

United States
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark one)

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

For the quarterly period ended March 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 Street, Suite 300

Austin TX

(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

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	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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 is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

On May 10, 2023, there were 7,955,217 issued and outstanding shares of the registrant's common stock, par value \$0.01 per share.

STRATUS PROPERTIES INC.
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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

STRATUS PROPERTIES INC.
CONSOLIDATED BALANCE SHEETS (Unaudited)
(In Thousands)

	March 31, 2023	December 31, 2022
ASSETS		
Cash and cash equivalents	\$ 50,895	\$ 37,666
Restricted cash	8,889	8,043
Real estate held for sale	1,773	1,773
Real estate under development	246,819	239,278
Land available for development	48,858	39,855
Real estate held for investment, net	92,433	92,377
Lease right-of-use assets	11,981	10,631
Deferred tax assets	38	38
Other assets	18,033	15,479
Total assets	\$ 479,719	\$ 445,140
LIABILITIES AND EQUITY		
Liabilities:		
Accounts payable	\$ 14,684	\$ 15,244
Accrued liabilities, including taxes	5,929	7,049
Debt	128,336	122,765
Lease liabilities	16,382	14,848
Deferred gain	3,289	3,519
Other liabilities	5,874	9,642
Total liabilities	174,494	173,067
Commitments and contingencies		
Equity:		
Stockholders' equity:		
Common stock	94	94
Capital in excess of par value of common stock	196,308	195,773
Retained earnings	35,651	41,452
Common stock held in treasury	(31,181)	(30,071)
Total stockholders' equity	200,872	207,248
Noncontrolling interests in subsidiaries	104,353	64,825
Total equity	305,225	272,073
Total liabilities and equity	\$ 479,719	\$ 445,140

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

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

	Three Months Ended March 31,	
	2023	2022
Revenues:		
Real estate operations	\$ 2,493	\$ 19
Leasing operations	3,309	3,080
Total revenues	5,802	3,099
Cost of sales:		
Real estate operations	4,487	1,366
Leasing operations	1,261	984
Depreciation and amortization	928	873
Total cost of sales	6,676	3,223
General and administrative expenses	4,719	3,167
Gain on sale of assets	—	(4,812)
Total	11,395	1,578
Operating (loss) income	(5,593)	1,521
Interest expense, net	—	(15)
Other income, net	485	6
(Loss) income before income taxes and equity in unconsolidated affiliates' loss	(5,108)	1,512
(Provision for) benefit from income taxes	(1,162)	302
Equity in unconsolidated affiliates' loss	(3)	(2)
Net (loss) income from continuing operations	(6,273)	1,812
Net income from discontinued operations	—	375
Net (loss) income and total comprehensive (loss) income	(6,273)	2,187
Total comprehensive loss attributable to noncontrolling interests	472	85
Net (loss) income and total comprehensive (loss) income attributable to common stockholders	\$ (5,801)	\$ 2,272
Basic net (loss) income per share attributable to common stockholders:		
Continuing operations	\$ (0.71)	\$ 0.23
Discontinued operations	—	0.05
	\$ (0.71)	\$ 0.28
Diluted net (loss) income per share attributable to common stockholders:		
Continuing operations	\$ (0.71)	\$ 0.23
Discontinued operations	—	0.04
	\$ (0.71)	\$ 0.27
Weighted-average shares of common stock outstanding:		
Basic	8,224	8,251
Diluted	8,224	8,355

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

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

	Three Months Ended March 31,	
	2023	2022
Cash flow from operating activities:		
Net (loss) income	\$ (6,273)	\$ 2,187
Adjustments to reconcile net (loss) income to net cash used in operating activities:		
Depreciation and amortization	928	873
Cost of real estate sold	2,010	—
Gain on sale of assets	—	(4,812)
Debt issuance cost amortization and stock-based compensation	713	515
Equity in unconsolidated affiliate's loss	3	2
Deferred income taxes	—	1,167
Purchases and development of real estate properties	(9,027)	(4,864)
Increase in other assets	(2,945)	(5,559)
Decrease in accounts payable, accrued liabilities and other	(3,813)	(7,629)
Net cash used in operating activities	(18,404)	(18,120)
Cash flow from investing activities:		
Capital expenditures	(10,006)	(14,724)
Payments on master lease obligations	(248)	(182)
Other	22	—
Net cash used in investing activities	(10,232)	(14,906)
Cash flow from financing activities:		
Borrowings from revolving credit facility	—	10,000
Borrowings from project loans	11,618	5,111
Payments on project and term loans	(6,551)	(1,172)
Payment of dividends	(184)	—
Finance lease principal payments	(4)	—
Stock-based awards net payments	(216)	(452)
Noncontrolling interest contribution	40,000	—
Purchases of treasury stock	(894)	—
Financing costs	(1,058)	(17)
Net cash provided by financing activities	42,711	13,470
Net increase (decrease) in cash, cash equivalents and restricted cash	14,075	(19,556)
Cash, cash equivalents and restricted cash at beginning of year	45,709	70,139
Cash, cash equivalents and restricted cash at end of period	\$ 59,784	\$ 50,583

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

STRATUS PROPERTIES INC.
CONSOLIDATED STATEMENTS OF EQUITY (Unaudited) (Continued)
(In Thousands)

Stockholders' Equity

	Common Stock		Capital in Excess of Par Value	Retained Earnings (Accumulated Deficit)	Common Stock Held in Treasury		Total	Noncontrolling Interests in Subsidiaries	Total Equity
	Number of Shares	At Par Value			Number of Shares	At Cost			
Balance at December 31, 2022	9,439	\$ 94	\$ 195,773	\$ 41,452	1,448	\$ (30,071)	\$ 207,248	\$ 64,825	\$ 272,073
Exercised and vested stock-based awards	40	—	—	—	—	—	—	—	—
Director fees paid in shares of common stock	—	—	6	—	—	—	6	—	6
Stock-based compensation	—	—	529	—	—	—	529	—	529
Tender of shares for stock-based awards	—	—	—	—	11	(216)	(216)	—	(216)
Common stock repurchases	—	—	—	—	44	(894)	(894)	—	(894)
Contributions from noncontrolling interests	—	—	—	—	—	—	—	40,000	40,000
Total comprehensive loss	—	—	—	(5,801)	—	—	(5,801)	(472)	(6,273)
Balance at March 31, 2023	<u>9,479</u>	<u>\$ 94</u>	<u>\$ 196,308</u>	<u>\$ 35,651</u>	<u>1,503</u>	<u>\$ (31,181)</u>	<u>\$ 200,872</u>	<u>\$ 104,353</u>	<u>\$ 305,225</u>

Stockholders' Equity

	Common Stock		Capital in Excess of Par Value	Retained Earnings (Accumulated Deficit)	Common Stock Held in Treasury		Total	Noncontrolling Interests in Subsidiaries	Total Equity
	Number of Shares	At Par Value			Number of Shares	At Cost			
Balance at December 31, 2021	9,388	\$ 94	\$ 188,759	\$ (8,963)	1,143	\$ (21,753)	\$ 158,137	\$ 50,476	\$ 208,613
Exercised and vested stock-based awards	39	—	—	—	—	—	—	—	—
Stock-based compensation	—	—	212	—	—	—	212	—	212
Tender of shares for stock-based awards	—	—	—	—	11	(452)	(452)	—	(452)
Total comprehensive income (loss)	—	—	—	2,272	—	—	2,272	(85)	2,187
Balance at March 31, 2022	<u>9,427</u>	<u>\$ 94</u>	<u>\$ 188,971</u>	<u>\$ (6,691)</u>	<u>1,154</u>	<u>\$ (22,205)</u>	<u>\$ 160,169</u>	<u>\$ 50,391</u>	<u>\$ 210,560</u>

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

STRATUS PROPERTIES INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. GENERAL

The unaudited condensed consolidated financial statements and the accompanying notes are prepared in accordance with generally accepted accounting principles (GAAP) in the United States (U.S.) and should be read in conjunction with the consolidated financial statements and notes thereto for the year ended December 31, 2022, included in Stratus Properties Inc.'s (Stratus) Annual Report on Form 10-K for the year ended December 31, 2022 (Stratus 2022 Form 10-K) filed with the U.S. Securities and Exchange Commission on March 31, 2023. The information furnished herein reflects all adjustments that are, in the opinion of management, necessary for a fair statement of the results for the interim periods reported and consist of normal recurring adjustments. The results of operations for any interim period are not necessarily indicative of the results of operations for any other future interim period or for a full fiscal year. Refer to Note 4 for a discussion of Stratus' discontinued operations.

Related Party Transactions. 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 \$185 thousand for first-quarter 2022, which included \$20 thousand as an annual incentive award for 2021 and a \$135 thousand cash payment under Stratus' Profit Participation Incentive Plan (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 Long-Term Incentive Plan (LTIP). In first-quarter 2023, he received \$22 thousand as an annual incentive award for 2022, and his annual salary was increased to \$120 thousand. As of March 31, 2023, the employee has two outstanding awards under the PPIP. The liability associated with these awards at March 31, 2023 is not significant to the consolidated financial statements. Refer to Note 7 for discussion of the PPIP and LTIP. For additional information regarding Stratus' related parties, including LCHM Holdings, LLC and JBM Trust, refer to Notes 1, 2 and 4 in the Stratus 2022 Form 10-K.

2. 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:

	Three Months Ended March 31,	
	2023	2022
Net (loss) income from continuing operations	\$ (6,273)	\$ 1,812
Net income from discontinued operations	—	375
Net (loss) income and total comprehensive (loss) income	(6,273)	2,187
Total comprehensive loss attributable to noncontrolling interests	472	85
Net (loss) income and total comprehensive (loss) income attributable to common stockholders	\$ (5,801)	\$ 2,272
Basic weighted-average shares of common stock outstanding	8,224	8,251
Add shares issuable upon vesting of dilutive restricted stock units (RSUs) ^a	—	104
Diluted weighted-average shares of common stock outstanding	8,224	8,355
Basic net (loss) income per share attributable to common stockholders:		
Continuing operations	\$ (0.71)	\$ 0.23
Discontinued operations	—	0.05
	\$ (0.71)	\$ 0.28
Diluted net (loss) income per share attributable to common stockholders:		
Continuing operations	\$ (0.71)	\$ 0.23
Discontinued operations	—	0.04
	\$ (0.71)	\$ 0.27

a. For the three months ended March 31, 2023, excludes 295 thousand shares of common stock associated with RSUs that were anti-dilutive as a result of the net loss. For the three months ended March 31, 2022, excludes 4 thousand shares of common stock associated with RSUs that were anti-dilutive.

3. LIMITED PARTNERSHIPS

Stratus has entered into strategic partnerships for certain development projects. Stratus, through its subsidiaries, is a partner in the following limited partnerships: The Saint George Apartments, L.P. (10.0 percent indirect equity interest), Stratus Block 150, L.P. (31.0 percent indirect equity interest), The Saint June, L.P. (34.13 percent indirect equity interest), Holden Hills, L.P. (50.0 percent indirect equity interest) and Stratus Kingwood Place, L.P. (60.0 percent indirect equity interest). For additional information regarding Stratus' partnerships, refer to Notes 2 and 4 in the Stratus 2022 Form 10-K.

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 475 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 capital interest in the Holden Hills partnership, and the Class B limited partner holds the remaining 50.0 percent equity capital 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. Stratus consolidates the Holden Hills limited 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 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 the 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.

The Holden Hills partnership has agreed to pay Stratus a development management fee of 4.00 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.

Also 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. Refer to Note 6 for discussion of the loan agreement.

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, L.P. and Holden Hills, L.P. are variable interest entities and that Stratus is the primary beneficiary. Accordingly, the partnerships' results 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, net of intercompany balances, which are eliminated (in thousands):

	March 31, 2023 ^a	December 31, 2022
Assets: ^b		
Cash and cash equivalents	\$ 5,897	\$ 7,744
Real estate under development	140,252	107,968
Land available for development	3,927	3,927
Real estate held for investment	31,494	31,415
Other assets	5,885	4,503
Total assets	187,455	155,557
Liabilities: ^c		
Accounts payable and accrued liabilities	10,987	12,247
Debt	62,702	55,305
Total liabilities	73,689	67,552
Net assets	\$ 113,766	\$ 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 obligations only of the partnerships.

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

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. Stratus' net proceeds of cash and restricted cash totaled \$112.3 million (including \$6.9 million of post-closing escrow amounts to be held for 12 months after the closing, subject to a longer retention period with respect to any required reserve for pending claims). 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 first-quarter 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):

	Three Months Ended March 31, 2022
Revenues: ^a	
Hotel	\$ 5,871
Entertainment	5,340
Leasing operations and other	726
Total revenue	11,937
Cost of sales:	
Hotel	4,743
Entertainment	4,139
Leasing operations and other	471
Depreciation ^b	—
Total cost of sales	9,353
General and administrative expenses	100
Operating income	2,484
Interest expense, net	(1,945)
Provision for income taxes	(164)
Net income from discontinued operations	\$ 375

a. In accordance with accounting guidance, amounts are net of eliminations of intercompany revenue totaling \$321 thousand in first-quarter 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 \$182 thousand in first-quarter 2022.

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, L.P.-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 5-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 10-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 \$74 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 in first-quarter 2022. A contract liability is presented as a deferred gain in the consolidated balance sheets in the amount of \$3.3 million at March 31, 2023 and \$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.

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.

A summary of the carrying amount and fair value of Stratus' debt follows (in thousands):

	March 31, 2023		December 31, 2022	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Liabilities:				
Debt	\$ 128,336	\$ 130,075	\$ 122,765	\$ 124,575

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. 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.

6. DEBT AND EQUITY

The components of Stratus' debt follow (in thousands):

	March 31, 2023	December 31, 2022
Comerica Bank revolving credit facility	\$ —	\$ —
Jones Crossing loan	23,938	24,143
The Annie B land loan	13,933	13,969
New Caney land loan	—	4,047
Construction loans:		
Kingwood Place	27,768	27,507
Lantana Place	21,787	21,782
The Saint June	21,001	13,829
Magnolia Place	7,174	6,816
West Killeen Market	5,289	5,306
Amarra Villas revolving credit facility	7,446	5,366
Total debt^{a b}	\$ 128,336	\$ 122,765

a. Includes net reductions for unamortized debt issuance costs of \$1.0 million at March 31, 2023, and \$1.1 million at December 31, 2022.

b. The Saint George and Holden Hills construction loans did not have outstanding balances at March 31, 2023 or December 31, 2022 (for The Saint George construction loan).

