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

FORM 10-K

(Mark one)

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

For the fiscal year ended December 31, 2022

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

STRATUS®

Stratus Properties Inc.

(Exact name of registrant as specified in its charter)

Delaware	**72-1211572**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

212 Lavaca St., Suite 300	
Austin, Texas	**78701**
(Address of principal executive offices)	(Zip Code)

(512) 478-5788

(Registrant's telephone number, including area code)

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

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

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

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

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

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

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

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☑	Smaller reporting company	☑
		Emerging growth company	☐

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

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

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

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

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

The aggregate market value of common stock held by non-affiliates of the registrant was $171.3 million on June 30, 2022.

Common stock issued and outstanding was 7,979,164 shares on March 27, 2023.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's proxy statement for its 2023 annual meeting of stockholders are incorporated by reference into Part III of this report.

STRATUS PROPERTIES INC.
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PART I

Items 1. and 2. Business and Properties

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

Except as otherwise described herein or where the context otherwise requires, all references to "Stratus," "we," "us" and "our" refer to Stratus Properties Inc. and all entities owned or controlled by Stratus Properties Inc. References to "Notes" refer to the Notes to Consolidated Financial Statements included herein (refer to Item 8.), and references to "MD&A" refer to Management's Discussion and Analysis of Financial Condition and Results of Operations and Quantitative and Qualitative Disclosures About Market Risk included herein (refer to Items 7. and 7A.).

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 real estate properties and commercial properties in the Austin, Texas area and other select, fast-growing markets in Texas.

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

Recent Developments and Business Strategy

Over the last fiscal two years, we have generated substantial earnings and cash from the sale of the mixed-use real estate property Block 21, and the sales of multi-family properties The Santal and The Saint Mary, described in further detail below. In 2022, we produced record net income attributable to common stockholders of $90.4 million. Our total stockholders' equity increased from $98.9 million at December 31, 2020 to $207.2 million at December 31, 2022.

After the sale of Block 21 in May 2022, which eliminated our Hotel and Entertainment segments, our Board of Directors (Board) and management team engaged in a strategic planning process, which included consideration of the uses of proceeds from our recent property sales, and of our long-term business strategy. 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. Our Board also approved a new share repurchase program, which authorizes repurchases of up to $10.0 million of our common stock. 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 27, 2023, $8.7 million of our common stock had been repurchased under the program and $1.3 million remained available under the program.

Our Board also decided to continue our successful development program, with our proven team focusing on pure residential and residential-centric mixed-use projects in Austin and other select markets in Texas, which we believe continue to be attractive locations. We believe by methodically developing and enhancing the value of our properties and then selling them or holding them for lease, we can create long-term value for our stockholders. As part of re-focusing our business, during third-quarter 2022, we completed the sale of substantially all of our non-core assets.

Holden Hills. In first-quarter 2023, we entered into a limited partnership, obtained debt financing and commenced construction of Holden Hills, our final large residential development within the Barton Creek community in Austin, Texas. Holden Hills consists of 495 acres and the community is designed to feature 475 unique residences to be developed in two phases. We contributed to the partnership the Holden Hills land and related personal property at an agreed value of $70.0 million and our 50 percent partner contributed $40.0 million in cash. The partnership distributed and paid $35.8 million in cash to us in connection with these transactions. Refer to Note 11 for further discussion.

Sale of Block 21. On May 31, 2022, we completed the sale of Block 21 to Ryman Hospitality Properties, Inc. (Ryman) for $260.0 million, subject to certain purchase price adjustments, and including Ryman's assumption of $136.2 million of existing mortgage debt, with the remainder paid in cash. 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. Block 21 contains the 251-room W Austin Hotel and is home to Austin City Limits Live at the Moody Theater, a 2,750-seat entertainment venue that serves as the location for the filming of Austin City Limits, the longest running music series in American television history. Block 21 also includes Class A office space, retail space and the 3TEN ACL Live entertainment venue and business. 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 all periods presented in the financial statements included in this Form 10-K. Refer to Note 4 for further discussion.

Sale of The Santal. In December 2021, one of our wholly owned subsidiaries sold The Santal, a 448-unit luxury garden-style multi-family project located in Barton Creek in Austin, Texas, for $152.0 million. After closing costs and payment of the outstanding project loan, the sale generated net proceeds of approximately $74 million. We recorded a pre-tax gain on sale of $83.0 million in 2021. Refer to Note 4 for further discussion.

Sale of The Saint Mary. In January 2021, one of our subsidiaries sold The Saint Mary, a 240-unit luxury garden-style multi-family project located in the Circle C community in Austin, Texas, for $60.0 million. After closing costs and payment of the outstanding construction loan, the sale generated net proceeds of approximately $34.0 million. After establishing a reserve for remaining costs of the partnership, we received $20.9 million from the subsidiary in connection with the sale and $12.9 million of the net proceeds were distributed to the noncontrolling interest owners. We recorded a pre-tax gain on sale of $22.9 million ($16.2 million net of noncontrolling interests) in 2021. Refer to Note 4 for further discussion.

Continuing Operations

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

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

We develop properties on our own and also through joint ventures in which we partner with third-party equity investors, serve as general partner, receive fees for development and asset management and may receive a preferred return after negotiated returns are reached. We may develop projects on land we have owned for many

years, such as in Barton Creek in Austin, Texas, or on land that we purchase to develop in the near future, such as The Saint George and The Annie B projects described herein. We may enter into land purchase contracts in which we obtain the right, but not the obligation, to buy land at an agreed-upon price within a specified period of time. These contracts generally limit our financial exposure to our earnest money deposited into escrow and pre-acquisition diligence and planning costs we incur.

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

Revenue from our Real Estate Operations segment accounted for 66 percent of our total revenue for 2022 and 30 percent for 2021.

The acreage under development and undeveloped as of December 31, 2022 that comprise our real estate operations other than real estate held for sale is presented in the following table.

- Acreage under development includes real estate for which infrastructure work over the entire property has been completed, is currently being completed or is able to be completed and for which necessary permits have been obtained.
- Undeveloped acreage is presented according to anticipated uses for multi-family units, single-family lots and commercial space based upon our understanding of the properties' existing entitlements. However, because of the nature and cost of the approval and development process and uncertainty regarding market demand for a particular use, there is no assurance that the undeveloped acreage will ever be developed. Undeveloped acreage (i.e., development work is not currently in progress on such property) includes vacant pad sites at Magnolia Place and Kingwood Place, as well as other real estate that can be sold "as is."

	Acreage Under Development				Undeveloped Acreage				
	Single Family	Multi-family	Commercial	Total	Single Family	Multi-family	Commercial	Total	Total Acreage
Austin:									
Barton Creek [a]	11	36	—	47	512	215	394	1,121	1,168
Circle C	—	—	—	—	—	21	216	237	237
Lantana	—	—	—	—	—	12	5	17	17
The Annie B	—	—	—	—	—	1	—	1	1
The Saint George	—	4	—	4	—	—	—	—	4
Lakeway	—	—	—	—	—	35	—	35	35
Magnolia Place [b]	—	—	—	—	—	29	48	77	77
Jones Crossing	—	—	—	—	—	21	23	44	44
Kingwood Place	—	—	—	—	—	—	11	11	11
New Caney	—	—	—	—	—	10	28	38	38
Total	11	40	—	51	512	344	725	1,581	1,632

a. Refer to "Properties – Barton Creek" below for a discussion of our properties within Barton Creek. The single-family undeveloped acreage includes 495 acres in Holden Hills on which we have commenced infrastructure construction during first-quarter 2023. The multi-family and commercial acreage includes approximately 570 acres representing our Section N project.

b. In October 2022, Stratus entered into a contract to sell approximately 11 acres planned for 275 multi-family units at Magnolia Place for $4.3 million, expected to close by the end of 2023.

The following table summarizes the estimated development potential of our acreage under development and undeveloped acreage as of December 31, 2022:

	Single Family	Multi-family	Commercial
	(lots)	(units)	(gross square feet)
Barton Creek [a]	498	1,594	1,648,891
Circle C	—	56	660,985
Lantana	—	306	160,000
The Annie B	—	316	8,325
The Saint George	—	316	—
Lakeway	—	270	—
Magnolia Place [b]	—	875	15,000
Jones Crossing	—	275	104,750
New Caney	—	275	145,000
Other	—	—	7,285
Total	498	4,283	2,750,236

a. Substantially all of the single-family lots relate to Holden Hills and substantially all of the multi-family and commercial relates to Section N (refer to “Recent Development Activities” in MD&A). Refer to “Properties – Barton Creek – Section N” below for further discussion of ongoing development planning that may result in increased densities for multi-family and commercial entitlements.

b. In October 2022, Stratus entered into a contract to sell approximately 11 acres planned for 275 multi-family units at Magnolia Place for $4.3 million, expected to close by the end of 2023.

Real estate under development as of December 31, 2022 in the table above included two multi-family properties under construction in Austin, Texas: The Saint June, a 182-unit luxury garden-style project within the Amarra development, and The Saint George, a 316-unit luxury wrap-style project. These properties are expected to be reclassified into the Leasing Operations segment upon their completion, which is expected in third-quarter 2023 for The Saint June and mid-2024 for The Saint George.

The development potential of our undeveloped acreage at December 31, 2022 also included the following, which are not reflected in the table above:

- one retail pad site at Kingwood Place;
- approximately 13 acres planned for up to seven retail pad sites at Magnolia Place; and
- four retail pad sites at Jones Crossing.

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

Real estate held for sale includes developed properties in the Real Estate Operations segment and at December 31, 2022 consisted of two residential lots in Amarra Drive Phase III.

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

Our principal properties in our Leasing Operations segment at December 31, 2022 consisted of:

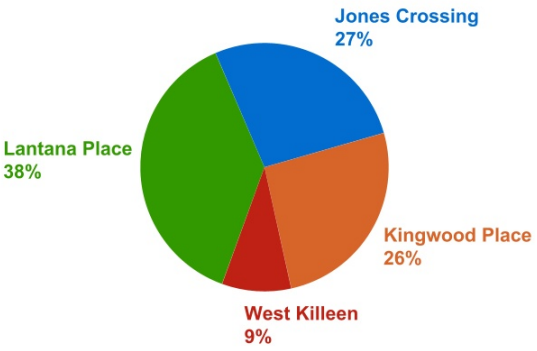
- a 154,117-square-foot retail property representing the first phase of Jones Crossing;
- a 151,855-square-foot mixed-use project at Kingwood Place;
- a 99,379-square-foot mixed-use development representing the first phase of Lantana Place;
- a 44,493-square-foot retail complex at West Killeen Market; and

- a 18,582-square-foot retail property representing the first phase of Magnolia Place.

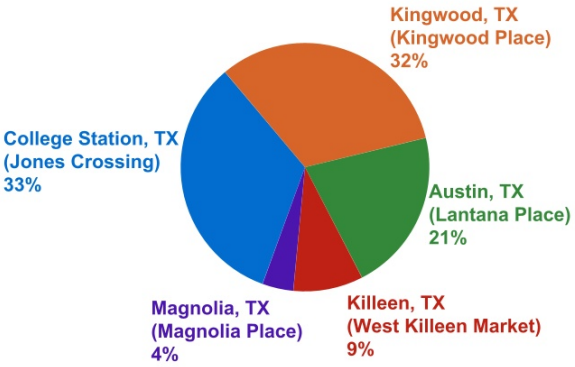
As discussed above, in December 2021 we sold The Santal and in January 2021 we sold The Saint Mary, which were both multi-family projects included in our leasing operations.

Revenue from our Leasing Operations segment accounted for 34 percent of our total revenue for 2022 and 70 percent for 2021. Refer to the charts below for our leasing operations revenue by property during 2022 and our developed square feet of retail space by geographic location as of December 31, 2022.

2022 LEASING OPERATIONS REVENUE BY PROPERTY



RETAIL SPACE BY GEOGRAPHIC LOCATION



Our retail leasing properties had average rentals of $20.27 per square foot as of December 31, 2022, compared to $20.86 per square foot as of December 31, 2021. Our scheduled expirations of leased retail square footage as of December 31, 2022 as a percentage of total space leased is 2 percent in 2023, 4 percent in 2024, 1 percent in 2025, none in 2026, 2 percent in 2027 and 91 percent thereafter.

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

Properties

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

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

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

In 2015, we completed the development of the Amarra Drive Phase III subdivision, which consists of 64 lots on 166 acres. In 2021, we sold three lots. As of December 31, 2022, two developed Phase III lots remained unsold.

Amarra Multi-family and Commercial. We also have multi-family and commercial lots in the Amarra development of Barton Creek. The Amarra Villas and The Saint June, both described below, are being developed on two of these multi-family lots. During 2021, we sold a five-acre multi-family tract of land, and during 2022, we sold a six-acre multi-family tract of land. As of December 31, 2022, we have one remaining undeveloped multi-family lot of approximately 11 acres and one undeveloped 22-acre commercial lot.

Amarra Villas. The Villas at Amarra Drive (Amarra Villas) is a 20-unit project within the Amarra development. The homes average approximately 4,400 square feet and are being marketed as “lock and leave” properties, with golf course access and cart garages. We completed construction and sale of the first seven homes between 2017 and

2019. We began construction on the next two Amarra Villas homes in first-quarter 2020, one of which was completed and sold for $2.4 million in second-quarter 2022. In 2021, we began construction of one additional home and in 2022, we began construction on the remaining ten homes. In fourth-quarter 2022, we completed and sold one home for $3.6 million. In March 2023, we completed and sold of one home for $2.5 million. Construction on the last ten units continues to progress, and as of March 27, 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 being built on approximately 36 acres and 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 project is expected to be completed in third-quarter 2023. We own this project through a limited partnership with a third-party equity investor. Refer to Note 2 for further discussion.

Holden Hills. Our final large residential development within the Barton Creek community, Holden Hills, consists of 495 acres 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 distinct communities or “pods,” and 63 single-family platted home sites or “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 investor for this project in January 2023 (the Holden Hills partnership) and in February 2023 obtained construction financing for Phase I of the project and commenced infrastructure construction. 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 Stratus 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.

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 future costs of the Tecoma Improvements and also for a portion of future 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 amount and timing of MUD reimbursements depends upon, among other factors, the amount and timing of future 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.

Refer to Note 11 for further discussion.

Section N. Section N is Stratus’ wholly-owned approximately 570-acre tract located along Southwest Parkway in the southern portion of the Barton Creek community, adjacent to Holden Hills. Using an entitlement strategy similar to that used for Holden Hills, we continue to progress the development plans for Section N. 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 greenspace amenity, which is expected to result in a significant increase in development density, as compared to our prior plans.

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

We are developing the Circle C community based on the entitlements secured in the Circle C settlement. The Circle C settlement, as amended in 2004, permits development of 1.16 million square feet of commercial space, 504 multi-family units and 830 single-family residential lots. As of December 31, 2022, our Circle C community had remaining entitlements for 660,985 square feet of commercial space and 56 multi-family units.

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

Lantana Place
Lantana Place is a partially developed, mixed-use development project within the Lantana community. We completed construction of the 99,379-square-foot first phase of Lantana Place in 2018. As of December 31, 2022, we had signed leases for approximately 90 percent of the retail space, including the anchor tenant, Moviehouse & Eatery, and a ground lease for an AC Hotel by Marriott, which opened in November 2021.

We have remaining entitlements at Lantana Place for 306 multi-family units on approximately 12 acres. We currently do not expect to begin construction of the Lantana Place multi-family development (now known as The Saint Julia) prior to 2024, and the project remains subject to financing and market conditions.

The Annie B
In September 2021, we announced plans for The Annie B, a proposed luxury high-rise rental project in downtown Austin. Based on preliminary plans, The Annie B would be developed as a 400-foot tower, consisting of approximately 420,000 square feet with 316 luxury multi-family units for lease. The project includes the historic AO Watson house, which will be renovated and expanded to offer amenities that may include a restaurant, pool and garden, while preserving the property's historic and architectural features. We closed the land purchase in September 2021. We continue to work to finalize our development plans with a goal of beginning construction in late 2023 or 2024, subject to obtaining financing and other market conditions. We own this project through a limited partnership with third-party equity investors. Refer to Note 2 for further discussion.

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

Lakeway
We own approximately 35 acres of undeveloped property in Lakeway, Texas located in the greater Austin area, which is zoned for multi-family use. Refer to Note 9 for discussion of our sale of The Oaks at Lakeway in 2017.

Our other Texas properties include:

Magnolia Place
In August 2021, we began construction on the first phase of development of Magnolia Place, our H-E-B, L.P (H-E-B) grocery shadow-anchored, mixed-use project in Magnolia, Texas. The development concept plan for Magnolia Place consists of up to four retail buildings totaling approximately 34,000 square feet, up to nine retail pad sites on approximately 16 acres to be sold or ground leased, and a combination of residential uses, including single-family (approximately 124 lots) and multi-family (a maximum of 875 units). 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. Infrastructure construction was substantially completed in second-quarter 2022, with the exception of certain water supply upgrades and a storm water drainage pond, which are expected to be completed by the end of 2023. In third-quarter 2022, we substantially completed construction on the first phase of development and the two retail buildings were turned over to our retail tenants to begin their finish-out process. During second-quarter 2022, we sold one retail pad site for $2.3 million and sold another retail pad site in third-quarter 2022 for $1.1 million. In third-quarter 2022, we also sold 28 acres of undeveloped single-family residential land for $3.2 million, leaving approximately 77 acres of undeveloped land in the development, currently entitled for approximately 15,000 square feet of retail space, a maximum of 875 multi-family units and up to seven retail pad sites. In October 2022, Stratus entered into a contract to sell approximately 11 acres planned for 275 multi-family units for $4.3 million, which is currently expected to close by the end of 2023. H-E-B completed construction and opened its 95,000-square-foot grocery store on an adjoining 18-acre site in fourth-quarter 2022.

Jones Crossing

In 2017, we entered into a 99-year ground lease pursuant to which we have leased a 72-acre tract of land in College Station, Texas, for Jones Crossing, an H-E-B-anchored, mixed-use project. Construction of the first phase of the retail component of the Jones Crossing project was completed in 2018, consisting of 154,117 square feet. The H-E-B grocery store opened in September 2018, and, as of December 31, 2022, we had signed leases for substantially all of the retail space, including the H-E-B grocery store. As of December 31, 2022, we had approximately 23 undeveloped commercial acres with estimated development potential of approximately 104,750 square feet of commercial space and four retail pad sites. We continue to evaluate options for the 21-acre multi-family component of this project.

Kingwood Place

In 2018, we purchased a 54-acre tract of land in Kingwood, Texas (in the greater Houston area) to be developed as Kingwood Place, an H-E-B-anchored, mixed-use development project. The Kingwood Place project includes 151,855 square feet of retail lease space, anchored by a 103,000-square-foot H-E-B grocery store, and five pad sites. Construction of two retail buildings, totaling approximately 41,000 square feet, was completed in August 2019, and the H-E-B grocery store opened in November 2019. An 8,000-square-foot retail building was completed in June 2020. We have signed ground leases on four retail pad sites and one retail pad site remains available for lease. As of December 31, 2022, we had signed leases for approximately 96 percent of the retail space, including the H-E-B grocery store. We own this project through a limited partnership with third-party equity investors. Refer to Note 2 for further discussion.

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

West Killeen Market

In 2015, we acquired approximately 21 acres in Killeen, Texas, to develop the West Killeen Market project, an H-E-B shadow-anchored retail project and sold 11 acres to H-E-B. The project encompasses 44,493 square feet of commercial space and three pad sites adjacent to a 90,000 square-foot H-E-B grocery store. Construction at West Killeen Market was completed and the H-E-B grocery store opened in 2017. As of December 31, 2022, we had signed leases for approximately 74 percent of the retail space at West Killeen Market. During 2021, we sold a retail pad site for $0.8 million. During third-quarter 2022, we sold the last remaining retail pad site for $1.0 million.

New Caney

In 2018, we purchased a 38-acre tract of land, in partnership with H-E-B, in New Caney, Texas, originally planned for the future development of an H-E-B-anchored, mixed-use project. Subject to completion of development plans, we currently expect the New Caney project will include restaurants and retail services, totaling approximately 145,000 square feet, five pad sites and a 10-acre multi-family parcel planned for approximately 275 multi-family units. We finalized the lease for the H-E-B grocery store in March 2019, and upon execution of this lease, we acquired H-E-B's interests in the partnership for approximately $5 million. Due to changes in H-E-B's development timeline, the H-E-B lease was terminated in fourth-quarter 2022. We are currently working with another prospective retail anchor and do not plan to commence construction of the New Caney project prior to 2024.

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.

Competition

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

Revolving Credit Facility and Other Financing Arrangements

Obtaining and maintaining adequate financing is a critical component of our business. For information about our revolving credit facility and other financing arrangements, refer to “Capital Resources and Liquidity - Revolving Credit Facility and Other Financing Arrangements” in MD&A and Notes 2, 6 and 11.

Regulation and Environmental Matters

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

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

Corporate Responsibility

During 2022, with the oversight of the Nominating and Corporate Governance Committee of our Board, we posted to our website information regarding our corporate responsibility performance and objectives, including discussions about our human capital management, governance, sustainability objectives and related policies adopted by our Board. Our website is intended to provide information that may be of interest to investors and other stakeholders. None of the information on, or accessible through, our website is part of this Form 10-K or is incorporated by reference herein.

Human Capital

We believe that our employees are one of our greatest resources and that our diverse, dedicated and talented team is the foundation of our success and achievements. At December 31, 2022, we had a total of 31 employees, all of whom were full-time employees. We believe we have a good relationship with our employees, none of whom are represented by a union. In 2022, we adopted a new Labor and Human Rights Policy, recommended by our Board’s Nominating and Corporate Governance Committee and approved by our Board.

Beginning in 1996, certain services necessary for our business and operations, including certain administrative, financial reporting and other services, were performed by FM Services Company (FM Services) pursuant to a services agreement. FM Services is a wholly owned subsidiary of Freeport-McMoRan Inc. We and FM Services phased out and terminated the services agreement during 2022, and we are performing these functions in-house.

Sustainability

As a real estate development company centered in Austin, Texas, we understand the value that a healthy environment and healthy people bring to our projects, our company and our stakeholders. As a member of the U.S. Green Building Council (USGBC), we work along with council members with the goal of transforming the way buildings and communities are designed, built and operated in order to create environmentally and socially responsible properties for a more sustainable life. For more than 15 years, we have partnered with leaders in sustainable development, engineering and design, including, among others, USGBC and The Center for Maximum

Potential Building Systems. We have built a range of projects recognized as being on the leading edge of sustainable practices, including Block 21, the first mixed-use high rise tower in Austin to receive the USGBC LEED (Leadership in Energy & Environmental Design) Silver certification, and many of our residential communities and retail developments. Our Holden Hills residential development is being designed to focus on health and wellness, sustainability and energy conservation. We believe that our customers recognize our environmental stewardship and will continue to reward thoughtful and sustainable development. In 2022, we adopted a new Environmental Policy and Vendor Code of Conduct, recommended by our Board's Nominating and Corporate Governance Committee and approved by our Board.

Item 1A. Risk Factors

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

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

Risks Relating to our Business and Industry

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

In May 2022 we completed the sale of Block 21, which eliminated our Hotel and Entertainment segments. In 2021, we completed the sales of our stabilized multi-family properties, The Santal and The Saint Mary. These sales collectively generated after-tax cash flow of approximately $166 million. Our Board and management team engaged in a strategic planning process, and in third-quarter 2022 announced that, after streamlining our business through the sale of Block 21, we intend to continue our real estate development program, with our experienced team focusing on pure residential and residential-centric mixed-use projects in Austin and other select markets in Texas, which we believe continue to be attractive locations. In addition, our Board declared a special cash dividend totaling approximately $40 million on our common stock, paid on September 29, 2022, and approved a new share repurchase program, which authorizes us, in management's discretion, to repurchase up to $10 million of our common stock from time to time, subject to market conditions and other factors. As of March 27, 2023, $8.7 million of our common stock had been repurchased under the program and $1.3 million remained available under the program.

We cannot assure you that our current business strategy will be successful. Our development plans for future projects require significant additional debt and equity capital. We have increasingly raised equity capital from third parties through joint venture structures, which have their own risks as described below. We may not be able to obtain the funding necessary to implement our business strategy on acceptable terms or at all as further described below. Furthermore, our business strategy may not produce sufficient revenues even if we are able to obtain the necessary capital. Our main source of revenue and cash flow is expected to come from sales of our properties to third parties or to joint ventures in which we participate. Results of the past sales of our properties are not indicative of results of future sales. The timing of property sales and proceeds from such sales are difficult to predict and depend on market conditions and other factors. We also generate cash flow from rent in our leasing operations and from development and asset management fees received from our properties. However, due to the nature of our development-focused business, we do not expect to generate sufficient recurring cash flow to cover our general and administrative expenses each period. Our long-term success will depend on our ability to profitably execute our development plans over time.

Increases in construction and labor costs, supply chain constraints, higher borrowing costs and tightening bank credit are having an adverse impact on us and may continue to do so.

Our industry has been experiencing construction and labor cost increases, supply chain constraints, labor shortages higher borrowing costs and tightening bank credit. These factors have increased our costs, adversely impacted the projected profitability of our new projects, delayed the start of or completion of projects, adversely impacted our ability to raise equity capital on attractive terms and in our desired time frame and adversely impacted our ability to sell some properties at attractive prices in our desired time frame; these trends may continue or worsen.

On completed projects, we are experiencing increased borrowing costs on our variable rate debt and increased operating costs due to inflation. As of December 31, 2022, all of our consolidated debt was variable rate debt. For all of such debt other than the Comerica Bank revolving credit facility, the average interest rate increased for 2022 compared to 2021 and may continue to rise in the future if prevailing market interest rates continue to climb. Refer to Note 6 for additional information. Further increases in interest rates would further increase our interest costs and the costs of refinancing existing debt or incurring new debt, which would adversely affect our profits and cash flow. Our operating expenses impacted by inflation include contracted services for our properties such as janitorial and engineering services, utilities, repairs and maintenance and insurance. Inflation may cause the value of our properties to rise, which could lead to higher property taxes. High inflation or adverse economic conditions could have a negative impact on our tenants' ability to pay rent or absorb rent increases. Our general and administrative expenses include compensation costs, professional fees and technology services, all of which may increase due to inflation.

In addition, rising costs and delays in delivery of materials may increase the risk of default by contractors and subcontractors on ongoing construction projects. If we are unable to offset rising costs by value engineering or raising rents and sales prices, our profitability and cash flows would be adversely impacted, and we may be required to recognize additional impairment charges in the future. Further, these factors have caused and may continue to cause a decline in demand for our real estate, which could harm our business.

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

During 2022, the U.S. economy experienced steep rises in inflation and interest rates. Russia began a full-scale invasion of Ukraine in February 2022, causing global economic disruptions. These economic disruptions may continue or worsen in the future. Periods of economic uncertainty, weakness or recession; declining employment levels; declining consumer confidence and spending; declining access to capital; global instability; or the public perception that any of these events or conditions may occur, be present or worsen, may negatively affect our business. These economic conditions can result in a general decline in real estate acquisition, disposition, development and leasing activity, a general decline in the value of real estate and in rents, and increases in tenant defaults. Our business is especially sensitive to economic conditions in the Austin, Texas area, where the majority of our properties are located. As a result of a decline in economic conditions, the value of our real estate may be reduced, increasing the risk for additional asset impairments, our development projects may continue to be delayed or we may experience a decline in demand for our real estate, and we could realize losses or diminished profitability.

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

Our real estate operations are primarily located in the Austin, Texas area. While our real estate operations have expanded to include select markets in Texas outside of the Austin area, the geographic concentration of the majority of our operations and of the properties we may have under development at any given time means that our business is more vulnerable to negative changes in local economic, regulatory, weather and other conditions than the businesses of larger, more diversified companies. The performance of the Austin area's economy and our other select markets in Texas greatly affects our revenue and the values of our properties. We cannot assure you that these markets will continue to grow or that underlying real estate fundamentals will be favorable in these markets. Further, negative changes in Austin demographic trends can result in Austin becoming a less desirable place for individuals, families and businesses to relocate, making it more difficult for us to sell or rent our properties, increase rents and retain tenants. As a result of our geographic concentration and focus on residential, residential-centric mixed-use, and retail projects in Austin, we may be exposed to greater risks than if our investment focus was based on more diversified types of properties and in more diversified geographic areas. Refer to "Overview of Financial Results for 2022 - Real Estate Market Conditions" in Part II, Items 7. and 7A. for more information.

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

Our industry is capital-intensive and requires significant up-front expenditures to secure land and pursue development and construction. We have relied on cash flow from operations and our debt agreements as our primary sources of funding. We have also relied on third-party project-level equity financing of our subsidiaries, which we expect to continue to increase in the future. Our ability to raise additional capital in the future will depend

on conditions in the equity and debt markets, general economic and real estate conditions and our financial condition, performance and prospects, among other factors, many of which are not within our control. We may not be able to raise additional capital on acceptable terms if at all. Any inability to raise additional capital when needed for existing or future projects could delay or terminate future projects, hinder our ability to complete projects, and prevent us from refinancing debt obligations, which could have a material adverse effect on our business, financial condition and results of operations.

The failure of any bank in which we deposit our funds could have an adverse impact on our financial condition, liquidity and operations.

The Federal Deposit Insurance Corporation insures bank accounts in amounts up to only $250,000 per depositor per insured bank. We currently have cash and cash equivalents deposited in certain banks in excess of federally insured limits. If any of the banking institutions in which we have deposited funds fails, we may lose our deposits in excess of $250,000. The failure of a bank with which we do business may also disrupt our ability to access deposits and other services provided to us by the bank. The loss of, or inability to access, our deposits or other banking services may have a material adverse effect on our financial condition, liquidity and operations. For additional information, refer to Management's Discussion and Analysis of Financial Condition and Results of Operations – Capital Resources and Liquidity.

The ongoing COVID-19 pandemic may continue to challenge our business and any future major public health crisis could adversely affect our business.

The U.S. and other countries have experienced, and may experience in the future, outbreaks of contagious diseases or other health crises that affect public health and public perception of health risk. For example, the ongoing COVID-19 pandemic and the public health response to minimize its impact have had significant disruptive effects on global economic and market conditions. Many industries, including ours, have been experiencing related supply chain disruptions and labor shortages. In addition, inflation and interest rates increased significantly during 2022 and may continue to do so in 2023.

The COVID-19 pandemic disrupted the operations of our retail tenants, and during 2020, we proactively engaged with our project lenders in connection with formulating rent deferral arrangements for our tenants and obtaining concessions under our debt agreements. We cannot predict the extent to which individuals and businesses may voluntarily restrict their activities, the extent to which governments may reinstitute restrictions, nor the extent to which evolving COVID-19 pandemic developments may have an adverse impact on the economy or our business. Further, any future major public health crisis could have a material adverse impact on our business, results of operations and financial condition.

