SEC.

* * * * *

As approved by the Compensation Committee and the Board of Directors effective November 9, 2023.

EXHIBIT A

STRATUS PROPERTIES INC.

INCENTIVE-BASED COMPENSATION RECOVERY POLICY

ACKNOWLEDGEMENT FORM

By signing below, the undersigned acknowledges and confirms that the undersigned has received and reviewed a copy of the Stratus Properties Inc. Incentive-Based Compensation Recovery Policy (as it may be amended, restated, supplemented or otherwise modified from time to time, the "**Policy**"). Capitalized terms used but not otherwise defined in this Acknowledgement Form (this "**Acknowledgement Form**") shall have the meanings ascribed to such terms in the Policy.

By signing this Acknowledgement Form, the undersigned further acknowledges and agrees that:

- the undersigned is and will continue to be subject to the Policy;
- the Policy will apply both during and after the undersigned's employment with the Company;
- in the event of any inconsistency between the Policy and the terms of any employment agreement to which the undersigned is a party, or the terms of any compensation plan, program or agreement under which any compensation has been granted, awarded, earned or paid, or any right to indemnification available under state law, any agreement or policy or the Company's governing or organizational documents, the terms of the Policy shall govern and all such agreements, plans, programs, policies or rights shall be deemed amended to include the terms of this Policy;
- the undersigned will abide by the terms of the Policy, including, without limitation, by returning any Erroneously Awarded Compensation to the Company to the extent required by, and in a manner permitted by, the Policy; and
- the Policy shall be binding and enforceable against the undersigned and the undersigned's beneficiaries, heirs, executors, administrators and other legal representatives.

Covered Executive

Signature

Printed Name

Date