Comerica Bank revolving credit facility. As of March 31, 2023, Status had \$42.7 million available under the Comerica Bank revolving credit facility. Letters of credit, totaling \$11.0 million, have been issued under the revolving credit facility, and secure the company's obligation to build certain roads and utilities facilities benefiting Holden Hills and Section N. In March 2023, Stratus entered into a modification of the revolving credit facility, which extended the maturity date of the revolving credit facility to March 27, 2025, and increased the floor of the facility's benchmark rate, the Bloomberg Short-Term Bank Yield Index (BSBY) Rate. As amended, advances under the revolving credit facility bear interest at the one-month BSBY Rate (with a floor of 0.50 percent) plus 4.00 percent.

Jones Crossing loan. The Jones Crossing loan requires a debt service coverage ratio (DSCR) of 1.15 to 1.00 measured quarterly beginning with the quarter ending September 30, 2022. If the DSCR falls below 1.15 to 1.00, a "Cash Sweep Period" (as defined in the Jones Crossing loan) results, which limits Stratus' ability to receive cash from its Jones Crossing subsidiary. 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.

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 Annie B land loan to March 1, 2024, and changed the interest rate to the 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.

New Caney land loan. In March 2023, the New Caney land loan was repaid.

The Saint June construction loan. In January 2023, The Saint June construction loan was amended to change the interest rate for the loan to Term Secured Overnight Financing Rate (SOFR) with a floor of 0.75 percent plus 2.85 percent, subject to a 3.50 percent floor.

Magnolia Place construction loan. In May 2023, the Magnolia Place construction loan was amended to change the interest rate for the loan to Term SOFR with a floor of 0.00 percent plus 3.36 percent, subject to a 3.50 percent floor.

Amarra Villas revolving credit facility. In March 2023, Stratus made a \$2.2 million principal payment on the Amarra Villas revolving credit facility upon the closing of a sale of one of the Amarra Villas homes.

Holden Hills construction loan. 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 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 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 percent. The loan has a maturity date of February 8, 2026. Advances under the loan bear interest at the 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 has entered into a guaranty for the benefit of the lender pursuant to which Stratus has 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, on a consolidated basis, a net asset value not less than \$125.0 million, and a debt-to-gross-asset value not more than 50 percent (in each case as defined in the guaranty).

For additional information regarding Stratus' debt, refer to Note 6 in the Stratus 2022 Form 10-K.

Interest Expense and Capitalization. Interest costs (before capitalized interest) totaled \$2.4 million in first-quarter 2023 and \$1.1 million in first-quarter 2022. Stratus' capitalized interest totaled \$2.4 million in first-quarter 2023 and \$1.1 million in first-quarter 2022. Capitalized interest is primarily related to development activities at Barton Creek (primarily Holden Hills, Section N and The Saint June), The Saint George and The Annie B for both periods presented.

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. On September 1, 2022, after receiving written consent from Comerica Bank, Stratus' Board of Directors (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 shareholders of record as of September 19, 2022. Accrued liabilities included \$1.1 million as of March 31, 2023, and \$1.3 million as of December 31, 2022, representing dividends accrued for unvested RSUs in accordance with the terms of the awards. The accrued dividends are paid to the holders of the RSUs as the RSUs vest. In 2022, with written consent from Comerica Bank, Stratus' Board also approved a share repurchase program, which authorizes repurchases of up to \$10.0 million of Stratus' common stock. The repurchase program authorizes Stratus, in management's discretion, to repurchase shares from time to time, subject to market conditions and other factors. In first-quarter 2023, Stratus acquired 43,624 shares of its common stock under the share repurchase program for a total cost of \$0.9 million at an average price of \$20.49 per share. Through May 10, 2023, Stratus has acquired 359,553 shares of its common stock for a total cost of \$9.2 million at an average price of \$25.64 per share, and \$0.8 million remains available for repurchases under the program.

7. PROFIT PARTICIPATION INCENTIVE PLAN AND LONG-TERM INCENTIVE PLAN

In July 2018, the Compensation Committee adopted 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. As of March 31, 2023, there were not yet any participation interests awarded under the LTIP. 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. Estimates related to the awards may change over time as a result of differences between projected and actual development progress and costs, market conditions and the timing of capital transactions or valuation events. Refer to Notes 1 and 8 of the Stratus 2022 Form 10-K for further discussion.

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 \$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. The PPIP contains limits on cash compensation paid to certain officers and amounts due above the limits are converted to an equivalent number of RSUs with a one-year vesting period. Of the remaining amount, \$1.6 million was settled in RSUs awarded to one participant during second-quarter 2022 following stockholder approval of Stratus' new stock incentive plan.

During first-quarter 2022, the Compensation Committee designated The Saint June as an approved project under the PPIP, and the awards were granted in August 2022.

Under the terms of the PPIP and LTIP, the number of RSUs granted in connection with settlement of approved projects is determined by reference to the 12-month trailing average stock price for the year the project reaches a payment event, whereas the grant date fair value of the RSUs for accounting purposes is based on the grant date closing price. 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 this different valuation methodology. 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 excess of the grant-date value over the accrued liability 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.

A summary of PPIP costs follows (in thousands):

	Three Months Ended March 31,	
	2023	2022
Charged to general and administrative expense	\$ 148	\$ 15
Capitalized to project development costs	110	51
Total PPIP costs	\$ 258	\$ 66

The accrued liability for the PPIP totaled \$3.2 million at March 31, 2023, and \$3.0 million at December 31, 2022 (included in other liabilities).

8. INCOME TAXES

Stratus' accounting policy for and other information regarding its income taxes are further described in Notes 1 and 7 in the Stratus 2022 Form 10-K.

Stratus has a full valuation allowance against its U.S. Federal net deferred tax assets as of both March 31, 2023 and December 31, 2022. Stratus has recorded a deferred tax asset totaling \$38 thousand at both March 31, 2023 and December 31, 2022 related to state income taxes.

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.

During 2023, Stratus expects to incur current state income taxes in addition to U.S. Federal current income taxes primarily associated with taxable income generated from cash received in the Holden Hills transaction.

The difference between Stratus' consolidated effective income tax rate of (23) percent for first-quarter 2023 and the U.S. Federal statutory income tax rate of 21 percent was primarily attributable to state income taxes, noncontrolling interests in subsidiaries, the presence of a valuation allowance against its U.S. Federal net deferred tax assets as of March 31, 2023, and the executive compensation limitation. The difference between Stratus' consolidated effective income tax rate of (20) percent for first-quarter 2022 and the U.S. Federal statutory income tax rate of 21 percent was primarily attributable to the release of a reserve on uncertain tax positions related to the 2015 through 2017 U.S. Federal tax audit, which was closed in first-quarter 2022.

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 1 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. Stratus is assessing the potential impacts of the IR Act but does not expect the IR Act to have a material impact on its consolidated financial statements.

9. 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, 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, The Saint June, 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 now 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), 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 retail space at West Killeen Market, Lantana Place, Kingwood Place and the completed portions of Jones Crossing and Magnolia Place 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):

	Three Months Ended March 31,	
	2023	2022
Real Estate Operations:		
Developed property sales	\$ 2,493	\$ —
Undeveloped property sales	—	—
Commissions and other	—	19
	<u>2,493</u>	<u>19</u>
Leasing Operations:		
Rental revenue	3,309	3,080
	<u>3,309</u>	<u>3,080</u>
Total revenues from contracts with customers	<u>\$ 5,802</u>	<u>\$ 3,099</u>

Financial Information by Business Segment. Summarized financial information by segment for the three months ended March 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	\$ 2,493	\$ 3,309	\$ —	\$ 5,802
Cost of sales, excluding depreciation	(4,487)	(1,261)	—	(5,748)
Depreciation and amortization	(27)	(906)	5	(928)
General and administrative expenses	—	—	(4,719)	(4,719)
Operating (loss) income	<u>\$ (2,021)</u>	<u>\$ 1,142</u>	<u>\$ (4,714)</u>	<u>\$ (5,593)</u>
Capital expenditures and purchases and development of real estate properties	\$ 9,027	\$ 10,006	\$ —	\$ 19,033
Total assets at March 31, 2023 ^c	307,571	109,136	63,012	479,719

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, cash equivalents and restricted cash of \$57.0 million.

Summarized financial information by segment for the three months ended March 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	\$ 19	\$ 3,080	\$ —	\$ 3,099
Intersegment	4	—	(4)	—
Cost of sales, excluding depreciation	(1,366)	(984)	—	(2,350)
Depreciation and amortization	(25)	(852)	4	(873)
General and administrative expenses	—	—	(3,167)	(3,167)
Gain on sale of assets ^c	—	4,812	—	4,812
Operating (loss) income	<u>\$ (1,368)</u>	<u>\$ 6,056</u>	<u>\$ (3,167)</u>	<u>\$ 1,521</u>
Capital expenditures and purchases and development of real estate properties	\$ 4,864	\$ 14,542	\$ 182	\$ 19,588
Total assets at March 31, 2022 ^d	254,212	106,652	183,904	544,768

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

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

c. Represents a pre-tax gain recognized on the reversal of accruals for costs to lease and construct buildings under a master lease arrangement that Stratus entered into in connection with its sale of The Oaks at Lakeway in 2017. Refer to Note 4 under the heading "The Oaks at Lakeway" for further discussion.

d. Corporate, eliminations and other includes \$151.2 million of assets held for sale associated with discontinued operations at Block 21 and cash, cash equivalents and restricted cash of \$15.8 million.

10. SUBSEQUENT EVENTS

Stratus evaluated events after March 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 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

In Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A), "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 accompanying notes, related MD&A and discussion of our business and properties included in our Annual Report on Form 10-K for the year ended December 31, 2022 (2022 Form 10-K) filed with the United States (U.S.) Securities and Exchange Commission (SEC) and the unaudited consolidated financial statements and accompanying notes included in this Form 10-Q. 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" of our 2022 Form 10-K for further discussion). All subsequent references to "Notes" refer to Notes to Consolidated Financial Statements (Unaudited) located in Part I, Item 1. "Financial Statements" herein, unless otherwise stated.

OVERVIEW

We are a diversified real estate company with headquarters in Austin, Texas. We are engaged primarily in the acquisition, 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. Refer to Note 9 for 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. Our successful development program of acquiring properties, 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. We are focused 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. Refer to "Business Strategy" in MD&A in our 2022 Form 10-K for a discussion of the evolution of our strategy during 2022.

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 limited partnership 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, our development plans for future projects require significant additional capital. 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.

We expect to reduce our reliance on our revolving credit facility and 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, will provide us with positive cash flows and net income over time, as evidenced by our recent sales of The Saint Mary, The Santal and Block 21 in 2021 and 2022 and the distribution from the Holden Hills partnership in 2023. Further, we believe our investment strategy, current

liquidity and pipeline of projects provide us with many years of opportunities to increase long-term value for our stockholders.

Given challenging market conditions discussed in more detail below, we are currently focused on successfully completing our projects under construction, managing our capital expenditures, advancing other projects through the planning, designing and entitlement process, maximizing cash flow from stabilized assets, controlling costs as much as possible in this inflationary environment, and continuing to source third-party equity capital. We have undeveloped properties currently undergoing active planning. Refer to "Recent Development Activities" below and Items 1. and 2. "Business and Properties" in our 2022 Form 10-K for a discussion of these projects. While uncertainty in the market, primarily due to the increasing costs of construction materials and labor, rising interest rates and recent disruptions in the banking industry due to some highly-publicized bank failures, is currently causing a pause in some sales processes and the start of new development projects, we believe there continues to exist strong demand for residential and residential-centric mixed use projects in Austin and the other markets in Texas where we operate, combined with limited supply. We will re-evaluate our strategy as development progresses on the projects in our pipeline and as market conditions stabilize.

OVERVIEW OF FINANCIAL RESULTS

Sources of Revenue and Income

Our Real Estate Operations encompass our activities associated with our acquisition, 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 built on it.

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

Summary Financial Results for the First Quarter of 2023

Our revenues totaled \$5.8 million in first-quarter 2023 compared with \$3.1 million in first-quarter 2022. The increase in revenues in first-quarter 2023, compared to first-quarter 2022, is primarily a result of the sale of one Amarra Villas home in first-quarter 2023. Revenue in our Leasing Operations segment increased \$0.2 million to \$3.3 million in first-quarter 2023 compared with first-quarter 2022, primarily reflecting revenue from Magnolia Place, which had no rental revenue in first-quarter 2022, and increased revenue at Kingwood Place. Refer to "Results of Operations" below for further discussion of the results of operations of our segments.

Our net loss attributable to common stockholders totaled \$5.8 million, or \$0.71 per diluted share in first-quarter 2023, compared to net income attributable to common stockholders of \$2.3 million, or \$0.27 per diluted share, in first-quarter 2022. Our results for first-quarter 2022 included 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 our sale of The Oaks at Lakeway in 2017. Refer to Note 4 under the heading "The Oaks at Lakeway" for further discussion.

Sale of Block 21 in May 2022

On May 31, 2022, we 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. Our net proceeds of cash and restricted cash totaled \$112.3 million (including \$6.9 million of post-closing escrow amounts to be held for 12 months after the closing, subject to a longer retention period with respect to any required reserve for pending claims). We recorded a pre-tax gain on the sale of \$119.7 million in second-quarter 2022. Block 21 was our wholly owned mixed-use real estate property in downtown Austin, Texas, containing the 251-room W Austin Hotel, 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. The sale of Block 21 eliminated our Hotel and Entertainment segments. As a result, our hotel and entertainment operations, as well as the leasing operations associated with Block 21, are reported as discontinued operations for first-quarter 2022 presented in the consolidated financial statements included in this Form 10-Q. Refer to Note 4 for further discussion.

RECENT DEVELOPMENT ACTIVITIES

Current Residential Activities

The discussion below focuses on our recent significant residential activity. For a description of our properties containing additional information, refer to Items 1. and 2. "Business and Properties" in our 2022 Form 10-K.