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

We have formed strategic relationships with key tenants as part of our overall strategy for particular retail and mixed-use development projects and may enter into other similar arrangements in the future. For example, our West Killeen Market, Jones Crossing, Kingwood Place and Magnolia Place mixed-use development projects are each anchored by an H-E-B grocery store. We finalized a lease for the H-E-B grocery store at our New Caney development project in March 2019; however, due to changes in H-E-B's development timeline, the H-E-B lease was terminated in fourth-quarter 2022. We are currently working with another prospective retail anchor and do not plan to commence construction prior to 2024. Any deterioration in our relationship with H-E-B or our inability to form and retain strategic relationships with key tenants or enter into other similar arrangements in the future could adversely affect our business. If we are unable to renew a lease we have with a key tenant at one of our properties, or to re-lease the space to another key tenant of similar or better quality, we could experience material adverse consequences with respect to such property, such as a higher vacancy rate, less favorable leasing terms, reduced cash flow and reduced property values. Similarly, if one or more of our key tenants becomes insolvent or enters into bankruptcy proceedings, our business could be materially adversely impacted.

Loss of key personnel could negatively affect our business.

We depend on the experience and knowledge of our executive officers and other key personnel who guide our strategic direction and execute our business strategy, have extensive market knowledge and relationships, and

exercise substantial influence over our operations. Among the reasons that these individuals are important to our success is that each has a regional industry reputation that attracts business and investment opportunities and assists us in negotiations with lenders, existing and potential tenants, community stakeholders and industry personnel. The loss of any of our executive officers or other key personnel could negatively affect our business.

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

We have increased our use of third-party equity financing of our subsidiaries' development projects. We expect to continue to fund development projects through the use of such joint ventures. Joint ventures involve risks not present with our wholly-owned properties, including but not limited to, the possibility the other joint venture partners may possess the ability to take or force action contrary to our interests or withhold consent contrary to our requests, have business goals which are or become inconsistent with ours, or default on their financial obligations to the joint venture, which may require us to fulfill the joint venture's financial obligations as a legal or practical matter. We and our joint venture partners may each have the right to initiate a buy-sell arrangement, which could cause us to sell our interest, or acquire a joint venture partner's interest, at a time when we otherwise would not have entered into such a transaction. In addition, a sale or transfer by us to a third party of our interests in the joint venture may be subject to consent rights or rights of first refusal in favor of our partners which would restrict our ability to dispose of our interest in the joint venture. Each joint venture agreement is individually negotiated, and our ability to operate, finance, or dispose of a joint venture project in our sole discretion is limited to varying degrees depending on the terms of the applicable joint venture agreement. Refer to Note 2 for further discussion of our investments in joint ventures.

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

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

Failure to succeed in new markets may limit our growth.

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

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

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

become liable for injuries and accidents at our properties that are underinsured. A significant uninsured loss or increase in insurance costs could materially and adversely affect our business, liquidity, financial condition and results of operations.

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

Many of our business processes and records depend on technology systems to conduct day-to-day operations and lower costs, and therefore, we are vulnerable to the increasing threat of information technology disruptions and cybersecurity breaches. We also utilize the services of a number of independent contractors, such as general construction contractors, engineers, architects, leasing agents and attorneys, and their businesses are also vulnerable to the increasing threat of information technology disruptions and cybersecurity breaches. These risks include, but are not limited to, installation of malicious software, phishing, ransomware, credential attacks, unauthorized access to data and other electronic security breaches that could lead to disruptions in systems, unauthorized release of confidential or otherwise protected information, employee theft or misuse of confidential or otherwise protected information and the corruption of data. Increased use of remote work and virtual platforms may increase our risk of cybersecurity breaches. Our systems and those of our contractors are also vulnerable to damage or interruption from fire, floods, power loss, telecommunications failures, computer viruses, break-ins and similar events. A significant theft, loss, loss of access to, or fraudulent use of employee, tenant or other company data could adversely impact our reputation and could result in a loss of business, as well as remedial and other expenses, fines, and litigation. There can be no assurance that our security efforts and measures and those of our independent contractors will be effective.

We have experienced targeted and non-targeted cybersecurity incidents in the past and may experience them in the future. While these cybersecurity incidents did not result in any material loss to us or interrupt our day-to-day operations as of March 27, 2023, there can be no assurance that we will not experience any such losses in the future. Further, as cybersecurity threats continue to evolve and become more sophisticated, we may be required to expend significant additional resources to continue to modify or enhance our protective measures or to investigate and remediate any vulnerabilities to cybersecurity threats.

We cannot assure you that we will receive the $6.9 million held in escrow from our sale of Block 21 in May 2022.

In order to secure our subsidiaries' responsibilities for the accuracy of certain representations and warranties in the agreements governing the sale of Block 21, $6.9 million of the purchase price was held in escrow for 12 months after the closing, subject to a longer retention period with respect to any required reserve for pending claims. The $6.9 million is reflected in restricted cash in our consolidated balance sheet for the year ended December 31, 2022. We cannot assure you that we will eventually receive all or any of the amounts held in escrow.

Risks Relating to our Indebtedness

We have significant amounts of debt, may incur additional debt, and need significant amounts of cash to service our debt. If we are unable to generate sufficient cash to service our debt, our liquidity, financial condition and results of operations could be negatively affected.

As of December 31, 2022, our outstanding debt totaled $122.8 million and our cash and cash equivalents totaled $37.7 million. Except for our Comerica Bank revolving credit facility, all of our loans are project-level loans. Our project loans are generally secured by all or substantially all of the assets of the project, and our Comerica Bank revolving credit facility is secured by substantially all of our assets other than those encumbered by separate project-level financing. Stratus, as the parent company, is typically required to guarantee the payment of the project loans, in some cases until certain development milestones and/or financial conditions are met, and in some cases on a full recourse basis and in other cases on a more limited recourse basis. As of December 31, 2022, Stratus, as the parent company, guaranteed the payment of all of the project loans, except for the Jones Crossing loan and Lantana Place construction loan. Refer to Note 6 for additional discussion.

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

- Increase our vulnerability to adverse changes in economic and industry conditions;

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

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

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

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

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

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

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

Risks Relating to Real Estate Operations

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

The U.S. real estate industry is highly cyclical and is affected by global, national and local economic conditions, general employment and income levels, availability of financing, inflation, interest rates, and consumer confidence and spending. As discussed above, our industry was adversely impacted during 2022 by rising inflation and interest rates, which may continue in 2023 and beyond. Our Holden Hills project involves the development of residential lots. Our ability to successfully monetize our investment in developed lots will depend on the availability and cost of financing for purchasers of the lots, for residential construction and for homebuyers, which may be adversely impacted by rising interest and mortgage rates. There has generally been a decline over time in the brick-and-mortar retail industry due to increases in on-line shopping, which generally has had an adverse impact on retail development projects. Other factors that may impact real estate businesses include over-building, changes in traffic patterns, changes in demographic conditions, changes in tenant and buyer preferences and changes in government requirements, including tax law changes and changes in zoning laws. These factors are outside of our control and may have a material adverse effect on our business, profits and the timing and amounts of our cash flows.

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

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

- inability to obtain entitlements;
- inability to obtain financing on acceptable terms;
- cost increases or overruns;
- default by any of the contractors we engage to construct our projects;
- site accidents; and
- failure to secure tenants or residents in the anticipated time frame, on acceptable terms, or at all.

We can provide no assurances that we will complete any of the projects in our development pipeline on the anticipated schedule or within the budget, or that, once completed, these properties will achieve the results that we expect. Under our construction loans, advances are typically made in accordance with established budget allocations, and if the lender deems that the undisbursed proceeds of the loan are insufficient to meet the costs of completing the project, the lender may decline to make additional advances until the borrower deposits with the lender sufficient additional funds to cover the deficiency. If the development of our projects is not completed in accordance with our anticipated timing or cost, or the properties fail to achieve the financial results we expect, it could have a material adverse effect on our business, financial condition, results of operations and cash flows and ability to repay our debt, including project-related debt.

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

We own a substantial amount of undeveloped land and land under development. If demand for undeveloped real estate, or retail, residential or multi-family properties deteriorates, we may not be able to develop or complete development of our land profitably, may not be able to fully recover the costs of some of the land we own, may choose to forfeit deposits on land controlled through options or purchase contracts, and may choose to sell land for prices lower than our costs, which may cause losses or additional impairment charges.

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

Real estate is a relatively illiquid asset. It may be difficult for us to sell our real estate quickly if the need or desire arises, at prices or on terms we find acceptable. This may limit our ability to make rapid adjustments in the size and content of our portfolio of assets in response to changes in economic or other conditions, may constrain our ability to pay our debts, and may lead to losses or additional impairment charges. Refer to "Critical Accounting Estimates" in Part II, Items 7. and 7A. for more information.

Significant competition could have an adverse effect on our business.

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

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

Real estate projects must generally comply with local land development regulations and may need to comply with state and federal regulations. Before we can develop a property, we must obtain a variety of approvals from local and state governments with respect to such matters as zoning and other land use entitlements and issues, and subdivision, site planning and environmental issues under applicable regulations. Obtaining all of the necessary permits and entitlements to develop a parcel of land is often difficult and costly, and may take several years or more to complete. In some situations, we may be unable to obtain the necessary permits and/or entitlements to proceed with a real estate development or may be required to alter our plans for the development. In addition, the zoning that ultimately is approved could include density provisions that would limit the number of homes and other structures that could be built within the boundaries of a particular area. Any of these may limit, delay or increase the costs of acquisition of land and development of our properties. Because government agencies and special interest groups from time to time express concerns about certain of our development plans, and in the future may express similar concerns, our ability to develop these properties and realize future income from our properties could be delayed, reduced, prevented or made more expensive. In addition, any failure to comply with these laws or regulations could result in capital or operating expenditures or significant financial penalties or restrictions on our operations that could adversely affect present and future operations or our ability to sell our properties, and thereby, our financial condition, results of operations and cash flows. Further, the contractors and/or subcontractors we rely on to perform the construction of our properties are also subject to a significant number of local, state and federal laws and regulations, including laws involving matters that are not within our control. If they fail to comply with all applicable laws, we can suffer reputational damage, and may be exposed to potential liability.

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

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

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

property damage associated with exposure to released hazardous substances. The cost of defending against claims of liability, of compliance with environmental regulatory requirements, of remediating any contaminated property, or of paying personal injury claims could materially adversely affect our business, assets or results of operations.

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

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

Risks Relating to Leasing Operations

Unfavorable changes in market and economic conditions could negatively affect occupancy or rental rates, which could negatively affect our results of operations and ability to service our debt.

In 2022 and 2021, our leasing operations primarily involved the lease of retail space to tenants in a variety of businesses at retail and mixed-use properties that we developed, and the lease of residences in multi-family projects that we developed.

The average occupancy rates and rents at properties we develop and lease, particularly those that are newly constructed or have not stabilized, may fail to meet our original expectations for a number of reasons, including changes in market and economic conditions, the development by competitors of competing retail or housing alternatives, or our inability to achieve stabilization of a property on schedule, any of which may result in increased construction and financing costs and a decrease in expected rental revenues.

A decline in real estate market and economic conditions could adversely affect occupancy or rental rates, which could adversely affect our profitability and our ability to satisfy our financial obligations. The risks that could affect conditions in our markets include the following:

- Local conditions in the market, such as an oversupply of, or decrease in demand for, retail space or residential rental properties, or increased competition from other available retail buildings or multi-family complexes;
- The inability or unwillingness of tenants to pay their current rent or rent increases; and
- Declines in market rental rates.

Our rental revenues may be lower as a result of lower average occupancy rates, increased turnover, reduced rental rates, increased concessions and potential increases in uncollectible rent. In addition, we continue to incur expenses such as maintenance costs, insurance costs and property taxes, whether or not a property is occupied. Further, we may experience increases in our operating expenses, some or all of which may be out of our control. We cannot predict with certainty whether any of these conditions will occur or whether, and to what extent, they will have an adverse effect on our operations.

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

We face competition in attracting tenants to choose our retail and mixed-use projects over those of other developers and owners of similar properties. If our competitors offer space at rental rates below our current rates or the market rates, we may lose current or potential tenants to other properties in our markets and we may need to reduce rental rates below our current rates in order to retain tenants upon expiration of their leases. Increased competition for tenants may require us to make improvements to properties beyond those that we would otherwise have planned to make. As a result, our results of operations and cash flow may be adversely affected. Once entered into, our retail leases typically range from five to ten years or longer. We may be unable to renew existing leases as they come due. Adverse market or economic conditions that negatively impact our tenants' businesses, particularly our key tenants, could adversely impact their ability to meet their obligations under the leases or to renew the leases. Additionally, the loss or failure to renew a key tenant may make it more difficult to lease or renew leases on the remainder of the affected properties. Our retail tenants face continual competition in attracting customers, often including from online competitors. If we are unable to lease our retail properties, collect rent payments from tenants or re-lease space on comparable or more favorable terms, such failure could have a material adverse effect on our financial condition and ability to service our debt obligations.

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

We also face competition in attracting tenants to our multi-family projects, including from other multi-family properties as well as from condominiums and single-family homes available for rent or purchase. Once entered into, our multi-family leases are typically for a term of 12 months. As these leases typically permit the residents to leave at the end of the lease term without penalty, our rental revenues are impacted by declines in market rents more quickly than if our leases were for longer terms. Further, we may be unable to renew existing leases as they come due. Adverse economic conditions that negatively impact our tenants' employment could adversely impact our tenants' ability to pay rent and/or cause tenants and potential tenants to prefer housing alternatives with lower rents. In addition, economic developments that favor home ownership over renting, such as low or declining interest rates, favorable or improving mortgage terms or a strong or strengthening job market, could also have an adverse impact on the profitability of our multi-family properties.

Risks Relating to Ownership of Shares of Our Common Stock

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

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

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

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

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

Holders of our common stock are entitled to receive dividends only when and if they are declared by our Board. Further, our Comerica Bank debt agreements prohibit us from paying a dividend on our common stock without the

bank's prior written consent. Although we declared special cash dividends on our common stock in March 2017 and September 2022 after receiving written consents from Comerica Bank, we may not pay special cash dividends in the future. Comerica Bank's consents to the payment of dividends in March 2017 and September 2022 are not indicative of the bank's willingness to consent to the payment of future dividends.

Additionally, our Comerica Bank debt agreements contain a restrictive covenant limiting common stock repurchases to $1.0 million in the aggregate during the term of the agreements. Any repurchases of our common stock in excess of $1.0 million would require a waiver from Comerica Bank. During third-quarter 2022, we received written consent from Comerica Bank in order to implement our $10 million share repurchase program; as of March 27, 2023, $1.3 million remained available to repurchase shares under the program. Comerica Bank's consent to the $10 million share repurchase program in 2022 is not indicative of the bank's willingness to consent to any future share repurchases. 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. Our share repurchase program does not obligate us to repurchase any specific amount of shares, does not have an expiration date, and may be suspended, modified or discontinued at any time without prior notice, which may decrease the trading price of our common stock.

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

Item 1B. Unresolved Staff Comments

None.

Item 3. Legal Proceedings

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

Item 4. Mine Safety Disclosures

Not applicable.

Information About Our Executive Officers

Certain information as of March 27, 2023, regarding our executive officers is set forth in the following table and accompanying text. Each of our executive officers serves at the discretion of our Board of Directors.

Name	Age	Position or Office
William H. Armstrong III	58	Chairman of the Board, President and Chief Executive Officer
Erin D. Pickens	61	Senior Vice President and Chief Financial Officer

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

Ms. Pickens has served as our Senior Vice President since May 2009 and as our Chief Financial Officer since June 2009. Ms. Pickens previously served as Executive Vice President and Chief Financial Officer of Tarragon Corporation from November 1998 until April 2009, and as Vice President and Chief Accounting Officer from September 1996 until November 1998 and Accounting Manager from June 1995 until August 1996 for Tarragon and its predecessors. Ms. Pickens is a licensed Certified Public Accountant. Ms. Pickens is an active member of the American Institute of Certified Public Accountants and the Texas Society of Certified Public Accountants.

PART II

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

Common Stock

Our common stock trades on The Nasdaq Stock Market (NASDAQ) under the symbol "STRS." As of March 27, 2023, there were 307 holders of record of our common stock including participants in security position listings.

Common Stock Dividends and Share Repurchase Program

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

In 2022, our Board approved a new share repurchase program, which authorizes repurchases of up to $10.0 million of our common stock, after receiving the consent of Comerica Bank. As of March 27, 2023, $1.3 million remained available under the program. Our Comerica Bank debt agreements contain a restrictive covenant limiting common stock repurchases to $1.0 million in the aggregate during the term of the agreements. Any repurchases of our common stock outside of our approved $10 million share repurchase program would require a waiver from Comerica Bank. Refer to Part I, Item 1A. "Risk Factors" for further discussion.

Unregistered Sales of Equity Securities

None.

Issuer Purchases of Equity Securities

The following table sets forth information with respect to shares of our common stock that we repurchased under our $10.0 million share purchase program during the three months ended December 31, 2022.

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs [a]	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs [a]
October 1, 2022 through October 31, 2022	47,428	$ 23.34	47,428	$ 8,095,096
November 1, 2022 through November 30, 2022	197,552	28.34	197,552	2,503,567
December 1, 2022 through December 31, 2022	15,762	23.33	15,762	2,135,797
Total	260,742	$ 27.10	260,742	$ 2,135,797

a. On September 2, 2022, we announced that our Board approved a new 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 March 27, 2023, we have acquired 335,703 shares of our common stock for a total cost of $8.7 million at an average price of $25.93 per share, and $1.3 million remains available for repurchases under the program.

Item 6. Reserved

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

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

OVERVIEW

We are a diversified real estate company with headquarters in Austin, Texas. We are engaged primarily in the acquisition, entitlement, development, management, leasing and sale of multi-family and single-family residential real estate properties and commercial properties in the Austin, Texas area and other select, fast-growing markets in Texas. Our portfolio includes approximately 1,600 acres of undeveloped acreage and acreage under development for commercial and multi-family and single-family residential projects, as well as several completed commercial and residential properties. We generate revenues and cash flows from the sale of our developed and undeveloped properties and the lease of our retail, mixed-use and multi-family properties. Refer to "Part I, Items 1. and 2. "Business and Properties," and Note 10 for further discussion of our operating segments and "Business Strategy" below for a discussion of our business strategy.

BUSINESS STRATEGY

Our primary business objective is to create value for stockholders by methodically developing and enhancing the value of our properties and then selling them or holding them for lease. 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 believe that Austin and other select, fast-growing markets in Texas continue to be attractive locations. Many of our developments are in locations where development approvals have historically been subject to regulatory constraints, which has made it difficult to obtain or change entitlements. Most of our Austin properties, which are located in desirable areas with significant regulatory constraints, are entitled and have utility capacity for full buildout. As a result, we believe that through strategic planning, development and marketing, we can maximize and fully realize their value.

We produced net income attributable to common stockholders of $90.4 million in 2022, a record for the company. Our results for 2022 reflect our strong performance in executing on our successful development program:

- In May 2022, we completed the sale of Block 21 to Ryman Hospitality Properties, Inc. (Ryman) for $260.0 million, subject to certain purchase price adjustments, and including Ryman's assumption of $136.2 million of existing mortgage debt, with the remainder paid in cash. 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 2022.
- In September 2022, after receiving written consent from Comerica Bank, our Board of Directors (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. Our Board also approved a new share repurchase program, which authorizes repurchases of up to $10.0 million of our common stock. The repurchase program authorizes us, in management's discretion, to repurchase shares from time to time, subject to market conditions and other factors.

- During 2022, we sold various parcels of real estate and two Amarra Villas homes, for a total of $24.6 million.

After streamlining our business through the sale of Block 21, our Board decided to continue our successful development program, with our proven team focusing on pure residential and residential-centric mixed-use projects in Austin and other select markets in Texas. As part of re-focusing our business, during third-quarter 2022, we completed the sale of substantially all of our non-core assets.

Besides the potential additional $10.0 million capital that we may be required to contribute to our Holden Hills limited partnership, we do not currently have any material commitments to contribute additional cash to our joint venture projects or wholly owned development projects. However, our development plans for future projects require significant additional capital. Historically, we relied primarily on cash flow from operations and debt financing as our primary sources of funding for our liquidity needs. More recently, we have increasingly relied on third-party project-level equity financing of our development projects. Some of our recent joint ventures include:

- In July 2021, an equity investor acquired a 65.87 percent interest in The Saint June limited partnership for $16.3 million;
- In September 2021, equity investors acquired an aggregate 69 percent interest in the Block 150 limited partnership for $11.7 million;
- In December 2021, an equity investor acquired a 90.0 percent interest in The Saint George limited partnership for $18.3 million and in July 2022, the equity investor contributed an additional $15.0 million; and
- In January 2023, an equity investor acquired a 50 percent interest in the Holden Hills limited partnership for $40.0 million.

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. Our investment strategy focuses on projects that we believe will provide attractive long-term returns, while limiting our financial risk.

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 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, as evidenced by our recent sales of The Saint Mary, The Santal and Block 21 described in this report. 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.

During 2022, we explored a potential sale or refinancing of Kingwood Place, Jones Crossing and West Killeen Market. However, we decided to retain these cash-flowing properties given challenging current market conditions. 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. 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 tightened bank credit and 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 FOR 2022

Sources of revenue and income. 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 operating segments, along with some leasing operations, is reflected as discontinued operations in the Consolidated Statements of Income for the years ended December 31, 2021 and 2022. We operate primarily in Austin, Texas and in other select, fast-growing markets in Texas.

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

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

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

Summary financial results for 2022. Our net income attributable to common stockholders totaled $90.4 million, or $10.99 per diluted share, for 2022, compared to a net income attributable to common stockholders of $57.4 million, $6.90 per diluted share, for 2021. Higher net income for 2022, compared to our net income in 2021, is primarily the result of income from discontinued operations totaling $96.8 million related to the sale of Block 21 in 2022. Our results for 2021 included a $106.0 million pre-tax gain on sale of assets related to the sale of The Saint Mary and The Santal. Refer to Note 4 for additional discussion. Our total stockholders' equity increased from $98.9 million at December 31, 2020 to $207.2 million at December 31, 2022.

Our revenues totaled $37.5 million for 2022, compared with $28.2 million for 2021. The increase in revenues in 2022, compared with 2021, primarily reflects the sales of undeveloped real estate properties as well as two completed Amarra Villas homes in our Real Estate Operations segment partially offset by a decrease in leasing revenue following the sale of The Santal in 2021.

At December 31, 2022, we had total debt of $122.8 million and consolidated cash and cash equivalents of $37.7 million. In first-quarter 2023, we received $35.8 million in cash from the Holden Hills partnership. We believe we will have sufficient cash, cash flow and sources of debt financing to meet our cash requirements for at least the next 12 months. Refer to "Capital Resources and Liquidity" and Notes 2, 6 and 11 for additional discussion.

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

In addition to the traditional influence of state and federal government employment levels on the local economy, the Austin-Round Rock, Texas area (Austin-Round Rock) has been influenced by growth in the technology sector. Large, high-profile technology companies have expanded their profile in Austin-Round Rock recently as the technology sector has clustered in this market. The COVID-19 pandemic and the increase in remote work has also resulted in population increases in Texas and within the Austin area. Based on a December 2021 U.S. Census report, the state of Texas had the largest population gain of any U.S. state between July 2020 and July 2021. There has generally been a decline over time in the brick-and-mortar retail industry due to increases in on-line shopping,

which accelerated during the pandemic. We have generally responded to these retail trends by incorporating more multi-family residential space and more food and beverage and entertainment space into our development plans.

According to the 2020 U.S. Census (the most recent complete census), the population of the Austin-Round Rock area increased by approximately 33 percent and added over half a million residents to become the fastest-growing large metro area in the U.S. from 2010 through 2020. As of 2020, the Austin-Round Rock area had a population of approximately 2.3 million people. In addition, 93 percent of the housing units were occupied in the Austin-Round Rock area, which was higher than average occupancy rates for the U.S. and Texas. In 2022, the American Growth Project ranked Austin as the second-fastest-growing city in the United States.

According to data provided by the U.S. Census Bureau, the median family income levels in the Austin-Round Rock area increased by 14 percent over a three-year period from 2016 to 2019 (the most recently available information). The expanding economy resulted in rising demand for residential housing and retail services. Property tax and sales tax receipts rose by 44 percent and 16 percent, respectively, in the city of Austin during fiscal year 2016 through fiscal year 2020. The median home value in Austin increased from $349,156 in August 2020 to $566,479 in August 2022, with average multi-family rents rising 10 percent year over year, according to the American Growth Project.

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

	December 31,	
Building Type	2022	2021
Office Buildings (Class A) [a]	18.9 %	20.7 %
Multi-Family Buildings [b]	3.6 %	5.3 %
Retail Buildings [b]	3.4 %	4.5 %

a. CB Richard Ellis: Austin MarketView

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

During 2022, the U.S. economy experienced steep rises in inflation and interest rates. Our industry has been experiencing construction and labor cost increases, supply chain constraints, labor shortages, higher borrowing costs and tightening bank credit. The Austin and Texas economies and populations may not continue to grow at the same rate as in recent periods and may decline. Refer to Item 1A. Risk Factors for further discussion.

CRITICAL ACCOUNTING ESTIMATES

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

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

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

We recorded impairment losses on real estate totaling $0.7 million and $1.8 million during 2022 and 2021, respectively.

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

We regularly evaluate the recoverability of our deferred tax assets, considering available positive and negative evidence, including earnings history and the forecast of future taxable income. During 2021, we recorded a $4.2 million non-cash credit to reduce the valuation allowance on our deferred tax assets related to Block 21 because of its pending sale. We had deferred tax assets (net of deferred tax liabilities and valuation allowances) totaling $38 thousand at December 31, 2022. Refer to Note 7 for further discussion.

Profit Participation Incentive Plan and Long-Term Incentive Plan. Refer to Notes 1 and 8 for our accounting policies related to the Stratus Profit Participation Incentive Plan (PPIP). During 2022, we recorded $2 thousand to project development costs ($0.4 million in 2021) and charged $0.5 million to general and administrative expenses ($9.8 million in 2021) related to the PPIP. The accrued liability for the PPIP totaled $3.0 million at December 31, 2022 (included in other liabilities). The most significant assumptions in the estimation of the $3.0 million PPIP liability at December 31, 2022 were estimated capitalization rates ranging from 4.3 percent to 7.5 percent, expected remaining service periods ranging from 0.5 to 3.3 years, and estimated transaction costs ranging from 1.3 percent to 7.9 percent of sale prices. These assumptions for the PPIP liability as of December 31, 2021 were estimated capitalization rates ranging from 6.0 percent to 7.5 percent, expected remaining service periods ranging from 1.5 to 3.4 years, and estimated transaction costs ranging from 2.0 percent to 6.8 percent. Of the $15.2 million liability as of December 31, 2021, $8.8 million was related to properties sold in 2021 and was based on actual sale prices and transaction costs. PPIP awards were granted during 2022 for The Saint June, a multi-family property, which resulted in the lower estimated capitalization rate and transaction costs in the range of assumptions in 2022.

RECENT DEVELOPMENT ACTIVITIES

Residential. As of December 31, 2022, the number of our residential lots/units that are developed, under development and available for potential development by area are shown below:

	Residential Lots/Units			
	Developed	Under Development	Potential Development [a]	Total
Barton Creek:				
Amarra Drive:				
Phase III lots	2	—	—	2
Amarra Villas [b]	—	11	—	11
The Saint June	—	182	—	182
Other homes	—	—	10	10
Holden Hills	—	—	475	475
Section N [c]	—	—	1,412	1,412
Other Barton Creek sections	—	—	2	2
Circle C multi-family	—	—	56	56
The Annie B	—	—	316	316
The Saint George	—	316	—	316
Lakeway	—	—	270	270
Lantana [d]	—	—	306	306
Jones Crossing [d]	—	—	275	275
Magnolia Place [d]	—	—	875	875
New Caney [d]	—	—	275	275
Total Residential Lots/Units	2	509	4,272	4,783

a. Our development of the properties identified under the heading “Potential Development” is dependent upon the approval of our development plans and permits by governmental agencies, including the city of Austin and other cities in our Texas markets. Those governmental agencies may not approve one or more development plans and permit applications related to such properties or may require us to modify our development plans. Accordingly, our development strategy with respect to those properties may change in the future. While we may be proceeding with approved infrastructure projects or planning activities for some of these properties, they are not considered to be “under development” for disclosure in this table until construction activities have begun, infrastructure work over the entire property has been completed, is currently being completed or is able to be completed and for which necessary permits have been obtained. Subsequent to December 31, 2022, we commenced construction on Holden Hills.

b. In March 2023, we completed and sold one Amarra Villas home for $2.5 million.

c. For further discussion of ongoing development planning that may result in increased densities for Section N, refer to “Barton Creek - Section N” below.

d. For a discussion of this project, refer to Items 1. and 2. “Business and Properties.”

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

Barton Creek

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

In 2015, we completed the development of the Amarra Drive Phase III subdivision, which consists of 64 lots on 166 acres. In 2021, we sold three lots. As of December 31, 2022, two developed Phase III lots remained unsold.

Amarra Multi-family and Commercial. We also have multi-family and commercial lots in the Amarra development of Barton Creek. The Amarra Villas and The Saint June, both described below, are being developed on two of these multi-family lots. During 2021, we sold a five-acre multi-family tract of land for $2.5 million, and during 2022, we sold a six-acre multi-family tract of land for $2.5 million. As of December 31, 2022, we have one remaining undeveloped multi-family lot of approximately 11 acres and one undeveloped 22-acre commercial lot in inventory.

Amarra Villas. The Villas at Amarra Drive (Amarra Villas) is a 20-unit project within the Amarra development for which we completed site work in 2015. The homes average approximately 4,400 square feet and are being marketed as “lock and leave” properties, with golf course access and cart garages. We completed construction and sale of the first seven homes between 2017 and 2019. We began construction on the next two Amarra Villas homes in first-quarter 2020, one of which was completed and sold for $2.4 million in second-quarter 2022. In 2021, we began construction of one additional home and in 2022, we began construction on the remaining ten homes. In fourth-quarter 2022, we sold one home for $3.6 million. In March 2023, we completed and sold of one home for $2.5 million. Construction on the last ten units continue to progress, and as of March 27, 2023, one home was under contract to sell and nine Amarra Villas homes remain available for sale.

The Saint June. In June 2021, The Saint June, L.P. raised $16.3 million of equity from third-party investors and entered into an approximately $30 million construction loan. Refer to Notes 2 and 6 for additional discussion. 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 being built on approximately 36 acres and 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 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. 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 percent partner contributed $40.0 million in cash. The partnership distributed $35.8 million in cash to us in connection with these transactions. We expect to consolidate the Holden Hills limited partnership, and the contribution from our partner will be accounted for as a noncontrolling interest.

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 home sites, or may elect to build and sell, or build and lease, homes on some or all of the home sites, depending on financing and market conditions. Refer to Note 11 for further discussion.

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 greenspace amenity, which is expected to result in a significant increase in development density, as compared to our prior plans.

The Annie B

In September 2021, we purchased the land and announced plans for The Annie B, a proposed luxury high-rise rental project in downtown Austin. Stratus Block 150, L.P. raised $11.7 million in third-party equity capital and entered into a $14.0 million loan to finance part of the costs of land acquisition and budgeted pre-development costs for The Annie B. We continue to work to finalize our development plans with a goal of beginning construction in late 2023 or 2024, subject to obtaining financing and other market conditions. Refer to Notes 2 and 6 for additional discussion.

The Saint George

The Saint George is a luxury wrap-style multi-family project under construction on approximately four acres in north central Austin, with approximately 316 units comprised of studio, one and two bedroom units and an attached parking garage. We purchased the land and entered into third-party equity financing for the project in December

2021. We entered into a construction loan for the project in July 2022 and began construction in third-quarter 2022. We currently expect to achieve substantial completion by mid-2024. Refer to Notes 2 and 6 for further discussion.