Barton Creek

Amarra Villas. The Villas at Amarra Drive (Amarra Villas) project is a 20-unit development in Barton Creek. In first-quarter 2023, we completed and sold one home for \$2.5 million. Construction on the last ten units continues to progress, and as of May 10, 2023, one home was under contract to sell and nine 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 are expected to be ready for occupancy in June 2023, and the project is expected to be completed in third-quarter 2023.

Holden Hills. Our final large residential development within the Barton Creek community, Holden Hills, consists of 495 acres and the community is designed to feature 475 unique residences to be developed in two 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. Phase I is expected 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. Phase II is expected 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 are expected to range in size from 2,000 square feet to 4,600 square feet. The estate lots are expected to range in size from 0.9 acres to 2.7 acres.

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 joint venture 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 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 limited partnership, and the contribution from our partner was accounted for as a noncontrolling interest. Refer to Notes 3 and 6 for further discussion.

We and the equity investor have agreed to contribute up to an additional \$10 million each to the partnership if called upon by the general partner. 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 late 2024 or 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 million as fiscal security for completion of certain infrastructure improvements benefiting the Holden Hills project and has agreed to leave such fiscal security in place until the improvements are completed.

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 an extensive outdoor recreational and greenspace amenities, which are expected to result in a significant increase in development density as compared to our prior plans.

The Saint George

In fourth-quarter 2021, we purchased the land for The Saint George, a 316-unit luxury wrap-style, multi-family project in north-central Austin. We entered into a construction loan for this project and began construction in third-quarter 2022. We currently expect to achieve substantial completion by mid-2024.

The Annie B

In third-quarter 2021, we purchased the land and announced plans for The Annie B, a proposed luxury high-rise rental project in downtown Austin to be developed as a 400-foot tower, consisting of approximately 420,000 square feet with 316 luxury multi-family units. We continue to work to finalize our development plans with a goal of beginning construction in late 2023 or 2024, subject to obtaining financing and other market conditions.

The Saint Julia

We have advanced development plans for The Saint Julia, a 306-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 currently do not expect to begin construction prior to 2024, and The Saint Julia project remains subject to financing and market conditions.

Other Residential

In October 2022, we entered into a contract to sell approximately 11 acres planned for 275 multi-family units in Magnolia Place for \$4.3 million, which is currently expected to close by mid-2024. Upon the anticipated closing of the sale, we would have 18 acres planned for up to 600 multi-family units remaining in Magnolia Place.

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. We are also evaluating options for a multi-family project on our remaining land in Lakeway, Texas.

Current Commercial Activities

The discussion below focuses on our recent significant commercial activity. For a description of our properties containing additional information, refer to Items 1. and 2. "Business and Properties" in our 2022 Form 10-K.

Magnolia Place

The retail component of Magnolia Place, our H-E-B shadow-anchored retail project in Magnolia, Texas, is currently planned to consist of up to four retail buildings totaling approximately 34,000 square feet and up to nine retail pad sites to be sold or ground leased. 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 2023, 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. As of March 31, 2023, we had signed leases for all the retail space in the first phase of development. We sold two retail pad sites in 2022 for a total of \$3.4 million, leaving up to seven additional pad sites available for lease or sale.

Jones Crossing

Jones Crossing, our H-E-B shadow-anchored mixed-use project in College Station, Texas, the location of Texas A&M University, has additional commercial development potential of approximately 104,750 square feet of commercial space.

Other Commercial

We also own and operate the following stabilized retail projects that we developed:

- *West Killeen Market* is our H-E-B shadow-anchored retail project in West Killeen, Texas, near Fort Hood. As of March 31, 2023, we had signed leases for approximately 74 percent of the 44,493-square-foot retail space.
- At *Jones Crossing*, as of March 31, 2023, we had signed leases for substantially all of the completed retail space, including the H-E-B grocery store, totaling 154,117 square feet, and a ground lease on one retail pad site. Four retail pad sites remain available for lease.
- *Lantana Place* is our mixed-use development project within the Lantana community south of Barton Creek in Austin, Texas. As of March 31, 2023, we had signed leases for approximately 90 percent of the 99,379-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 151,855 square feet of retail space at Kingwood Place, including an H-E-B grocery store, and as of March 31, 2023, we had signed leases for approximately 96 percent 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.

Potential Development Projects and Pipeline

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 pipeline 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.

Market Conditions

During 2022, the U.S. economy experienced steep rises in inflation and interest rates. Refer to “Debt Maturities and Other Contractual Obligations” below for further discussion about the increase in interest rates. Our industry has been experiencing construction and labor cost increases, supply chain constraints, labor shortages, higher borrowing costs and tightening bank credit. These factors are having an adverse impact on the projected profitability of our new projects, have delayed projects under construction and the commencement of construction on new projects, have adversely impacted our ability to raise equity capital on attractive terms in our desired time frame, and have adversely impacted our ability to sell some properties at attractive prices in our desired time frame. To manage these risks, we go through extensive pricing exercises culminating with competitive bids from reputable contractors based on final plans and specifications. Because we typically engage third-party general contractors to construct our projects on a fixed-price or guaranteed maximum price basis, our exposure to cost increases on

projects under construction is limited; however, rising costs and delays in delivery of materials may increase the risk of default by contractors and subcontractors. In addition, because all of our debt is subject to variable interest rates, we are experiencing increased borrowing costs, and our developed properties are experiencing increased operating costs due to inflation. Refer to Part I, Item 1A. "Risk Factors" of our 2022 Form 10-K.

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 sales, joint ventures or other arrangements. As a result, and because of numerous factors affecting our business activities as described herein and in our 2022 Form 10-K, our past operating results are not necessarily indicative of our future results. We use operating income or loss to measure the performance of our operating segments. Corporate, eliminations and other include 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):

	Three Months Ended March 31,	
	2023	2022
Operating (loss) income:		
Real Estate Operations ^a	\$ (2,021)	\$ (1,368)
Leasing Operations ^b	1,142	6,056
Corporate, eliminations and other ^c	(4,714)	(3,167)
Operating (loss) income	\$ (5,593)	\$ 1,521
Interest expense, net	\$ —	\$ (15)
Net (loss) income from continuing operations	\$ (6,273)	\$ 1,812
Net income from discontinued operations	\$ —	\$ 375
Net (loss) income attributable to common stockholders	\$ (5,801)	\$ 2,272

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

b. First-quarter 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 our sale of The Oaks at Lakeway in 2017. Refer to Note 4 under the heading "The Oaks at Lakeway" for further discussion.

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

As a result of the sale of Block 21, we currently have two operating segments: Real Estate Operations and Leasing Operations (refer to Note 9). 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):

	Three Months Ended March 31,	
	2023	2022
Revenues:		
Developed property sales	\$ 2,493	\$ —
Undeveloped property sales	—	—
Commissions and other	—	23
Total revenues	2,493	23
Cost of sales, including depreciation	(4,514)	(1,391)
Operating loss	\$ (2,021)	\$ (1,368)

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

	Three Months Ended March 31,					
	2023			2022		
	Homes	Revenues	Average Cost Per Home	Homes	Revenues	Average Cost Per Home
Barton Creek						
Amarra Drive:						
Amarra Villas homes	1	\$ 2,493	\$ 2,172	—	\$ —	\$ —
Total Residential	1	\$ 2,493		—	\$ —	

The increase in revenues from developed property sales for first-quarter 2023, compared to first-quarter 2022, reflects the sale of one Amarra Villas home compared to no sales in first-quarter 2022.

Real Estate Cost of Sales and Depreciation. Cost of sales includes costs of property sold, project operating and marketing expenses and allocated overhead costs. Cost of sales increased to \$4.5 million in first-quarter 2023 compared to \$1.4 million in first-quarter 2022, primarily reflecting the sale of one Amarra Villas home in first-quarter 2023 while the absence of sales in first-quarter 2022 resulted in no cost of property sold.

Leasing Operations

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

	Three Months Ended March 31,	
	2023	2022
Rental revenue	\$ 3,309	\$ 3,080
Rental cost of sales, excluding depreciation	(1,261)	(984)
Depreciation	(906)	(852)
Gain on sale of assets	—	4,812
Operating income	\$ 1,142	\$ 6,056

Rental Revenue. In first-quarter 2023, rental revenue primarily included revenue from Lantana Place, Kingwood Place, Jones Crossing, West Killeen Market and Magnolia Place. In first-quarter 2022, rental revenue primarily included revenue from Lantana Place, Jones Crossing, Kingwood Place and West Killeen Market. The increase in rental revenue in first-quarter 2023, compared with first-quarter 2022, primarily reflects revenue from Magnolia Place, which had no rental revenue in first-quarter 2022, and increased revenue at Kingwood Place.

Rental Cost of Sales and Depreciation. Rental cost of sales and depreciation expense increased in first-quarter 2023 compared with first-quarter 2022, primarily as a result of The Saint June and Magnolia Place, both of which had no operating expenses in first-quarter 2022, and costs of landscaping repairs and replacements at retail properties following the Texas winter storm in February 2023.

Gain on Sale of Assets. In first-quarter 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 4 under the heading “The Oaks at Lakeway” for further discussion.

Corporate, Eliminations and Other

Corporate, eliminations and other (refer to Note 9) includes consolidated general and administrative expenses, which primarily consist of employee compensation and other costs. Consolidated general and administrative expenses increased to \$4.7 million in first-quarter 2023 compared to \$3.2 million in first-quarter 2022 primarily as a result of higher compensation costs for salary increases, estimated cash incentive awards for 2023, as well as restricted stock units (RSUs) granted in second-quarter 2022 in connection with the Profit Participation Incentive Plan (PPIP) payouts for Lantana Place and The Santal. Fees related to a new consulting arrangement in 2023 to help raise third-party equity capital and office rent, which was eliminated in consolidation prior to the sale of Block 21, also contributed to the increase.

Non-Operating Results

Interest Expense, Net. Interest costs (before capitalized interest) totaled \$2.4 million in first-quarter 2023 compared with \$1.1 million in first-quarter 2022. Interest costs in first-quarter 2023 were higher, compared to first-quarter 2022, primarily reflecting rising interest rates as well as an increase in average debt balances. As of March 31, 2023, all of our debt was variable-rate debt, and for all of such debt, the interest rates have increased over the past year, including for first-quarter 2023, and may continue to rise in the future if prevailing market interest rates continue to climb.

Capitalized interest totaled \$2.4 million in first-quarter 2023 compared to \$1.1 million in first-quarter 2022. Capitalized interest is primarily related to development activities at Barton Creek (primarily Holden Hills, Section N and The Saint June), The Saint George and The Annie B for both periods presented.

(Provision for) Benefit from Income Taxes. We recorded a provision for income taxes of \$1.2 million in first-quarter 2023 compared to a benefit from income taxes of \$0.3 million in first-quarter 2022. Refer to Note 8 for further discussion of income taxes.

Net Income from Discontinued Operations. As a result of the sale of Block 21 in May 2022, we did not have any net income from discontinued operations in first-quarter 2023 compared to \$0.4 million in first-quarter 2022.

Total Comprehensive Loss Attributable to Noncontrolling Interests in Subsidiaries. Our partners' share of losses totaled \$0.5 million in first-quarter 2023 compared to \$0.1 million in first-quarter 2022.

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 Cash Flows for the Three Months Ended March 31, 2023 and 2022

Operating Activities. Cash used in operating activities totaled \$18.4 million in first-quarter 2023, compared with \$18.1 million in first-quarter 2022. Expenditures for purchases and development of real estate properties totaled \$9.0 million in first-quarter 2023 and \$4.9 million in first-quarter 2022, both 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 in first-quarter 2023 and first-quarter 2022 are primarily related to the timing of property tax payments. The cash outflow resulting from the increase in other assets in first-quarter 2022 is primarily related to a \$4.0 million deposit that we delivered to the City of Austin to secure our obligation to construct certain subdivision improvements related to the Holden Hills project.

Investing Activities. Cash used in investing activities totaled \$10.2 million in first-quarter 2023 and \$14.9 million in first-quarter 2022. Capital expenditures totaled \$10.0 million in first-quarter 2023, primarily for The Saint June and The Saint George, and \$14.7 million in first-quarter 2022, primarily for The Saint June and Magnolia Place.

Financing Activities. Cash provided by financing activities totaled \$42.7 million in first-quarter 2023 and \$13.5 million in first-quarter 2022. In first-quarter 2023, we had no net borrowings on the Comerica Bank revolving credit facility, compared with net borrowings of \$10.0 million in first-quarter 2022. In first-quarter 2023, net borrowings on project and term loans totaled \$5.1 million, primarily reflecting borrowings on The Saint June construction loan and the Amarra Villas revolving credit facility, partially offset by the payoff of the New Caney land loan. In first-quarter 2022 net borrowings on project and term loans totaled \$3.9 million, primarily reflecting borrowings on the Magnolia Place construction loan. Refer to "Revolving Credit Facility and Other Financing Arrangements" and "Debt Maturities and Other Contractual Obligations" below for a discussion of our outstanding debt at March 31, 2023.

In first-quarter 2023, we received a contribution from a noncontrolling interest owner of \$40.0 million, related to the Holden Hills partnership.

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 shareholders of record as of September 19, 2022. During first-quarter 2023, \$0.2 million of accrued dividends for unvested RSUs were paid to the holders upon the vesting of the RSUs, leaving \$1.1 million of dividends accrued for unvested RSUs presented in accrued liabilities as of March 31, 2023. The remaining accrued dividends will be paid

to the holders of the RSUs as the RSUs vest. In 2022, with written consent from Comerica Bank, our Board also approved a share repurchase program, which authorizes repurchases of up to \$10.0 million of our common stock, which replaced our prior share repurchase program. The repurchase program authorizes us, in management's discretion, to repurchase shares from time to time, subject to market conditions and other factors. As of March 31, 2023, we had repurchased 338,324 shares of our common stock for a total of \$8.8 million at an average price of \$25.88. Through May 10, 2023, we have acquired 359,553 shares of our common stock for a total cost of \$9.2 million at an average price of \$25.64 per share, and \$0.8 million remains available for repurchases under the 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. 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.