Lantana Multi-Family

We have advanced development plans for the multi-family component of Lantana Place, a partially developed, mixed-use development project located south of Barton Creek in Austin. The multi-family component is now known as The Saint Julia and is expected to consist of 306 units. We currently do not expect to begin construction prior to 2024, and the project remains subject to financing and market conditions.

Kingwood Place

In October 2022, we closed the sale of a 10-acre multi-family tract of land planned for approximately 275 multi-family units for $5.5 million at Kingwood Place, an H-E-B, L.P (H-E-B) grocery anchored, mixed-use project in Kingwood, Texas. In connection with the sale, we made a $5.0 million principal payment on the Kingwood Place construction loan.

Other Residential

In 2022, we sold 28 acres of undeveloped residential land at Magnolia Place, an H-E-B grocery shadow-anchored, mixed-use project in Magnolia, Texas for $3.2 million. Also, 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 the end of 2023. 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 35 acres in Lakeway, Texas.

Commercial. As of December 31, 2022, the number of square feet of our commercial property developed, under development and our remaining entitlements for potential development are shown below:

	Commercial Property			
	Developed	Under Development	Potential Development [a]	Total
Barton Creek:				
Entry corner	—	—	5,000	5,000
Amarra retail/office	—	—	83,081	83,081
Section N	—	—	1,560,810	1,560,810
Circle C	—	—	660,985	660,985
Lantana:				
Lantana Place	99,379	—	—	99,379
Tract G07	—	—	160,000	160,000
Magnolia Place	18,582	—	15,000	33,582
West Killeen Market	44,493	—	—	44,493
Jones Crossing	154,117	—	104,750	258,867
Kingwood Place	151,855	—	—	151,855
New Caney	—	—	145,000	145,000
The Annie B [b]	—	—	8,325	8,325
Office building in Austin	—	—	7,285	7,285
Total Square Feet	468,426	—	2,750,236	3,218,662

a. Our development of the properties identified under the heading “Potential Development” is dependent upon the approval of our development plans and permits by governmental agencies, including the city of Austin and other cities in our Texas markets. Those governmental agencies may not approve one or more development plans and permit applications related to such properties or may require us to modify our development plans. Accordingly, our development strategy with respect to those properties may change in the future. While we may be proceeding with approved infrastructure projects or planning activities for some of these properties, they are not considered to be “under development” for disclosure in this table until construction activities have begun.

b. For a discussion of this project, refer to Items 1. and 2. “Business and Properties.”

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

Magnolia Place

The retail component of Magnolia Place 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 was substantially completed in 2022, with the exception of certain water supply upgrades and a storm water drainage pond, which are expected to be completed by the end of 2023, and the two retail buildings were turned over to our retail tenants to begin their finish-out process. We sold one retail pad site for $2.3 million in second-quarter 2022 and sold another retail pad site in third-quarter 2022 for $1.1 million, leaving up to seven remaining retail pad sites to be sold or ground leased. H-E-B completed construction and opened its 95,000-square-foot grocery store on an adjoining 18-acre site in fourth-quarter 2022.

In addition to our recent commercial development activity, 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 December 31, 2022, we had executed leases for approximately 74 percent of the 44,493-square-foot retail space. During third-quarter 2022, we sold the last remaining pad site for $1.0 million.
- *Jones Crossing* is our H-E-B-anchored mixed-use project in College Station, Texas, the location of Texas A&M University. As of December 31, 2022, we had signed leases for substantially all of the completed retail space, including the H-E-B grocery store, totaling 154,117 square feet. The Jones Crossing site has future development opportunities. As of December 31, 2022, we had approximately 23 undeveloped acres with estimated development potential of approximately 104,750 square feet of commercial space and four retail pad sites.
- *Lantana Place* is our mixed-use development project within the Lantana community south of Barton Creek in Austin, Texas. As of December 31, 2022, 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 December 31, 2022, 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.

Refer to Part I, Items 1. and 2. "Business and Properties" for further discussion.

RESULTS OF OPERATIONS

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

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

	Years Ended December 31,	
	2022	2021
Operating (loss) income:		
Real estate operations [a]	$ 164	$ (3,272)
Leasing operations [b]	9,621	111,369
Corporate, eliminations and other [c]	(17,548)	(24,437)
Operating (loss) income	$ (7,763)	$ 83,660
Interest expense, net	$ (15)	$ (3,193)
Net (loss) income from continuing operations	$ (7,077)	$ 69,457
Net income (loss) from discontinued operations [d]	$ 96,820	$ (6,208)
Net income attributable to common stockholders	$ 90,426	$ 57,394

a. Includes sales commissions and other revenues together with related expenses. Includes impairment charges for real estate properties of $0.7 million in 2022 and $1.8 million in 2021.

b. The year 2022 includes a $4.8 million pre-tax gain recognized on the reversal of accruals for costs to lease and construct buildings under a master lease arrangement that we entered into in connection with the sale of The Oaks at Lakeway in 2017. Refer to Note 4 under the heading “The Oaks at Lakeway” for additional discussion. The year 2021 includes the pre-tax gains on the December 2021 sale of The Santal of $83.0 million and the January 2021 sale of The Saint Mary of $22.9 million.

c. Includes consolidated general and administrative expenses and eliminations of intersegment amounts. The decrease in 2022 from 2021 is primarily the result of $4.0 million incurred for 2021 for consulting, legal and public relation costs for our successful proxy contest and the REIT exploration process in addition to $9.8 million incurred in 2021 for employee incentive compensation costs associated with the PPIP resulting primarily from an increased valuation for The Santal.

d. The year 2022 includes a $119.7 million pre-tax gain on the May 2022 sale of Block 21.

As a result of the sale of Block 21, we currently have two operating segments: Real Estate Operations and Leasing Operations (refer to Notes 4 and 10). The following is a discussion of our operating results by segment.

Real Estate Operations

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

	Years Ended December 31,	
	2022	2021
Revenues:		
Developed property sales	$ 5,982	$ 4,615
Undeveloped property sales	18,620	3,250
Commissions and other	148	601
Total revenues	24,750	8,466
Cost of sales, including depreciation	23,866	9,913
Impairment of real estate	720	1,825
Operating income (loss)	$ 164	$ (3,272)

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

	Years Ended December 31,					
	2022			2021		
	Lots/Units	Revenues	Average Cost per Lot/Unit	Lots/Homes	Revenues	Average Cost per Lot/Home
Barton Creek						
Amarra Drive:						
Amarra Villas homes	2	$ 5,982	$ 2,800	—	$ —	$ —
Phase III lots	—	—	—	3	2,215	299
W Austin Residences at Block 21:						
Condominium unit	—	—	—	1	2,400	1,721
Total Residential	2	$ 5,982		4	$ 4,615	

The increase in revenues from developed property sales for 2022, compared to 2021, reflects the sales of two Amarra Villas homes in 2022. In 2021, revenue included the sales of three developed Phase III lots and the sale of our last condominium unit at the W Austin Hotel & Residences. As of December 31, 2022, two developed Phase III lots remained unsold.

Undeveloped Property Sales. In 2022, we closed $18.6 million of undeveloped property sales consisting of (i) a 10 acre multi-family tract of land in Kingwood Place for $5.5 million, (ii) 28 acres of residential land at Magnolia Place for $3.2 million, (iii) a six-acre multi-family tract of land in Amarra Drive for $2.5 million, (iv) a retail pad site at Magnolia Place for $2.3 million, (v) a 0.3 acre tract of land in Austin for $1.6 million, (vi) a retail pad site at Magnolia Place for $1.1 million, (vii) a retail pad site at West Killeen Market for $1.0 million, (viii) a 2.4 acre tract of land in San Antonio for $0.8 million and (ix) a tract of land in Austin for $0.6 million. In 2021, we sold a five-acre multi-family tract of land in Amarra Drive for $2.5 million and a retail pad site at West Killeen Market for $0.8 million.

Real Estate Cost of Sales and Depreciation. Cost of sales includes cost of property sold, project operating and marketing expenses and allocated overhead costs. Cost of sales totaled $23.9 million in 2022 and $9.9 million in 2021. The increase in cost of sales in 2022, compared with 2021, primarily reflects an increase in undeveloped property sales over 2021.

Cost of sales for our real estate operations also includes significant recurring costs (including property taxes, maintenance and marketing), which totaled $6.6 million in 2022 and $5.8 million in 2021.

Impairment of Real Estate. During 2022, we recorded impairment charges totaling $720 thousand. These included a $650 thousand impairment charge related to the Amarra Villas and a $70 thousand impairment charge for the multi-family tract of land at Kingwood Place that sold for $5.5 million in October 2022.

During 2021, we recorded impairment charges totaling $1.8 million. These included $700 thousand of impairment charges related to the Amarra Villas, a $625 thousand impairment charge for the multi-family tract of land at Kingwood Place that was sold in 2022 and a $500 thousand impairment charge for an office building in Austin.

Leasing Operations

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

	Years Ended December 31,	
	2022	2021
Rental revenue	$ 12,754	$ 19,787
Rental cost of sales, excluding depreciation	4,439	9,030
Depreciation	3,506	5,358
Gain on sales of assets	(4,812)	(105,970)
Operating income	$ 9,621	$ 111,369

Rental Revenue. Rental revenue primarily includes revenue from our retail and mixed-use projects Lantana Place, Jones Crossing, Kingwood Place and West Killeen Market, and until its sale in December 2021, our multi-family project The Santal. The decrease in rental revenue in 2022, compared to 2021, primarily reflects the sale of The Santal in December 2021, partly offset by increased rental revenue at Lantana Place and Kingwood Place. The Santal had rental revenue of $8.7 million in 2021 prior to the sale.

Rental Cost of Sales and Depreciation. Rental costs of sales and depreciation expense decreased in 2022, compared to 2021, primarily as a result of the sale of The Santal.

Gain on Sales of Assets. For 2022, we recognized a gain on the reversal of accruals for costs to lease and construct buildings under a master lease arrangement that we entered into in connection with our sale of The Oaks at Lakeway in 2017. Refer to Note 4 under the heading “The Oaks at Lakeway” for further discussion.

In December 2021, our subsidiary sold The Santal for $152.0 million. After closing costs and payment of the outstanding project loan, the sale generated net proceeds of approximately $74 million. We recorded a pre-tax gain on sale of $83.0 million in 2021.

In January 2021, our subsidiary sold The Saint Mary for $60.0 million. After closing costs and payment of the outstanding construction loan, the sale generated net proceeds of approximately $34 million. After establishing a reserve for remaining costs of the partnership, we received $20.9 million from the subsidiary in connection with the sale and $12.9 million of the net proceeds were distributed to the noncontrolling interest owners. We recognized a pre-tax gain on the sale of $22.9 million ($16.2 million net of noncontrolling interests) in 2021.

Corporate, Eliminations and Other

Corporate, eliminations and other (refer to Note 10) includes consolidated general and administrative expenses, which primarily consist of employee compensation and other costs. Consolidated general and administrative expenses totaled $17.6 million in 2022 and $24.5 million in 2021. The decrease in general and administrative expenses in 2022, compared to 2021, occurred primarily because in 2021, we incurred $9.8 million in employee incentive compensation costs associated with the PPIP primarily for The Santal project and $4.0 million in consulting, legal and public relation costs for our successful proxy contest and the real estate investment trust exploration process. Corporate, eliminations and other also includes eliminations of intersegment amounts incurred by our operating segments.

Non-Operating Results

Interest Expense, Net. Interest costs (before capitalized interest) totaled $6.6 million in 2022 and $8.7 million in 2021. The decrease in interest costs in 2022, compared with 2021, primarily reflects a reduction in average debt balances, including the repayment of the outstanding balance on the Comerica Bank revolving credit facility and the repayment of The Santal loan partially offset by rising interest rates. All of our debt at December 31, 2022 was variable-rate debt, and for all of such debt other than the Comerica Bank revolving credit facility, the average interest rate increased for 2022 compared to 2021 and may continue to rise in the future if prevailing market interest rates continue to climb. Refer to Note 6 for additional information.

Capitalized interest totaled $6.6 million in 2022 and $5.5 million in 2021, and is primarily related to development activities at Barton Creek (primarily Section N, Holden Hills and Amarra Villas), The Annie B, The Saint George, The Saint June and Magnolia Place.

Net Gain on Extinguishment of Debt. We recorded a net gain of $1.5 million on extinguishment of debt in 2021 primarily associated with the forgiveness of substantially all of our PPP loan in third quarter 2021. This gain was partly offset by losses on the extinguishment of debt associated with the repayment of The Saint Mary construction loan upon the sale of the property in first-quarter 2021 and the refinancing of the Jones Crossing construction loan in second-quarter 2021, which resulted in the write-off of unamortized deferred financing costs.

Provision for Income Taxes. We recorded a provision for income taxes of $0.4 million in 2022 and $12.6 million in 2021. We had deferred tax assets (net of deferred tax liabilities and valuation allowances) totaling $38 thousand at December 31, 2022, and $6.0 million at December 31, 2021. Refer to Note 7 for further discussion of income taxes.

Total Comprehensive Loss (Income) Attributable to Noncontrolling Interests in Subsidiaries. Our partners' share of loss totaled $0.7 million in 2022 and our partner's share of income totaled $5.9 million in 2021. In 2021, our partners were allocated $6.7 million of the gain from the sale of The Saint Mary.

Discontinued Operations

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

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

Net income (loss) from discontinued operations totaled $96.8 million in 2022 and $(6.2) million in 2021. The net income for 2022 primarily reflects a $119.7 million pre-tax gain on the sale of Block 21. The net loss in 2021 reflects the negative impacts that the COVID-19 pandemic had on the Hotel and Entertainment operations within our discontinued operations.

CAPITAL RESOURCES AND LIQUIDITY

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

Comparison of Year-to-Year Cash Flows

Operating Activities. Cash used in operating activities totaled $55.3 million in 2022 and $53.6 million in 2021. Expenditures for purchases and development of real estate properties totaled $24.5 million in 2022, primarily related to development of our Barton Creek properties, particularly Amarra Villas and, to a lesser extent, Holden Hills, and $52.8 million in 2021, primarily related to the purchase of the land for The Annie B, the purchase of the property for The Saint George and development of our Barton Creek properties, including Amarra Villas. The $62.0 million decrease in accounts payable, accrued liabilities and other in 2022 is primarily related to paying off the income tax liabilities associated with the sale of The Santal and The Saint Mary. During first-quarter 2023, we paid $4.5 million in employee incentive compensation and $4.0 million in property taxes that were accrued at year end.

Investing Activities. Cash provided by investing activities totaled $50.0 million in 2022 and $188.9 million in 2021. During 2022, we received net proceeds from the sale of Block 21 of $105.8 million (excluding the release of reserves previously presented as restricted cash but including $6.9 million 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 reserves for pending claims). During 2021, we received net proceeds from the sales of The Santal and The Saint Mary of $209.9 million.

Capital expenditures totaled $54.8 million for 2022, primarily related to The Saint June, The Saint George and Magnolia Place projects, and $19.6 million for 2021, primarily for The Saint June, Lantana Place and Magnolia Place projects.

Financing Activities. Cash used in financing activities totaled $19.2 million in 2022 and $99.4 million in 2021. During 2022, we had no net borrowings on the Comerica Bank revolving credit facility, compared with net borrowings of $43.3 million for 2021. Net borrowings on other project and term loans totaled $14.3 million in 2022, primarily reflecting borrowings on the Magnolia Place and The Saint June construction loans and Amarra Villas construction credit facility, compared with net repayments of $88.1 million in 2021, primarily reflecting the repayment of The Santal loan and The Saint Mary construction loan upon the sale of those projects. In first-quarter 2023, we paid off

the New Caney land loan at its maturity and made a $2.2 million principal payment on the Amarra Villas construction credit facility upon closing of a sale of one of the Amarra Villas homes. Refer to the table “Debt Maturities and Other Contractual Obligations” below for a presentation of our outstanding debt and principal maturities for the years ended December 31, 2023 through 2027 and thereafter.

During 2022, we received contributions from noncontrolling interest owners of $15.0 million, related to The Saint George partnership. No distributions to noncontrolling interest owners were paid during 2022. During 2021, we paid distributions to noncontrolling interest owners of $12.5 million, primarily related to the sale of The Saint Mary, and received contributions from noncontrolling interest owners of $46.3 million, related to The Saint June, The Annie B and The Saint George partnerships. In first-quarter 2023, we received a contribution from noncontrolling interest owner of $40.0 million related to the Holden Hills partnership formation.

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. Our Board also approved a new 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 December 31, 2022, we repurchased 294,700 shares of our common stock for a total of $7.9 million at an average price of $26.69. Through March 27, 2023, we have acquired 335,703 shares of our common stock for a total cost of $8.7 million at an average price of $25.93 per share, and $1.3 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 December 31, 2022, we had cash and cash equivalents of $37.7 million and restricted cash of $8.0 million. 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.

At December 31, 2022, we had total debt of $123.9 million based on the principal amounts outstanding, compared with $107.9 million at December 31, 2021. Consolidated debt at December 31, 2021 excluded the Block 21 loan of approximately $137 million, which was presented in liabilities held for sale - discontinued operations. Using proceeds from the sale of Block 21, we repaid the outstanding amount under our Comerica Bank revolving credit facility prior to June 30, 2022. At December 31, 2022, we had $49.0 million available under the revolving credit facility. Letters of credit, totaling $11.0 million, have been issued under the revolving credit facility, and 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 December 31, 2022.

In May 2022, we entered into an amendment with Comerica Bank to extend the maturity date of the Comerica Bank revolving credit facility from September 27, 2022 to December 26, 2022, and in November 2022, Comerica Bank extended the maturity date from December 26, 2022 to March 27, 2023. The May 2022 amendment also increased the letter of credit sublimit from $7.5 million to $11.5 million and changed the benchmark rate to the Bloomberg Short-Term Bank Yield Index (BSBY) Rate. In February 2023, the Holden Hills property was removed from the borrowing base for the revolving credit facility, and the maximum amount that could be borrowed was reduced. At March 27, 2023 the maximum amount that could be borrowed under the facility was $53.7 million pursuant to the terms of the loan agreement, resulting in availability of $42.7 million, net of letters of credit committed under the facility. 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 BSBY Rate to 0.50 percent. Pursuant to these amendments, 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 February 2023, our subsidiary Holden Hills, L.P. entered into a $26.1 million loan agreement with Comerica Bank due February 8, 2026 to finance the development of Phase I of the Holden Hills project. Refer to Note 11 for further discussion.

Our debt agreements require compliance with specified financial covenants. The Magnolia Place construction loan includes a requirement that we maintain liquid assets, as defined in the agreements, of not less than $7.5 million. The Jones Crossing loan includes a requirement that we maintain liquid assets, as defined in the agreement, of not less than $2 million. The New Caney land loan and The Saint June construction loan include a requirement that we maintain liquid assets, as defined in the agreements, of not less than $10 million. The Comerica Bank revolving credit facility, the Lantana Place construction loan, the Amarra Villas credit facility, the Kingwood Place construction loan, the West Killeen Market construction loan, the New Caney land loan, The Saint June construction loan, the Magnolia Place construction loan, The Annie B land loan, The Saint George construction loan and the Holden Hills construction loan include a requirement that we maintain a net asset value, as defined in each agreement, of $125 million. The Comerica Bank revolving credit facility, the Amarra Villas credit facility, the Kingwood Place construction loan, The Annie B land loan, The Saint George construction loan and the Holden Hills construction loan also include a requirement that we maintain a debt-to-gross asset value, as defined in the agreements, of not more than 50 percent. The West Killeen Market construction loan, the Jones Crossing loan and the Lantana Place construction loan each include a financial covenant requiring the applicable Stratus subsidiary to maintain a debt service coverage ratio as defined in each agreement. As of December 31, 2022, we were in compliance with all of our financial covenants; however our Jones Crossing project did not pass the debt service coverage ratio test under the Jones Crossing loan. The debt service coverage ratio under the Jones Crossing loan is not a financial covenant; however to avoid a “Cash Sweep,” as defined in the loan agreement, Stratus made a $231 thousand principal payment on the Jones Crossing loan in February 2023 to regain compliance with the debt service coverage ratio requirement.

Stratus’ and its subsidiaries’ debt arrangements, including Stratus’ guaranty agreements contain significant limitations that may restrict Stratus’ and its subsidiaries’ ability to, among other things: borrow additional money or issue guarantees; pay dividends, repurchase equity or make other distributions to equityholders; make loans, advances or other investments; create liens on assets; sell assets; enter into sale-leaseback transactions; enter into transactions with affiliates; permit a change of control or change in management; sell all or substantially all of its assets; and engage in mergers, consolidations or other business combinations. Our Comerica Bank revolving credit facility, Amarra Villas credit facility, The Annie B land loan, The Saint George construction loan, Kingwood Place construction loan and the Holden Hills construction loan require Comerica Bank’s prior written consent for any common stock repurchases in excess of $1.0 million or any dividend payments, which was obtained in connection with the special cash dividend and share repurchase 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.

Of the $37.7 million in consolidated cash and cash equivalents at December 31, 2022, $7.7 million held at certain consolidated subsidiaries is subject to restrictions on distribution to the parent company pursuant to project loan agreements.

Our project loans are generally secured by all or substantially all of the assets of the project, and our Comerica Bank revolving credit facility is secured by substantially all of our assets other than those encumbered by separate project financing. In addition, we are typically required to guarantee 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 guarantees, which is generally limited to non-recourse carve-out obligations. Refer to Note 6 for additional discussion.

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

DEBT MATURITIES AND OTHER CONTRACTUAL OBLIGATIONS

The following table summarizes our total debt maturities based on the principal amounts outstanding as of December 31, 2022 (in thousands):

	2023	2024	2025	2026	2027	Thereafter	Total
Comerica Bank revolving credit facility [a]	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Jones Crossing loan	—	—	—	24,500		—	24,500
The Annie B land loan [b]	14,000	—	—	—	—	—	14,000
New Caney land loan [c]	4,050	—	—	—	—	—	4,050
Construction loans:							
Kingwood Place [d]	27,617	—	—	—	—	—	27,617
Lantana Place	108	277	300	321	20,873	—	21,879
The Saint June	—	14,150	—	—	—	—	14,150
West Killeen Market	68	72	5,176	—	—	—	5,316
Magnolia Place	—	7,013	—	—	—	—	7,013
Amarra Villas credit facility [e]	—	5,366	—	—	—	—	5,366
Total	$ 45,843	$ 26,878	$ 5,476	$ 24,821	$ 20,873	$ —	$ 123,891

a. In March 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.

b. In March 2023, we extended the maturity date of this loan to March 1, 2024.

c. In March 2023, we repaid this loan.

d. 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.

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

As discussed above, in February 2023, we entered into the Holden Hills construction loan for $26.1 million due February 8, 2026. Refer to Note 11 for further discussion.

We had firm commitments totaling approximately $75 million at December 31, 2022 related to Amarra Villas, Magnolia Place, The Saint June and The Saint George development projects. In addition, commitments for construction of the first phase of Holden Hills total approximately $40 million, including the Tecoma Improvements. We have construction loans, as well as remaining equity capital contributed to The Saint George and Holden Hills limited partnerships, in place to fund these commitments except for 60 percent of the cost of the Tecoma Improvements, or approximately $9 million, for which Stratus has agreed to reimburse the Holden Hills limited partnership. Refer to Items 1. and 2. Business and Properties and Note 11 for further discussion of the Holden Hills project and the Tecoma Improvements. Refer to Note 9 for further discussion of future cash requirements.

We project that we will be able to meet our debt service and other cash obligations for at least the next 12 months. For our development projects with firm commitments, we have construction loans, as well as remaining equity capital allocated to the project, in place to fund the projected cash outlays for these projects over the next 12 months. Our stabilized commercial properties 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 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 costs. For future potential significant development projects, we would not plan to enter into commitments to incur material costs for the projects until we obtain what we project to be adequate financing to cover anticipated cash outlays. As discussed under “Business Strategy” above, our main source of revenue and cash flow is expected to come from sales of our properties to third parties or distributions from joint ventures, the timing of and proceeds from which are difficult to predict and depend on market conditions and other factors. We also generate cash flow from rental revenue in our leasing operations and from development and asset management fees received from our properties. Due to the nature of our development-focused business, we do not expect to generate sufficient

recurring cash flow to cover our general and administrative expenses each period. However, we believe that the unique nature and location of our assets, and our team's ability to execute successfully on development projects, will provide us with positive cash flows and net income over time, No assurances can be given that the results anticipated by our projections will occur. Refer to Note 6 and "Risk Factors" included in Part I, Item 1A. for further discussion.

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

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

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

CAUTIONARY STATEMENT

Management's Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements in which we discuss factors we believe may affect our future performance. Forward-looking statements are all statements other than statements of historical fact, such as plans, projections or expectations related to 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 the ongoing COVID-19 pandemic and any future 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, or potential U.S. or local economic downturn or recession, the availability and terms of financing for development projects and other corporate purposes, the failure of any bank in which we deposit our funds, the ongoing COVID-19 pandemic and any future 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 this Form 10-K.

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

Item 8. Financial Statements and Supplementary Data

Index to Consolidated Financial Statements

MANAGEMENT'S ANNUAL REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

The Company's management, including its principal executive officer and principal financial officer, assessed the effectiveness of its internal control over financial reporting as of the end of the fiscal year covered by this annual report on Form 10-K. In making this assessment, the Company's management used the criteria set forth in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). Based on its assessment, management concluded that, as of December 31, 2022, the Company's internal control over financial reporting is effective based on the COSO criteria.

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

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

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

Opinion on the Consolidated Financial Statements

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

Basis for Opinion

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

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

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

Critical Audit Matter

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

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

The Company's long-lived assets consist primarily of held for sale real estate assets of $1,773,000, real estate under development of $239,278,000, real estate held for investment, net of $92,377,000 and land available for development of $39,855,000. The real estate assets are individually reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. For real estate held for sale, if estimated fair value less costs to sell is less than the related carrying amount, a reduction of the asset's carrying value to fair value less costs to sell is required. For real estate under development, land available for development and real estate held for investment, an impairment exists when the carrying amount of an asset exceeds the aggregate projected future cash flows over the anticipated holding period on an undiscounted basis. An impairment loss is measured based on the excess of the property's carrying amount over its fair value. The Company's undiscounted cash flows are subjective and are based, in part, on estimates and assumptions such as real estate prices, sales pace, sales and marketing costs, infrastructure development costs and capitalization rates. In the

event a property's carrying amount is not recoverable, the Company determines fair value based on appraised values, adjusted for estimated costs to sell. Evaluation of appraisals is subjective and is based, in part, on estimates and assumptions such as real estate prices, market rental rates, capitalization rates, and discount rates that could differ materially from actual results.

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

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the undiscounted cash flow analyses and appraisals included, among other things, the following:

- We obtained an understanding and evaluated the design of internal controls over management's evaluation of the recoverability of the carrying amount of long-lived assets based on undiscounted cash flows and the measurement of impairment based on fair value estimates derived from appraisals less estimated costs to sell.

- We evaluated the reasonableness of significant assumptions in the undiscounted cash flow analyses and appraisals, including estimates of real estate prices, market rental rates, capitalization rates, and discount rates, for properties with impairment indicators. In addition, we tested the mathematical accuracy of the undiscounted cash flow analyses.

- We evaluated the reasonableness of management's undiscounted cash flow analyses by comparing management's projections to earlier projections for the same property, current year results of similar properties, and external market sources.

- We evaluated whether the assumptions in any of the analyses above were consistent with evidence obtained in other areas of the audit.

/s/ CohnReznick LLP

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

Dallas, Texas
March 31, 2023

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders
Stratus Properties Inc.
Austin, Texas

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheet of Stratus Properties Inc. and subsidiaries (the Company) as of December 31, 2021, and the related consolidated statement of comprehensive income (loss), stockholders' equity, and cash flows for the year ended December 31, 2021, and the related notes (collectively referred to as the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021, and the results of its operations and its cash flows for each of the year ended December 31, 2021, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

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

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

/s/ BKM Sowan Horan, LLP

We have served as the Company's auditor since 2010.

Austin, Texas
March 31, 2022

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

	December 31,	
	2022	2021
ASSETS		
Cash and cash equivalents	$ 37,666	$ 24,229
Restricted cash	8,043	18,294
Real estate held for sale	1,773	1,773
Real estate under development	239,278	181,224
Land available for development	39,855	40,659
Real estate held for investment, net	92,377	90,284
Lease right-of-use assets	10,631	10,487
Deferred tax assets	38	6,009
Other assets	15,479	17,214
Assets held for sale, including discontinued operations	—	151,053
Total assets	$ 445,140	$ 541,226
LIABILITIES AND EQUITY		
Liabilities:		
Accounts payable	$ 15,244	$ 14,118
Accrued liabilities, including taxes	7,049	22,069
Debt	122,765	106,648
Lease liabilities	14,848	13,986
Deferred gain	3,519	4,801
Other liabilities	9,642	17,894
Liabilities held for sale, including discontinued operations	—	153,097
Total liabilities	173,067	332,613
Commitments and contingencies (Notes 7 and 9)		
Equity:		
Stockholders' equity:		
Common stock, par value of $0.01 per share, 150,000 shares authorized, 9,439 and 9,388 shares issued, respectively and 7,991 and 8,245 shares outstanding, respectively	94	94
Capital in excess of par value of common stock	195,773	188,759
Retained earnings (accumulated deficit)	41,452	(8,963)
Common stock held in treasury, 1,448 shares and 1,143 shares at cost, respectively	(30,071)	(21,753)
Total stockholders' equity	207,248	158,137
Noncontrolling interests in subsidiaries	64,825	50,476
Total equity	272,073	208,613
Total liabilities and equity	$ 445,140	$ 541,226

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

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

	Years Ended December 31,	
	2022	2021
Revenues:		
Real estate operations	$ 24,744	$ 8,449
Leasing operations	12,754	19,787
Total revenues	37,498	28,236
Cost of sales:		
Real estate operations	23,761	9,733
Leasing operations	4,439	9,030
Depreciation and amortization	3,586	5,449
Total cost of sales	31,786	24,212
General and administrative expenses	17,567	24,509
Impairment of real estate	720	1,825
Gain on sales of assets	(4,812)	(105,970)
Total	45,261	(55,424)
Operating (loss) income	(7,763)	83,660
Interest expense, net	(15)	(3,193)
Net gain on extinguishment of debt	—	1,529
Other income, net	1,103	65
Net (loss) income before income taxes and equity in unconsolidated affiliate's loss	(6,675)	82,061
Provision for income taxes	(389)	(12,577)
Equity in unconsolidated affiliate's loss	(13)	(27)
Net (loss) income from continuing operations	(7,077)	69,457
Net income (loss) from discontinued operations	96,820	(6,208)
Net income and total comprehensive income	89,743	63,249
Total comprehensive loss (income) attributable to noncontrolling interests	683	(5,855)
Net income and total comprehensive income attributable to common stockholders	$ 90,426	$ 57,394
Basic net (loss) income per share attributable to common stockholders:		
Continuing operations	$ (0.78)	$ 7.72
Discontinued operations	11.77	(0.75)
	$ 10.99	$ 6.97
Diluted net (loss) income per share attributable to common stockholders:		
Continuing operations	$ (0.78)	$ 7.65
Discontinued operations	11.77	(0.75)
	$ 10.99	$ 6.90
Weighted-average shares of common stock outstanding:		
Basic	8,228	8,236
Diluted	8,228	8,313
Dividends declared per share of common stock	$ 4.67	$ —

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

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

	Years Ended December 31,	
	2022	2021
Cash flow from operating activities:		
Net income	$ 89,743	$ 63,249
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	3,586	9,964
Cost of real estate sold	15,596	4,056
Impairment of real estate	720	1,825
Gain on sale of discontinued operations	(119,695)	—
Gain on sales of assets	(4,812)	(105,970)
Net gain on extinguishment of debt	—	(1,529)
Debt issuance cost amortization and stock-based compensation	2,824	2,007
Equity in unconsolidated affiliates' loss	13	27
Deferred income taxes	5,971	(5,965)
Purchases and development of real estate properties	(24,454)	(52,772)
Write-off of capitalized hotel remodel costs	—	287
Decrease (increase) in other assets	3,805	(2,212)
(Decrease) increase in accounts payable, accrued liabilities and other	(28,557)	33,423
Net cash used in operating activities	(55,260)	(53,610)
Cash flow from investing activities:		
Capital expenditures	(54,813)	(19,562)
Proceeds from sale of discontinued operations	105,813	—
Proceeds from sales of assets	—	209,947
Payments on master lease obligations	(989)	(1,501)
Other, net	(8)	56
Net cash provided by investing activities	50,003	188,940
Cash flow from financing activities:		
Borrowings from revolving credit facility	30,000	39,700
Payments on revolving credit facility	(30,000)	(83,004)
Borrowings from project loans	33,163	42,661
Payments on project and term loans	(18,831)	(130,723)
Payment of dividends	(38,693)	—
Finance lease principal paydown	(4)	—
Stock-based awards net payments	(452)	(132)
Distributions to noncontrolling interests	—	(12,529)
Purchases of treasury stock	(7,866)	—
Noncontrolling interests' contributions	15,032	46,300
Financing costs	(1,522)	(1,647)
Net cash used in financing activities	(19,173)	(99,374)
Net (decrease) increase in cash, cash equivalents and restricted cash	(24,430)	35,956
Cash, cash equivalents and restricted cash at beginning of year	70,139	34,183
Cash, cash equivalents and restricted cash at end of year	$ 45,709	$ 70,139

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

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

	Stockholders' Equity								
	Common Stock				Common Stock Held in Treasury				
	Number of Shares	At Par Value	Capital in Excess of Par Value	Retained Earnings (Accumulated Deficit)	Number of Shares	At Cost	Total	Noncontrolling Interests in Subsidiaries	Total Equity
Balance at December 31, 2020	9,358	$ 94	$ 186,777	$ (66,357)	1,137	$ (21,600)	$ 98,914	$ 10,850	$ 109,764
Vested stock-based awards	30	—	25	—	—	—	25	—	25
Stock-based compensation	—	—	795	—	—	—	795	—	795
Grant of restricted stock units (RSUs) under the Profit Participation Incentive Plan (PPIP)	—	—	1,162	—	—	—	1,162	—	1,162
Tender of shares for stock-based awards	—	—	—	—	6	(153)	(153)	—	(153)
Distributions to noncontrolling interests	—	—	—	—	—	—	—	(12,529)	(12,529)
Noncontrolling interests' contributions	—	—	—	—	—	—	—	46,300	46,300
Total comprehensive income	—	—	—	57,394	—	—	57,394	5,855	63,249
Balance at December 31, 2021	9,388	94	188,759	(8,963)	1,143	(21,753)	158,137	50,476	208,613
Common stock repurchases	—	—	—	—	294	(7,866)	(7,866)	—	(7,866)
Cash dividend	—	—	—	(40,011)	—	—	(40,011)	—	(40,011)
Vested stock-based awards	51	—	—	—	—	—	—	—	—
Director fees paid in shares of common stock	—	—	6	—	—	—	6	—	6
Stock-based compensation	—	—	1,716	—	—	—	1,716	—	1,716
Grant of RSUs under the PPIP	—	—	5,292	—	—	—	5,292	—	5,292
Tender of shares for stock-based awards	—	—	—	—	11	(452)	(452)	—	(452)
Noncontrolling interests' contributions	—	—	—	—	—	—	—	15,032	15,032
Total comprehensive income (loss)	—	—	—	90,426	—	—	90,426	(683)	89,743
Balance at December 31, 2022	9,439	$ 94	$ 195,773	$ 41,452	1,448	$ (30,071)	$ 207,248	$ 64,825	$ 272,073

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

STRATUS PROPERTIES INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Concentration of Risks. Stratus conducts its operations in the Austin, Texas area and other select markets in Texas. Consequently, any significant economic downturn in the Texas market, and the Austin market specifically, could potentially have an effect on Stratus' business, results of operations and financial condition. Stratus has taken steps to obtain Federal Deposit Insurance Corporation (FDIC) protection for much of its cash deposits; however it typically has some cash balances on deposit with banks in excess of FDIC-insured limits.

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

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

Restricted cash. Stratus' restricted cash of $8.0 million is comprised of bank deposits and at December 31, 2022 primarily consists of $6.9 million of post-closing escrow amounts from the sale of Block 21 in May 2022 to be held for 12 months after the closing, subject to a longer retention period with respect to any required reserve for pending claims.

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

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

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

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

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

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

Accrued Property Taxes. Stratus estimates its property taxes based on prior year property tax payments and other current events that may impact the amount. Upon receipt of the property tax bill, Stratus adjusts its accrued property tax balance at year-end to the actual amount of taxes due for such year. Accrued property taxes included in accrued liabilities totaled $3.8 million at December 31, 2022 and $3.6 million at December 31, 2021.

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

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

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

	Years Ended December 31,	
	2022	2021
Depreciation and amortization	$ 3,586	$ 5,449
Leasing operations	4,439	9,030
Cost of developed property sales	5,601	2,617
Cost of undeveloped property sales	11,524	1,671
Project expenses and allocation of overhead costs (see below)	6,611	5,758
Other, net	25	(313)
Total cost of sales	$ 31,786	$ 24,212

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

Advertising Costs. Advertising costs are charged to expense as incurred and are included as a component of cost of sales. Advertising costs totaled $0.5 million in 2022 and $0.4 million in 2021.

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

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

	Years Ended December 31,	
	2022	2021
Net (loss) income from continuing operations	$ (7,077)	$ 69,457
Net income (loss) from discontinued operations	96,820	(6,208)
Net income	$ 89,743	$ 63,249
Net income (loss) attributable to noncontrolling interests	683	(5,855)
Net income attributable to common stockholders	$ 90,426	$ 57,394
Basic weighted-average shares of common stock outstanding	8,228	8,236
Add shares issuable upon vesting of dilutive restricted stock units (RSUs) [a]	—	77
Diluted weighted-average shares of common stock outstanding	8,228	8,313
Basic net income (loss) per share attributable to common stockholders:		
Continuing operations	$ (0.78)	$ 7.72
Discontinued operations	11.77	(0.75)
Basic net income per share attributable to common stockholders	$ 10.99	$ 6.97
Diluted net income(loss) per share attributable to common stockholders:		
Continuing operations	$ (0.78)	$ 7.65
Discontinued operations	11.77	(0.75)
Diluted net income per share attributable to common stockholders	$ 10.99	$ 6.90

a. Excludes approximately 295 thousand shares in 2022 of common stock associated with RSUs that were anti-dilutive as a result of the net loss from continuing operations. Excludes 5 thousand shares associated with RSUs that were anti-dilutive in 2021.

Stock-Based Compensation. Compensation costs for share-based payments to employees are measured at fair value and charged to expense over the requisite service period for awards that are expected to vest. The fair value of RSUs is based on Stratus' stock price on the date of grant. Stratus estimates forfeitures at the time of grant and revises those estimates in subsequent periods if actual forfeitures differ from those estimates through the final vesting date of the awards. The awards are amortized on a straight-line basis over the estimated service period.

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

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

Through the first quarter of 2022, Stratus had an arrangement with Whitefish Partners, LLC (Whitefish Partners), formerly known as Austin Retail Partners, LLC, for services provided by a consultant of Whitefish Partners who is the son of Stratus' President and Chief Executive Officer. In April 2022, Stratus hired the consultant as an employee at an annual salary of $100 thousand. As an employee, he is eligible for the same health and retirement benefits provided to all Stratus employees and is also eligible for annual incentive awards and for awards under the PPIP and the LTIP. In 2022, he received $20 thousand as an annual incentive award for 2021 and a $135 thousand cash bonus related to payouts for development projects under the PPIP. As of December 31, 2022, the employee has two outstanding awards under the PPIP. Refer to Note 8 for discussion of the PPIP. Payments to Whitefish Partners for the consultant's consulting services and expense reimbursements totaled $122 thousand during 2021.

NOTE 2. LIMITED PARTNERSHIPS

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

The Saint George partnership is governed by a limited partnership agreement between Stratus and the equity investor, and a wholly owned subsidiary of Stratus serves as the general partner. The general partner has the authority to manage the day-to-day operations of the partnership, subject to approval rights of the limited partners for specified matters. The general partner will manage The Saint George partnership in exchange for an asset management fee of $300 thousand per year beginning two years after construction of The Saint George, and will earn a development management fee of 4.0 percent of certain construction costs for The Saint George. The limited partnership agreement contains a buy-sell option pursuant to which at any time either party will have the right to initiate a buy-sell of the other party's interests. Transfers of interests in the partnership are subject to substantial restrictions.

Stratus Block 150, L.P. In September 2021, Stratus Block 150, L.P., a Texas limited partnership and a subsidiary of Stratus, completed financing transactions from which a portion of the proceeds were used to purchase the land for Block 150, now known as The Annie B, a proposed luxury multi-family high-rise development in downtown Austin, Texas. The proceeds will also be used to fund predevelopment costs of the project. These financing transactions included (i) a $14.0 million land loan and (ii) $11.7 million from the sale of Class B limited partnership interests in a private placement offering, along with $3.9 million in cash and pursuit costs contributed by wholly owned subsidiaries of Stratus. The Annie B land loan is secured by The Annie B project and guaranteed by Stratus until certain conditions are met. Refer to Note 6 for further discussion of the land loan.

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

Stratus Block 150, L.P. is governed by a limited partnership agreement between Stratus and the equity investors, and a wholly owned subsidiary of Stratus serves as the general partner. The general partner has the authority to manage the day-to-day operations of the partnership, subject to approval rights of the limited partners for specified

matters. Stratus plans to capitalize The Annie B in a two-phase process consisting of the initial land partnership phase and potentially followed by a development partnership phase. No asset management fee will be paid to the general partner during the land partnership phase. If the general partner determines to proceed with the development partnership phase, the general partner would continue to manage Stratus Block 150, L.P. and would begin to receive an asset management fee to be agreed on at that time. During the development partnership phase, the general partner would receive a development management fee of approximately 4 percent of certain construction costs for The Annie B. Transfers of interests in the partnership are subject to substantial restrictions. If a change of control of Stratus occurs as defined in the limited partnership agreement, each Class B limited partner has a put right to require Stratus to purchase all but not less than all of its interests for a price generally providing a cumulative 10 percent annual return on capital contributions.

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

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

The Saint June, L.P. is governed by a limited partnership agreement between Stratus and the equity investor, and a wholly owned subsidiary of Stratus serves as the general partner. The general partner has the authority to manage the day-to-day operations of the partnership, subject to approval rights of the limited partners for specified matters. The general partner will manage The Saint June, L.P. in exchange for an asset management fee of $210 thousand per year beginning two years after construction of The Saint June, which began in July 2021, and will earn a development management fee of 4.0 percent of certain construction costs for The Saint June. The limited partnership agreement contains a buy-sell option pursuant to which at any time either party will have the right to initiate a buy-sell of the other party's interests. Transfers of interests in the partnership are subject to substantial restrictions.

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

Kingwood, L.P. is governed by a limited partnership agreement between Stratus and the equity investors, and a wholly owned subsidiary of Stratus serves as the general partner. The general partner has the authority to manage the day-to-day operations of the partnership, subject to approval rights of the limited partners for specified matters. The general partner manages the Kingwood, L.P., in exchange for an asset management fee of $283 thousand per year and earns a development management fee of 4.0 percent of certain construction costs for Kingwood Place. Transfers of interests in the partnership are subject to substantial restrictions.

In December 2018, the Kingwood, L.P., entered into a construction loan agreement with Comerica Bank, which superseded and replaced the land acquisition loan agreement discussed above and provided for a loan totaling $32.9 million to finance nearly 70 percent of the costs associated with construction of Kingwood Place, which was subsequently modified and increased to $35.4 million in January 2020 (refer to Note 6 for further discussion). Borrowings on the Kingwood Place construction loan are secured by the Kingwood Place project, and are guaranteed by Stratus until certain conditions are met. The remaining 30 percent of the project's cost (totaling approximately $15 million) was funded by borrower equity, contributed by Stratus and private equity investors.

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

Accounting for Limited Partnerships. Stratus has performed evaluations and concluded that The Saint George partnership, Stratus Block 150, L.P., The Saint June, L.P. and the Kingwood, L.P. are VIEs 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 project loan agreements.

Stratus' consolidated balance sheets include the following assets and liabilities of the partnerships (in thousands).

	December 31,	
	2022	2021
Assets: [a]		
Cash and cash equivalents	$ 7,744	$ 6,177
Restricted cash	—	11,809
Real estate under development	107,258	62,692
Land available for development	5,970	7,641
Real estate held for investment, net	30,720	31,399
Other assets	4,455	3,132
Total assets	156,147	122,850
Liabilities: [b]		
Accounts payable and accrued liabilities	12,563	5,499
Debt	55,305	46,096
Total liabilities	67,868	51,595
Net assets	$ 88,279	$ 71,255

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

b. 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.

NOTE 3. REAL ESTATE, NET

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

	December 31, 2022	December 31, 2021
Real estate held for sale:		
Developed lots	$ 1,773	$ 1,773
Real estate under development:		
Acreage, multi-family units, commercial square footage and homes	239,278	181,224
Land available for development:		
Undeveloped acreage and vacant office building for future renovation	39,855	40,659
Real estate held for investment:		
Kingwood Place	34,239	33,979
Lantana Place	30,284	30,283
Jones Crossing	25,032	25,239
West Killeen Market	10,192	10,237
Magnolia Place	5,761	—
Furniture, fixtures and equipment	491	730
Total	105,999	100,468
Accumulated depreciation	(13,622)	(10,184)
Total real estate held for investment, net	92,377	90,284
Total real estate, net	$ 373,283	$ 313,940

Real estate held for sale. Developed lots include individual tracts of land that have been developed and permitted for residential use. As of December 31, 2022, Stratus owned two developed lots.

Real estate under development. Acreage under development includes real estate for which infrastructure work over the entire property has been completed, is currently being completed or is able to be completed and for which necessary permits have been obtained. Real estate under development also includes commercial and residential properties under construction. Stratus' real estate under development as of December 31, 2022 increased from December 31, 2021, primarily as a result of the development costs for The Saint June, The Saint George and Amarra Villas projects.

Real estate under development also includes The Villas at Amarra Drive (Amarra Villas), a 20-unit residential project within the Amarra development. During 2021, Stratus recorded a $700 thousand impairment charge for the Amarra Villas homes because the estimated total project costs and costs of sale for two of the homes under construction exceed their contract sale prices, as Stratus was required to retain a new general contractor during the course of construction and after entering into the sales contracts for the two homes. Stratus recorded an additional $650 thousand impairment charge in third-quarter 2022.

In November 2017, the city of Magnolia and the state of Texas approved the creation of a municipal utility district (MUD) which provides an opportunity for Stratus to recoup certain road and utility infrastructure costs incurred in connection with the development of Magnolia Place. Real estate held for investment as of December 31, 2022, includes approximately $12 million of costs eligible for reimbursement by the Magnolia MUD.

Land available for development. Undeveloped acreage includes real estate that can be sold “as is” (i.e., planning, infrastructure or development work is not currently in progress on such property). Stratus’ undeveloped acreage as of December 31, 2022 included land permitted for residential and commercial development and vacant pad sites at Jones Crossing and Kingwood Place.

Included in land available for development is an office building in Austin, Texas that Stratus had purchased with the intent to renovate. During 2021 and in connection with Stratus' evaluation of properties for indication of impairment,

the estimated net undiscounted future cash flows from this property were less than its carrying value, and Stratus recorded a $500 thousand impairment charge to reduce its carrying value to its estimated fair value.

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

Real estate held for investment. The Kingwood Place project includes 151,855 square-feet of commercial space anchored by an H-E-B grocery store and leased pad sites. The Lantana Place project includes 99,379 square feet for the first retail phase. The Jones Crossing project includes 154,117 square-feet for the first phase of the retail component of an H-E-B-anchored, mixed-use development. The West Killeen Market project includes 44,493 square-feet of commercial space adjacent to a 90,000 square-foot H-E-B grocery store. The Magnolia Place project includes 18,582 square feet in the first phase of the retail component of an H-E-B-shadow anchored, mixed-used development.

Capitalized interest. Stratus recorded capitalized interest of $6.6 million in 2022 and $5.5 million in 2021.

NOTE 4. ASSET SALES

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

In accordance with accounting guidance, Stratus reported the results of operations of Block 21 as discontinued operations in the consolidated statements of comprehensive income because the disposal represents a strategic shift that had a major effect on operations and presented the assets and liabilities of Block 21 as held for sale - discontinued operations in the consolidated balance sheets for all periods presented. 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.

The carrying amounts of Block 21's major classes of assets and liabilities in the consolidated balance sheet at December 31, 2021, follow (in thousands):

Assets:		
Cash and cash equivalents	$	9,172
Restricted cash [a]		18,444
Real estate held for investment, net		120,452
Other assets		2,985
Total assets held for sale	$	151,053
Liabilities:		
Accounts payable and accrued liabilities, including taxes	$	6,200
Debt		136,684
Other liabilities		10,213
Total liabilities held for sale	$	153,097

a. Most restricted cash was received by Ryman upon the closing of the sale.

Block 21's results of operations, presented as net income (loss) from discontinued operations in Stratus' consolidated statements of comprehensive income follow (in thousands):

	Years Ended December 31,	
	2022	2021
Revenues: [a]		
Hotel	$ 12,653	$ 18,310
Entertainment	10,004	12,929
Leasing operations and other	932	1,479
Total revenue	23,589	32,718
Cost of Sales:		
Hotel	8,869	15,784
Entertainment	7,472	10,482
Leasing operations and other	710	872
Depreciation [b]	—	4,515
Total cost of sales	17,051	31,653
General and administrative expenses	337	735
Gain on sale of assets	(119,695)	—
Operating income	125,896	330
Interest expense, net	(3,236)	(7,972)
Provision for income taxes	(25,840)	1,434
Net income (loss) from discontinued operations	$ 96,820	$ (6,208)

a. In accordance with accounting guidance, amounts are net of eliminations of intercompany sales totaling $0.5 million in 2022 and $1.2 million in 2021.

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

Capital expenditures associated with discontinued operations totaled $0.2 million in 2022 and $0.5 million in 2021.

The Santal. In December 2021, Stratus completed the sale of The Santal for $152.0 million, less a $0.7 million repair credit. The Santal was Stratus' wholly owned 448-unit luxury garden-style multi-family project located in Section N of Austin's Barton Creek community. After closing costs and repayment of The Santal loan, the sale generated net proceeds of approximately $74 million and Stratus recorded a pre-tax gain on the sale of $83.0 million in 2021. Stratus also recognized a $1.9 million loss on extinguishment of debt in 2021, primarily for prepayment fees on The Santal loan.

The Santal had rental revenue of $8.7 million in 2021. Interest expense related to The Santal loan was $3.0 million in 2021.

The Saint Mary. In January 2021, The Saint Mary, L.P., a consolidated Texas limited partnership in which Stratus holds an aggregate 57 percent indirect equity interest, sold The Saint Mary, a 240-unit luxury garden-style multi-family project in the Circle C community in Austin, Texas for $60.0 million. After closing costs and payment of the outstanding construction loan, the sale generated net proceeds of approximately $34 million. After establishing a reserve for remaining costs of the partnership, Stratus received $20.9 million from the subsidiary in connection with the sale and $12.9 million of the net proceeds were distributed to the noncontrolling interest owners. Stratus recognized a pre-tax gain on the sale of $22.9 million ($16.2 million net of noncontrolling interests) in 2021. Stratus also recognized a $63 thousand loss on extinguishment of debt in 2021 related to the repayment of The Saint Mary construction loan. In connection with the sale, The Saint Mary, L.P. distributed $1.7 million each to LCHM and JBM Trust.

The Saint Mary had rental revenue of $0.1 million in 2021 prior to the sale. Interest expense on The Saint Mary construction loan was less than $0.1 million in 2021.

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

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

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

NOTE 5. FAIR VALUE MEASUREMENTS

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

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

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

	December 31, 2022		December 31, 2021	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Liabilities:				
Debt	$ 122,765	$ 124,575	$ 106,648	$ 108,091

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.

NOTE 6. DEBT

Stratus' debt follows (in thousands):

	December 31, 2022	December 31, 2021
Comerica Bank revolving credit facility,		
average interest rate of 4.97% in 2022 and 5.00% in 2021	$ —	$ —
Jones Crossing loan,		
average interest rate of 3.85% in 2022 and 2.40% in 2021	24,143	24,042
The Annie B land loan,		
average interest rate of 4.67% in 2022 and 3.50% in 2021	13,969	13,847
New Caney land loan,		
average interest rate of 4.06% in 2022 and 3.11% in 2021	4,047	4,496
Paycheck Protection Program loan,		
fixed interest rate of 1.00% in 2021	—	156
Construction loans:		
Kingwood Place construction loan,		
average interest rate of 4.06% in 2022 and 2.61% in 2021	27,507	32,249
Lantana Place construction loan,		
average interest rate of 4.18% in 2022 and 3.00% in 2021	21,782	22,098
The Saint June construction loan,		
average interest rate of 5.89% in 2022	13,829	—
Magnolia Place construction loan,		
average interest rate of 5.12% in 2022 and 3.50% in 2021	6,816	2,077
West Killeen Market construction loan,		
average interest rate of 4.45% in 2022 and 3.00% in 2021	5,306	6,078
Amarra Villas credit facility,		
average interest rate of 5.10% in 2022 and 3.10% in 2021	5,366	1,605
Total debt [a]	$ 122,765	$ 106,648

a. Includes net reductions for unamortized debt issuance costs of $1.1 million at December 31, 2022, and $1.2 million at December 31, 2021.

Comerica Bank revolving credit facility. Using proceeds from the sale of Block 21, Stratus repaid the outstanding amount under its Comerica Bank revolving credit facility in June 2022. As of December 31, 2022, Stratus had $49.0 million available under the 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 May 2022, Stratus and Comerica Bank entered into an amendment to increase the letter of credit sublimit from $7.5 million to $11.5 million and change the benchmark rate to the Bloomberg Short-Term Bank Yield Index (BSBY) Rate. In February 2023, the Holden Hills property was removed from the borrowing base for the revolving credit facility, and the maximum amount that could be borrowed was reduced. At March 27, 2023 the maximum amount that could be borrowed under the facility was $53.7 million pursuant to the terms of the loan agreement, resulting in availability of $42.7 million, net of letters of credit committed against the facility. The borrowing base limitation, as defined in the facility, is no more than 50 percent of the fair market value (primarily determined by appraisals) of the collateral assets, and the maximum amount that may be borrowed is determined by applying specified percentages to different types of collateral, with the largest category as of December 31, 2022 and 2021 consisting of unimproved real property which has a limitation of 35 percent of fair market value. 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 BSBY Rate floor to 0.50 percent. 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. The loan is secured by substantially all assets that are not subject to a separate project loan agreement. The loan agreement requires Stratus to maintain a net asset value, as defined in the loan agreement, of $125 million and an aggregate debt-to-gross asset value of not more than 50 percent. Comerica Bank's prior written consent is required for any common stock repurchases in excess of $1.0 million or any dividend payments.

Jones Crossing loan. In June 2021, a Stratus wholly-owned subsidiary entered into a $24.5 million loan with Regions Bank (the Jones Crossing loan). Of the proceeds from the Jones Crossing loan, $22.2 million was used to repay in full the original Jones Crossing construction loan. The repayment of the Jones Crossing construction loan resulted in Stratus recognizing a $163 thousand loss on the early extinguishment of debt representing the write-off of unamortized debt issuance costs related to the construction loan.

The Jones Crossing loan has a maturity date of June 17, 2026, and bears interest at LIBOR plus 2.25 percent (or, if applicable, a replacement rate), provided LIBOR shall not be less than 0.15 percent. Payments of interest only on the Jones Crossing loan are due monthly through the term of the loan with the outstanding principal due at maturity. If the debt service coverage ratio falls below 1.15 to 1.00 for any fiscal quarter beginning with the quarter ending September 30, 2022, 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 debt service coverage ratio fell below 1.15 to 1.00 in fourth-quarter 2022, and the Jones Crossing subsidiary made a $231 thousand principal payment in February 2023 on the Jones Crossing loan to bring the debt service coverage ratio back above 1.15 to 1.00, and a “Cash Sweep Period” did not occur. The Jones Crossing loan is secured by the Jones Crossing project, and Stratus has provided a guaranty limited to non-recourse carve-out obligations and environmental indemnification. In addition, any default under the ground leases, which grant Stratus the right to occupy the Jones Crossing property, would trigger the carve-out guaranty. The Jones Crossing loan contains certain financial covenants, including a requirement that Stratus maintain liquid assets of at least $2.0 million.

The Annie B land loan. In September 2021, Stratus Block 150, L.P. entered into an 18-month, $14.0 million land loan with Comerica Bank to acquire the land for The Annie B project (The Annie B land loan). The loan was set to mature March 1, 2023, and bore interest at LIBOR (with a floor of 0.50 percent) plus 3.00 percent. Payments of interest only on the loan were due monthly through February 2023, with the outstanding principal due at maturity. The Annie B land loan is guaranteed by Stratus and secured by The Annie B project. The loan agreement contains financial covenants, including a requirement that Stratus maintain a net asset value, as defined in the agreement, of $125.0 million and an aggregate debt-to-gross asset value of not more than 50 percent and places certain restrictions on distributions from the partnership to its partners, including Stratus. The Annie B land loan requires Comerica Banks’ prior written consent for any Stratus common stock repurchases in excess of $1.0 million or any dividend payments. In February 2023, Stratus entered into a modification agreement that extended the maturity date of the 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 2019, a Stratus wholly-owned subsidiary entered into a $5.0 million land loan with Texas Capital Bank. Proceeds from the loan were used to fund the acquisition of H-E-B's portion of the New Caney partnership in which Stratus and H-E-B purchased a tract of land for the future development of an H-E-B-anchored mixed-use project in New Caney, Texas. In March 2021, Stratus exercised its option to extend the loan for an additional 12 months to March 8, 2022, which required a principal payment of $0.5 million. In March 2022, Stratus extended the loan for an additional 12 months to March 8, 2023, which required two principal payment of $0.2 million, one in March 2022 and one in September 2022. Stratus also entered into an amendment to the New Caney land loan to convert the benchmark rate from LIBOR to the Term Secured Overnight Financing Rate (SOFR). As amended the loan bore interest at Term SOFR plus 3.00 percent. Borrowings were secured by the New Caney land and were guaranteed by Stratus. The loan agreement contained financial covenants including a requirement that Stratus maintain a net asset value of $125.0 million and unencumbered liquid assets of no less than $10.0 million. This loan was repaid at its maturity in March 2023.

Paycheck Protection Program loan. In April 2020, Stratus received a $4.0 million loan under the Paycheck Protection Program (PPP loan) of the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act), which was signed into law on March 27, 2020. The PPP loan bore interest at 1.00 percent and matured April 15, 2022, except for the portion that was forgiven. Stratus' PPP loan forgiveness application was accepted and approved in August 2021 and the outstanding balance and accrued interest were forgiven with the exception of $0.3 million. As such, Stratus recognized a gain on extinguishment of debt of $3.7 million during 2021.

Kingwood Place construction loan. In 2018, the Kingwood, L.P. entered into a construction loan agreement with Comerica Bank (the Kingwood Place construction loan), which provides financing for nearly 70 percent of the costs associated with construction of Kingwood Place. The total loan of $32.9 million included the original commitment of $6.8 million used to purchase a 54-acre tract of land located in Kingwood, Texas, and an additional $26.1 million for

the development of Kingwood Place. The remaining 30 percent of the project's cost (totaling approximately $15 million) was funded by borrower equity, contributed by Stratus and private equity investors. In January 2020, the Kingwood Place construction loan was modified to increase the loan amount by $2.5 million to a total of $35.4 million. The increase was used to fund the construction of a retail building on an existing Kingwood Place retail pad. In December 2022, the loan was amended to extend the maturity date for an additional 12 months to December 6, 2023, which required an extension fee payment of approximately $90 thousand. The loan has the possibility of one additional 12-month extension if certain debt service coverage ratios are met. The amendment also converted the benchmark rate from LIBOR to the BSBY Rate. The loan now bears interest at the one-month BSBY Rate (with a floor of 0.50 percent) plus 2.75 percent. Principal and interest payments of $29,200 are due monthly with the remaining balance due at maturity. Borrowings on the Kingwood Place construction loan are secured by the Kingwood Place project, and are guaranteed by Stratus until certain conditions are met. The loan agreement contains financial covenants, including a requirement that Stratus maintain a net asset value, as defined in the agreement, of $125.0 million and an aggregate debt-to-gross asset value of not more than 50 percent and places certain restrictions on distributions from the partnership to its partners, including Stratus. The Kingwood Place construction loan requires Comerica Banks' prior written consent for any common stock repurchases in excess of $1.0 million and any dividend payments.

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

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

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

The debt service coverage ratio was also changed to 1.25 to 1.00, and Stratus was released as guarantor under the related guaranty.

The Saint June construction loan. In June 2021, The Saint June, L.P. entered into a construction loan with Texas Capital Bank to finance approximately 55 percent of the estimated $55 million cost of the development and construction of The Saint June. Available borrowings under the loan total the least of (i) $30.3 million, (ii) 60 percent of the total construction costs, or (iii) 55 percent of the as-stabilized appraised value of the property.

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

The loan is secured by The Saint June project and is fully guaranteed by Stratus. However, the guaranty will convert to a 50 percent repayment guaranty upon completion of construction of The Saint June. Further, once The Saint June, L.P. is able to maintain a debt service coverage ratio of 1.25 to 1.00, the repayment guaranty will be eliminated. Notwithstanding the foregoing, Stratus will remain liable for customary carve-out obligations and environmental indemnity. Stratus is also required to maintain a net asset value, as defined by the guaranty, of $125.0 million and liquid assets of at least $10.0 million. The Saint June, L.P. is not permitted to make distributions to its partners, including Stratus, until completion of The Saint June project, payment of construction costs and the project continues to satisfy an assumed debt service coverage ratio of not less than 1.00 to 1.00 for three consecutive months. The project must comply with a specified loan-to-value ratio covenant.

Magnolia Place construction loan. In August 2021, a Stratus wholly-owned subsidiary entered into a $14.8 million construction loan with Veritex Community Bank secured by the Magnolia Place project. The loan matures on August 12, 2024, with two options to extend the maturity for an additional 12 months, subject to satisfying specified conditions and the payment of an extension fee. The loan bears interest at 30-day LIBOR plus 3.25 percent (or, if applicable, a replacement rate), with a floor of 3.50 percent. Payments of interest only are due monthly with the outstanding principal due at maturity. Stratus provided a completion guaranty and 25-percent-limited-payment guaranty. The loan agreement contains financial covenants, including that Stratus is required to maintain a net asset value, as defined in the loan agreement, of $125.0 million and liquid assets of at least $7.5 million.