Revolving Credit Facility and Other Financing Arrangements

As of March 31, 2023, we had \$50.9 million in cash and cash equivalents and restricted cash of \$8.9 million, and no amount was borrowed under our revolving credit facility. Of the \$50.9 million in consolidated cash and cash equivalents at March 31, 2023, \$5.9 million held at certain consolidated subsidiaries is subject to restrictions on distribution to the parent company pursuant to project loan agreements. We have taken steps to obtain Federal Deposit Insurance Corporation (FDIC) protection for much of our deposits; however, we typically have some cash balances on deposit with banks in excess of FDIC insured limits. Any loss of uninsured deposits could have a material adverse effect on our future financial condition, liquidity and operations. As of March 31, 2023, \$46.9 million was invested in a FDIC insured cash sweep platform.

As of March 31, 2023, we had total debt of \$129.4 million based on the principal amounts outstanding compared with \$123.9 million at December 31, 2022. As of March 31, 2023, the maximum amount that could be borrowed under the Comerica Bank revolving credit facility was \$53.7 million, resulting in availability of \$42.7 million, net of letters of credit totaling \$11.0 million issued under the revolving credit facility to secure our obligation to build certain roads and utilities facilities benefiting Holden Hills and Section N. 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 March 31, 2023.

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 the one-month BSBY Rate (with a floor of 0.50 percent) plus 4.00 percent. Refer to Note 6 for additional discussion.

In January 2023, The Saint June construction loan interest terms were modified. In February 2023, The Annie B land loan's maturity was extended to March 1, 2024 and the interest terms were modified. Also in February 2023, our subsidiary Holden Hills, L.P. entered into a \$26.1 million construction loan with Comerica Bank due February 8, 2026 to finance the development of Phase I of the Holden Hills project. In March 2023, we repaid the \$4.1 million New Caney land loan. In May 2023, the Magnolia Place construction loan interest terms were modified. Refer to Note 6 for further discussion.

Our debt agreements require compliance with specified financial covenants. Refer to Note 6 and MD&A in our 2022 Form 10-K for a discussion of the financial covenants in our debt agreements. As of March 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. The DSCR under the Jones Crossing loan is not a financial covenant; however, to avoid a "Cash Sweep Period," as defined in the loan agreement, we made a \$1.7 million principal payment on the Jones Crossing loan in May 2023 to restore the DSCR to the required threshold. Based on our current estimates of Jones Crossing operating income and interest rates, we believe additional principal payments in the aggregate of up to approximately \$2.3 million over the next 12 months are likely to be required to maintain the DSCR and avoid a Cash Sweep Period.

Stratus' and its subsidiaries' debt arrangements 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 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 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 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 projects, and our Comerica Bank revolving credit facility is secured by substantially all of our assets other than those encumbered by separate project financing. In addition, we are typically required to guarantee all or part of the payment of our project loans, in some cases until certain development milestones and/or financial conditions are met, except for the Jones Crossing loan guaranty, which is generally limited to non-recourse carve-out obligations. We were released as guarantor under the Lantana Place construction loan guaranty in 2022. Refer to Note 6 to our consolidated financial statements in our 2022 Form 10-K 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 debt maturities based on the principal amounts outstanding as of March 31, 2023 (in thousands):

	2023	2024	2025	2026	2027	Thereafter	Total
Comerica Bank revolving credit facility ^a	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Jones Crossing loan ^b	—	—	—	24,269	—	—	24,269
The Annie B land loan ^c	—	14,000	—	—	—	—	14,000
Construction loans:							
Kingwood Place ^d	27,850	—	—	—	—	—	27,850
Lantana Place	101	260	284	304	20,931	—	21,880
The Saint June	—	21,278	—	—	—	—	21,278
West Killeen Market	46	66	5,186	—	—	—	5,298
Magnolia Place	—	7,341	—	—	—	—	7,341
Amarra Villas revolving credit facility	—	7,446	—	—	—	—	7,446
Total ^e	\$ 27,997	\$ 50,391	\$ 5,470	\$ 24,573	\$ 20,931	\$ —	\$ 129,362

- In first-quarter 2023, we entered into a modification of the revolving credit facility, which extended the maturity date of the revolving credit facility to March 27, 2025. Refer to Note 6 for further information.
- In May 2023, we made a \$1.7 million principal payment to bring the DSCR back above 1.15 to 1.00 to avoid a Cash Sweep Period.
- In first-quarter 2023, we extended the maturity date of this loan to March 1, 2024.
- The maturity date is December 6, 2023. We have the option to extend the maturity date for one additional 12-month period, subject to certain debt service coverage conditions; we project that we will meet the conditions and expect to exercise the option to extend the maturity.

e. The Saint George and Holden Hills construction loans did not have outstanding balances at March 31, 2023.

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

	Three Months Ended March 31,	
	2023	2022 ^a
Comerica Bank revolving credit facility ^b	— %	5.00 %
Jones Crossing loan	6.73	2.42
The Annie B land loan	7.44	3.50
New Caney land loan ^c	—	3.11
Construction loans:		
Kingwood Place	7.15	2.65
Lantana Place	6.93	3.00
The Saint June ^d	7.29	—
West Killeen Market	7.24	3.00
Magnolia Place	7.79	3.50
Amarra Villas revolving credit facility	7.45	3.16

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 first-quarter 2023. At March 31, 2023, the interest rate for the revolving credit facility was 8.67 percent.

c. In March 2023, we repaid this loan.

d. We did not have an outstanding balance during first-quarter 2022.

Other than as discussed above and in our financial statements for the quarter ended March 31, 2023, there have been no material changes in our contractual obligations related to Amarra Villas, Magnolia Place, The Saint June, The Saint George and the first phase of Holden Hills since December 31, 2022. Refer to MD&A in our 2022 Form 10-K for further information regarding our contractual obligations.

Liquidity Outlook

We project that we will be able to meet our debt service and other cash obligations for at least the next 12 months. For our development projects with firm commitments, we have construction loans, as well as remaining equity capital allocated to the projects to fund the projected cash outlays for these projects over the next 12 months except for 60 percent of the costs of the Tecoma Improvements for which we have agreed to reimburse the Holden Hills limited partnership. Refer to "Recent Development Activities – Current Residential Activities – Barton Creek – Holden Hills" above for further discussion of the Tecoma Improvements. As of March 31, 2023, our expected cash requirements to fund our firm commitments have not changed significantly from the amounts reported in our 2022 Form 10-K.

Our stabilized commercial properties (West Killeen Market, Jones Crossing, Lantana Place and Kingwood Place) are projected to generate positive cash flow after debt service over the next 12 months. For other projected pre-development costs, much of which are discretionary, and for our costs of the Tecoma Improvements and projected general and administrative expenses, we have cash on hand and availability under our revolving credit facility (which was recently extended to March 27, 2025, as stated above) in amounts expected to be sufficient to fund these cash requirements for the next 12 months.

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 in this report and in our 2022 Form 10-K and "Risk Factors" included in Part I, Item 1A. of our 2022 Form 10-K 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.

CRITICAL ACCOUNTING ESTIMATES

There have been no changes in our critical accounting estimates from those discussed in our 2022 Form 10-K.

NEW ACCOUNTING STANDARDS

No new accounting pronouncements adopted or issued by the Financial Accounting Standards Board had or may have a material impact on our consolidated financial statements.

OFF-BALANCE SHEET ARRANGEMENTS

In the ordinary course of business, we engage in certain activities that are not reflected on our consolidated balance sheets, generally referred to as off-balance sheet arrangements. For additional information regarding these types of activities, refer to the discussion about our firm commitments in "Liquidity Outlook" above and Note 9 to our consolidated financial statements in our 2022 Form 10-K.

CAUTIONARY STATEMENT

This Quarterly Report on Form 10-Q 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 the impact of inflation and interest rate changes, supply chain constraints and tightening bank credit, our ability to meet our future debt service and other cash obligations, future cash flows and liquidity, our expectations about 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, 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, the impacts of any major public health crisis, and 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 and/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 special cash dividend and 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 of 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 and the cost of building materials and labor, increases in inflation and interest rates, supply chain constraints, tightening 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 and business conditions, including as a result of the war in Ukraine, potential U.S. or local economic downturn or recession or failure of the U.S. Congress to raise the statutory debt limit, the availability and terms of financing for development projects and other corporate purposes, the failure of any bank in which we deposit our funds, any major public health crisis, 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, 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 and litigation risks, 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 our 2022 Form 10-K, filed with the SEC.

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 3. Quantitative and Qualitative Disclosures About Market Risk.

Not applicable.

Item 4. 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) as of the end of the period covered by this quarterly report on Form 10-Q. Based on this evaluation, they have concluded that our disclosure controls and procedures were effective as of March 31, 2023.

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

PART II. OTHER INFORMATION

Item 1A. Risk Factors.

There have been no material changes to our risk factors during the three-month period ended March 31, 2023. For additional information on risk factors, refer to Part 1, Item 1A. "Risk Factors" of our 2022 Form 10-K.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

There were no unregistered sales of our equity securities during the three months ended March 31, 2023.

The following table provides a summary of repurchases of shares of our common stock by our company and any "affiliated purchaser" as defined by the SEC during the three months ended March 31, 2023, and the approximate dollar value of shares that may yet be purchased pursuant to our share repurchase program as of March 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
January 1, 2023 through January 31, 2023	—	\$ —	—	\$ 2,135,797
February 1, 2023 through February 28, 2023	6,406	\$ 21.91	6,406	\$ 1,995,565
March 1, 2023 through March 31, 2023	37,218	\$ 20.25	37,218	\$ 1,242,755
Total	43,624	\$ 20.49	43,624	\$ 1,242,755

- 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. 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. 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. The new program replaces our prior share repurchase program. Through May 10, 2023, we have acquired 359,553 shares of our common stock for a total cost of \$9.2 million at an average price of \$25.64 per share, and \$0.8 million remains available for repurchases under the program.

Item 6. Exhibits.

Exhibit Number	Exhibit Title	Filed with this Form 10-Q	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
2.4	Agreement of Sale and Purchase, by and between Santal, L.L.C., as seller, and BG-QR GP, LLC, as purchaser, dated as of September 20, 2021.		10-Q	001-37716	11/15/2021
2.5	First Amendment to Agreement of Sale and Purchase, by and between Santal, L.L.C., as seller, and BG-QR GP, LLC, as purchaser, effective as of October 13, 2021.		10-Q	001-37716	11/15/2021
2.6	Second Amendment to Agreement of Sale and Purchase, by and between Santal, L.L.C., as seller, and Berkshire Multifamily Income Realty-OP, L.P., as purchaser, dated as of November 3, 2021.		10-Q	001-37716	11/15/2021
3.1	Composite Certificate of Incorporation of Stratus Properties Inc.	X			
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	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
4.2	Assignment and Assumption Agreement by and among Moffett Holdings, LLC, LCHM Holdings, LLC and Stratus Properties Inc., dated as of March 3, 2014.		13D	005-42652	3/5/2014
10.1	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
10.2	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
10.3	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
10.4	Installment Note by and between Holden Hills, L.P. and Comerica Bank dated February 8, 2023.		8-K	001-37716	2/14/2023
10.5	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
10.6†	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

Exhibit Number	Exhibit Title	Filed with this Form 10-Q	Incorporated by Reference		
			Form	File No.	Date Filed
10.7†	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
10.8*	Stratus Properties Inc. Long-Term Incentive Plan and Form of Award Notice.	X			
10.9*	Stratus Properties Inc. Executive Annual Incentive Plan (effective January 2023).	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			
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	Cover Page Interactive Data File (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.

SIGNATURE

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

STRATUS PROPERTIES INC.

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

Date: May 15, 2023

**Composite Certificate of Incorporation of
Stratus Properties Inc.**

FIRST: The name of the Corporation is Stratus Properties Inc.

SECOND: The address of its registered office in the State of Delaware is 1209 Orange Street, City of Wilmington, County of New Castle, Delaware 19801. The name of its registered agent at such address is The Corporation Trust Company.

THIRD: The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware as the same exists or may hereafter be amended ("Delaware Law").

FOURTH: (a) The total number of shares of capital stock which the Corporation shall have authority to issue is 200,000,000 shares, of which 50,000,000 shares shall be Preferred Stock with a par value of \$.01 per share and 150,000,000 shares shall be Common Stock with a par value of \$.01 per share.

(b) The Preferred Stock may be issued from time to time in one or more series, each of such series to have such voting powers, full or limited, or no voting powers, and such designations, preferences and relative, participating, optional or other special rights, and qualifications, limitations or restrictions thereof, as shall be stated and expressed in the resolution or resolutions providing for the issue of such series adopted by the Board of Directors. If so provided in such resolution or resolutions and as and to the extent permitted by law, the shares of any series of the Preferred Stock may be made subject to redemption, or convertible into or exchangeable for shares of any other class or series, by the Corporation at its option or at the option of the holders or upon the happening of a specified event.

Subject to such special voting rights as holders of any shares of the Preferred Stock may be entitled to exercise, each holder of Common Stock of the Corporation shall be entitled to one vote for each share of such Common Stock standing in the name of such holder on the books of the Corporation.

(c) No holder of shares of any class shall be entitled, as such, as matter of right, to subscribe for or purchase any part of any new or additional issue of stock of any class or series whatsoever, or of securities convertible into, or accompanied by rights to subscribe to, stock of any class or series whatsoever, whether now or hereafter authorized, or whether issued for cash or otherwise.

(d) At 5:00 p.m. (Eastern Time) on the effective date of the amendment amending and restating this Article FOURTH (the "Effective Date"), each share of Common Stock held of record as of 5:00 p.m. (Eastern Time) on the Effective Date or held in the Corporation's treasury as of such time shall be automatically reclassified and converted, without further action on the part of the holder thereof, into one-fiftieth (1/50) of one share of Common Stock (the "Reverse Stock Split"). No fractional share of Common Stock shall be issued to any Fractional Holder (as defined below) as a result of the Reverse Stock Split. From and after 5:00 p.m. (Eastern Time) on the Effective Date, each Fractional Holder shall have no further interest as a stockholder in respect of any fractional share resulting from the Reverse Stock Split and, in lieu of receiving such fractional share, shall be entitled to receive, upon surrender of the certificate or certificates representing such fractional share, the cash value of such fractional share based on the average daily closing price per share of the Common Stock on Nasdaq for the 10 trading days immediately preceding the Effective Date, without interest; provided, however, that if no shares of Common Stock have been traded on any such trading day, the closing price per share of the Common Stock for such trading day shall be the average of the highest bid and lowest asked prices for the Common Stock for such trading day as reported by Nasdaq. As used herein, the term "Fractional Holder" shall mean a holder of record of fewer than 50 shares of Common Stock as of 5:00 p.m. (Eastern Time) on the Effective Date who would be entitled to less than one whole share of Common Stock in respect of such shares as a result of the Reverse Stock Split.