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

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

Amarra Villas credit facility. In 2016, a Stratus wholly-owned subsidiary entered into the Amarra Villas credit facility to finance construction of the Amarra Villas project. In March 2019, two Stratus wholly-owned subsidiaries entered into an amended and restated loan agreement with Comerica Bank to modify, increase and extend Stratus' Amarra Villas credit facility. The amended and restated loan agreement provided for an increase in the revolving credit facility commitment from $8.0 million to $15.0 million and an extension of the maturity date from July 12, 2019 to March 19, 2022. In March 2022, the Stratus subsidiaries and Comerica Bank agreed to an extension of the maturity date to June 19, 2022, while they negotiated a modification of this facility. In June 2022, Stratus subsidiaries and Comerica Bank entered into a modification agreement pursuant to which the commitment amount of the Amarra Villas credit facility was increased from $15.0 million to $18.0 million, the interest rate was changed to the one-month BSBY Rate (with a floor of 0.00 percent) plus 3.00 percent, and the maturity date was extended to June 19, 2024.

The Amarra Villas credit facility contains financial covenants, including a requirement that Stratus maintain a net asset value, as defined in the agreement, of $125.0 million and an aggregate debt-to-gross asset value of not more than 50 percent. At December 31, 2022, Stratus had $12.6 million available under its $18.0 million Amarra Villas credit facility. Principal paydowns occur as homes are sold, and additional amounts are borrowed as additional homes are constructed. The loan is secured by the Amarra Villas project and guaranteed by Stratus. The Amarra Villas credit facility requires Comerica Banks’ prior written consent for any common stock repurchases in excess of $1.0 million and any dividend payments. In March 2023, Stratus made a $2.2 million principal payment on the credit facility upon the closing of a sale of one of the Amarra Villas homes.

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

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

Borrowings on the construction loan are secured by The Saint George project and are guaranteed by Stratus. Stratus provided a full completion guaranty and 25 percent repayment guaranty, which will be eliminated once the project meets specified conditions including a debt service coverage ratio of at least 1.20 to 1.00 and confirmation that the loan-to-value ratio does not exceed 65 percent. Notwithstanding the foregoing, Stratus remains liable for customary carve-out obligations and environmental indemnity. The loan agreement contains financial covenants, including a requirement that Stratus maintain a net asset value, as defined in the agreement, of $125.0 million and an aggregate debt-to-gross asset value of not more than 50 percent. The Saint George Apartments, L.P. is not permitted to make distributions to its partners, including Stratus, while the loan remains outstanding. No amounts had been borrowed on this loan as of December 31, 2022.

Financial Covenants and Compliance. Stratus' and its subsidiaries' debt arrangements, including Stratus' guaranty agreements, contain significant limitations that may restrict Stratus' and its subsidiaries' ability to, among other things: borrow additional money or issue guarantees; pay dividends, repurchase equity or make other distributions to equityholders; make loans, advances or other investments; create liens on assets; sell assets; enter into sale-leaseback transactions; enter into transactions with affiliates; permit a change of control or change of management; sell all or substantially all of its assets; and engage in mergers, consolidations or other business combinations. As of December 31, 2022, Stratus and its subsidiaries were in compliance with the financial covenants contained in the financing agreements discussed above.

LIBOR Phase Out. Certain of Stratus' debt agreements reference LIBOR which is being phased out and replaced with alternative reference rates. Stratus does not expect the transition from LIBOR and other interbank offered rates to have a material impact on its consolidated financial results.

Interest Payments. Interest paid on debt, excluding debt related to Block 21 and The Santal included in liabilities held for sale, totaled $4.9 million in 2022 and $4.8 million in 2021.

Maturities. Maturities of debt based on the principal amounts and terms outstanding at December 31, 2022 total $45.8 million in 2023, $26.9 million in 2024, $5.5 million in 2025, $24.8 million in 2026, and $20.9 million in 2027.

NOTE 7. INCOME TAXES

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

	Years Ended December 31,	
	2022	2021
Current	$ (981)	$ 18,608
Deferred	1,370	(6,031)
Provision for income taxes	$ 389	$ 12,577

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

	December 31,	
	2022	2021
Deferred tax assets and liabilities:		
Real estate, commercial leasing assets and facilities	$ 4,707	$ 9,743
Employee benefit accruals	1,005	2,411
Deferred income	—	10
Other assets	3,745	3,465
Net operating loss credit carryforwards	3	—
Other liabilities	(3,237)	(3,180)
Valuation allowance	(6,185)	(6,440)
Deferred tax assets, net	$ 38	$ 6,009

The $6.0 million decrease in Stratus' net deferred tax assets is primarily attributable to deferred tax assets realized in 2022 from the sale of Block 21. Stratus continues to maintain a valuation allowance on substantially all of its remaining net deferred tax assets. In evaluating the recoverability of the remaining deferred tax assets,

management considered available positive and negative evidence, giving greater weight to the uncertainty regarding projected future financial results.

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

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

	Years Ended December 31,			
	2022		2021 [a]	
	Amount	Percent	Amount	Percent
Income tax provision (benefit) computed at the federal statutory income tax rate	$ (1,405)	21 %	$ 17,228	21 %
Adjustments attributable to:				
Change in valuation allowance	(255)	4	(4,247)	(5)
Noncontrolling interests	141	(2)	(1,230)	(2)
Executive compensation limitation	664	(10)	840	1
State taxes	177	(3)	571	1
PPP loan forgiveness	—	—	(773)	(1)
Net, other	1,067	(16)	188	—
Provision for income taxes	$ 389	(6)%	$ 12,577	15 %

a. Certain prior year tax component amounts have been reclassified to conform to the current year presentation.

Stratus paid federal income taxes and state margin taxes totaling $37.7 million in 2022 and $0.4 million in 2021. In connection with the CARES Act and the ability to carry back net operating losses, Stratus received a $5.1 million U.S. federal income tax refund in 2022. Stratus also received a $1.9 million U.S. federal income tax refund in 2021.

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

	Years Ended December 31,	
	2022	2021
Balance at January 1	$ 221	$ 210
(Reductions) additions for tax positions related to prior years	(221)	11
Balance at December 31	$ —	$ 221

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

Stratus records liabilities offsetting the tax provision benefits of uncertain tax positions to the extent it estimates that a tax position is more likely than not to not be sustained upon examination by the taxing authorities. Stratus has elected to classify any interest and penalties related to income taxes within income tax expense in its consolidated statements of comprehensive income (loss). As of December 31, 2022, no such interest costs have been accrued.

Stratus files both U.S. federal income tax and state margin tax returns. With limited exceptions, Stratus is no longer subject to U.S. federal income tax examinations by tax authorities for the years prior to 2019 and state margin tax examinations for the years prior to 2018.

On August 16, 2022, the Inflation Reduction Act of 2022 (the IR Act) was enacted in the United States. Among other provisions, the IR Act imposes a new one percent excise tax on the fair market value of net corporate stock repurchases made by covered corporations, effective for tax years beginning after December 31, 2022. 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

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

Equity

The Comerica Bank revolving credit facility, Amarra Villas credit facility, The Annie B land loan, The Saint George construction loan, Kingwood Place construction loan and Holden Hills construction loan entered into in February 2023 require Comerica Bank's prior written consent for any common stock repurchases in excess of $1.0 million or any dividend payments.

Dividends. On September 1, 2022, after receiving written consent from Comerica Bank, Stratus' Board declared a special cash dividend of $4.67 per share (totaling $40.0 million) on Stratus' common stock, which was paid on September 29, 2022 to shareholders of record as of September 19, 2022. Accrued liabilities as of December 31, 2022, included $1.3 million representing dividends accrued for unvested RSUs in accordance with the terms of the awards. The accrued dividends will be paid to the holders of the RSUs, if and when they vest.

Share Repurchase Program. On September 1, 2022, after receiving written consent from Comerica Bank, Stratus' Board approved a new 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 2022, Stratus acquired 294,700 shares of its common stock under the share repurchase program for a total cost of $7.9 million at an average price of $26.69 per share. Through March 27, 2023, Stratus has acquired 335,703 shares of its common stock for a total cost of $8.7 million at an average price of $25.93 per share, and $1.3 million remains available for repurchases under the program.

Stock-based Compensation

Stock Award Plans. On May 12, 2022, the stockholders of Stratus approved the 2022 Stock Incentive Plan (the Plan). The Plan authorizes the issuance of up to 500,000 shares of common stock. Awards for no more than 250,000 shares may be granted to a participant in a single year, however, an annual limit of $300,000 applies to the sum of all cash, equity-based awards and other compensation granted to a non-employee director for services as a member of the board, and a maximum grant date value of equity-based awards granted during a single year may not exceed $200,000 of such annual limit. Upon approval of the Plan by stockholders, Stratus ceased making new awards under any prior plans. The Plan had 317,061 shares available for new grants as of December 31, 2022.

Stock-Based Compensation Costs. Compensation costs charged against earnings for RSUs, the only stock-based awards granted over the last several years, totaled $1.7 million for 2022 and $0.8 million for 2021. Stock-based compensation costs are capitalized when appropriate. Based on Stratus' history, executive turnover is rare. Therefore, Stratus does not currently apply a forfeiture rate when estimating stock-based compensation costs for RSUs.

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

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

A summary of outstanding unvested RSUs as of December 31, 2022, and activity during the year ended December 31, 2022, follow (dollars in thousands):

	Number of RSUs	Aggregate Intrinsic Value
Balance at January 1	135,611	
Granted	198,179	
Vested	(51,521)	
Balance at December 31	282,269	$ 5,445

The total fair value of RSUs granted was $8.3 million for 2022 and $2.4 million for 2021. The total intrinsic value of RSUs vested was $2.0 million during 2022 and $0.8 million during 2021. As of December 31, 2022, Stratus had $3.0 million of total unrecognized compensation cost related to unvested RSUs expected to be recognized over a weighted-average period of 1.4 years.

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

	Years Ended December 31,	
	2022	2021
Stratus shares tendered to pay the minimum required taxes [a]	11,277	5,461
Amounts Stratus paid for employee taxes	$ 452	$ 153

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

Employee Benefits

Stratus maintains a 401(k) defined contribution plan subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA). The 401(k) plan provides for an employer matching contribution equal to 100 percent of the participant's contribution, subject to a limit of 5 percent of the participant's annual salary. Stratus' policy is to make an additional safe harbor contribution equal to 3 percent of each participant's total compensation. The 401(k) plan also provides for discretionary contributions. Stratus' contributions to the 401(k) plan totaled $0.6 million in 2022 and $0.5 million in 2021.

Profit Participation Incentive Plan. In 2018, the Stratus Compensation Committee of the Board (the Committee) unanimously adopted the PPIP, which provides participants with economic incentives tied to the success of the development projects designated by the Committee as approved projects under the PPIP. In February 2023, the Committee approved the LTIP, which amends and restates the PPIP, and is effective for participation interests awarded under development projects on or after its effective date. As of March 27, 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. Under the PPIP and LTIP, 25 percent of the profit (as described below) for each approved project following a capital transaction (each as defined in the PPIP and LTIP) will be set aside in a pool. The Committee will allocate participation interests in each pool to certain officers, employees and consultants determined to be instrumental in the success of the project. The profit is equal to the net proceeds to Stratus from a capital transaction after Stratus has received a return of its costs and expenses, any capital contributions and a preferred return of 10 percent per year on the approved project. Provided the applicable service conditions are met, each participant is eligible to earn a bonus equal to his or her allocated participation interest in the applicable profit pool. Bonuses under the PPIP are payable in cash prior to March 15 of the year following the capital transaction, unless the participant is an executive officer, in which case annual cash payouts under the PPIP are limited to no more than four times the executive officer's base salary, and any amounts due under the PPIP in excess of that amount will be converted to an equivalent number of stock-settled RSUs based on the 12-month trailing average price of Stratus common stock during the year of the capital transaction, with a one-year vesting period.

If a capital transaction has not occurred prior to the third anniversary of the date an approved project is substantially complete (a valuation event), the Committee will obtain a third-party appraisal of the approved project as of the valuation event. Based on the appraised value, the Committee will determine if any profit would have been

generated after applying the hurdles described above, and if so, the amount of any bonus that would have been attributable to each participant. Any such amount will convert into an equivalent number of stock-settled RSUs based on the 12-month average trailing price of Stratus common stock during the year of the valuation event. The RSUs will be granted in the year following the valuation event and will vest in annual installments over a three-year period, provided that the participant satisfies the applicable service conditions. The fair value of the RSUs will be determined based on the price of Stratus' common stock on the date of grant. If the grant date fair value exceeds the calculated bonus amount, the incremental portion will be amortized ratably over the three-year vesting period. If a participant leaves Stratus and forfeits their RSUs, Stratus is able to reverse the expense associated with that award.

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

Stratus estimated the profit pool of each approved project by projecting the cash flow from operations, the net sales price, the timing of a capital transaction or valuation event and Stratus' equity and preferred return including costs to complete for projects under development. The primary fair value assumptions used at December 31, 2022, were projected cash flows, estimated capitalization rates ranging from 4.3 percent to 7.5 percent, projected remaining service periods for each project ranging from 0.5 years to 3.3 years, and estimated transaction costs of approximately 1.3 percent to 7.9 percent.

On October 17, 2020, West Killeen Market reached a valuation event under the PPIP. Under the terms of the PPIP, 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. The grant date value of the RSUs was $0.3 million greater than the accrued liability as a result of this different valuation methodology, Stratus transferred the $1.2 million accrued liability balance under the PPIP for West Killeen Market to capital in excess of par value and is amortizing the $0.3 million balance of the grant-date value with a charge to general and administrative expenses and a credit to capital in excess of par value over the three-year vesting period of the RSUs.

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

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

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

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

A summary of PPIP costs follows (in thousands):

	Years Ended December 31,	
	2022	2021
Charged to general and administrative expense	$ 524	$ 9,780
Capitalized to project development costs	2	441
Total PPIP costs	$ 526	$ 10,221

The accrued liability for the PPIP totaled $3.0 million at December 31, 2022, and $15.2 million at December 31, 2021 (included in other liabilities).

NOTE 9. COMMITMENTS AND CONTINGENCIES

Construction Contracts. Stratus had firm commitments totaling approximately $75 million at December 31, 2022 related to Amarra Villas, Magnolia Place, The Saint June and The Saint George development projects. We have construction loans, as well as remaining equity capital contributed to The Saint George limited partnership, in place to fund these commitments.

Letters of Credit. As of December 31, 2022, Stratus had letters of credit totaling $11.0 million committed against its revolving credit facility with Comerica Bank, which secure the company's obligation to build certain roads and utilities facilities benefiting Holden Hills and Section N (refer to Note 6 for further discussion).

Rental Income. As of December 31, 2022, Stratus' minimum rental income, including scheduled rent increases under noncancelable long-term leases of developed retail space and ground leases, totaled $10.1 million in 2023, $10.3 million in 2024, $10.0 million in 2025, $10.0 million in 2026, $10.0 million in 2027 and $92.3 million thereafter, with the longest lease extending through 2039.

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

Leases. Stratus' most significant lease is a 99-year ground lease for approximately 72 acres of land in College Station, Texas on which it is developing the Jones Crossing project. Stratus also leases various types of assets, including office space, vehicles and office equipment under non-cancelable leases. Stratus entered into one lease during fourth-quarter 2022 that is classified as a finance lease, and the other leases are classified as operating leases. As of December 31, 2022, the remaining term of the finance lease is five years with a weighted-average discount rate of 6.4 percent to determine the lease liability. Stratus did not have any finance leases during 2021.

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

		December 31,	
	Classification on the Consolidated Balance Sheet	2022	2021
Assets			
Operating right-of-use assets	Lease right-of-use assets	$ 10,631	$ 10,487
Finance right-of-use assets	Other assets	79	—
Liabilities			
Operating lease liability	Lease liabilities	$ 14,848	$ 13,986
Finance lease liability	Other liabilities	80	—

Operating lease costs were $1.5 million in 2022 and $1.3 million in 2021. Stratus paid $757 thousand during 2022 and $183 thousand in 2021 for lease liabilities recorded in the consolidated balance sheet (included in operating cash flows in the consolidated statements of cash flows). As of December 31, 2022 and 2021, the weighted-average discount rate used to determine the lease liabilities was 6.0 percent. As of December 31, 2022, the weighted-average remaining lease term was 90 years (94 years as of December 31, 2021).

The future minimum payments for operating leases recorded on the consolidated balance sheet at December 31, 2022 follow (in thousands):

Years ending December 31,		
2023	$	911
2024		848
2025		742
2026		669
2027		692
Thereafter		107,850
Total payments		111,712
Present value adjustment		(96,864)
Present value of net minimum lease payments	$	14,848

Circle C Settlement. In 2002, the city of Austin granted final approval of a development agreement (the Circle C settlement) and permanent zoning for Stratus' real estate located within the Circle C community in southwest Austin. The Circle C settlement firmly established all essential municipal development regulations applicable to Stratus' Circle C properties until 2032. The city of Austin also provided Stratus $15.0 million of development fee credits, which are in the form of credit bank capacity, in connection with its future development of its Circle C and other Austin-area properties for waivers of fees and reimbursement for certain infrastructure costs. In addition, Stratus can elect to sell up to $1.5 million of the incentives per year to other developers for their use in paying City fees related to their projects as long as the projects are within the desired development zone, as defined within the Circle C settlement. To the extent Stratus sells the incentives to other developers, Stratus recognizes the income from the sale when title is transferred and compensation is received. As of December 31, 2022, Stratus had permanently used $12.4 million of its City-based development fee credits, including cumulative amounts sold to third parties totaling $5.1 million. Fee credits used for the development of Stratus' properties effectively reduce the basis of the related properties and Stratus defers recognition of any gain associated with the use of the fees until the affected properties are sold. Stratus also had $0.9 million in credit bank capacity in use as temporary fiscal deposits as of December 31, 2022. Available credit bank capacity was $1.8 million at December 31, 2022.

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

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

In first-quarter 2022, Stratus reassessed its plans with respect to construction of the remaining buildings on the three remaining unleased pad sites and determined that, rather than execute leases and build the buildings, it is less costly to continue to pay the monthly rent (approximately $71 thousand per month) pursuant to the Pad Site Master Lease until the lease expires in February 2027. In connection with this determination, Stratus reversed an accrual of costs to lease and construct these buildings, resulting in recognition of an additional $4.8 million of gain during 2022. A contract liability of $3.5 million is presented as a deferred gain in the consolidated balance sheets at December 31, 2022, compared with $4.8 million at December 31, 2021. The reduction in the deferred gain balance primarily reflects Pad Site Master Lease payments. The remaining deferred gain balance is expected to be reduced primarily by future Pad Site Master Lease payments.

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

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

NOTE 10. BUSINESS SEGMENTS

As a result of the sale of Block 21, Stratus has two operating segments: Real Estate Operations and Leasing Operations. Block 21, which encompassed Stratus' Hotel and Entertainment segments, along with some leasing operations, 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, including Section N, Holden Hills, Amarra multi-family and commercial land, Amarra Villas, The Saint June and other vacant land; the Circle C community; the Lantana community, including 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), located in the greater Houston area.

The Leasing Operations segment is comprised of Stratus' real estate assets, both residential and commercial, that are leased or available for lease and includes West Killeen Market, Kingwood Place and the completed portions of Lantana Place, Jones Crossing and Magnolia Place. The segment also included The Saint Mary until its sale in January 2021 and The Santal until its sale in December 2021 (refer to Note 4 for further discussion).

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

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

	Year Ended December 31,	
	2022	2021
Real Estate Operations:		
Developed property sales	$ 5,982	$ 4,615
Undeveloped property sales	18,620	3,250
Commissions and other	142	584
	24,744	8,449
Leasing Operations:		
Rental revenue	12,754	19,787
	12,754	19,787
Total revenues from contracts with customers	$ 37,498	$ 28,236

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

	Real Estate Operations [a]	Leasing Operations	Corporate, Eliminations and Other [b]	Total
Revenues:				
Unaffiliated customers	$ 24,744	$ 12,754	$ —	$ 37,498
Intersegment	6	—	(6)	—
Cost of sales, excluding depreciation	23,766	4,439	(5)	28,200
Depreciation and amortizaion	100	3,506	(20)	3,586
General and administrative expenses	—	—	17,567	17,567
Impairment of real estate [c]	720	—	—	720
Gain on sales of assets [d]	—	(4,812)	—	(4,812)
Operating income (loss)	$ 164	$ 9,621	$ (17,548)	$ (7,763)
Capital expenditures and purchases and development of real estate properties	$ 24,454	$ 54,600	$ 213	$ 79,267
Total assets at December 31, 2022	288,270	109,348	47,522	445,140

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

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

c. Includes $650 thousand for one of the Amarra Villas homes that was sold for $2.5 million in March 2023 and $70 thousand for the multi-family tract of land at Kingwood Place sold for $5.5 million in October 2022.

d. Represents a pre-tax gain recognized on the reversal of accruals for costs to lease and construct buildings under a master lease arrangement that we entered into in connection with the sale of The Oaks at Lakeway in 2017.

Summarized financial information by segment for the year ended December 31, 2021, 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	$ 8,449	$ 19,787	$ —	$ 28,236
Intersegment	17	—	(17)	—
Cost of sales, excluding depreciation	9,758	9,030	(25)	18,763
Depreciation	155	5,358	(64)	5,449
General and administrative expenses [c]	—	—	24,509	24,509
Impairment of real estate [d]	1,825	—	—	1,825
Gain on sales of assets [e]	—	(105,970)	—	(105,970)
Operating (loss) income	$ (3,272)	$ 111,369	$ (24,437)	$ 83,660
Capital expenditures and purchases and development of real estate properties	$ 52,772	$ 19,024	$ 538	$ 72,334
Total assets at December 31, 2021	241,225	107,990	192,011	541,226

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

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

c. Includes $4.0 million incurred for consulting, legal and public relation costs for Stratus' successful proxy contest and the real estate investment trust exploration process as well as $9.8 million in employee incentive compensation costs associated with the PPIP resulting primarily from an increased valuation for The Santal.

d. Includes $700 thousand for two Amarra Villas homes that were sold in 2022, $625 thousand for the multi-family tract of land at Kingwood Place that sold for $5.5 million in October 2022 and $500 thousand for an office building in Austin.

e. Represents the pre-tax gains on the December 2021 sale of The Santal of $83.0 million, and the January 2021 sale of The Saint Mary of $22.9 million.

NOTE 11. SUBSEQUENT EVENTS

Holden Hills, L.P. In first-quarter 2023, Holden Hills, L.P., a Texas limited partnership (the Holden Hills partnership), entered into financing transactions and commenced construction on the development of the Holden Hills project. The Holden Hills project is Stratus' final large residential development within the Barton Creek community in Austin, Texas, consisting of 495 acres and designed to feature 475 unique residences.

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) The Class A limited partner 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 the Class A limited partner. Further, the Holden Hills partnership reimbursed the Class A limited partner 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 percent equity capital interest in the Holden Hills partnership, and the Class B limited partner holds the remaining 50 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. We expect to consolidate the Holden Hills limited partnership, and the contribution from our partner will be 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, the Class A limited partner and the general partner, together, are 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.

The general partner 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 a pod 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 the buy-sell at any time by written notice to the other partner, specifying the buyout price.

The Holden Hills partnership has agreed to pay the general partner a development management fee of 4.00 percent of certain construction costs for Phase I, 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. The Class A limited partner and the Holden Hills partnership entered into a development agreement (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 Stratus from its current terminus to Southwest Parkway (the Tecoma Improvements). The Tecoma Improvements will enable access and provide utilities necessary for the development of both the Holden Hills project and Section N. Section N is Stratus' wholly-owned approximately 570-acre tract located along Southwest Parkway in the southern portion of the Barton Creek community adjacent to Holden Hills. Pursuant to the Development Agreement, Stratus will reimburse the Holden Hills partnership for 60 percent of the costs of the Tecoma Improvements. The Class A limited partner has posted standby letters of credit with the City of Austin under Stratus' 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.

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

The loan agreement provides for a senior secured construction loan in the aggregate principal amount of the least of (i) $26.1 million, (ii) 23 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 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. Stratus is also liable for customary carve-out obligations and an environmental indemnity. The Holden Hills construction loan requires Comerica Banks' prior written consent for any common stock repurchases in excess of $1.0 million and any dividend payments. 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).

Holden Hills Municipal Utility District Reimbursements. The Holden Hills partnership is expected to be eligible to be reimbursed in the future by Travis County MUDs for a portion of future costs of the Tecoma Improvements and also for a portion of future costs related only to the Holden Hills project. The Holden Hills partnership has agreed to deliver to the Class A limited partner 60 percent of any MUD reimbursements for Tecoma Improvement costs paid directly by the Class A limited partner, when such reimbursements are received by the partnership. The amount and timing of MUD reimbursements depends, among other factors, upon the timing of actual future expenditures, 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.

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

Not applicable.

Item 9A. Controls and Procedures

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

(b) Changes in internal control over financial reporting. There has been no change in our internal control over financial reporting that occurred during the fiscal quarter ended December 31, 2022, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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

Item 9B. Other Information

Not applicable.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Information required by this item will be contained in our definitive proxy statement to be filed with the Securities and Exchange Commission (SEC) pursuant to Regulation 14A relating to our 2023 annual meeting of stockholders and is incorporated herein by reference. The information required by Item 10 regarding our executive officers appears in a separately captioned heading after Item 4. “Information About our Executive Officers” in Part I of this report.

Item 11. Executive Compensation

Information required by this item will be contained in our definitive proxy statement to be filed with the SEC pursuant to Regulation 14A relating to our 2023 annual meeting of stockholders and is incorporated herein by reference.

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

Information required by this item will be contained in our definitive proxy statement to be filed with the SEC pursuant to Regulation 14A relating to our 2023 annual meeting of stockholders and is incorporated herein by reference.

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

Information required by this item will be contained in our definitive proxy statement to be filed with the SEC pursuant to Regulation 14A relating to our 2023 annual meeting of stockholders and is incorporated herein by reference.

Item 14. Principal Accounting Fees and Services

Information required by this item (including fees billed to us by CohnReznick LLP - PCAOB ID No. 596 and BKM Sowan Horan, LLP - PCAOB ID No. 5127) will be contained in our definitive proxy statement to be filed with the SEC pursuant to Regulation 14A relating to our 2023 annual meeting of stockholders and is incorporated herein by reference.

PART IV

Item 15. Exhibits, Financial Statement Schedules

(a)(1). Financial Statements.

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

(a)(3). Exhibits.

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

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

Exhibit Number	Exhibit Title	Filed with this Form 10-K	Incorporated by Reference		
			Form	File No.	Date Filed
10.24	Amended and Restated Installment Note by and between Stratus Kingwood Place, L.P. and Comerica Bank, effective as of January 17, 2020.		10-Q	001-37716	6/25/2020
10.25	Second Modification Agreement by and among Stratus Kingwood Place, L.P., as borrower, Stratus Properties Inc. as guarantor, and Comerica Bank, as lender, effective as of December 6, 2022.	X			
10.26	Guaranty Agreement by Stratus Properties Inc. for the benefit of Comerica Bank dated December 6, 2018.		10-K	001-37716	3/31/2022
10.27	Loan Agreement by and among The Saint June, L.P., as borrower, Texas Capital Bank, National Association, as administrative agent, and each of the lenders party thereto, dated June 2, 2021.		8-K	001-37716	6/8/2021
10.28	Note by and between The Saint June, L.P. and Texas Capital Bank, National Association dated June 2, 2021.		8-K	001-37716	6/8/2021
10.29	Guaranty Agreement by Stratus Properties Inc. for the benefit of Texas Capital Bank, National Association dated June 2, 2021 with respect to the Loan Agreement by and among The Saint June, L.P., as borrower, Texas Capital Bank, National Association, as administrative agent, and each of the lenders party thereto, dated June 2, 2021.		10-K	001-37716	3/31/2022
10.30	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.	X			
10.31	Construction Loan Agreement by and between The Saint George Apartments, L.P., as borrower, and Comerica Bank, as lender, dated July 19, 2022.		8-K	001-37716	7/21/2022
10.32	Amended and Restated Installment Note by and between The Saint George Apartments, L.P. and Comerica Bank dated July 19, 2022.		8-K	001-37716	7/21/2022
10.33	Guaranty Agreement by Stratus Properties Inc. for the benefit of Comerica Bank dated July 19, 2022 with respect to the Construction Loan Agreement by and between The Saint George Apartments, L.P., as borrower, and Comerica Bank, as lender, dated July 19, 2022.		8-K	001-37716	7/21/2022
10.34	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
10.35	Installment Note by and between Holden Hills, L.P. and Comerica Bank dated February 8, 2023.		8-K	001-37716	2/14/2023
10.36	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
10.37	Amended and Restated Limited Partnership Agreement of Stratus Kingwood Place, L.P. entered into by and among Stratus Northpark, L.L.C., Stratus Properties Operating Co., L.P., and several Class B Limited Partners.		10-Q	001-37716	8/9/2018
10.38	First Amendment to the Amended and Restated Limited Partnership Agreement of Stratus Kingwood Place, L.P.		10-K	001-37716	3/18/2019

Exhibit Number	Exhibit Title	Filed with this Form 10-K	Incorporated by Reference		
			Form	File No.	Date Filed
10.39	Second Amendment to the Amended and Restated Limited Partnership Agreement of Stratus Kingwood Place, L.P.		10-K	001-37716	3/15/2021
10.40†	Amended and Restated Limited Partnership Agreement of Stratus Block 150, L.P. entered into by and among The Stratus Block 150 GP, L.L.C., Stratus Properties Operating Co., L.P., and several Class B Limited Partners.		10-Q	001-37716	11/15/2021
10.41†	First Amendment to the Amended and Restated Limited Partnership Agreement of Stratus Block 150, L.P.		10-Q	001-37716	5/16/2022
10.42†	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.	X			
10.43†	Development Agreement effective as of January 31, 2023, between Stratus Properties Operating Co., L.P. and Holden Hills, L.P.	X			
10.44*	Stratus Properties Inc. 2017 Stock Incentive Plan.		8-K	001-37716	5/18/2017
10.45*	Stratus Properties Inc. 2022 Stock Incentive Plan.		8-K	001-37716	5/13/2022
10.46*	Stratus Properties Inc. Director Compensation.	X			
10.47*	Severance and Change of Control Agreement between Stratus Properties Inc. and William H. Armstrong III, effective April 1, 2022.		10-K	001-37716	3/31/2022
10.48*	Severance and Change of Control Agreement between Stratus Properties Inc. and Erin D. Pickens, effective April 1, 2022.		10-K	001-37716	3/31/2022
10.49*	Consulting Agreement between Stratus Properties Inc. and James C. Leslie, dated November 4, 2022.	X			
10.50	Share Repurchase Agreement between Stratus Properties Inc. and James C. Leslie, dated November 1, 2022.	X			
10.51*	Stratus Properties Inc. Profit Participation Incentive Plan and Form of Award Notice.		10-K	001-37716	3/18/2019
10.52*	Form of Notice of Grant of Restricted Stock Units under the Stratus Properties Inc. 2017 Stock Incentive Plan for Non-Employee Director Grants (adopted May 2019).		10-Q	000-19989	5/10/2019
10.53*	Form of Notice of Grant of Restricted Stock Units under the Stratus Properties Inc. 2022 Stock Incentive Plan for Non-Employee Director Grants (adopted July 2022).	X			
10.54*	Form of Notice of Grant of Restricted Stock Units (adopted 2021).		10-Q	001-37716	8/16/2021
10.55*	Form of Notice of Grant of Restricted Stock Units for Awards under the Profit Participation Incentive Plan (adopted 2021).		10-Q	001-37716	8/16/2021
16.1	Letter to the Securities and Exchange Commission from BKM Sowan Horan, LLP.		8-K	001-37716	11/14/2022
16.2	Letter to the Securities and Exchange Commission from CohnReznick LLP.		8-K	001-37716	11/14/2022
21.1	List of subsidiaries.	X			
23.1	Consent of CohnReznick LLP.	X			

Exhibit Number	Exhibit Title	Filed with this Form 10-K	Incorporated by Reference		
			Form	File No.	Date Filed
23.2	Consent of BKM Sowan Horan, LLP.	X			
24.1	Power of Attorney (included on signature page).	X			
31.1	Certification of Principal Executive Officer pursuant to Rule 13a-14(a)/15d-14(a).	X			
31.2	Certification of Principal Financial Officer pursuant to Rule 13a-14(a)/15d-14(a).	X			
32.1	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350.	X			
32.2	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350.	X			
101.INS	XBRL Instance Document – the XBRL Instance Document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.	X			
101.SCH	Inline XBRL Taxonomy Extension Schema.	X			
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase.	X			
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase.	X			
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase.	X			
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase.	X			
104	The cover page from this Annual Report on Form 10-K, formatted in Inline XBRL and contained in Exhibit 101.	X			

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

Item 16. Form 10-K Summary

Not applicable.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on March 31, 2023.

STRATUS PROPERTIES INC.

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

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

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

Name	Capacity	Date
/s/ William H. Armstrong III William H. Armstrong III	Chairman of the Board, President and Chief Executive Officer (Principal Executive Officer)	March 31, 2023
/s/ Erin D. Pickens Erin D. Pickens	Senior Vice President and Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	March 31, 2023
/s/ Laurie L. Dotter Laurie L. Dotter	Director	March 31, 2023
/s/ Kate B. Henriksen Kate B. Henriksen	Director	March 31, 2023
/s/ James E. Joseph James E. Joseph	Director	March 31, 2023
/s/ Michael D. Madden Michael D. Madden	Director	March 31, 2023
/s/ Charles W. Porter Charles W. Porter	Director	March 31, 2023
/s/ Neville L. Rhone Jr. Neville L. Rhone Jr.	Director	March 31, 2023

When recorded, return to: RECORD IN DEED OF TRUST RECORDS
TRAVIS COUNTY, TEXAS
Holland & Knight LLP
1722 Routh Street, Suite 1500
Dallas, Texas 75201
Attention: Matthew Swerdlow

NOTICE OF CONFIDENTIALITY RIGHTS; IF YOU ARE A NATURAL PERSON, YOU MAY REMOVE OR STRIKE ANY OR ALL OF THE FOLLOWING INFORMATION FROM ANY INSTRUMENT THAT TRANSFERS AN INTEREST IN REAL PROPERTY BEFORE IT IS FILED FOR RECORD IN THE PUBLIC RECORDS: YOUR SOCIAL SECURITY NUMBER OR YOUR DRIVER'S LICENSE NUMBER

FOURTH MODIFICATION AGREEMENT

This FOURTH MODIFICATION AGREEMENT (this "**Agreement**") dated effective as of November 8, 2022 (the "**Effective Date**") by and between **STRATUS PROPERTIES INC.**, a Delaware corporation ("**Stratus**"), **STRATUS PROPERTIES OPERATING CO., L.P.**, a Delaware limited partnership ("**SPOC**"), **CIRCLE C LAND, L.P.**, a Texas limited partnership ("**Circle C**"), **AUSTIN 290 PROPERTIES, INC.**, a Texas corporation ("**Austin**"), **THE VILLAS AT AMARRA DRIVE, L.L.C.**, a Texas limited liability company ("**Amarra**"), and **STRATUS LAKEWAY CENTER, L.L.C.**, a Texas limited liability company ("**Lakeway**") (Stratus, SPOC, Circle C, Austin, Amarra, and Lakeway are sometimes referred to in this Agreement severally as "**Borrower**"), and **COMERICA BANK** ("**Lender**");

W I T N E S S E T H:

A. The following documents were previously executed and delivered by Borrower, Magnolia East 149, L.L.C., a Texas limited liability company ("**Magnolia**") and 210 Lavaca Holdings, L.L.C., a Texas limited liability company ("**Lavaca**"), to Lender, inter alia, relating to a loan (the "**Loan**") in the original principal sum of $60,000,000.00, each dated June 29, 2018:

i. that certain Loan Agreement (the "**Loan Agreement**");

ii. that certain Revolving Promissory Note, payable to the order of Lender in the original principal sum of $60,000,000.00 (the "**Existing Note**");

iii. that certain Deed of Trust, Security Agreement, Fixture Filing and Assignment of Rents from Stratus to Brian P. Foley, Trustee, securing the payment of the

Note, covering certain real and personal property described therein, recorded under Clerk's File No. 2018103071 of the Official Public Records of Travis County, Texas (the "**Stratus Deed of Trust**");

iv. that certain Deed of Trust, Security Agreement, Fixture Filing and Assignment of Rents from Circle C to Brian P. Foley, Trustee, securing the payment of the Note, covering certain real and personal property described therein, recorded under Clerk's File No. 2018103077 of the Official Public Records of Travis County, Texas (the "**Circle C Deed of Trust**");

v. that certain Deed of Trust, Security Agreement, Fixture Filing and Assignment of Rents from SPOC to Brian P. Foley, Trustee, securing the payment of the Note, covering certain real and personal property described therein, recorded under Clerk's File No. 2018103072 of the Official Public Records of Travis County, Texas (the "**SPOC Deed of Trust**");

vi. that certain Deed of Trust, Security Agreement, Fixture Filing and Assignment of Rents from Amarra to Brian P. Foley, Trustee, securing the payment of the Note, covering certain real and personal property described therein, recorded under Clerk's File No. 2018103073 of the Official Public Records of Travis County, Texas (the "**Amarra Deed of Trust**");

vii. that certain Deed of Trust, Security Agreement, Fixture Filing and Assignment of Rents from Lavaca to Brian P. Foley, Trustee, securing the payment of the Note, covering certain real and personal property described therein, recorded under Clerk's File No. 2018103074 of the Official Public Records of Travis County, Texas (the "**Lavaca Deed of Trust**");

viii. that certain Deed of Trust, Security Agreement, Fixture Filing and Assignment of Rents from Magnolia, to Brian P. Foley, Trustee, securing the payment of the Note, covering certain real and personal property described therein, recorded under Clerk's File No. 2018062488 of the Official Public Records of Montgomery County, Texas (the "**Magnolia Deed of Trust**");

ix. that certain Deed of Trust, Security Agreement, Fixture Filing and Assignment of Rents from Lakeway to Brian P. Foley, Trustee, securing the payment of the Note, covering certain real and personal property described therein, recorded under Clerk's File No. 2018103076 of the Official Public Records of Travis County, Texas (the "**Lakeway Deed of Trust**")

x. that certain Deed of Trust, Security Agreement, Fixture Filing and Assignment of Rents from Austin to Brian P. Foley, Trustee, securing the payment of the Note, covering certain real and personal property described therein, recorded under Clerk's File No. 2018103078 of the Official Public Records of Travis County, Texas, (the "**Austin Deed of Trust**"; and together with the Stratus Deed of Trust, the Circle C Deed of Trust, the SPOC Deed of Trust, the Amarra Deed of Trust, and the Lakeway Deed of Trust collectively referred to as the "**Deed of Trust**");

xi. that certain Subordination Agreement, recorded under Clerk's File No. 2018106189 of the Official Public Records of Travis County, Texas, executed by SPOC in favor of Lender (the "**Subordination Agreement**");

xii. that certain Security Agreement, executed by Stratus in favor of Lender (the "**Stratus Security Agreement**"); and

xiii. that certain Assignment of Reimbursables, Credits and Other Fees executed by Borrower, Magnolia and Lavaca in favor of Lender (the "**Assignment of Reimbursables**").

The instruments described above, the Prior Modifications, this Agreement, the Amended and Restated Note, and all other documents evidencing, securing or otherwise executed in connection with the Loan, being herein collectively called the "**Loan Documents**";

B. The Loan Documents were previously modified by that certain Modification Agreement dated April 14, 2020, executed by Borrower, Magnolia, Lavaca and Lender (the "**First Modification**"), that certain Second Modification Agreement dated June 12, 2020, executed by Borrower, Magnolia, Lavaca and Lender, recorded under Clerk's File No. 2020057667 of the Official Public Records of Montgomery County, Texas and recorded under Clerk's File No. 2020097580 of the Official Public Records of Travis County, Texas (the "**Second Modification**"), and that certain Third Modification Agreement dated May 13, 2022, executed by Borrower, Magnolia, Lavaca and Lender, recorded under Clerk's File No. 2022087674 of the Official Public Records of Travis County, Texas (the "**Third Modification**", and together with the First Modification and the Second Modification, collectively, the "**Prior Modifications**");

C. Borrower executed and delivered to Lender that certain Amended and Restated Revolving Promissory Note (together with any and all renewals, modifications, rearrangements, reinstatements, enlargements, or extensions of such promissory note or of any promissory note or notes given in renewal, substitution or replacement therefor, the "**Amended and Restated Promissory Note**" or the "**Note**") dated May 13, 2022, in the stated principal amount of Sixty Million and No/100 Dollars ($60,000,000.00), in substitution of the Existing Note;

D. Borrower has requested that Lender extend the term of the Note to March 27, 2023, and make certain modifications to the Loan Documents, and Lender is willing to do so on the terms and conditions set forth below; and

E. Lender is the owner and holder of the Existing Note and the Amended and Restated Promissory Note and Borrower is the owner of the legal and equitable title to the Mortgaged Property.

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

1. **Defined Terms**. Capitalized terms used but not defined in this Agreement shall have the meaning given to such capitalized terms in the Loan Agreement.

2. **Extension of Maturity Date**. The maturity date of the Note is hereby extended to March 27, 2023 (the "**Maturity Date**"), and the liens, security interests, assignments and other rights evidenced by the Loan Documents are hereby renewed and extended to secure payment of the Note as extended hereby. Without limiting the foregoing, the term "Maturity Date" and other references to the maturity of the Loan or the Note used in the Note, any Deed of Trust, the Loan Agreement and other Loan Documents are likewise amended to mean and refer to "March 27, 2023" (or such earlier date on which the entire unpaid principal amount of the Loan becomes due and payable whether by the lapse of time, acceleration or otherwise; provided, however, if any such date is not a Business Day, then the Maturity Date shall be the next succeeding Business Day). Borrower shall have no further rights to extend the maturity date of the Note.

3. **Representations and Warranties**. Borrower hereby represents and warrants that (a) Borrower is the sole legal and beneficial owner of the Mortgaged Property (other than the Mortgaged Property which has been released by Lender from the liens of the Deed of Trust); (b) Borrower is duly organized and legally existing under the laws of the state of its organizations and is duly qualified to do business in the State of Texas; (c) the execution and delivery of, and performance under this Agreement are within Borrower's power and authority without the joinder or consent of any other party and have been duly authorized by all requisite action and are not in contravention of law or the powers of Borrower's articles of incorporation and bylaws; (d) this Agreement constitutes the legal, valid and binding obligations of Borrower enforceable in accordance with its terms; (e) the execution and delivery of this Agreement by Borrower do not contravene, result in a breach of or constitute a default under any deed of trust, loan agreement, indenture or other contract, agreement or undertaking to which Borrower is a party or by which Borrower or any of its properties may be bound (nor would such execution and delivery constitute such a default with the passage of time or the giving of notice or both) and do not violate or contravene any law, order, decree, rule or regulation to which Borrower is subject; and (f) to the best of Borrower's knowledge there exists no uncured default under any of the Loan Documents. Borrower agrees to indemnify and hold Lender harmless against any loss, claim, damage, liability or expense (including without limitation reasonable attorneys' fees) incurred as a result of any representation or warranty made by it herein proving to be untrue in any respect.

4. **Further Assurances**. Borrower, upon request from Lender, agrees to execute such other and further documents as may be reasonably necessary or appropriate to consummate the transactions contemplated herein or to perfect the liens and security interests intended to secure the payment of the loan evidenced by the Note.

5. **Default; Remedies**. If Borrower shall fail to keep or perform any of the covenants or agreements contained herein or if any statement, representation or warranty contained herein is false, misleading or erroneous in any material respect, subject to the applicable notice and/or cure periods provided in Section 6.1 of the Loan Agreement, Borrower shall be deemed to be in default under the Deed of Trust and Lender shall be entitled at its option to exercise any and all of the rights and remedies granted pursuant to the any of the Loan Documents or to which Lender may otherwise be entitled, whether at law or in equity.

6. **Endorsement to Mortgagee Title Policy**. As an accommodation to Borrower, Lender has agreed to waive the requirement for recordation of this Agreement and issuance of an endorsement to the Title Policy at this time. At Lender's request, Borrower shall, at its sole cost and expense, arrange for recordation of this Agreement in each county where the Mortgaged Property is located and obtain and deliver to Lender an endorsement of the Title Policy insuring the lien of the Deed of Trust, under Procedural Rule P-9b(3) of the applicable title insurance rules and regulations, in form and content acceptable to Lender, stating that the company issuing said Title Policy will not claim that policy coverage has terminated or that policy coverage has been reduced, solely by reason of the execution of this Agreement.

7. **Ratification of Loan Documents**. Except as provided herein, the terms and provisions of the Loan Documents shall remain unchanged and shall remain in full force and effect. Any modification herein of any of the Loan Documents shall in no way adversely affect the security of the Deed of Trust and the other Loan Documents for the payment of the Note. The Loan Documents as modified and amended hereby are hereby ratified and confirmed in all respects. All liens, security interests, mortgages and assignments granted or created by or existing under the Loan Documents remain unchanged and continue, unabated, in full force and effect, to secure Borrower's obligation to repay the Note.

8. **Liens Valid; No Offsets or Defenses**. Borrower hereby acknowledges that the liens, security interests and assignments created and evidenced by the Loan Documents are valid and subsisting and further acknowledges and agrees that there are no offsets, claims or defenses to any of the Loan Documents.

9. **Merger; No Prior Oral Agreements**. This Agreement supersedes and merges all prior and contemporaneous promises, representations and agreements. No modification of this Agreement or any of the Loan Documents, or any waiver of rights under any of the foregoing, shall be effective unless made by supplemental agreement, in writing, executed by Lender and Borrower. Lender and Borrower further agree that this Agreement may not in any way be explained or supplemented by a prior, existing or future course of dealings between the parties or by any prior, existing, or future performance between the parties pursuant to this Agreement or otherwise.

10. **Costs and Expenses**. Contemporaneously with the execution and delivery hereof, Borrower shall pay, or cause to be paid, all costs and expenses incident to the preparation hereof and the consummation of the transactions specified herein, including without limitation title insurance policy endorsement charges, recording fees and fees and expenses of legal counsel to Lender.

11. **Release of Lender**. Borrower hereby releases, remises, acquits and forever discharges Lender, together with its employees, agents, representatives, consultants, attorneys, fiduciaries, servants, officers, directors, partners, predecessors, successors and assigns, subsidiary corporations, parent corporations, and related corporate divisions (all of the foregoing hereinafter called the "**Released Parties**"), from any and all actions and causes of action, judgments, executions, suits, debts, claims, demands, liabilities, obligations, damages and expenses of any and every character, known or unknown, direct and/or indirect, at law or in equity, of whatsoever kind

or nature, whether heretofore or hereafter accruing, for or because of any matter or things done, omitted or suffered to be done by any of the Released Parties prior to and including the Effective Date, and in any way directly or indirectly arising out of or in any way connected to this Agreement or any of the Loan Documents or any of the transactions associated therewith, or the Mortgaged Property, including specifically but not limited to claims of usury.

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

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

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

15. **Representation by Counsel**. The parties acknowledge and confirm that each of their respective attorneys have participated jointly in the review and revision of this Agreement and that it has not been written solely by counsel for one party. The parties hereto therefore stipulate and agree that the rule of construction to the effect that any ambiguities are to or may be resolved against the drafting party shall not be employed in the interpretation of this Agreement to favor either party against the other.

16. **Governing Law**. This Agreement and the rights and duties of the parties hereunder shall be governed for all purposes by the law of the State of Texas and the law of the United States applicable to transactions within said State.

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

18. **Notice of No Oral Agreements**. Borrower and Lender hereby take notice of and agree to the following:

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

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

BETWEEN THE PARTIES ARE SUPERSEDED BY AND MERGED INTO THE LOAN DOCUMENTS.

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

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, this Agreement is executed on the respective dates of acknowledgement below but is effective as of the date first above written.

BORROWER:

STRATUS PROPERTIES INC.,
a Delaware corporation

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

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

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

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

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

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

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

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

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

AUSTIN 290 PROPERTIES, INC.,
a Texas corporation

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

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

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

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

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

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

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

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

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

STATE OF TEXAS §
§
COUNTY OF TRAVIS §

This instrument was acknowledged before me on the 7th day of November, 2022, by Erin D. Pickens, Senior Vice President of Stratus Properties Inc., a Delaware corporation, on behalf of said corporation.

[SEAL]

/s/ Leticia L. Silva
Notary Public, State of Texas
My Commission Expires: 02-21-2023
Printed Name of Notary: Leticia L. Silva

STATE OF TEXAS §
§
COUNTY OF TRAVIS §

This instrument was acknowledged before me on the 7th day of November, 2022, by Erin D. Pickens, Senior Vice President of Stratus Properties Inc., a Delaware corporation, Sole Member of STRS L.L.C., a Delaware limited liability company, General Partner of Stratus Properties Operating Co., L.P., a Delaware limited partnership, on behalf of said corporation, limited liability company and limited partnership.

[SEAL]

/s/ Leticia L. Silva
Notary Public, State of Texas
My Commission Expires: 02-21-2023
Printed Name of Notary: Leticia L. Silva

STATE OF TEXAS §
§
COUNTY OF TRAVIS §

This instrument was acknowledged before me on the 7th day of November, 2022, by Erin D. Pickens, Senior Vice President of Stratus Properties Inc., a Delaware corporation, Sole Member of Circle C GP, L.L.C., a Delaware limited liability company, General Partner of Circle C Land, L.P., a Texas limited partnership, on behalf of said corporation, limited liability company and limited partnership.

/s/ Leticia L. Silva
[SEAL] Notary Public, State of Texas
My Commission Expires: 02-21-2023
Printed Name of Notary: Leticia L. Silva

STATE OF TEXAS §
§
COUNTY OF TRAVIS §

This instrument was acknowledged before me on the 7th day of November, 2022, by Erin D. Pickens, Senior Vice President of Austin 290 Properties, Inc., a Texas corporation, on behalf of said corporation.

[SEAL]

/s/ Leticia L. Silva
Notary Public, State of Texas
My Commission Expires: 02-21-2023
Printed Name of Notary: Leticia L. Silva

STATE OF TEXAS §
§
COUNTY OF TRAVIS §

This instrument was acknowledged before me on the 7th day of November, 2022, by Erin D. Pickens, Senior Vice President of Stratus Properties Inc., a Delaware corporation, Sole Member of STRS L.L.C., a Delaware limited liability company, Manager of The Villas at Amarra Drive, L.L.C., a Texas limited liability company, on behalf of said corporation and limited liability companies.

[SEAL]

/s/ Leticia L. Silva
Notary Public, State of Texas
My Commission Expires: 02-21-2023
Printed Name of Notary: Leticia L. Silva

STATE OF TEXAS §
§
COUNTY OF TRAVIS §

This instrument was acknowledged before me on the 7th day of November, 2022, by Erin D. Pickens, Senior Vice President of Stratus Properties Inc., a Delaware corporation, Sole Member of STRS L.L.C., a Delaware limited liability company, Manager of Stratus Lakeway Center, L.L.C., a Texas limited liability company, on behalf of said corporation and limited liability companies.

[SEAL]

/s/ Leticia L. Silva
Notary Public, State of Texas
My Commission Expires: 02-21-2023
Printed Name of Notary: Leticia L. Silva

LENDER:

COMERICA BANK

By:/s/ Elaine K. Houston
Elaine K. Houston, Vice President

STATE OF TEXAS §
§
COUNTY OF TRAVIS §

This instrument was acknowledged before me on the 2nd day of November, 2022, by Elaine K. Houston, Vice President of Comerica Bank, on behalf of said bank.

[SEAL]

/s/ Ralph Velasquez
Notary Public, State of Texas
My Commission Expires: April 25, 2026
Printed Name of Notary: Ralph Velasquez

When recorded, return to: RECORD IN DEED OF TRUST RECORDS
TRAVIS COUNTY, TEXAS
Holland & Knight LLP
1722 Routh Street, Suite 1500
Dallas, Texas 75201
Attention: Jeanne Burton

NOTICE OF CONFIDENTIALITY RIGHTS; IF YOU ARE A NATURAL PERSON, YOU MAY REMOVE OR STRIKE ANY OR ALL OF THE FOLLOWING INFORMATION FROM ANY INSTRUMENT THAT TRANSFERS AN INTEREST IN REAL PROPERTY BEFORE IT IS FILED FOR RECORD IN THE PUBLIC RECORDS: YOUR SOCIAL SECURITY NUMBER OR YOUR DRIVER'S LICENSE NUMBER

FIFTH MODIFICATION AGREEMENT

This FIFTH MODIFICATION AGREEMENT (this "**Agreement**") is dated effective as of March 10, 2023 (the "**Effective Date**") by and between **STRATUS PROPERTIES INC.**, a Delaware corporation ("**Stratus**"), **STRATUS PROPERTIES OPERATING CO., L.P.**, a Delaware limited partnership ("**SPOC**"), **CIRCLE C LAND, L.P.**, a Texas limited partnership ("**Circle C**"), **AUSTIN 290 PROPERTIES, INC.**, a Texas corporation ("**Austin**"), **THE VILLAS AT AMARRA DRIVE, L.L.C.**, a Texas limited liability company ("**Amarra**"), and **STRATUS LAKEWAY CENTER, L.L.C.**, a Texas limited liability company ("**Lakeway**") (Stratus, SPOC, Circle C, Austin, Amarra, and Lakeway are sometimes referred to in this Agreement severally as "**Borrower**"), and **COMERICA BANK** ("**Lender**");

W I T N E S S E T H:

A. The following documents were previously executed and delivered by Borrower, Magnolia East 149, L.L.C., a Texas limited liability company ("**Magnolia**") and 210 Lavaca Holdings, L.L.C., a Texas limited liability company ("**Lavaca**"), to Lender, inter alia, relating to a loan (the "**Loan**") in the original principal sum of $60,000,000.00, each dated June 29, 2018:

i. that certain Loan Agreement (the "**Loan Agreement**");

ii. that certain Revolving Promissory Note, payable to the order of Lender in the original principal sum of $60,000,000.00 (the "**Original Note**");

iii. that certain Deed of Trust, Security Agreement, Fixture Filing and Assignment of Rents from Stratus to Brian P. Foley, Trustee, securing the payment of the

Note, covering certain real and personal property described therein, recorded under Clerk's File No. 2018103071 of the Official Public Records of Travis County, Texas (the "**Stratus Deed of Trust**");

iv. that certain Deed of Trust, Security Agreement, Fixture Filing and Assignment of Rents from Circle C to Brian P. Foley, Trustee, securing the payment of the Note, covering certain real and personal property described therein, recorded under Clerk's File No. 2018103077 of the Official Public Records of Travis County, Texas (the "**Circle C Deed of Trust**");

v. that certain Deed of Trust, Security Agreement, Fixture Filing and Assignment of Rents from SPOC to Brian P. Foley, Trustee, securing the payment of the Note, covering certain real and personal property described therein, recorded under Clerk's File No. 2018103072 of the Official Public Records of Travis County, Texas, as affected by that certain Partial Release of Deed of Trust Lien dated effective as of February 8, 2023, executed by Lender, recorded under Clerk's File No. 2023013188 of the Official Public Records of Travis County, Texas (the "**SPOC Deed of Trust**");

vi. that certain Deed of Trust, Security Agreement, Fixture Filing and Assignment of Rents from Amarra to Brian P. Foley, Trustee, securing the payment of the Note, covering certain real and personal property described therein, recorded under Clerk's File No. 2018103073 of the Official Public Records of Travis County, Texas (the "**Amarra Deed of Trust**");

vii. that certain Deed of Trust, Security Agreement, Fixture Filing and Assignment of Rents from Lakeway to Brian P. Foley, Trustee, securing the payment of the Note, covering certain real and personal property described therein, recorded under Clerk's File No. 2018103076 of the Official Public Records of Travis County, Texas (the "**Lakeway Deed of Trust**")

viii. that certain Deed of Trust, Security Agreement, Fixture Filing and Assignment of Rents from Austin to Brian P. Foley, Trustee, securing the payment of the Note, covering certain real and personal property described therein, recorded under Clerk's File No. 2018103078 of the Official Public Records of Travis County, Texas, (the "**Austin Deed of Trust**"; and together with the Stratus Deed of Trust, the Circle C Deed of Trust, the SPOC Deed of Trust, the Amarra Deed of Trust, and the Lakeway Deed of Trust, as they may be affected by various partial releases of lien executed by Lender prior to the Effective Date, are collectively referred to as the "**Deed of Trust**");

ix. that certain Subordination Agreement, recorded under Clerk's File No. 2018106189 of the Official Public Records of Travis County, Texas, executed by SPOC in favor of Lender (the "**Subordination Agreement**");

x. that certain Security Agreement, executed by Stratus in favor of Lender (the "**Stratus Security Agreement**"); and

xi. that certain Assignment of Reimbursables, Credits and Other Fees executed by Borrower, Magnolia and Lavaca in favor of Lender (the "**Assignment of Reimbursables**").

The instruments described above, the Prior Modifications, this Agreement, the Amended and Restated Note, and all other documents evidencing, securing or otherwise executed in connection with the Loan, being herein collectively called the "**Loan Documents**";

B. The Loan Documents were previously modified by that certain Modification Agreement dated April 14, 2020, executed by Borrower, Magnolia, Lavaca and Lender (the "**First Modification**"), that certain Second Modification Agreement dated June 12, 2020, executed by Borrower, Magnolia, Lavaca and Lender, recorded under Clerk's File No. 2020057667 of the Official Public Records of Montgomery County, Texas and recorded under Clerk's File No. 2020097580 of the Official Public Records of Travis County, Texas (the "**Second Modification**"), that certain Third Modification Agreement dated May 13, 2022, executed by Borrower and Lender, recorded under Clerk's File No. 2022087674 of the Official Public Records of Travis County, Texas (the "**Third Modification**"), and that certain Fourth Modification Agreement dated November 8, 2022, executed by Borrower and Lender (the "**Fourth Modification**", and together with the First Modification, the Second Modification, and the Third Modification, collectively, the "**Prior Modifications**");

C. Borrower executed and delivered to Lender that certain Amended and Restated Revolving Promissory Note (together with any and all renewals, modifications, rearrangements, reinstatements, enlargements, or extensions of such promissory note or of any promissory note or notes given in renewal, substitution or replacement therefor, the "**Amended and Restated Promissory Note**" or the "**Note**") dated May 13, 2022, in the stated principal amount of Sixty Million and No/100 Dollars ($60,000,000.00), in substitution of the Original Note;

D. Borrower has requested that Lender extend the term of the Note to March 27, 2025, and make certain modifications to the Loan Documents, and Lender is willing to do so on the terms and conditions set forth below; and

E. Lender is the owner and holder of the Original Note and the Amended and Restated Promissory Note and Borrower is the owner of the legal and equitable title to the Mortgaged Property.

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

1. **Defined Terms**. Capitalized terms used but not defined in this Agreement shall have the meaning given to such capitalized terms in the Loan Agreement.

2. **Extension of Maturity Date**. The maturity date of the Note is hereby extended to March 27, 2025 (the "**Maturity Date**"), and the liens, security interests, assignments and other rights evidenced by the Loan Documents are hereby renewed and extended to secure payment of the Note as extended hereby. Without limiting the foregoing, the term "Maturity Date" and other

references to the maturity of the Loan or the Note used in the Note, any Deed of Trust, the Loan Agreement and other Loan Documents are likewise amended to mean and refer to "March 27, 2025" (or such earlier date on which the entire unpaid principal amount of the Loan becomes due and payable whether by the lapse of time, acceleration or otherwise; provided, however, if any such date is not a Business Day, then the Maturity Date shall be the next succeeding Business Day). Borrower shall have no further rights to extend the maturity date of the Note.

3. **Extension Fee**. As consideration for the extension of the Maturity Date, contemporaneously with the execution hereof and as a condition to its effectiveness, Borrower shall pay to Lender an extension fee in the amount of $300,000.00 in immediately available funds, which shall be fully earned by Lender as of the date of this Agreement.

4. **Modification of the Amended and Restated Promissory Note**. The definition of "Applicable Floor" in Section 7 of the Amended and Restated Promissory Note is hereby deleted in its entirety and replaced with the following:

"**Applicable Floor**" means 0.5% per annum.

5. **Modification of the Loan Agreement**. Exhibit F to the Loan Agreement is hereby deleted in its entirety and replaced with Exhibit A attached to this Agreement. Exhibit A will be omitted from this Agreement for recording purposes.

6. **Representations and Warranties**. Borrower hereby represents and warrants that (a) Borrower is the sole legal and beneficial owner of the Mortgaged Property (other than the Mortgaged Property which has been released by Lender from the liens of the Deed of Trust); (b) Borrower is duly organized and legally existing under the laws of the state of its organizations and is duly qualified to do business in the State of Texas; (c) the execution and delivery of, and performance under this Agreement are within Borrower's power and authority without the joinder or consent of any other party and have been duly authorized by all requisite action and are not in contravention of law or the powers of Borrower's articles of incorporation and bylaws; (d) this Agreement constitutes the legal, valid and binding obligations of Borrower enforceable in accordance with its terms; (e) the execution and delivery of this Agreement by Borrower do not contravene, result in a breach of or constitute a default under any deed of trust, loan agreement, indenture or other contract, agreement or undertaking to which Borrower is a party or by which Borrower or any of its properties may be bound (nor would such execution and delivery constitute such a default with the passage of time or the giving of notice or both) and do not violate or contravene any law, order, decree, rule or regulation to which Borrower is subject; and (f) to the best of Borrower's knowledge there exists no uncured default under any of the Loan Documents. Borrower agrees to indemnify and hold Lender harmless against any loss, claim, damage, liability or expense (including without limitation reasonable attorneys' fees) incurred as a result of any representation or warranty made by it herein proving to be untrue in any respect.

7. **Further Assurances**. Borrower, upon request from Lender, agrees to execute such other and further documents as may be reasonably necessary or appropriate to consummate the transactions contemplated herein or to perfect the liens and security interests intended to secure the payment of the loan evidenced by the Note.