At 5:01 p.m. (Eastern Time) on the Effective Date, each share of Common Stock, and any fraction thereof (excluding any interest in the Corporation held by a Fractional Holder converted into cash) held by a holder of record of one or more shares of Common Stock as of 5:01 p.m. (Eastern Time) on the Effective Date, or held in the Corporation's treasury as of such time, shall be automatically reclassified and converted, without further action on the part of the holder thereof, into shares of Common Stock on the basis of 25 shares of Common Stock for each share of Common Stock then held (the "Forward Stock Split"). Each stockholder who holds an odd number of shares of Common Stock in a record account immediately prior to the Effective Date, in lieu of the fractional share in the account resulting from the Forward Stock Split, shall be entitled to receive, upon surrender of the certificate or certificates representing such fractional share, the cash value of such fractional share based on the average daily closing price per share of the Common Stock on Nasdaq for the 10 trading days immediately preceding the Effective Date, without interest; provided, however, that if no shares of Common Stock have been traded on any such trading day, the closing price per share of the Common Stock for such trading day shall be the average of the highest bid and lowest asked prices for the Common Stock for such trading day as reported by Nasdaq.

FIFTH: (a) Subject to such rights to elect additional directors under specified circumstances as may be granted to holders of any shares of the Preferred Stock pursuant to the provisions of Article FOURTH, the number of directors of the Corporation shall be fixed from time to time by the Board of Directors but shall not be less than three. The directors, other than those who may be elected by the holders of any class or series of Preferred Stock, shall be classified, with respect to the time for which they severally hold office, into three classes, designated Class I, Class II and Class III, as nearly equal in number as possible, as determined by the Board of Directors, directors designated as Class I directors to hold office initially for a term expiring at the annual meeting of stockholders to be held in 1993, directors designated as Class II directors to hold office initially for a term expiring at the annual meeting of stockholders to be held in 1994, and directors designated as Class III directors to hold office initially for a term expiring at the annual meeting of stockholders to be held in 1995, with the members of each class to hold office until their successors are elected and qualified. At each annual meeting of stockholders, the successors of the class of directors whose term expires at that meeting shall be elected to hold office for a term expiring at the annual meeting of stockholders held in the third year following the year of their election.

(b) Subject to such rights to elect directors under specified circumstances as may be granted to holders of any shares of the Preferred Stock pursuant to the provisions of Article FOURTH, newly created directorships resulting from any increase in the number of directors and any vacancies on the Board of Directors resulting from death, resignation, disqualification, removal or other reason shall be filled solely by the affirmative vote of a majority of the remaining directors then in office, even though less than a quorum of the Board of Directors. Any director elected in accordance with the preceding sentence shall 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 shall have been elected and qualified. No decrease in the number of directors constituting the Board of Directors shall shorten the term of any incumbent director.

(c) Notwithstanding any other provision of this Certificate of Incorporation or any provision of law which might otherwise permit a lesser vote or no vote, the affirmative vote of the holders of 85 per cent or more of the outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors shall be required to amend, alter, change or repeal this Article FIFTH.

The names and mailing addresses of the persons who are to serve as directors until the first annual meeting of stockholders or until their successors are elected and qualified are:

Class I	16 th Floor
Michael D. Madden	American Express Tower
	New York, New York 10285
Class II	16475 Dallas Parkway
Robert S. Folsom	Suite 800
	Dallas, Texas 75248

Class III
Richard C. Adkerson

Freeport-McMoRan Inc.
1615 Poydras Street
New Orleans, Louisiana 70112

SIXTH: In furtherance and not in limitation of the powers conferred by law, (a) the Board of Directors is expressly authorized to adopt, amend or repeal the By-Laws of the Corporation in any manner not inconsistent with Delaware Law or this Certificate of Incorporation, subject to the power of the stockholders to adopt, amend or repeal the By-Laws or to limit or restrict the power of the Board of Directors to adopt, amend or repeal the By-Laws, and (b) the Corporation may in its By-Laws confer powers and authorities upon its Board of Directors in addition to those conferred upon it by statute.

SEVENTH: (a) Any action required or permitted to be taken by the stockholders of the Corporation must be effected at a duly called annual or special meeting of such holders and may not be effected by any consent in writing by such holders.

(b) Subject to such rights to call special meetings of stockholders under special circumstances as may be granted to holders of any shares of the Preferred Stock pursuant to the provisions of Article FOURTH, special meetings of the stockholders may be called only by the Chairman of the Board or the President of the Corporation, or at the request in writing or by vote of a majority of the Board of Directors, and not by any other persons. Any request for a special meeting made by the Board of Directors shall state the purpose or purposes of the proposed meeting.

(c) Notwithstanding any other provision of this Certificate of Incorporation or any provision of law which might otherwise permit a lesser vote or no vote, the affirmative vote of the holders of 85 per cent or more of the outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors shall be required to amend, alter, change or repeal this Article SEVENTH.

EIGHTH: (a) A director or officer of this Corporation shall not be liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director or officer, respectively, except for liability (i) for any breach of the director's or officer's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of the law, (iii) of a director under Section 174 of the Delaware Law, (iv) for any transaction from which the director or officer derived an improper personal benefit, or (v) of an officer in any action by or in the right of the Corporation.

(b) The Corporation shall indemnify any person who is a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, to the fullest extent permitted by applicable law. The determination as to whether such person has met the standard required for indemnification shall be made in accordance with applicable law.

Expenses incurred by such a director, officer, employee or agent in defending a civil or criminal action, suit or proceeding shall be paid by the Corporation in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of such person to repay such amount if it shall ultimately be determined that he is not entitled to be indemnified by the Corporation as authorized in this Article EIGHTH.

The foregoing indemnification shall not be deemed exclusive of any other rights to which those seeking indemnification may be entitled under any applicable law, by-law, agreement, vote of stockholders or disinterested directors or otherwise.

(c) The provisions of this Article EIGHTH shall be deemed to be a contract between the Corporation and each person who serves as such director, officer, employee or agent of the Corporation in any such capacity at any time while this Article EIGHTH is in effect. No repeal or modification of the foregoing provisions of this Article EIGHTH nor, to the fullest extent permitted by law, any modification of law shall adversely affect any right or protection of a director, officer, employee or agent of the Corporation existing at the time of such repeal or modification.

NINTH: The affirmative vote of the holders of not less than 85 per cent of the outstanding shares of Common Stock of the Corporation shall be required for the approval or authorization of any Business Combination; provided, however, that the 85 per cent voting requirement shall not be applicable if:

(1) the Board of Directors of the Corporation by affirmative vote which shall include not less than a majority of the entire number of Continuing Directors (a) has approved in advance the acquisition of those outstanding shares of Common Stock of the Corporation which caused the Interested Party to become an Interested Party or (b) has approved the Business Combination;

(2) the Business Combination is solely between the Corporation and one or more other corporations all of the common stock of each of which other corporations is owned directly or indirectly by the Corporation or between two or more of such other corporations; or

(3) the Business Combination is a merger or consolidation and the cash and/or fair market value of the property, securities or other consideration to be received per share by holders of Common Stock of the Corporation in the Business Combination is at least equal to the highest price per share (after giving effect to appropriate adjustments for any recapitalizations and for any stock splits, stock dividends and like distributions) paid by the Interested Party in acquiring any shares of the Corporation's Common Stock on the date when last acquired or during a period of two years prior thereto.

For purposes of this Article NINTH:

(i) The terms "affiliate" and "associate" shall have the respective meanings assigned to those terms in Rule 12b-2 under the Securities Exchange Act of 1934, as such Rule was in effect at April 1, 1992.

(ii) A person shall be deemed to be a "beneficial owner" of any Common Stock:

(a) which such person or any of its affiliates or associates beneficially owns, directly or indirectly; or

(b) which such person or any of its affiliates or associates has the right to acquire (whether such right is exercisable immediately or only after the passage of time), pursuant to any agreement, arrangement or understanding or upon the exercise of conversion rights, exchange rights, warrants or options, or otherwise, or has the right to vote pursuant to any agreement, arrangement or understanding; or

(c) which are beneficially owned, directly or indirectly, by any other person with which such person or any of its affiliates or associates has any agreement, arrangement or understanding for any agreement, arrangement or understanding for the purpose of acquiring, holding, voting or disposing of any shares of Common Stock.

(iii) The term "Business Combination" shall mean (a) any merger or consolidation of the Corporation or a subsidiary of the Corporation with or into an Interested Party, (b) any merger or consolidation of an Interested Party with or into the Corporation or a subsidiary of the Corporation, (c) any sale, lease, exchange, mortgage, pledge, transfer or other disposition (in one transaction or a series of transactions) of all or any Substantial Part of the assets either of the Corporation (including without limitation any voting securities of a subsidiary) or of a subsidiary of the Corporation, in which an Interested Party is involved, (d) the adoption of any plan or proposal for the liquidation or dissolution of the Corporation proposed by or on behalf of any Interested Party, (e) the issuance or transfer (in one transaction or a series of transactions) by the Corporation or a subsidiary of the Corporation to an Interested Party of any securities of the Corporation or such subsidiary, which securities have a fair market value of \$1,000,000 or more, or (f) any recapitalization, reclassification, merger or consolidation involving the Corporation or a

subsidiary of the Corporation that would have the effect of increasing, directly or indirectly, the Interested Party's voting power in the Corporation or such subsidiary.

(iv) The term "Interested Party" shall mean and include (a) any individual, corporation, partnership, trust or other person or entity which, together with its affiliates and associates, is (or with respect to a Business Combination was within two years prior thereto) a beneficial owner of shares aggregating 20 per cent or more of the outstanding Common Stock of the Corporation, and (b) any affiliate or associate of any such individual, corporation, partnership, trust or other person or entity. For the purposes of determining whether a person is an Interested Party the number of shares deemed to be outstanding shall include shares deemed beneficially owned through application of subclause (b) of the foregoing clause (ii) but shall not include any other shares of Common Stock which may be issuable pursuant to any agreement, arrangement or understanding, or upon exercise of conversion rights, warrants or options, or otherwise.

(v) The term "Substantial Part" shall mean, with respect to the assets of any corporation or other entity, assets having a fair market value equal to more than 10 per cent of the fair market value of the total assets of such corporation or other entity.

(vi) The term "Continuing Director" shall mean a director who is not an affiliate of an Interested Party and who was a member of the Board of Directors of the Corporation immediately prior to the time that the Interested Party involved in a Business Combination became an Interested Party, and any successor to a Continuing Director who is not such an affiliate and who is nominated to succeed a Continuing Director by a majority of the Continuing Directors in office at the time of such nomination.

(vii) For the purposes of paragraph (3) of this Article NINTH, the term "other consideration to be received" shall include without limitation Common Stock of the Corporation retained by its existing public stockholders in the event of a Business Combination in which the Corporation is the surviving corporation.

The provisions of this Article NINTH shall be construed liberally to the end that the consideration paid to holders whose Common Stock is acquired by an Interested Party in connection with a Business Combination to which paragraph (3) is applicable shall be not less favorable than that paid by such Interested Party to holders of such Common Stock prior to such Business Combination. Nothing contained in this Article NINTH shall be construed to relieve any Interested Party from any fiduciary duties or obligations imposed by law, nor shall anything herein be deemed to supersede any vote of holders of any class of stock other than Common Stock that shall be required by law or by or pursuant to this Certificate of Incorporation or the Bylaws of the Corporation.

Notwithstanding any other provision of this Certificate of Incorporation or the Bylaws of the Corporation and notwithstanding the fact that a lesser percentage may be specified by law, this Certificate of Incorporation or the By-Laws of the Corporation, the affirmative vote of the holders of 85 per cent or more of the shares of the then outstanding Common Stock shall be required to amend or repeal, or adopt any provisions inconsistent with, this Article NINTH.

TENTH: The Corporation reserves the right to amend this Certificate of Incorporation in any manner permitted by Delaware Law and, with the sole exception of those rights and powers conferred under the above Article EIGHTH, all rights and powers conferred herein on stockholders, directors and officers, if any, are subject to this reserved power.

STRATUS PROPERTIES INC.
LONG-TERM INCENTIVE PLAN

PREAMBLE

Stratus Properties Inc., a Delaware corporation and its Subsidiaries (collectively, the “**Company**”) adopted the Profit Participation Incentive Plan effective July 11, 2018, and subsequently amended and restated the plan effective March 12, 2019 (as so amended and restated, the “**PPIP**”). The PPIP was designed to provide incentive opportunities to key employees and consultants tied to the successful completion of the Company’s development projects.

Effective February 24, 2023 (the “**Effective Date**”), the Compensation Committee of the Company’s Board of Directors adopted this Long-Term Incentive Plan (the “**Plan**”), which is intended to replace the PPIP as of the Effective Date for new development projects approved on or after the Effective Date. Participation Interests previously granted under the PPIP will continue to be governed by the terms of the PPIP prior to the Effective Date and the applicable Award Notice issued to the Participant under the PPIP.

While the Plan is substantially similar to the PPIP, the Plan incorporates certain “governors” intended to further align the awards earned under the Plan with overall the stockholder experience and the operating performance of the Company, and to incorporate a more holistic approach to the Company’s short-term and long-term incentive programs for its executive officers.

1. Purpose. This Plan is established to (a) enable the Company to attract and retain highly qualified employees and consultants who will contribute to the Company’s long-term success; (b) provide incentives that align the interests of key executives and other employees and consultants with those of the Company’s stockholders; and (c) promote the success of the Company’s business objectives, by providing economic incentives tied to the successful completion of the Company’s development projects.

2. Definitions. As used in this Plan, capitalized terms not otherwise defined shall have the meanings set forth in Appendix A.