8. **Default; Remedies**. If Borrower shall fail to keep or perform any of the covenants or agreements contained herein or if any statement, representation or warranty contained herein is false, misleading or erroneous in any material respect, subject to the applicable notice and/or cure periods provided in Section 6.1 of the Loan Agreement, Borrower shall be deemed to be in default under the Deed of Trust and Lender shall be entitled at its option to exercise any and all of the rights and remedies granted pursuant to the any of the Loan Documents or to which Lender may otherwise be entitled, whether at law or in equity.

9. **Endorsement to Mortgagee Title Policy**. Contemporaneously with the execution and delivery hereof, and as a condition to the effectiveness of this Agreement, Borrower shall, at its sole cost and expense, arrange for recordation of this Agreement in each county where the Mortgaged Property is located and obtain and deliver to Lender an endorsement of the Title Policy insuring the lien of the Deed of Trust, under Procedural Rule P-9b(3) of the applicable title insurance rules and regulations, in form and content acceptable to Lender, stating that the company issuing said Title Policy will not claim that policy coverage has terminated or that policy coverage has been reduced, solely by reason of the execution of this Agreement.

10. **Ratification of Loan Documents**. Except as provided herein, the terms and provisions of the Loan Documents shall remain unchanged and shall remain in full force and effect. Any modification herein of any of the Loan Documents shall in no way adversely affect the security of the Deed of Trust and the other Loan Documents for the payment of the Note. The Loan Documents as modified and amended hereby are hereby ratified and confirmed in all respects. All liens, security interests, mortgages and assignments granted or created by or existing under the Loan Documents remain unchanged and continue, unabated, in full force and effect, to secure Borrower's obligation to repay the Note.

11. **Liens Valid; No Offsets or Defenses**. Borrower hereby acknowledges that the liens, security interests and assignments created and evidenced by the Loan Documents are valid and subsisting and further acknowledges and agrees that there are no offsets, claims or defenses to any of the Loan Documents.

12. **Merger; No Prior Oral Agreements**. This Agreement supersedes and merges all prior and contemporaneous promises, representations and agreements. No modification of this Agreement or any of the Loan Documents, or any waiver of rights under any of the foregoing, shall be effective unless made by supplemental agreement, in writing, executed by Lender and Borrower. Lender and Borrower further agree that this Agreement may not in any way be explained or supplemented by a prior, existing or future course of dealings between the parties or by any prior, existing, or future performance between the parties pursuant to this Agreement or otherwise.

13. **Costs and Expenses**. Contemporaneously with the execution and delivery hereof, Borrower shall pay, or cause to be paid, all costs and expenses incident to the preparation hereof and the consummation of the transactions specified herein, including without limitation title insurance policy endorsement charges, recording fees and fees and expenses of legal counsel to Lender.

14. **Release of Lender**. Borrower hereby releases, remises, acquits and forever discharges Lender, together with its employees, agents, representatives, consultants, attorneys, fiduciaries, servants, officers, directors, partners, predecessors, successors and assigns, subsidiary corporations, parent corporations, and related corporate divisions (all of the foregoing hereinafter called the "**Released Parties**"), from any and all actions and causes of action, judgments, executions, suits, debts, claims, demands, liabilities, obligations, damages and expenses of any and every character, known or unknown, direct and/or indirect, at law or in equity, of whatsoever kind or nature, whether heretofore or hereafter accruing, for or because of any matter or things done, omitted or suffered to be done by any of the Released Parties prior to and including the Effective Date, and in any way directly or indirectly arising out of or in any way connected to this Agreement or any of the Loan Documents or any of the transactions associated therewith, or the Mortgaged Property, including specifically but not limited to claims of usury.

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

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

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

18. **Representation by Counsel**. The parties acknowledge and confirm that each of their respective attorneys have participated jointly in the review and revision of this Agreement and that it has not been written solely by counsel for one party. The parties hereto therefore stipulate and agree that the rule of construction to the effect that any ambiguities are to or may be resolved against the drafting party shall not be employed in the interpretation of this Agreement to favor either party against the other.

19. **Governing Law**. This Agreement and the rights and duties of the parties hereunder shall be governed for all purposes by the law of the State of Texas and the law of the United States applicable to transactions within said State.

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

21. **Notice of No Oral Agreements**. Borrower and Lender hereby take notice of and agree to the following:

A. **PURSUANT TO SUBSECTION 26.02(b) OF THE TEXAS BUSINESS AND COMMERCE CODE, A LOAN AGREEMENT IN WHICH THE AMOUNT**

INVOLVED THEREIN EXCEEDS $50,000 IN VALUE IS NOT ENFORCEABLE UNLESS THE AGREEMENT IS IN WRITING AND SIGNED BY THE PARTY TO BE BOUND OR BY THAT PARTY'S AUTHORIZED REPRESENTATIVE.

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

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

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, this Agreement is executed on the respective dates of acknowledgement below but is effective as of the date first above written.

BORROWER:

STRATUS PROPERTIES INC.,
a Delaware corporation

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

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

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

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

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

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

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

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

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

AUSTIN 290 PROPERTIES, INC.,
a Texas corporation

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

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

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

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

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

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

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

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

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

STATE OF TEXAS §
§
COUNTY OF TRAVIS §

This instrument was acknowledged before me on the 8th day of March, 2023, by Erin D. Pickens, Senior Vice President of Stratus Properties Inc., a Delaware corporation, on behalf of said corporation.

[SEAL]

/s/ Megan Lynn Polanco
Notary Public, State of Texas
My Commission Expires: 05/10/23
Printed Name of Notary: Megan Lynn Polanco

STATE OF TEXAS §
§
COUNTY OF TRAVIS §

This instrument was acknowledged before me on the 8th day of March, 2023, by Erin D. Pickens, Senior Vice President of Stratus Properties Inc., a Delaware corporation, Sole Member of STRS L.L.C., a Delaware limited liability company, General Partner of Stratus Properties Operating Co., L.P., a Delaware limited partnership, on behalf of said corporation, limited liability company and limited partnership.

[SEAL]

/s/ Megan Lynn Polanco
Notary Public, State of Texas
My Commission Expires: 05/10/23
Printed Name of Notary: Megan Lynn Polanco

STATE OF TEXAS §
§
COUNTY OF TRAVIS §

This instrument was acknowledged before me on the 8th day of March, 2023, by Erin D. Pickens, Senior Vice President of Stratus Properties Inc., a Delaware corporation, Sole Member of Circle C GP, L.L.C., a Delaware limited liability company, General Partner of Circle C Land, L.P., a Texas limited partnership, on behalf of said corporation, limited liability company and limited partnership.

/s/ Megan Lynn Polanco
[SEAL] Notary Public, State of Texas
My Commission Expires: 05/10/23
Printed Name of Notary: Megan Lynn Polanco

STATE OF TEXAS §
§
COUNTY OF TRAVIS §

This instrument was acknowledged before me on the 8th day of March, 2023, by Erin D. Pickens, Senior Vice President of Austin 290 Properties, Inc., a Texas corporation, on behalf of said corporation.

[SEAL]

/s/ Megan Lynn Polanco
Notary Public, State of Texas
My Commission Expires: 05/10/23
Printed Name of Notary: Megan Lynn Polanco

STATE OF TEXAS §
§
COUNTY OF TRAVIS §

This instrument was acknowledged before me on the 8th day of March, 2023, by Erin D. Pickens, Senior Vice President of Stratus Properties Inc., a Delaware corporation, Sole Member of STRS L.L.C., a Delaware limited liability company, Manager of The Villas at Amarra Drive, L.L.C., a Texas limited liability company, on behalf of said corporation and limited liability companies.

[SEAL]

/s/ Megan Lynn Polanco
Notary Public, State of Texas
My Commission Expires: 05/10/23
Printed Name of Notary: Megan Lynn Polanco

STATE OF TEXAS §
§
COUNTY OF TRAVIS §

This instrument was acknowledged before me on the 8th day of March, 2023, by Erin D. Pickens, Senior Vice President of Stratus Properties Inc., a Delaware corporation, Sole Member of STRS L.L.C., a Delaware limited liability company, Manager of Stratus Lakeway Center, L.L.C., a Texas limited liability company, on behalf of said corporation and limited liability companies.

[SEAL]

/s/ Megan Lynn Polanco
Notary Public, State of Texas
My Commission Expires: 05/10/23
Printed Name of Notary: Megan Lynn Polanco

LENDER:

COMERICA BANK

By:/s/ Elaine K. Houston
Elaine K. Houston, Vice President

STATE OF TEXAS §
§
COUNTY OF TRAVIS §

This instrument was acknowledged before me on the 9th day of March , 2023, by Elaine K. Houston, Vice President of Comerica Bank, on behalf of said bank.

[SEAL]

/s/ Ralph Velasquez
Notary Public, State of Texas
My Commission Expires: April 25, 2026
Printed Name of Notary: Ralph Velasquez

LIST OF EXHIBITS
TO
Fifth Modification Agreement

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

Exhibit A – Exhibit F – Form of Compliance Certificate

WHEN RECORDED RETURN TO:
HOLLAND & KNIGHT LLP
1722 ROUTH STREET, SUITE 1500
DALLAS, TEXAS 75201-4533
ATTENTION: MATTHEW H. SWERDLOW

SECOND MODIFICATION AGREEMENT

This SECOND MODIFICATION AGREEMENT (this "**Agreement**") dated effective as of December 6, 2022 is by and among **STRATUS KINGWOOD PLACE, L.P.**, a Texas limited partnership ("**Borrower**"), **STRATUS PROPERTIES INC.**, a Delaware corporation ("**Guarantor**") (Borrower and Guarantor herein sometimes called "**Loan Parties**" or "**Loan Party**", as the context may require), and **COMERICA BANK**, a Texas banking association ("**Lender**").

W I T N E S S E T H:

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

A. Construction Loan Agreement (the "**Loan Agreement**");

B. Amended and Restated Installment Note (the "**Note**") dated as of January 17, 2020, in the stated principal amount of $35,370,000.00 and payable to Lender;

C. Deed of Trust, Assignment of Leases and Rents, Security Agreement and Fixture Filing (the "**Security Instrument**") covering certain real property and personal property described therein (the "**Property**"), recorded at Clerk's File No. 2018116194, Real Property Records of Montgomery County, Texas;

D. Assignment of Rents and Leases (the "**Assignment**"), recorded at Clerk's File No. 2018116195, Real Property Records of Montgomery County, Texas;

E. Collateral Assignment of Contracts and Plans and Other Agreements Affecting Real Estate (the "**Collateral Assignment**");

the instruments described above and all other documents evidencing, securing or otherwise executed in connection with the Loan, including the Guaranty, First Modification and Environmental Indemnity (each as defined below), being herein collectively called the "**Loan Documents**";

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

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

WHEREAS, the Loan Documents were previously modified by that certain Modification Agreement dated as of January 17, 2020, and recorded at Clerk's File No. 2020006407, Real Property Records of Montgomery County, Texas (the "**First Modification**").

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

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

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

1. **Defined Terms**. Capitalized terms not otherwise defined herein shall have the same definition as set forth in the Loan Agreement. This Agreement constitutes one of the "Loan Documents", as such term is defined in the Loan Agreement or defined in any of the other Loan Documents.

2. **Reinstatement and Extension**. To the extent maturity of the Note has occurred (by acceleration or otherwise), Lender reinstates the debt evidenced by the Loan Documents the same as if maturity had not occurred. The reinstatement of the debt will be without prejudice to the rights of the Lender to exercise at any time in the future any and all rights conferred upon such owner and holder by the Loan Documents with reference to any Event of Default. The Maturity Date (as defined in the Note) is extended to December 6, 2023. The liens, security interests, assignments and other rights evidenced by the Loan Documents are renewed and extended to secure payment of the Note as extended hereby. Any right or option of Borrower which purports to extend beyond such date is modified to expire on such date, unless the Maturity Date is further extended as provided in the Loan Documents. The extension evidenced hereby is the First Extension Option set forth in the Loan Agreement.

3. **Intentionally Omitted.**

4. **Extension Fee.** As consideration for the extension of the Maturity Date, contemporaneously with the execution and delivery of this Agreement and as a condition to its effectiveness, Borrower shall pay to Lender an extension fee in the amount of $88,425.00 in

immediately available funds, which shall be fully earned by Lender as of the date of this Agreement.

5. **Modifications of Loan Documents**. The Loan Documents are modified as set forth on Schedule I attached hereto. When recorded, this Agreement will not contain Schedule I, but all unrecorded copies of this Agreement will contain Schedule I.

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

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

any representation or warranty made by Borrower herein proving to be untrue in any material respect.

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

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

10. **Default.** If any Loan Party shall fail to keep or perform any of the covenants or agreements contained herein or if any statement, representation or warranty contained herein proves to have been false or misleading in any material respect as of the date made, Borrower shall be deemed to be in default under the Loan Documents and Lender shall be entitled at its option to exercise any and all of the rights and remedies granted pursuant to the Loan Documents or to which Lender may otherwise be entitled, whether at law or in equity.

11. **Recordation; Title Insurance.** Contemporaneously herewith, Lender will deliver this Agreement for recording in the appropriate records of the county where the Property is located at Borrower's expense and Borrower shall, at its sole cost and expense, obtain and deliver to Lender an endorsement of the Mortgagee Title Policy dated January 21, 2020, Policy No. [Intentionally omitted] issued by Fidelity National Title Insurance Company insuring the lien of the Security Instrument, under Procedural Rule P-9b(3) of the applicable title insurance rules and regulations, in form and content acceptable to Lender, stating that the company issuing said policy will not claim that policy coverage has terminated or that policy coverage has been reduced, solely by reason of the execution of this Agreement. .

12. **Ratification of Loan Documents.** Except as provided herein, the terms and provisions of the Loan Documents shall remain unchanged and shall remain in full force and

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

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

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

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

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

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

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

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

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

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

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

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

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

REMAINDER OF PAGE INTENTIONALLY BLANK
SIGNATURE PAGES FOLLOW

SIGNATURE PAGE OF BORROWER TO
SECOND MODIFICATION AGREEMENT

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

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

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

STATE OF TEXAS §
§
COUNTY OF TRAVIS §

This instrument was acknowledged before me on December 14, 2022, by Erin D. Pickens, Senior Vice President of Stratus Northpark, L.L.C., a Texas limited liability company, as General Partner **of STRATUS KINGWOOD PLACE, L.P.**, a Texas limited partnership, on behalf of said partnership.

[S E A L] /s/ Leticia L. Silva
Notary Public, State of Texas

My commission expires:
Leticia L. Silva
02-21-2023. (printed name)

SIGNATURE PAGE OF GUARANTOR TO
SECOND MODIFICATION AGREEMENT

STRATUS PROPERTIES INC.,
a Delaware corporation

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

STATE OF TEXAS §
§
COUNTY OF TRAVIS §

This instrument was ACKNOWLEDGED before me this 14th day of December, 2022, by Erin D. Pickens, Senior Vice President of **STRATUS PROPERTIES INC.**, a Delaware corporation, on behalf of said corporation.

[S E A L] /s/ Leticia L. Silva
Notary Public - State of Texas

My Commission Expires:
Leticia L. Silva
02-21-2023 Printed Name of Notary Public

SIGNATURE PAGE OF LENDER TO
SECOND MODIFICATION AGREEMENT

LENDER:

COMERICA BANK

By: /s/ Elaine Houston

Name: Elaine Houston

Title: Vice President

THE STATE OF TEXAS §
§
COUNTY OF HARRIS §

This instrument was acknowledged before me on December 15, 2022, by Elaine Houston, Vice President of COMERICA BANK, a Texas banking association, on behalf of said banking association.

[SEAL]

/s/ Leticia L. Silva
Notary Public, State of Texas

LIST OF EXHIBITS AND SCHEDULES
TO
Second Modification Agreement

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

Exhibit A – Legal Description of Property

Schedule I – Modifications of Loan Documents[1]

[1] Schedule I has been filed as an exhibit to this Second Modification Agreement.

SCHEDULE I

1. Note. The Note is modified as follows:

   a. The following defined terms are hereby added to the Note:

   "**Applicable Floor**" means, as applicable, 0.50% per annum with respect to the BSBY Rate and 0.50% with respect to the Prime Referenced Rate.

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

   "**BSBY Rate-based Advance**" means an Advance which bears interest at the BSBY Rate plus the Applicable Margin, subject to the terms of this Note.

   "**BSBY Screen Rate**" means the Bloomberg Short-Term Bank Yield Index rate ("BSBY"), as administered by Bloomberg Index Services Limited (or any successor administrator) and published on the Bloomberg Short-Term Bank Yield Index website at https://www.bloomberg.com/professional/product/indices/bsby/ (or any successor website), or such other commercially available source providing such rate or quotations as may be designated by Bank from time to time.

   b. The following defined terms are hereby deleted from the Note:

   "**LIBOR-based Rate**"
   "**LIBOR Lending Office**"
   "**LIBOR Rate**"

   c. The following defined terms are hereby amended and restated in their entirety to read as follows:

   "**Applicable Interest Rate**" means, in respect of all or any part of the Indebtedness hereunder, either the BSBY Rate plus the Applicable Margin (subject to the terms of this Note) or the Prime Referenced Rate plus the Appliacble Margin, as otherwise determined in accordance with the terms and conditions of this Note.

   "**Applicable Margin**" means, (i) with respect to any principal accruing interest at the BSBY Rate, 2.75% per annum, or (ii) with respect to any principal accruing interest at the Prime Referenced Rate, 1.25% per annum.

"**Business Day**" means any day, other than a Saturday, Sunday or any other day designated as a holiday under Federal or applicable State statute or regulation, on which Bank is open for all or substantially all of its domestic and international business (including dealings in foreign exchange) in Dallas, Texas; provided, however, for purposes of determining the BSBY Rate, a Business Day shall also exclude a day on which the Securities Industry and Financial Markets Association ("**SIFMA**") recommends that the fixed income departments of its members be closed fo rht entire day for purposes of trading in U.S. Government Securities.

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

d. All references in the Note to "LIBOR-based Rate" are hereby replaced with "BSBY Rate".

e. The paragraph of the Note provided below as (e)(i) is hereby amended and restated in its entirety with the paragraph provided below as (e)(ii):

    i. In the event that the LIBOR-based Rate plus the Applicable Margin is the Applicable Interest Rate for the principal Indebtedness outstanding under this Note, and any payment or prepayment of any such Indebtedness shall occur on any day other than the last day of the Interest Period applicable thereto (whether voluntarily, by acceleration, required payment or otherwise), or if the undersigned shall fail to make any payment of principal or interest hereunder at any time that the LIBOR-based Rate is the basis for the Applicable Interest Rate hereunder in respect of such Indebtedness, the undersigned shall reimburse Bank, on demand, for any resulting loss, cost or expense incurred by Bank as a result thereof, including, without limitation, any such loss, cost or expense incurred in obtaining, liquidating, employing or redeploying deposits from third parties ("**LIBOR Costs**"). Such amount payable by the undersigned to Bank may include, without limitation, an amount equal to the excess, if any, of (a) the amount of interest which would have accrued on the amount so prepaid, for the period from the date of such prepayment through the last day of the relevant Interest Period, at the applicable rate of interest provided under this Note, over (b) the amount of interest (as

reasonably determined by Bank) which would have accrued to Bank on such amount by placing such amount on deposit for a comparable period with leading banks in the interbank eurodollar market. Calculation of any amounts payable to Bank under this paragraph shall be made as though Bank shall have actually funded or committed to fund the relevant Indebtedness hereunder through the purchase of an underlying deposit in an amount equal to the amount of such Indebtedness and having a maturity comparable to the relevant Interest Period; provided, however, that Bank may fund the Indebtedness hereunder in any manner it deems fit and the foregoing assumptions shall be utilized only for the purpose of the calculation of amounts payable under this paragraph. Upon the written request of the undersigned, Bank shall deliver to the undersigned a certificate setting forth the basis for determining such losses, costs and expenses, which certificate shall be conclusively presumed correct, absent manifest error. The undersigned may prepay all or any part of the outstanding balance of any Indebtedness hereunder at any time without premium or penalty, provided, however, that if the undersigned prepays any part of the outstanding balance of any Indebtedness hereunder which is bearing interest at such time based upon the LIBOR-based Rate, the undersigned shall pay to the Bank LIBOR Costs incurred by the Bank due to such prepayment. Any prepayment hereunder shall also be accompanied by the payment of all accrued and unpaid interest on the amount so prepaid. Partial prepayments hereunder shall be applied to the installments hereunder in the inverse order of their maturities.

ii. In the event that the BSBY Rate is the basis for the Applicable Interest Rate for the principal Indebtedness outstanding under this Note, and any payment or prepayment of any such Indebtedness shall occur on any day other than the last day of the Interest Period applicable thereto (whether voluntarily, by acceleration, required payment or otherwise), or if the undersigned shall fail to make any payment of principal or interest hereunder at any time that such BSBY Rate is the basis for the Applicable Interest Rate hereunder in respect of such Indebtedness, the undersigned shall reimburse Bank, on demand, for any resulting loss, cost or expense incurred by Bank as a result thereof, including, without limitation, any such loss, cost or expense incurred in obtaining, liquidating, employing or redeploying deposits from third parties whether or not Bank shall have funded or committed to fund such Advance. Such amount payable by the undersigned to Bank may include, without limitation, an amount equal to the excess, if any, of (a) the amount of interest which would have accrued on the amount so prepaid, or not so borrowed, for the period from the date of such prepayment or of such failure to borrow, through the last day of the relevant Interest Period, at the applicable rate of interest for such Advance provided under this Note, over (b) the amount of interest (as reasonably determined by Bank) which would have accrued to Bank on such amount by placing such amount on deposit for a comparable period

with leading banks in the interbank market. Calculation of any amounts payable to Bank under this paragraph shall be made as though Bank shall have actually funded or committed to fund the relevant Advance at the BSBY Rate through the purchase of an underlying deposit in an amount equal to the amount of such Advance and having a maturity comparable to the relevant Interest Period; provided, however, that Bank may fund any Advance based on the BSBY Rate in any manner it deems fit and the foregoing assumptions shall be utilized only for the purpose of the calculation of amounts payable under this paragraph. Upon the written request of the undersigned, Bank shall deliver to the undersigned a certificate setting forth the basis for determining such losses, costs and expenses, which certificate shall be conclusively presumed correct, absent manifest error. The undersigned may prepay all or any part of the outstanding balance of any Indebtedness hereunder which at any time without premium or penalty. Any prepayment hereunder shall also be accompanied by the payment of all accrued and unpaid interest on the amount so prepaid. Partial prepayments hereunder shall be applied to the installments hereunder in the inverse order of their maturities.

f. The paragraph of the Note provided below as (f)(i) is hereby amended and restated in its entirety with the paragraph provided below as (f)(ii):

   i. If any Change in Law shall make it unlawful or impossible for the Bank (or its LIBOR Lending Office) to maintain any of the Indebtedness under this Note with interest based upon the LIBOR-based Rate, Bank shall forthwith give notice thereof to the undersigned. Thereafter, (a) until Bank notifies the undersigned that such conditions or circumstances no longer exist, any obligation of the Bank to maintain any of the Indebtedness hereunder at an Applicable Interest Rate based upon the LIBOR-based Rate shall be suspended, and thereafter, the Prime Referenced Rate plus the Applicable Margin shall be the Applicable Interest Rate for the Indebtedness hereunder during such period of time, and (b) if Bank may not lawfully continue to maintain the Indebtedness hereunder at an Applicable Interest Rate based upon the LIBOR-based Rate to the end of the then current Interest Period applicable thereto, the Prime Referenced Rate plus the Applicable Margin shall be the Applicable Interest Rate for the remainder of such Interest Period.

      If any Change in Law: (a) shall subject Bank (or its LIBOR Lending Office) to any tax, duty or other charge with respect to this Note or any Indebtedness hereunder, or shall change the basis of taxation of payments to Bank (or its LIBOR Lending Office) of the principal of or interest under this Note or any other amounts due under this Note in respect thereof (except for changes in the rate of tax on the overall net income of Bank or its LIBOR Lending Office imposed by the jurisdiction in which Bank’s principal executive office or LIBOR Lending Office is located); or (b)

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

ii. If any Change in Law shall make it unlawful or impossible for the Bank to maintain any of the Indebtedness under this Note with interest based upon the BSBY Rate, Bank shall forthwith give notice thereof to the undersigned. Thereafter, (a) until Bank notifies the undersigned that such conditions or circumstances no longer exist, any obligation of the Bank to maintain any of the Indebtedness hereunder at an Applicable Interest Rate based upon the BSBY Rate shall be suspended, and thereafter, the Prime Referenced Rate plus the Applicable Margin shall be the Applicable Interest Rate for the Indebtedness hereunder during such period of time, and (b) if Bank may not lawfully continue to maintain the Indebtedness hereunder at an Applicable Interest Rate based upon the BSBY Rate to the end of the then current Interest Period applicable thereto, the Prime Referenced Rate plus the Applicable Margin shall be the Applicable Interest Rate for the remainder of such Interest Period.

If any Change in Law shall (a) subject Bank to any tax, duty or other charge with respect to this Note or any Indebtedness hereunder, or shall change the basis of taxation of payments to Bank of the principal of or interest under this Note or any other amounts due under this Note in respect thereof (except for changes in the rate of tax on the overall net income of Bank imposed by the jurisdiction in which Bank's principal executive office is located); or (b) impose, modify or deem applicable any reserve (including, without limitation, any imposed by the Board of Governors of the Federal Reserve System), special deposit, compulsory loan, insurance charge or similar requirement against assets of, deposits with or for the account of, or credit extended by Bank, or shall impose on

Bank or the interbank markets any other condition affecting this Note or the Indebtedness hereunder; and the result of any of the foregoing is to increase the cost to Bank of maintaining any part of the Indebtedness hereunder or to reduce the amount of any sum received or receivable by Bank under this Note by an amount deemed by the Bank to be material, then the undersigned shall pay to Bank, within fifteen (15) days of the undersigned's receipt of written notice from Bank demanding such compensation, such additional amount or amounts as will compensate Bank for such increased cost or reduction. A certificate of Bank, prepared in good faith and in reasonable detail by Bank and submitted by Bank to the undersigned, setting forth the basis for determining such additional amount or amounts necessary to compensate Bank shall be conclusive and binding for all purposes, absent manifest error.

g. The following paragraph of the Note is deleted in its entirety:

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

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

a. The paragraph of the Loan Agreement provided below as (a)(i) is hereby amended and restated in its entirety with the paragraph provided below as (a)(ii):

i. During the Extension Periods, no further Advances will be available from the Loan and the Loan Documents will be deemed to be automatically modified to reduce the total committed and available amount of the Loan from its original amount to the outstanding principal amount of the Loan as of the commencement of the First Extension Period. In addition, commencing on the first (1st) day of the first month after the commencement of the First Extension Period and continuing on the first (1st) day of each month thereafter until the First Extended Maturity Date, Borrower shall pay a monthly payment of principal (each a "**Monthly Principal Installment**") in an amount equal to 1/24th of the total principal which would be payable during the first twenty-four (24) months of a 30 year mortgage-style amortization of the then outstanding principal balance of the Loan based on an interest rate of six and one-half percent (6.5%) per annum, which installments of principal shall be due and payable in addition to accrued interest due and payable under the Note on each such date.

ii. During the First Extension Period, no further Advances will be available from the Loan (except for Advances made in accordance with this

Agreement with respect to tenant improvements and leasing commissions requested in accordance with the Budget). Commencing on the first (1st) day of the first month after the commencement of the First Extension Period and continuing on the first (1st) day of each month thereafter until the First Extended Maturity Date, Borrower shall pay a monthly payment of principal (each a "**Monthly Principal Installment**") in an amount equal to $29,200.00, which installments of principal shall be due and payable in addition to accrued interest due and payable under the Note on each such date.

b. The paragraph of the Loan Agreement provided below as (b)(i) is hereby amended and restated in its entirety with the paragraph provided below as (b)(ii):

i. Borrower shall continue to pay a monthly payment of principal equal to the Monthly Principal Installment on the first (1st) day of each month during the Second Extension Period, which installments of principal shall be due and payable in addition to accrued interest due and payable under the Note on each such date.

ii. During the Second Extension Period, no further Advances will be available from the Loan and the Loan Documents will be deemed to be automatically modified to reduce the total committed and available amount of the Loan from its original amount to the outstanding principal amount of the Loan as of the commencement of the Second Extension Period. In addition, Borrower shall continue to pay a monthly payment of principal equal to the Monthly Principal Installment on the first (1st) day of each month during the Second Extension Period, which installments of principal shall be due and payable in addition to accrued interest due and payable under the Note on each such date.

Interest Rate Index Replacement Agreement

Effective Date:	January 3, 2023
Agent:	TEXAS CAPITAL BANK, a Texas state bank (f/k/a TEXAS CAPITAL BANK, NATIONAL ASSOCIATION)
Borrower:	The Saint June, L.P., a Texas limited partnership
Guarantor:	Stratus Properties Inc., a Delaware corporation
Loan Agreement:	Loan Agreement among Borrower, Agent, and Lenders thereto dated June 2, 2021 (as modified or amended from time to time)
Note (collectively):	Amended and Restated Note by Borrower in favor of Texas Capital Bank dated August 13, 2021 in principal amount of $25,320,000.00 (as modified or amended from time to time); and Note by Borrower in favor of TexasBank dated August 13, 2021 in principal amount of $5,000,000.00 (as modified or amended from time to time)
Replacement Effective Date:	January 3, 2023

For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Initially capitalized terms used herein but not defined have the meanings set forth in the Loan Agreement.

2. Generally, it is the intent of the parties hereto that the interest rate index used to determine the interest rate of the loan evidenced by the Note and the Loan Agreement be changed from a LIBOR based index to a Term SOFR based index. As of the Replacement Effective Date, the Note will bear interest at the Applicable Rate, which will be based on the Term SOFR index (plus the Applicable Margin), which Term SOFR index will reset monthly as provided in the definition of Term SOFR below and all accrued interest thereon will be payable on the first day of each calendar month. Any right or option of the Borrower to elect an index other than a Term SOFR index is deleted. The definition of Base Rate in the Loan Agreement and all uses thereof, are deleted as the parties intend that the Term SOFR index rate solely be used in the calculation of the interest rate.

3. Specifically, effective as of the Replacement Effective Date, the Loan Agreement is amended as follows:

   a. The defined term Applicable Margin is amended and restated as follows:

Applicable Margin for Term SOFR
2.85%

b. The defined term Applicable Rate is amended and restated as follows:

"***Applicable Rate***" means Term SOFR plus the Applicable Margin, but in no event shall the Applicable Rate (a) be less than three hundred fifty (350) basis points (3.5%) per annum or (b) exceed the Maximum Rate.

c. The defined term "***LIBOR***" is replaced with "***Term SOFR***" and amended and restated as follows:

"***Term SOFR***" means the Term SOFR Reference Rate for a 1 Month tenor on the day (such day, the "***Periodic Term SOFR Determination Day***") that is two (2) U.S. Government Securities Business Days prior to the first day of each calendar month (or in the case of the first effective Term SOFR index, the replacement effective date thereof), as such rate is published by the Term SOFR Administrator; provided, however, that if as of 5:00 p.m. (New York City time) on any Periodic Term SOFR Determination Day the Term SOFR Reference Rate for the applicable tenor has not been published by the Term SOFR Administrator, then Term SOFR will be the Term SOFR Reference Rate for such tenor as published by the Term SOFR Administrator on the first preceding U.S. Government Securities Business Day for which such Term SOFR Reference Rate for such tenor was published by the Term SOFR Administrator so long as such first preceding U.S. Government Securities Business Day is not more than three (3) U.S. Government Securities Business Days prior to such Periodic Term SOFR Determination Day. In no event shall Term SOFR be less than 0.75% per annum.

d. The following definitions are hereby added to the Loan Agreement:

"***Relevant Governmental Body***" means the Federal Reserve Board or the Federal Reserve Bank of New York, or a committee officially endorsed or convened by the Federal Reserve Board or the Federal Reserve Bank of New York, or any successor thereto.