3. Administration.

3.1 General. The Plan shall be administered by the Committee. Subject to the terms of the Plan and Applicable Law, and in addition to any express powers conferred upon the Committee by the Plan or its charter, the Committee shall have the full power and authority to: (a) determine whether a particular development project should be excluded from the Plan; (b) designate Participants and their respective Participation Interests in each Approved Project; (c) determine the Profits Pool derived from each Capital Transaction or Valuation Event under the Plan; (d) determine any Profits Participation Bonus earned by Participants with respect to Participation Interests in accordance with the terms of the Plan, including any adjustments required under the Plan; (e) interpret and administer the Plan, any Award Notice, and any other instrument or agreement relating to, or Award made under, the Plan; (f) establish, amend, suspend or waive such terms, rules and regulations and appoint such agents as it shall deem

appropriate for the proper administration of the Plan; and (g) make any other determination and take any other action that the Committee deems necessary or desirable for the administration of the Plan.

3.2 Eligibility. All officers, employees and consultants of the Company are eligible to be designated Participants in the Plan. The Committee may designate Participants in the Plan by Approved Project, or may provide that individual officers, employees or consultants will participate in all Approved Projects.

3.3 Effect of the Committee's Determinations. Unless otherwise expressly provided in the Plan, all designations, determinations, interpretations, and other decisions under or with respect to the Plan or any Award shall be within the sole discretion of the Committee or its delegee, may be made at any time and shall be final, conclusive, and binding on all persons, including the Company and each Participant. Members of the Committee and any officer or employee of the Company acting at the direction or on behalf of the Committee shall not be personally liable for any action or determination taken or made in good faith with respect to the Plan, and shall, to the extent permitted by law, be fully indemnified and protected by the Company with respect to any such action or determination.

3.4 Delegation. Subject to the terms of the Plan and Applicable Law, the Committee may delegate to one or more officers of the Company the authority, subject to such terms and limitations as the Committee shall determine, (a) to designate Participants, and (b) to grant and set the terms of, cancel, modify, waive rights with respect to, or alter, discontinue, suspend, or terminate Awards, provided such actions do not relate to grants to or Awards held by Participants who are Reporting Persons. Notwithstanding the above, the Committee may not delegate the right to determine whether any particular development project should be excluded from the Plan or the right to determine any Profits Pool or Profit Participation Bonus amount under the Plan.

4. Approved Projects; Determination, Payout and Conversion of Awards.

4.1 Designation of Approved Projects; Participation Interests.

(a) Following the Effective Date and in accordance with the Company's standard procedures, Company management will initiate the approval process for new development projects to be undertaken by the Company by presenting to the Board a written investment memorandum summarizing the scope and details of the development project (each, an "**Investment Memorandum**"). Following the Board's review of the Investment Memorandum and approval of a development project, then (i) unless otherwise determined by the Committee, such development project shall become a new Approved Project under the Plan, and (ii) the Committee shall determine the Participants in the applicable Profits Pool and shall allocate the Participation Interests in that Approved Project, up to but not in excess of 100% in the aggregate, among the Participants.

(b) Following the allocation of Participation Interests in an Approved Project, an Award Notice shall be issued to each Participant, and such Award Notice shall identify the Approved Project and the Participant's Participation Interest, and shall contain such other terms and conditions as the Committee may prescribe.

(c) In the event an Award is forfeited prior to either a Vesting Event or Valuation Event related to an Approved Project, the Committee may, in its sole discretion,

allocate such Participant's forfeited Participation Interest to one or more other Participants in that Profits Pool or one or more new Participants designated by the Committee.

4.2 Vesting Event; Valuation Event.

(a) Except as otherwise provided herein or in an Award Notice, Participants shall vest in their Participation Interest with respect to a particular Approved Project on the date of a Capital Transaction with respect to the Approved Project (the "**Vesting Event**").

(b) If a Capital Transaction has not occurred prior to the Valuation Event for an Approved Project, then, except as otherwise provided herein, all Awards with respect to that Approved Project shall convert into an equity award as described in Section 4.4.

(c) Except as otherwise provided in Section 5, with respect to each Award, a Participant must be and remain an employee in good standing or a consultant of the Company from the Grant Date of the Award through the date of the Vesting Event or, if earlier, the date of grant of an equity-based award following a Valuation Event under Section 4.4, in order to be eligible to earn the Profits Participation Bonus or receive the equity-based award with respect to that Award, as applicable.

(d) Following the forfeiture of an Award pursuant to Section 5, the payout of an Award pursuant to Section 4.3, or the conversion of an Award upon the grant of an equity-based award pursuant to Section 4.4, as applicable, the Award shall be cancelled.

4.3 Determination and Payout of Profit Participation Bonuses Following a Vesting Event.

(a) Following the end of each calendar year (each, a "**Transaction Year**"), with respect to each Vesting Event that occurred during the Transaction Year, the Committee, in accordance with the terms of this Plan, shall determine (i) any Profits Pool generated by the applicable Approved Project, (ii) any Profit Participation Bonus due with respect to outstanding, vested Awards held by the Participants in each such Profits Pool, and (iii) whether any reductions or forfeitures are required pursuant to Section 4.5.

(b) Subject to Sections 4.3(c), 4.5 and 5, the sum of all Profit Participation Bonuses due a Participant for all Vesting Events occurring during the Transaction Year (the "**Total Bonus**") shall be paid in a lump sum cash payment to the Participant during the year following the Transaction Year as soon as practical following the Committee's determination, but no later than March 15th.

(c) If a Participant is a Reporting Person of the Company at the time of payout of an Award, and if the Total Bonus to such Participant calculated under Section 4.3(a) and (b) for a given Transaction Year exceeds the Participant's Cash Compensation Limit, the Total Bonus payable to the Participant shall be reduced such that it does not exceed the Cash Compensation Limit. If permitted by the terms of the Company's stockholder-approved stock incentive plans and subject to any limits in such plans, the difference between the Total Bonus calculated under Section 4.3(a) and (b) and the reduced Total Bonus paid to the Participant (the "**Excess Value**") shall be converted to a number of stock-settled restricted stock units ("**RSUs**") determined by dividing the Excess Value by the 12-month trailing average price of the Common Stock during the Transaction Year. Except as provided below, the RSU grant shall be made on the date the Committee approves the lump sum cash payment (the "**Effective Date of**

Grant”). The RSU grant shall vest one year from the Effective Date of Grant, provided the Participant remains employed by or providing services to the Company or one of its Subsidiaries, unless the Participant's termination is by the Company without Cause or by the Participant with Good Reason, and shall be subject to such other terms and conditions as contained in an RSU agreement entered into between the Company and the Participant. If the Company does not have sufficient shares available for grant under its stockholder-approved stock incentive plans, or if the terms of such plans do not permit the Committee to make all or part of the RSU grants contemplated in this Section 4.3(c), the Company shall seek stockholder approval to amend the outstanding stock incentive plan or adopt a new stock incentive plan as needed to support the grants. If the Company is unable to obtain the stockholder approval needed for such actions by the end of the year following the applicable Transaction Year, then the Excess Value, or the portion thereof that could not be converted to a stock-settled RSU award, shall be delivered to the Participant in the form of a cash-settled RSU award, subject to the same one-year vesting schedule from the Effective Date of Grant described above. Notwithstanding anything contained above, the limitation on cash payments described herein does not apply to Participants who are no longer employees or consultants to the Company at the time that a Total Bonus is paid.

(d) Other than as set forth in Section 6.7, the Committee's determinations shall be final and conclusive, and any changes to the valuation or calculation inputs arising subsequent to the Committee's determination, whether positive or negative, shall not result in the increase or decrease of any Profit Participation Bonus previously paid.

4.4 Determination and Conversion of an Award Following a Valuation Event.

(a) No later than March 15th of the year following a Transaction Year, with respect to each Valuation Event that occurred during that Transaction Year, the Committee, in accordance with the terms of this Plan, shall determine (i) any Profits Pool generated by the applicable Approved Project in accordance with Section 4.4(b), (ii) any Profit Participation Bonus amount attributable to each Participant with respect to outstanding Awards in each such Profits Pool, and (iii) whether any reductions or forfeitures are required pursuant to Section 4.5. Notwithstanding the above, if a Capital Transaction with respect to an Approved Project occurs prior to the grant of RSUs described in Section 4.4(c), then the Award shall not be converted but shall be paid out according to Section 4.3 instead of this Section 4.4.

(b) In order to determine the Profits Pool applicable to a Valuation Event, within a reasonable time after the Valuation Event, the Committee, on behalf of and at the expense of the Company, will engage a duly qualified and experienced independent M.A.I. commercial real estate appraiser (the “**Appraiser**”) to determine the fair market value of the Approved Project (the “**Appraised Value**”) as of the date of the Valuation Event (the “**Valuation Date**”). Such Appraiser must have at least ten (10) years of experience in appraising real estate projects similar to the Approved Project in the county in which the Approved Project is located. The Appraised Value will be based on (i) a sale of the entire Approved Project owned by the Owner at the Valuation Date between a willing buyer and a willing seller, both of whom have full knowledge of the financial and other affairs of the Approved Project, and neither of whom is under any compulsion to sell or buy; (ii) the condition of the Approved Project on the Valuation Date; (iii) the tenants, occupancy rates, and rental rates of the Approved Project on the Valuation Date; and (iv) the assumptions determined by the Appraiser, in the Appraiser's opinion, for the economic conditions and future vacancy rates and lease rates for the Approved Project. The Appraiser must deliver a written appraisal report for the Appraised Value to the Committee, and such appraisal report will be final and binding on

all parties, absent manifest error. The Appraised Value will be deemed to be the Value of the Project for the Valuation Event.

(c) Subject to Sections 4.5 and 5, and if permitted by the terms of the Company's stockholder-approved stock incentive plans and subject to any limits in such plans, the total Profit Participation Bonuses attributable to a Participant with respect to Valuation Events occurring in a Transaction Year (the "**Total Valuation Bonus**") shall be converted to a number of stock-settled RSUs determined by dividing the Total Valuation Bonus by the 12-month trailing average price of the Common Stock during the Transaction Year. The RSU grant shall vest in equal annual installments over a three-year period from the date of grant, provided the Participant remains employed by or providing services to the Company or one of its Subsidiaries, unless the termination is by the Company without Cause or by the Participant with Good Reason, and shall be subject to such other terms and conditions as contained in an RSU agreement entered into between the Company and the Participant. If the Company does not have sufficient shares available for grant under its stockholder-approved stock incentive plans, or if the terms of such plans do not permit the Committee to make all or part of the RSU grants contemplated in this Section 4.4(c), the Company shall seek stockholder approval to amend the outstanding stock incentive plan or adopt a new stock incentive plan as needed to support the grants. If the Company is unable to obtain the stockholder approval needed for such actions by the end of the year following the applicable Transaction Year, then the Total Valuation Bonus, or the portion thereof that could not be converted to a stock-settled RSU award, shall be delivered to the Participants in the form of cash-settled RSU award, subject to the same three-year vesting schedule described above.

(d) Other than as set forth in Section 6.7, the Committee's determinations shall be final and conclusive, and any changes to the valuation or calculation inputs arising subsequent to the Committee's determination, whether positive or negative, shall not result in the increase or decrease of any RSU award previously granted.

4.5 Adjustments to and Forfeiture of Total Bonus and Total Valuation Bonus. Any Total Bonus under Section 4.3(b) and Total Valuation Bonus under Section 4.4(c) due a Participant who is an Executive Officer as of the date of payment shall be subject to reduction or forfeiture under the following circumstances:

(a) *Reduction due to NAV Results:* If the Required NAV-Return (as defined below) over the three-year period preceding the year of payout is not met, such Total Bonus or Total Valuation Bonus, as applicable, shall be reduced by up to 25%, with the percentage reduction determined by the Committee in its discretion. For purposes of this Plan, "**Required NAV-Return**" shall be an NAV-based return set by the Committee, which may be changed from time to time.

(b) *Reduction due to Operational Performance:* If the average of the payouts under the AIP for the objective or operationally-focused metrics (thus, disregarding payouts based on discretionary or subjective criteria) for the three-year period preceding the year of payout (or such shorter period of time that the AIP has been in effect or the Participant has been a participant in the AIP) is below the target level, such Total Bonus and/or Total Valuation Bonus, as applicable, shall be reduced by between 5% and 10% of such calculated award, with the percentage reduction determined by the Committee in its discretion.

(c) *Forfeiture due to AIP Payouts*: If a Participant is also a participant in the AIP, any amounts payable under this Plan for a given calendar year shall be eliminated if the total value of the Participant's Total Bonus and Total Valuation Bonus for that year is less than the Participant's total annual incentive award (including payouts in cash and restricted stock unit awards) payable under the AIP for such calendar year.

5. Effect of Termination of Employment or Service.

(a) If the Participant ceases to be an employee or consultant of the Company (the "**Termination**") prior to a Vesting Event with respect to an Award, then, except as set forth in Section 5(b) of this Plan, such unvested Award shall immediately be forfeited on the date of such Termination. Termination of employment or service shall have no effect on any vested Awards, which shall pay out according to the terms of this Plan and the applicable Award Notice.

(b) Notwithstanding the foregoing, if a Participant's employment or service is terminated prior to a Vesting Event with respect to an Approved Project, and such Termination is by the Company without Cause or by the Participant with Good Reason, then outstanding, unvested Awards shall not be forfeited but shall remain outstanding and be paid out in accordance with Section 4.3 or 4.4, as applicable; *provided, however*, that payment of any Total Valuation Bonus pursuant to Section 4.4 shall be made in a lump sum cash payment prior to March 15th of year following the applicable Transaction Year. The foregoing shall apply to any such Termination occurring both prior to or following a Change of Control.

6. General Terms and Conditions.

6.1 Amendment or Discontinuance of the Plan. The Board or the Committee may amend, suspend or discontinue the Plan at any time; provided, however, that no such amendment may materially impair, without the consent of all affected Participants, an Award previously granted to such Participants.

6.2 No Right to Continued Employment or Service. Nothing in the Plan or in any Award Notice shall confer upon any person the right to continue in the employment or service of the Company or affect the right of the Company to terminate the employment or service of any Participant.

6.3 No Rights in any Approved Project. Nothing in this Plan shall be construed to grant or to vest in any Participant title in or to any Approved Project or any Owner, nor shall any Participant, solely by virtue of an Award made hereunder, have any right to approve, disapprove, or participate in any decision with respect to the ownership, management, financing, leasing, sale or conveyance of an Approved Project or any Owner.

6.4 No Right to Award. Unless otherwise expressly set forth in an employment or other agreement, no employee or consultant shall have any right to an Award under the Plan until named as a Participant in an Award Notice. Participation in the Plan with respect to one Approved Project does not connote any right to become a Participant in the Plan with respect to any other Approved Projects.

6.5 Withholding. The Company shall have the right to withhold from any Profit Participation Bonus or other award under this Plan, any federal, state or local income and/or payroll taxes required by law to be withheld and to take such other action as the

Committee may deem advisable to enable the parties to satisfy obligations for the payment of withholding taxes and other tax obligations relating to a Profit Participation Bonus or other award.

6.6 Unfunded Status. Nothing contained in the Plan, and no action taken pursuant to its provisions, shall create or be construed to create a trust of any kind or a fiduciary relationship between or among the Company, any Owner and any Participant, beneficiary or legal representative or any other person. To the extent that a person becomes eligible to receive a Profit Participation Bonus or RSU award under the Plan, such right shall be no greater than the right of an unsecured general creditor of the Company. All payments to be made hereunder shall be paid from the general funds of the Company and no special or separate fund shall be established and no segregation of assets shall be made to assure payment of such amounts except as expressly set forth in the Plan. No Owner, without the prior express written consent of such Owner, will be obligated or liable to make any payments to any Participant under the Plan. The Plan is not intended to be subject to the Employee Retirement Income Security Act of 1974, as amended (ERISA).

6.7 Clawback.

(a) If a Participant engages in grossly negligent conduct or intentional misconduct that either (i) requires the Company's financial statements to be restated at any time beginning on the Grant Date and ending on the first (1st) anniversary of the payment of any Profit Participation Bonus or (ii) results in an increased payout of any Award, then the Committee, after considering the costs and benefits to the Company of doing so, may seek recovery for the benefit of the Company of the portion of any Profit Participation Bonus, including any amount converted to an RSU award, that is greater than it would have been if calculated based on the restated financial statements or absent the increase described in part (ii) above (the "Overpayment"). All determinations regarding the amount of such recovery shall be made solely by the Committee in good faith.

(b) The Awards granted hereunder are also subject to any clawback policies the Company may adopt 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 the exchange on which the Company's shares are traded.

(c) If the Committee determines that a Participant owes any amount to the Company under Section 6.7 (a) or (b) above, the Participant shall return to the Company the Overpayment, without interest, in cash or such other form as determined by the Committee. The Company may also, to the fullest extent permitted by Applicable Law, deduct such amount owed from any amounts the Company owes the Participant from time to time for any reason (including without limitation amounts owed to the Participant as salary, wages, reimbursements or other compensation, fringe benefits, retirement benefits or vacation pay) or cancel any RSU award granted pursuant to this Plan related to an Overpayment.

6.8 Section 409A. The Plan is intended to comply with Section 409A to the U.S. Internal Revenue Code of 1986, as amended from time to time ("Section 409A") to the extent subject thereto, and, accordingly, to the maximum extent permitted, the Plan shall be interpreted and administered to be in compliance therewith. Any payments described in the Plan that are due within the "short-term deferral period" as defined in Section 409A shall not be treated as deferred compensation unless any Applicable Law requires otherwise. Notwithstanding anything to the contrary in the Plan, to the extent required to avoid accelerated

taxation and tax penalties under Section 409A, amounts that would otherwise be payable and benefits that would otherwise be provided pursuant to the Plan during the six (6) month period immediately following a Participant's Termination shall instead be paid on the first payroll date after the six-month anniversary of the Participant's Termination (or the Participant's death, if earlier). Notwithstanding the foregoing, none of the Company, the Committee or the Board shall have any obligation to take any action to prevent the assessment of any excise tax or penalty on any Participant under Section 409A and none of the Company, the Committee or the Board will have any liability to any Participant for such tax or penalty.

6.9 Non-transferability. A Participant's rights and interests under the Plan, including any Award previously made to such Participant or any Profit Participation Bonus payable under the Plan may not be assigned, pledged, or transferred, except in the event of the Participant's death, to a designated beneficiary as set forth herein, or in the absence of such designation, by will or the laws of descent or distribution.

6.10 Severability. In the event that any provision of the Plan shall be considered illegal or invalid for any reason, such illegality or invalidity shall not affect the remaining provisions of the Plan, but shall be fully severable, and the Plan shall be construed and enforced as if such illegal or invalid provision had never been contained therein.

6.11 Non-exclusive. Nothing in the Plan shall limit the authority of the Company, the Board or the Committee to adopt such other compensation arrangements as it may deem desirable for any Participant. Further, the Committee, in its discretion, may consider the level of payouts under this Plan when evaluating other forms of compensation payable to Participants.

6.12 Successors. The Company shall require any successor to or assignee of (whether direct or indirect, by purchase, merger, consolidation or otherwise) all or substantially all of the assets or businesses of the Company (a) to assume unconditionally and expressly this Plan and outstanding Awards hereunder and (b) to agree to perform or to cause to be performed all of the obligations under this Plan and outstanding Awards hereunder in the same manner and to the same extent as would have been required of the Company had no assignment or succession occurred. The Company shall also require all entities that control or that after the transaction will control (directly or indirectly) the Company or any such successor or assignee to agree to cause to be performed all of the obligations under this Plan and outstanding Awards hereunder.

6.13 Headings. The titles and headings used in the Plan are intended for convenience only and shall not be construed as in any way affecting or modifying the text of this Plan, which text shall control.

**Stratus Properties Inc.
Long-Term Incentive Plan**

APPENDIX A: Definitions

“**Affiliate**” means any person or corporation or other entity directly or indirectly controlled by another person, corporation or entity.

“**AIP**” means the Executive Annual Incentive Plan applicable to the Executive Officers adopted by the Committee and applicable for fiscal-year periods beginning in 2023.

“**Applicable Law**” means any Applicable Law (including common law), statute, code, regulation, rule, or ordinance of any city, county, state, or federal government or other governmental authority, agency, or instrumentality.

“**Approved Project**” means any Company development project designated by the Committee, and, following the Effective Date, those development projects approved by the Board pursuant to an Investment Memorandum presented to the Board, unless specifically excluded from this Plan by the Committee.

“**Award**” means any Participation Interests associated with an Approved Project that are granted pursuant to this Plan.

“**Award Notice**” means a notice of an Award, identifying the applicable Approved Project and setting forth the Participant’s Participation Interest in the applicable Profits Pool. Award Notices shall be issued for each Approved Project in the form attached hereto as Appendix B, which form may be revised by the Committee at any time.

“**Board**” means the Board of Directors of Stratus Properties Inc.

“**Capital Contribution**” means the contribution or loan of cash or property to the capital of Owner by or on behalf of the Company.

“**Capital Transaction**” means the Sale or Exchange of an Approved Project as approved by the Board.

“**Cash Equivalent**” means cash, negotiable instruments due on demand, readily marketable securities or demand deposit accounts.

“**Cash Compensation Limit**” means four times (4x) a Participant’s annual base salary as of the last day of a Transaction Year.

“**Cause**” means any of the following: (i) the commission by the Participant of an illegal act (other than traffic violations or misdemeanors punishable solely by the payment of a fine); (ii) the engagement of the Participant in dishonest or unethical conduct, as determined by the Committee or its designee, including but not limited to violations of the Company’s Ethics and Business Conduct Policy; (iii) the commission by the Participant of any fraud, theft, embezzlement, or misappropriation of funds; (iv) the failure of the Participant to carry out a directive of such Participant’s superior, employer or principal; or (v) the breach of the Participant of the terms of such Participant’s engagement.

“Change of Control” shall have the meaning set forth in the Stratus Properties Inc. 2017 Stock Incentive Plan, or any successor stock incentive plan adopted by Stratus Properties Inc.

“Committee” means the committee of the Board appointed by the Board to administer the Plan. Unless and until determined otherwise by the Board, the Committee shall be the Compensation Committee of the Board.

“Equity” means (a) the aggregate amount of all costs and expenses incurred by the Company for and on behalf of the Owner or Capital Contributions made by the Company to the Owner to purchase, entitle, develop, improve, own, finance, operate, lease, market, and sell the Approved Project less (b) all sums distributed by Owner to the Company from Capital Transactions.

For any project in which the land related to such project was owned by the Company or a wholly-owned subsidiary of the Company before such project becomes an Approved Project under this Plan (a “Pre-owned Project”), the Equity value will be as set forth in the Investment Memorandum presented to the Board for approval of such project. The Investment Memorandum will include the initial cost basis in the land (as allocated and determined by the Company), the imputed value of such land (as determined by the Company, unless otherwise determined by the Committee), and the additional development or other costs incurred to date for such land and the related project, which in the aggregate will be deemed to be the Equity as of the date the project becomes an Approved Project. The following is a summary example of the calculations of the initial Equity for a Pre-owned Project:

• initial cost basis in land:	\$2,000,000
• imputed value of land and related rights:	\$4,000,000
• additional development or other costs to date not included in initial cost basis:	<u>\$1,500,000</u>
subtotal Equity:	\$7,500,000

“Exchange” means a bona fide transaction with a party that is not an Affiliate of the Company in which the consideration, in whole or in part, to the Company for its transfer or conveyance of an Approved Project is the transfer or conveyance to the Company of an interest in any property other than a Cash Equivalent.

“Exchange Act” means the Securities Exchange Act of 1934, as amended from time to time.

“Executive Officer” means an officer of the Company identified as an “executive officer” under Rule 3b-7 under the Exchange Act.

“Good Reason” means either of the following (without Participant’s express written consent): (i) a material diminution in Participant’s base salary or (ii) the Company’s requiring Participant to be based at any office or location more than 35 miles from Participant’s principal office or location. Notwithstanding the foregoing, Participant shall not have the right to terminate Participant’s employment hereunder for Good Reason unless (a) within 30 days of the initial existence of the condition or conditions giving rise to such right Participant provides written notice to the Company of the existence of such condition or conditions, and (b) the Company fails to remedy such condition or conditions within 30 days following the receipt of such written notice (the **“Cure Period”**). If any such condition is not remedied within the Cure Period,

Participant must terminate Participant's employment with the Company within a reasonable period of time, not to exceed 30 days, following the end of the Cure Period. The foregoing to the contrary notwithstanding, if at any time the Participant is subject to an effective employment or change of control agreement with the Company or an Affiliate of the Company, then, in lieu of the foregoing definition, "Good Reason" shall at that time have such meaning as may be specified in such other agreement.

"Grant Date" shall mean the date the Committee or its delegatee allocates a Participation Interest to a Participant in the Plan, as reflected in the Award Notice.

"Net Asset Value" or "NAV" is calculated as the estimated market value of Stratus' assets minus the following: the book value of Stratus' total liabilities reported under GAAP (excluding deferred financing costs presented in debt), the value attributable to third party owners and the estimated H-E-B, LP profits interests and awards under the PPIP and this Plan. After-tax NAV is NAV minus the estimated income taxes computed on the difference between the estimated market values and the tax basis of the assets. The computation of NAV and after-tax NAV uses third-party appraisals conducted by independent appraisal firms, which are primarily retained by the Company's lenders as required under its financing arrangements.

"Net Company Proceeds" means,

(a) *Capital Transaction.* With respect to a Capital Transaction, the amount of Net Owner Proceeds received by the Company as a liquidating distribution from the Owner pursuant to the applicable organizational agreement(s) (e.g., company agreement, operating agreement, or partnership agreement) governing the management and ownership of the Owner less any reserves established for future obligations or liabilities (known, unknown, or contingent) as determined by the Company (provided that the Company will not double count any reserves established by the Owner in the calculation of Net Owner Proceeds).

(b) *Valuation Event.* With respect to a Valuation Event, the amount of the Net Owner Proceeds hypothetically expected to be received by the Company as a liquidating distribution from the Owner pursuant to the applicable organizational agreement(s) (e.g., company agreement, operating agreement, or partnership agreement) governing the management and ownership of the Owner less any reserves established for future obligations or liabilities (known, unknown, or contingent) as determined by the Company (provided that the Company will not double count any estimated reserves to be established by the Owner in the calculation of Net Company Proceeds).

(c) For clarity, any amounts paid to the Company or its Affiliates by the Owner or any other party *for services rendered* for the Approved Project, including, without limitation, development management fees, asset management fees, sales or leasing commissions, property management fees, or similar fees shall be treated as third-party expenses and shall not be included in the term "Net Company Proceeds."

"Net Company Profits" means,

(a) *Capital Transaction.* With respect to a Capital Transaction, the amount of Net Company Proceeds remaining after the Company has received the full amount of (i) the Preferred Return and (ii) the Equity.

(b) *Valuation Event*. With respect to a Valuation Event, the amount of Net Company Proceeds hypothetically remaining after the Company has received the full amount of (i) the Preferred Return and (ii) the Equity.

“Net Owner Proceeds” means,

(a) *Capital Transaction*. With respect to a Capital Transaction, the Value of the Project less (i) all closing costs associated with the Capital Transaction including, without limitation, brokerage fees, recording fees, surveying and engineering fees, title insurance premiums and charges, and attorneys’ fees; (ii) any amounts applied in connection with the repayment of any Project Loan associated with the Approved Project; (iii) any amounts the Owner (or an Affiliate) is required to pay, or reasonably expected to be required to pay, for post-closing obligations in connection with such Capital Transaction; (iv) any reserves established for future obligations or liabilities (known, unknown, or contingent) as determined by the Owner; and (v) any other expenses associated with the Capital Transaction or the Approved Project which the Committee, in its sole discretion, determines should be deducted.

(b) *Valuation Event*. With respect to a Valuation Event, the Value of the Project (as determined by the Appraiser) less estimated amounts, as determined by the Committee in its sole discretion, for each of the items described in (i) through (v) above for a Capital Transaction.

“Owner” means the owner of an Approved Project, as identified in the Award Notice, and as may be changed or transferred to an Affiliate by the Company at any time. For clarity, the Company does not currently own any Approved Project directly, but rather the Approved Projects are currently owned, and expected to be owned, by Owners that are either (i) wholly-owned subsidiaries of the Company or (ii) entities in which the Company or an Affiliate owns less than all of the ownership interests.

“Participants” means each person selected by the Committee to receive a Participation Interest with respect to a particular Approved Project.

“Participation Interest” means each Participant’s share of the Profits Pool associated with an Approved Project, as determined by the Committee and set forth in the Award Notice.

“Preferred Return” means a cumulative return on the outstanding Equity at the rate of ten percent (10%) per annum, compounded quarterly. The Preferred Return will be calculated in the manner of interest on the initial daily balance (based on a 365-day year) of unreturned Equity and cumulative unreturned Preferred Return and compounded quarterly based on the quarter-end balance of unreturned Equity and cumulative unreturned Preferred Return. The Preferred Return will begin to accrue on Equity when costs (including pursuit costs) are initially paid on any project that becomes an Approved Project; *provided, however*, the Preferred Return on Equity for any Pre-owned Project will be begin to accrue on the date set forth in the definition of Equity.

“Profits Pool” means 25% of any Net Company Profits either (i) derived from a Capital Transaction or (ii) calculated upon a Valuation Event.

“Profit Participation Bonus” means the total cash payment, if any, payable to a Participant pursuant to an Award based upon such Participant’s Participation Interest in a Profits Pool.

“Reporting Person” means an officer, director or ten percent stockholder of the Company within the meaning of Rule 16a-2 under the Exchange Act, who is required to file reports pursuant to Rule 16a-3 under the Exchange Act.

“Sale” means the bona fide sale and conveyance of all of an Approved Project to a third party that is not an Affiliate of the Company for a Cash Equivalent.

“Subsidiary” means (i) any corporation or other entity in which Stratus Properties Inc. possesses directly or indirectly equity interests representing at least 50% of the total ordinary voting power or at least 50% of the total value of all classes of equity interests of such corporation or other entity and (ii) any other entity in which Stratus Properties Inc. has a direct or indirect economic interest that is designated as a Subsidiary by the Committee.

“Valuation Event” with respect to a particular Approved Project means the third (3rd) anniversary of the date such Approved Project is substantially complete, as evidenced by either (A) the issuance of a certificate of occupancy, or similar governmental permit or certificate, covering all shell buildings to be constructed by the Owner (or an Affiliate) shown on the site plan for the Approved Project, or (B) the issuance of a substantial completion certificate for substantially all of the improvements shown on the site plan for the Approved Project by the architect of record.

“Value of the Project” means, for each Approved Project: (i) in the case of a Capital Transaction, the total gross purchase price paid to the Owner for or in consideration of a Capital Transaction; and (ii) in the case of a Valuation Event, the Appraised Value as determined in accordance with Section 4.4(b) of the Plan. For purposes of this definition and with respect to any Capital Transaction, the total gross purchase price or other amounts paid shall include the value of any and all consideration if, as, and when actually delivered to the Owner in connection with such Capital Transaction, regardless of the form of such consideration. Without limiting the foregoing, for the purpose of determining the total gross purchase price paid, (a) liabilities assumed (including, without limitation, taxes and assessments and other indebtedness owed by the Owner and assumed by the transferee of the Approved Project in connection with the Capital Transaction) shall be deemed to be cash on a dollar for dollar basis and (b) any property received in the Capital Transaction other than Cash Equivalent shall be deemed to be cash equal to the fair market value of such property, as determined by the Committee.

**Stratus Properties Inc.
Long-Term Incentive Plan**

APPENDIX B: Form of Award Notice

Participant: _____

Grant Date: _____

Name of Approved Project: _____

Owner: _____

Participation Interest: _____

Congratulations! We are providing this Award Notice (this "**Notice**") to advise you that you have been granted an Award under the terms and conditions of the Stratus Properties Inc. Long-Term Incentive Plan (the "**Plan**"), a copy of which is attached hereto. Subject to the terms and conditions of the Plan, this Award provides you with the opportunity to share in any profits earned above a certain level in connection with the Approved Project referenced above. Please refer to the attached Plan for more information about the terms and conditions of your Award, including the forfeiture conditions applicable to the Award. All terms that are capitalized but not defined in this Notice have the meaning ascribed to them in the Plan.

Stratus Properties Inc.

By: _____

Participant Confirmation and Acknowledgement

By my signature below, I understand, agree, and acknowledge the following:

1. I have received a copy of the Plan and understand the Plan's terms of participation, including but not limited to the following terms: (a) I must remain employed with or continue providing services to Stratus Properties Inc. and/or its Subsidiaries for an extended period of time to receive payment, if any, of any Award under the Plan; (b) my receipt of this Award does not constitute an entitlement to selection as a Participant to receive any future Awards under the Plan; (c) payments in respect of Awards under the Plan are subject to clawback under the circumstances described in Section 6.7 of the Plan; and (d) if I am or become an Executive Officer, payment in respect of Awards under the Plan are subject to reduction or forfeiture under the circumstances described in Section 4.5 of the Plan.
2. My participation in the Plan does not give me any rights to continue in the Company's employment or service and does not interfere with the Company's rights, subject to Applicable Laws, to terminate my employment or service at any time with or without cause.

3. The decisions or interpretations of the Committee with respect to any questions arising under the Plan or this Notice are binding, conclusive and final.

PARTICIPANT:

Print Name: _____

Date: _____

STRATUS PROPERTIES INC.

EXECUTIVE ANNUAL INCENTIVE PLAN

1. Purpose. The purpose of the Stratus Properties Inc. Executive Annual Incentive Plan (the “**Plan**”) is to advance the interests of Stratus Properties Inc. (“**Stratus**”) and its subsidiaries (together, the “**Company**”) by providing the framework under which annual or short-term incentive awards may be paid to executive officers and other key employees of the Company based on the achievement of pre-established performance goals.
2. Performance Periods. Unless otherwise determined by the Committee, the Plan is effective for calendar years beginning January 1, 2023 (each, a “**Performance Period**”) and will continue in effect until terminated as provided in Section 9.
3. Administration.
 - (a) The Plan will be administered by the Compensation Committee (the “**Committee**”) of the Board of Directors (the “**Board**”) of Stratus. The Committee has full authority to interpret the Plan, including the authority to: (i) designate participants for a particular Performance Period; (ii) establish performance goals and objectives for each Performance Period; (iii) consider the achievement of the performance goals and determine whether any awards will be made under this Plan for a given Performance Period; (iv) establish regulations for the administration of the Plan; and (v) make all determinations necessary for the administration of the Plan.
 - (b) The Committee may appoint agents to assist in administering the Plan. The Committee and each member thereof shall be entitled to, in good faith, rely or act upon any report or other information furnished to it or him by any officer or employee of the Company, the Company’s certified public accountants, consultants or any other agent assisting in the administration of the Plan.
 - (c) All decisions by the Committee regarding the Plan will be final, conclusive, and binding on all persons, including the participants and the Company. Members of the Committee and any officer or employee of the Company acting at the direction or on behalf of the Committee shall not be personally liable for any action or determination taken or made in good faith with respect to the Plan, and shall, to the extent permitted by law, be fully indemnified and protected by the Company with respect to any such action or determination.
4. Eligibility and Participation. Participants in the Plan for a given Performance Period shall be the Company’s “**Executive Officers**” (as that term is defined in Rule 3b-7 under the Securities Exchange Act of 1934) and other key employees as designated by the Committee.
5. Establishment of Performance Goals.
 - (a) Prior to, or shortly after the beginning of, each Performance Period, the Committee will establish in writing (including through minutes of a Committee meeting or a written consent evidencing actions taken by the Committee) (i) the participants for that Performance Period; (ii) a target award opportunity for each participant, as well as threshold and maximum payout levels, which may be

expressed as a percentage of the participant's annual salary; (iii) one or more specific performance goals that will apply for such Performance Period, which may vary among participants; and (iv) a formula for determining the amounts that may become payable based on the level of achievement of the selected performance goals.

- (b) The performance goals for each Performance Period shall apply to performance of the Company or one or more of its divisions, segments, subsidiaries or lines of business and/or to the performance of the participant. The Committee may select such subjective and/or objective goals as it deems appropriate. The performance goals may be subject to such adjustments as are specified by the Committee. For any Performance Period, performance goals may be measured on an absolute basis or relative to a group of peer companies selected by the Committee, relative to internal goals or industry or market benchmarks or relative to levels attained in prior years. The Committee may change the performance goals each Performance Period and may also change the targets applicable to the performance goals from year to year.

6. Determination of Award Amounts. Following the completion of a Performance Period, the Committee will review actual performance as measured against the pre-established performance goals for that period. If threshold performance goals that were established by the Committee are not achieved, no incentive awards will be paid under the Plan. In the event that the performance goals have been met or exceeded, the Committee will approve (a) the extent to which the performance goals applicable to a participant have been achieved, making any adjustments that the Committee deems appropriate; and (b) the resulting amount of each individual participant's incentive award. Notwithstanding the level of achievement of the performance goals, the Committee retains the discretion to decrease or eliminate the amount of the incentive award that is payable under this Plan for an applicable Performance Period, including, but not limited to, elimination of amounts payable under this Plan if required under the terms of Stratus' Long-Term Incentive Plan.

7. Time and Form of Payment of Awards.

- (a) Incentive Awards earned under the Plan for a given Performance Period will be paid to eligible participants as soon as practicable after the Committee's determination of such amounts but not later than March 15th of the year following the end of that Performance Period. Awards under the Plan may be paid in whole or part in the form of cash or stock-settled restricted stock units ("**RSUs**") (as set forth in Section 7(b)), as determined by the Committee.
- (b) If permitted by the terms of Stratus's stockholder-approved stock incentive plan and subject to any limits in such plan, up to 50% of the incentive award for a given Performance Period may be paid in an equivalent number of RSUs granted under such plan and determined by dividing the applicable amount of the incentive award by the closing price of the Common Stock on the date of grant. The RSU grant shall vest in one installment on the first anniversary of the date of grant, provided the Participant remains employed by or providing services to the Company, unless the termination is by the Company without Cause, by the participant with Good Reason (as such terms are defined in the applicable stock incentive plan of Stratus) or due to the participant's retirement, and shall be subject to such other terms and conditions as contained in an RSU agreement entered into between the

Company and the participant.

8. Termination of Employment. In order to be eligible to receive an incentive award under the Plan, a participant must be an employee of the Company in good standing on the last day of the Performance Period, unless this requirement is waived by the Committee under such special circumstances as may be determined by the Committee.

9. Amendment or Termination. The Committee may, at any time, amend, suspend, or terminate the Plan in whole or in part. Upon termination, no participant will have any right to receive an incentive award under this Plan.

10. Governing Law. This Plan will be governed by, and construed in accordance with, the laws of the state of Texas.

11. Severability. If any term or provision of the Plan is at any time or to any extent invalid, illegal, or unenforceable in any respect as written, such term or provision will be modified or limited to the extent necessary to render it valid and enforceable to the fullest extent allowed by law. Any such provision that is not susceptible of such reformation will be ignored so as to not affect any other term or provision, and the remainder of the Plan, or the application of such term or provision to persons or circumstances other than those as to which it is held invalid, illegal, or unenforceable, will not be affected and each term and provision of the Plan will be valid and enforced to the fullest extent permitted by law.

12. Compliance with Legal Requirements. This Plan and the payment of incentive awards hereunder are subject to all applicable federal and state laws, rules and regulations, and to any such approvals by any governmental or regulatory agency as may be required.

13. Withholding of Taxes. The Company shall deduct from the amount of any award paid hereunder any federal or state taxes required to be withheld.

14. Section 409A of the Internal Revenue Code. It is intended that incentive award payments under the Plan qualify as short-term deferrals exempt from the requirements of Section 409A of the Internal Revenue Code, as amended, and the regulations and guidance promulgated thereunder ("**Section 409A**"). In the event that any incentive award payment does not qualify for treatment as an exempt short-term deferral, it is intended that such amount will be paid in a manner that satisfies the requirements of Section 409A. The Plan shall be interpreted and construed accordingly.

15. No Rights to Employment. Nothing in this Plan confers upon a participant any right to continue in the employment of the Company, or to interfere in any way with the right of the Company to terminate the participant's employment relationship with the Company at any time.

16. No Rights to Award. Unless otherwise expressly set forth in a written employment agreement or other agreement signed by the Company and a participant, a participant shall not have any right to any incentive award under the Plan until such incentive award has been paid to such participant and participation in the Plan in one Performance Period does not connote any right to become a participant in the Plan in any future Performance Period.

17. Non-exclusive. Nothing in this Plan limits the authority of the Company, the Board, or the Committee to adopt such other compensation arrangements as it may deem desirable for any participant.

18. Successors. All obligations of the Company under the Plan with respect to awards will be binding upon any successor to the Company, whether the existence of such successor is the result of a direct or indirect purchase, merger, consolidation, or otherwise, of all or substantially all of the assets of the Company.

19. Non-transferability. A person's rights and interests under the Plan, including any amounts payable under the Plan, may not be assigned, pledged, or transferred, except in the event of the participant's death, to a designated beneficiary as set forth herein, or in the absence of such designation, by will or the laws of descent or distribution.

20. Unfunded Status. Nothing contained in the Plan creates or is intended to create a trust of any kind or a fiduciary relationship between the Company and any participant, beneficiary, or legal representative or any other person. To the extent that a person acquires a right to receive payments under the Plan, such right will be no greater than the right of an unsecured general creditor of the Company. Any incentive awards to be paid under this Plan will be paid from the general funds of the Company and no special or separate fund or segregation of assets will be made to assure payment of such amounts except as expressly set forth in the Plan. The Plan is not intended to be subject to the Employee Retirement Income Security Act of 1974, as amended (ERISA).

21. Clawback. Notwithstanding any other provisions of this Plan, the Company may cancel any award, require reimbursement of any award by a participant, and effect any other right of recoupment of compensation provided under the Plan in accordance with any Company policies that may be adopted or modified from time to time (including, without limitation, to comply with applicable law or stock exchange listing requirements).

Certification

I, William H. Armstrong III, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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: May 15, 2023

By: /s/ William H. Armstrong III

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

Certification

I, Erin D. Pickens, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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: May 15, 2023

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 Quarterly Report on Form 10-Q of Stratus Properties Inc. (the "Company") for the quarter ended March 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: May 15, 2023

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 Quarterly Report on Form 10-Q of Stratus Properties Inc. (the "Company") for the quarter ended March 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: May 15, 2023

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.