"***SOFR***" means a rate equal to the secured overnight financing rate as administered by the SOFR Administrator.

"***SOFR Administrator***" means the Federal Reserve Bank of New York (or a successor administrator of the secured overnight financing rate).

"***Term SOFR Reference Rate***" means the forward-looking term rate based on SOFR.

"***Term SOFR Administrator***" means CME Group Benchmark Administration Limited (CBA) (or a successor administrator of the Term SOFR Reference Rate selected by the Agent in its reasonable discretion).

"***U.S. Government Securities Business Day***" means any day except for (a) a Saturday, (b) a Sunday or (c) a day on which the Securities Industry and Financial Markets Association recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in United States government securities.

e. The following definitions are hereby deleted in their entireties from the Loan Agreement: "***Adjusted LIBOR***"; "***LIBOR Banking Day***"; "***LIBOR Determination Date***"; "***LIBOR Interest Period***"; and "***Statutory Reserve Rate***".

f. All the references to "***LIBOR***" or "***Adjusted LIBOR***", as applicable, in the definitions of "***Base Rate***", "***Funding Loss***", "***Portion***", and "***Statutory Reserve Rate***", and in Sections 14.1-14.3, and Section 14.5 of the Loan Agreement are hereby deleted in their entireties and replaced with references to "Term SOFR".

4. Agent makes no representation or warranty concerning the Term SOFR index rate. Initially and over time, the Term SOFR index rate will differ from LIBOR. Agent shall not be liable in any manner with respect to such fluctuation or the determination of the Term SOFR index rate.

5. The execution of this agreement is not intended nor shall it be construed as (i) an actual or implied waiver of any Event of Default (as defined in the Loan Agreement) or (ii) an actual or implied waiver of any condition or obligation of Borrower or Guarantor. Except as specifically modified herein, the terms of the Note and Loan Agreement remain unchanged, are in full force and effect and are ratified and confirmed in all respects. All liens, security interests and assignments which secure the obligations in the Note and the Loan Agreement remain unchanged and continue, unabated, in full force and effect.

6. If any term or provision of this agreement is declared by a court of competent jurisdiction to be illegal or invalid, such illegal or invalid term or provision shall not affect the balance of the terms and provisions hereof. This agreement is deemed to have been prepared jointly by the parties hereto, and if any inconsistencies or ambiguities exist herein, they shall not be interpreted or construed against either party as the drafter. This agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which, together, shall constitute one and the same instrument. If the terms of this agreement conflict with the terms of the Note or Loan Agreement, to the extent of such conflict, the terms of this agreement shall control. A signed copy of this agreement delivered by email or other means of electronic transmission (including .pdf or any electronic signature complying with the U.S. federal ESIGN Act of 2000, e.g., www.docusign.com) shall be deemed to have the same legal effect as delivery of an original signed copy of this agreement.

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

AGENT:

TEXAS CAPITAL BANK, a Texas state bank (f/k/a TEXAS CAPITAL BANK, NATIONAL ASSOCIATION)

By: /s/ Dustin Cosper
Name: Dustin Cosper
Title: Senior Vice President

LENDERS:

TEXAS CAPITAL BANK, a Texas state bank (f/k/a TEXAS CAPITAL BANK, NATIONAL ASSOCIATION)

By: /s/ Dustin Cosper
Name: Dustin Cosper
Title: Senior Vice President

TEXASBANK, a Texas state bank

By: /s/ Christopher Empson
Name: Christopher Empson
Title: Senior Vice President

BORROWER:

THE SAINT JUNE, L.P.,
a Texas limited partnership

By: The Saint June GP, L.L.C., a Texas limited liability company, General Partner

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

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

By: /s/ Erin D. Pickens
Name: Erin D. Pickens
Title: Senior Vice President

GUARANTOR:

STRATUS PROPERTIES INC.,
a Delaware corporation

By: /s/ Erin D. Pickens
Name: Erin D. Pickens
Title: Senior Vice President

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. Information that was omitted has been noted in this document with a placeholder identified by the mark "[***]".

AMENDED AND RESTATED
LIMITED PARTNERSHIP AGREEMENT

OF

HOLDEN HILLS, L.P.,

a Texas limited partnership

THE LIMITED PARTNERSHIP INTERESTS REPRESENTED BY THIS AMENDED AND RESTATED LIMITED PARTNERSHIP AGREEMENT HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR UNDER THE TEXAS SECURITIES ACT OR OTHER APPLICABLE STATE STATUTES AND RELATED RULES AND REGULATIONS (COLLECTIVELY, THE "SECURITIES LAWS") IN RELIANCE UPON EXEMPTIONS FROM REGISTRATION AS PROVIDED IN THE SECURITIES LAWS. THE SALE OR OTHER DISPOSITION OF THE LIMITED PARTNERSHIP INTERESTS IS RESTRICTED, AS SET FORTH IN THIS AMENDED AND RESTATED LIMITED PARTNERSHIP AGREEMENT, AND IN ANY EVENT IS PROHIBITED UNLESS THE GENERAL PARTNER RECEIVES AN OPINION OF COUNSEL SATISFACTORY TO THE GENERAL PARTNER AND ITS COUNSEL THAT SUCH SALE OR OTHER DISPOSITION CAN BE MADE WITHOUT REGISTRATION UNDER THE SECURITIES LAWS. BY ACQUIRING THE LIMITED PARTNERSHIP INTERESTS REPRESENTED BY THIS AMENDED AND RESTATED LIMITED PARTNERSHIP AGREEMENT, EACH LIMITED PARTNER REPRESENTS THAT IT WILL NOT SELL OR OTHERWISE DISPOSE OF ITS LIMITED PARTNERSHIP INTEREST WITHOUT REGISTRATION OR OTHER COMPLIANCE WITH THE SECURITIES LAWS AND THE TERMS AND PROVISIONS OF THIS AMENDED AND RESTATED LIMITED PARTNERSHIP AGREEMENT.

SEE ARTICLE TWELVE FOR REPRESENTATIONS AND WARRANTIES REQUIRED WITH RESPECT TO AN INVESTMENT IN THIS LIMITED PARTNERSHIP.

AMENDED AND RESTATED
LIMITED PARTNERSHIP AGREEMENT
OF
HOLDEN HILLS, L.P.

TABLE OF CONTENTS

List of Exhibits* and Appendices:

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

AMENDED AND RESTATED
LIMITED PARTNERSHIP AGREEMENT

OF

HOLDEN HILLS, L.P.

Dated effective as of January 31, 2023 (the "**Effective Date**")

This Amended and Restated Limited Partnership Agreement (this "**Agreement**"), is made and entered into by and among **HOLDEN HILLS GP, L.L.C.**, a Texas limited liability company, as the general partner (the "**General Partner**"), **STRATUS PROPERTIES OPERATING CO., L.P.**, a Delaware limited partnership (the "**Class A Limited Partner**"), and **BARTONI, LLC**, a Delaware limited liability company (the "**Class B Limited Partner**"). The Class A Limited Partner and the Class B Limited Partner are referred to collectively as the "**Limited Partners**" and individually as a "**Limited Partner**." The General Partner and the Limited Partners are referred to collectively as the "**Partners**" and individually as a "**Partner**."

RECITALS:

A. The General Partner and the Class A Limited Partner formed **HOLDEN HILLS, L.P.** (the "**Partnership**") as a Texas limited partnership on September 9, 2022 (the "**Organization Date**") pursuant to that certain Certificate of Formation filed with the Secretary of State of the State of Texas on September 9, 2022 (the "**Certificate of Formation**") and the Original Partnership Agreement.

B. The General Partner and the Class A Limited Partner executed that certain Limited Partnership Agreement dated as of the Organization Date (the "**Original Partnership Agreement**").

C. The Partners desire to amend and restate the Original Partnership Agreement to reflect (i) the admission of the Class B Limited Partner as a Limited Partner of the Partnership on the terms and conditions set forth in this Agreement and (ii) the agreements among the Partners as forth in this Agreement.

For and in consideration of the mutual covenants, rights, and obligations set forth in this Agreement, the benefits to be derived from this Agreement, and other good and valuable consideration, the receipt and sufficiency of which each Partner acknowledges, the Partners hereby agree as follows:

ARTICLE 1

FORMATION OF PARTNERSHIP AND AMENDMENT AND RESTATEMENT

1.1 **Formation**. The Partners ratify and confirm the formation of the Partnership as a limited partnership under the provisions of the Texas Business Organizations Code (the "**TBOC**").

1.2 **Amended and Restated Partnership Agreement**. The Original Partnership Agreement is hereby amended and restated in its entirety as set forth in this Agreement.

1.3 **Name**. The name of the Partnership is Holden Hills, L.P.

1.4 **Term**. The term of the Partnership commenced on the Organization Date and will exist until terminated as provided in Article Fourteen.

1.5 **Organizational Certificates**. The Partners ratify and confirm the Certificate of Formation filed on the Organization Date. The General Partner will execute amendments to the Certificate of Formation and other certificates and instruments as required by and in accordance with the terms of this Agreement and the TBOC, and will file, record, and publish those certificates and instruments and do such other acts in connection therewith, as required by this Agreement, the TBOC, and other applicable laws for the formation, continuation, preservation, and/or operation of the Partnership as a limited partnership.

1.6 **Assumed Names**. The General Partner may execute and file in the appropriate place or places an assumed or fictitious name certificate or such other certificate or instrument required by applicable laws of the State of Texas with respect to the use of an assumed or fictitious name by the Partnership, provided that such name shall not include the name of the Class B Limited Partner nor any of its Affiliates without the prior written consent of the Class B Limited Partner.

1.7 **Ownership**. All property and interests in property, real or personal, tangible or intangible, owned by the Partnership will be deemed owned by the Partnership as an entity, and no Partner, individually, will own such property or interests. A Partner's Interest will be personal property for all purposes.

1.8 **Limits of Partnership**. The relationship between and among the Partners will be limited to carrying on the business of the Partnership in accordance with the terms of this Agreement. Such relationship will be construed and deemed to be a partnership for the sole and limited purpose of carrying on such business. Nothing contained in this Agreement will be construed to create a general partnership between the parties or to authorize any party to act as general agent for any other party.

1.9 **No Individual Authority**. No Partner, acting alone, will have any authority to act for, or to undertake or assume any obligation, debt, duty, or responsibility on behalf of, the other Partner(s) or the Partnership, except as otherwise expressly provided for in this Agreement.

1.10 **Partner's Commitments Outside the Partnership**. The Partnership is not and will not be responsible or liable for any indebtedness or obligation of any Partner(s) incurred either before or after the Effective Date, except for those responsibilities, liabilities, debts, and obligations undertaken or incurred before the Effective Date by the General Partner or the Class A Limited Partner in good faith in carrying out the purpose of the Partnership subject to the terms of that certain Contribution Agreement dated as of the Effective Date between the Class A Limited Partner and the Partnership (the "**Contribution Agreement**"), or undertaken or incurred on or after the Effective Date on behalf of the Partnership under the terms of this Agreement, or assumed in writing by the Partnership provided that reimbursement to the General Partner or the Class A Limited Partner for expenses incurred before the Effective Date shall be limited to those included within the Project Budget or Operating Budget.

1.11 **Outside Activities of Partners**. Except as otherwise expressly set forth in this Agreement or otherwise agreed in writing, each Partner and each Partner's Affiliates: (i) may carry on and conduct in any way or in any capacity, including, but not limited to, for such Partner's (or Affiliate's) own right and for such Partner's (or Affiliate's) own personal account, as a partner in any other partnership, as a venturer in any joint venture, as a member or manager in any limited liability company, as an employee, officer, director, or stockholder of any corporation, or as a participant in any syndicate, pool, trust, association, or other business organization, a business that competes, directly or indirectly, with the business of the Partnership; (ii) will be free in any capacity to conduct business activities the

same or similar as conducted by the Partnership; (iii) may make investments in any kind of property; and (iv) will have no obligation to disclose, to give notice of, offer a participation in, or to account to the Partnership or any other Partner for any such business, activity, or investment. The Partnership will have no claim or right to any such business, activity, or investment. Notwithstanding the foregoing or anything to the contrary in this Agreement, none of the General Partner, the Class A Limited Partner, Stratus Properties Inc., a Delaware corporation ("**Stratus**"), or any Affiliate of Stratus will purchase or invest in any material residential real property or residential real estate project within a three (3)-mile radius of the Real Property (as defined below), except for (i) any real property or real estate project owned by the Class A Limited Partner, Stratus, or any Affiliate of Stratus as of the Effective Date, including, without limitation, Section N and (ii) any real property or real estate project that the Class A Limited Partner, Stratus, or any Affiliate of Stratus purchase from the Partnership in accordance with this Agreement.

1.12 **No Distribution Intent**. The Partners hereby represent and warrant to the Partnership and to each other that they are acquiring their respective interests in the Partnership for their respective individual purposes only and without a view to the distribution (as such term is used in the Securities Laws) thereof.

ARTICLE 2

PURPOSE

2.1 **General**. The principal purposes of the Partnership will be to accept the contribution of, own, hold for investment, finance, improve, lease, manage, maintain, and sell all or part of that certain approximately 495 acres of real property located in Travis County, Texas, together with all improvements thereon and appurtenances thereto, as more fully described on Exhibit B, attached hereto and incorporated herein (the "**Real Property**"), as well as any other property and contract rights necessary or desirable for the acquisition, ownership, investment, financing, improvement, leasing, management, maintenance, and sale of the Real Property (the Real Property and other such property and rights are collectively referred to as the "**Property**"), together with such other activities related to the Property that the General Partner determines to be in the best interests of the Partnership or deems to be necessary, advisable, or convenient to the promotion or conduct of the business of the Partnership, including, without limitation, incurring indebtedness and granting liens and security interests in real and personal property of the Partnership to secure such indebtedness, in each case, in accordance with the terms of this Agreement (collectively, the "**Business**").

2.2 **Specific Purposes**. Without limiting the generality of Section 2.1, but subject to the express restrictions contained in this Section 2.2, Section 7.4, and other applicable provisions of this Agreement, the Partnership may, as determined by the General Partner: (i) enter into, approve, consent to, perform, enforce, and carry out contracts of any kind necessary or desirable to, or in connection with, or incidental to, accomplishing the general purposes of the Partnership as set for in Section 2.1, including any contract or action required or desirable under any mortgage, pledge, or security document encumbering the Property and including any note, deed of trust, or loan agreement in connection therewith; (ii) acquire any property, real or personal, in fee or under lease appurtenant to the Property (which shall be deemed to be a part of the Property); (iii) own, operate, manage, develop, lease, and/or sell any of the Property; (iv) borrow money and issue evidence of indebtedness, and secure the same by mortgage, deed of trust, pledge, security agreement, other lien, or security interest, in furtherance of all of the permitted purposes of the Partnership; and (v) finalize the entitlements for improvement of the Property, construct the primary horizontal infrastructure improvements for the Property (e.g., road, utilities, drainage) (collectively, the "**Project**"), and manage, operate, lease, and/or sell the Project or parcels thereof.

With the consent of the Partners, the Partnership may sell, lease, or contribute the Property or parcels thereof to subsidiaries of the Partnership or other Persons that are Affiliates of all the Partners in connection with the Partnership's or such subsidiaries' or Affiliates' development or redevelopment of such property or parcels and holding, improving, managing, operating, selling, and other activities with respect to such development or redevelopment, provided that no such sale, lease, or contribution shall result in the circumvention of the consent and approval rights of any Limited Partner as set forth herein without such Limited Partner's prior written consent.

Subject to the consent and other requirements in this Agreement, the Partners acknowledge that the Partnership may (i) sell parcels within the Project to Affiliates of one or both of the Partners or to third parties; (ii) contribute such parcels to the capital of affiliated development partnerships or limited liability companies in exchange for equity interests therein; and/or (iii) distribute such parcels to one or more of the Partners for further development, improvement, and sale by the Partners or Affiliates of the Partners.]

2.3 **Property Purchase and Loan Authorization**. Without limiting the generality of Sections 2.1 and 2.2 above, but subject to the other terms of this Agreement, including, without limitation the express restrictions and limitations contained in Sections 2.1 and 2.2 and Section 7.4, the General Partner is hereby authorized and empowered, for and on behalf of the Partnership, without the consent, approval, or joinder of any other Partner (except as otherwise required herein), to: (i) accept the contribution of property and funds described as capital contributions on Exhibit A (and as otherwise provided by this Agreement), make all reimbursements of costs and expenses required or permitted under this Agreement to the General Partner, the Class A Limited Partner, the Class B Limited Partner, and their respective Affiliates, including, without limitation, pursuant to Section 7.10; (ii) enter into, amend, and perform under any acquisition, development, construction, and/or permanent financing, as evidenced by written instruments, agreements, and documents required by lenders selected by the General Partner (each a "**Lender**") to finance the purchase, improvement, or construction of or upon the Real Property or related to the Property and with any such financing terms and conditions and with such collateral as required by the Lender and deemed necessary or desirable by the General Partner in connection with any such loan, including, without limitation, promissory notes, mortgages, deeds of trust, security agreements, loan agreements, assignments, financing statements, bills of sale, and such other documents to contain such terms and provisions as the General Partner may deem necessary, proper, or advisable; (iii) enter into, amend, and perform under any management, development, consulting, marketing and sales agreements related to the Property or the Partnership, including such agreements with Affiliates of the General Partner or the Limited Partners, but subject to any express limitations contained in this Agreement; and (iv) admit Partners to the Partnership pursuant to the terms of this Agreement. Any such action, execution, acknowledgment, and/or delivery by the General Partner, for and on behalf of the Partnership, shall be conclusive evidence that the General Partner deems such actions and deliveries reasonable and necessary for the benefit of the Partnership.

ARTICLE 3

PRINCIPAL PLACE OF BUSINESS

3.1 **Place of Business**. The principal place of business of the Partnership will be as set forth in the Certificate of Formation. The General Partner may change the principal place of business at any time and from time to time. The General Partner will deliver written notice to the Limited Partners promptly after any change of the principal place of business of the Partnership. The Partnership may also have such other places of business as the General Partner determines to be appropriate.

3.2 **Registered Office; Registered Agent**. The address of the registered office of the Partnership in the State of Texas is as set forth in the Certificate of Formation, and the name and address

of the registered agent for service of process on the Partnership in the State of Texas is as set forth in the Certificate of Formation. The General Partner may, from time to time, change the registered office and the registered agent. If the General Partner changes the Partnership's registered agent (or if the General Partner is notified of a change in the registered agent's office address), the General Partner will notify the Limited Partners in writing of any such change.

ARTICLE 4

PARTNERSHIP INTERESTS AND CAPITAL CONTRIBUTIONS

4.1 Capital Interests; Distribution Interests; and Voting Interests.

(a) Subject to the terms and provisions of this Agreement, each Partner will have the following: (i) a capital interest in the Partnership based on the relative total Capital Contributions of the Partners, which initially will be reflected opposite each of such Partner's name on Exhibit A upon execution of this Agreement by all of the Partners (referred to collectively as "**Capital Interests**" and individually as a "**Capital Interest**"); (ii) an interest in distributions of the Partnership as set forth in Article Six (referred to collectively as "**Distribution Interests**" and individually as a "**Distribution Interest**"); and (iii) a voting interest in the Partnership that is proportional to such Partner's Capital Interest (referred to collectively as "**Voting Interests**" and individually as a "**Voting Interest**"). The Partners' respective Capital Interest(s), Distribution Interest(s), and Voting Interest(s), and all other rights, titles, and interests associated therewith under this Agreement, are sometimes referred to collectively as the "**Interest(s)**" and individually as an "**Interest**."

(b) The initial Capital Interests and initial Voting Interests held by the Partners as of the Effective Date are as set forth on Exhibit A. The Interests of the Partners will be adjusted from time to time to reflect (i) Additional Capital Contributions made to the Partnership in accordance with this Agreement; (ii) the admission of new Partners in accordance with this Agreement; (iii) transfers by the Partners of their Interests in accordance with this Agreement; and (iv) such other events as otherwise may give rise to a change in any Partner's ownership of Interests under this Agreement. Upon any such adjustment, the General Partner is hereby authorized and empowered to make appropriate amendments to Exhibit A and shall provide a copy thereof to each Limited Partner.

(c) The Class A Limited Partner's Promote Interest (as defined below) is intended to be treated as a profits interests in the Partnership within the meaning of IRS Revenue Procedure 93-27, 1993-2 C.B. 343 and IRS Revenue Procedure 2001-43, 2001-2 C.B. 191. The Class A Limited Partner is not required and will not be required to make any Capital Contributions to the Partnership with respect to the Promote Interest. The Promote Interest percentages (i.e., 5% and 15%) will not be reduced as a result of any Partner making any Initial Capital Contribution, Capital Contribution pursuant to the Capital Commitments, or Additional Capital Contributions or the admission of any Partner, unless approved in writing by the Class A Limited Partner.

4.2 Initial Capital Contributions.

(a) General. Within ten (10) business days after the execution and delivery of this Agreement or on such later date determined by the General Partner upon written notice to the Partners, each Partner must make the initial capital contributions to the Partnership as set forth opposite such Partner's name on Exhibit A (the "**Initial Capital Contributions**"). The Initial Capital Contributions of the Partners and all other cash and property contributed to the capital of

the Partnership pursuant to this Article Four are collectively referred to as "**Capital Contributions**." Except as otherwise expressly provided in this Agreement, all Capital Contributions shall be in the form of cash unless all the Partners otherwise agree in writing.

(b) General Partner and Class A Limited Partner.

(i) *Contribution of Property*. Before the Effective Date, the Class A Limited Partner owned the Real Property and rights, titles, and interests in and to certain documents and agreements related to the Real Property and the Business (the "**Personal Property**"). The Class A Limited Partner will convey the Real Property to the Partnership and assign the Class A Limited Partner's rights, titles, and interests in and to the Personal Property to the Partnership as the General Partner and Class A Limited Partner's Initial Capital Contributions in accordance with the Contribution Agreement. The Class A Limited Partner will execute a special warranty deed conveying fee simple title to the Real Property to the Partnership, and an assignment and assumption agreement assigning the Personal Property to the Partnership. The Partnership will assume all of the Class A Limited Partner's liabilities and obligations for the Personal Property in accordance with the Contribution Agreement.

(ii) *Omitted.*

(iii) *Reimbursement of Initial Project Costs*. Before the Effective Date, the General Partner, the Class A Limited Partner, and their Affiliates incurred costs and expenses in connection with the organization, due diligence, site planning, entitlement, financing, and related development work for the Partnership, Real Property, Personal Property, Project, and Business (the "**Initial Project Costs**"). The estimated amounts of the Initial Project Costs are as follows:

Initial Project Costs incurred through November 30, 2022 (estimated)	$5,180,793.64
Plus additional Initial Project Costs incurred after November 30, 2022 (estimated)	$150,000.00
Total Estimated Initial Project Costs:	$5,330,793.64

A summary of the Initial Project Costs through November 30, 2022 is set forth on Exhibit C. On or around the Effective Date, the General Partner will estimate the total Initial Project Costs incurred through the Effective Date and provide reasonably detailed supporting documentation for the Initial Project Costs to the Class B Limited Partner. Immediately after the Class B Limited Partner makes its Initial Capital Contribution to the Partnership, the Partnership will reimburse the Class A Limited Partner for the estimated Initial Project Costs. Within a reasonable time after the Effective Date, the General Partner will compute and determine the actual amount of the total Initial Project Costs and provide reasonably detailed supporting documentation for the Initial Project Costs to the Class B Limited Partner. Without approval of the Partners, the actual amount of the total Initial Project Costs will not exceed the amount for such costs set forth in the approved Operating Budget or Project Budget. Upon determining the actual amount of the total Initial Project Costs, the Partnership will promptly reimburse the Class A Limited Partner the excess amount, if any, of the actual Initial Project Costs over the estimated Initial Project Costs reimbursed to the Class A Limited Partner, or the Class

A Limited Partner will promptly pay to the Partnership the excess amount, if any, of the estimated Initial Project Costs reimbursed to the Class A Limited Partner over the actual Initial Project Costs.

(c) Distribution of Cash to Class A Limited Partner. Immediately after the Class B Limited Partner makes its Initial Capital Contribution to the Partnership, the Partnership will distribute the following amount of cash to the Class A Limited Partner (the "**Initial Distribution to the Class A Limited Partner**"):

Initial Distribution to the Class A Limited Partner: $30,000,000.00

(d) Net Initial Capital Contributions and Allocation. The Partners agree that the value of the Real Property and the Personal Property as the Effective Date is $70,000,000 (the "**Agreed Initial Value**") excluding the amount of the Initial Project Costs. After the Initial Distribution to the Class A Limited Partner, the amount to be used in calculating the Initial Capital Contributions for the General Partner and the Class A Limited Partner will be the net of the total Initial Capital Contributions of the General Partner and the Class A Limited Partner (Agreed Initial Value of $70,000,000.00) less the amount of the Initial Distribution to the Class A Limited Partner ($30,000,000.00) for net Initial Capital Contributions of $40,000,000.00. For the avoidance of doubt, immediately following the Initial Capital Contributions of the Partners and the Initial Distribution to the Class A Limited Partner, the General Partner's Capital Account balance shall be $80,000, the Class A Limited Partner's Capital Account balance shall be $39,920,000, and the Class B Limited Partner's Capital Account balance shall be $40,000,000, and the General Partner's Capital Interest shall be 0.1%, the Class A Limited Partner's Capital Interest shall be 49.9%, and the Class B Limited Partner's Capital Interest shall be 50.0%. For additional clarity, the reimbursement to the Class A Limited Partner for the Initial Project Costs will not reduce the General Partner or Class A Limited Partner's Initial Capital Contributions.

(e) Tax Treatment. The Partners intend that the reimbursement of the Initial Project Costs and distribution of the Initial Distribution to the Class A Limited Partner be treated as reimbursements of preformation expenditures with the meaning of Treasury Regulations Section 1.707-4(d) to the maximum extent permitted by the Code and the Treasury Regulations thereunder. To the extent reimbursement of the Initial Project Costs and distribution of the Initial Distribution to the Class A Limited Partner is not permitted to be treated as reimbursements of preformation expenditures with the meaning of Treasury Regulations §1.707-4(d) by the Code and the Treasury Regulations thereunder, the remaining amount thereof (the "**Remaining Payment Amount**") is intended to be treated as a transaction subject to treatment under Section 707(a) of the Code and the Treasury Regulations thereunder, as in part a sale and in part a contribution, to the Partnership by the Class A Limited Partner of the Real Property and Personal Property (and the other assets, if any, of the Partnership held immediately prior to the admission of the Class B Limited Partner as a result of the Partnership being disregarded as an entity separate from the Class A Limited Partner (or the Person from whom the Class A Limited Partner is disregarded) prior to such admission).

4.3 Additional Capital Contributions.

(a) General. Except as set forth in this Section 4.3, no Partner will have any obligation to contribute additional capital to the Partnership.

(b) Capital Commitments.

(i) *Calls*. In addition to each Partner's Initial Capital Contribution, each Partner will be obligated to, and will, from time to time, as called by the General Partner under this Section 4.3(b) (a "**Capital Commitment Call**"), contribute cash as additional Capital Contributions to the Partnership in the total amount set forth on Exhibit A for such Partner (individually, a "**Capital Commitment**" and collectively, the "**Capital Commitments**") for working capital requirements of the Partnership and development and construction of the Project. Each Partner will have the unconditional obligation to make such aggregate additional Capital Contributions at such times as may be reasonably determined by the General Partner and in proportion to the aggregate Capital Commitments of all Partners. The total amount of such additional Capital Contributions by each Partner shall not exceed the undrawn balance of such Partner's Capital Commitment at each such time, and such additional Capital Contributions shall be used solely for purposes of paying or satisfying Partnership expenditures or obligations in accordance with this Agreement (including Sections 7.4 and 7.16). The General Partner will not be required to call the total amount of the Capital Commitments. If the General Partner determines that all or part of the Capital Commitments are required by the Partnership, the General Partner will deliver written notice of the Capital Commitment Call (a "**Capital Commitment Call Notice**") to each Partner setting forth the total amount of the Capital Contribution needed and the amount required of each Partner, which will be the product of the total amount of Capital Contributions called by the General Partner (but not more than the undrawn balance of the Capital Commitments) multiplied by each Partner's respective Capital Interest, and include a reasonably detailed and itemized description of the use of such Capital Contributions. Until all the Capital Commitments of the Partners have been called and received by the Partnership, all notices for such additional Capital Contributions will be deemed to be Capital Commitment Calls, whether or not specified in such call (but only to the extent of the undrawn balance of the Partners' respective Capital Commitments). Each Partner must make a Capital Contribution equal to its proportionate share of the total Capital Contributions required of all Partners pursuant to a Capital Commitment Call Notice within ten (10) business days after delivery of such Capital Commitment Call Notice.

(ii) *Failure to Fund Capital Commitment*. Failure of a Partner to fund the full amount of such Partner's Capital Commitment when due and the continuance of such failure for a period of ten (10) business days after written notice thereof has been given to such Partner will be an Event of Default as set forth in Section 13.1 and subject to the rights and remedies of the Partnership and the Partners for an Event of Default as set forth in this Agreement. In addition to any other rights and remedies under this Agreement and available legal and equitable remedies, upon an Event of Default under this Section 4.3(b) and written notice of such Event of Default is delivered to the Partners, the non-defaulting Partners will have the right (but not the obligation) to fund up to the amount of the Capital Commitment not funded by the defaulting Partner (a "**Capital Commitment Shortfall**"). The non-defaulting Partners who elect to fund the Capital Commitment Shortfall will have the right to fund at the time and in such proportions and as they agree upon among themselves, or in the absence of such agreements, then in proportion to their respective Capital Interests and within thirty (30) days after notice of such Event of Default is delivered to the Partners. In the event of a Capital Commitment Shortfall, the non-defaulting Partners will not be required to comply with the notice, timelines, and other procedures under Section 4.3(c) for Additional Capital Contributions (e.g., requests for additional funds from Lender, etc.) or under Section 4.5 for Operating Loans, in each case, to the extent of such Capital Commitment Shortfall, but may immediately fund the Capital Commitment Shortfall. Each Partner

funding a Capital Commitment Shortfall may determine in its sole discretion, and will determine within a reasonable time after funding by written notice to the Partnership, whether to treat such funding of the Capital Commitment Shortfall as an Additional Capital Contribution under Section 4.3(c) (and resulting adjustments of Interests as provided in Section 4.8) or an Operating Loan under Section 4.5. If any Partner funding a Capital Commitment Shortfall does not notify the Partnership of such Partner's selection of alternatives under the immediately preceding sentence within thirty (30) days after the funding, then such Partner shall be deemed to have selected to treat such funding as an Operating Loan under Section 4.5 in respect of such Capital Commitment Shortfall (but no selection or deemed selection of alternatives shall be binding on any such Partner in respect of any subsequent Capital Commitment Shortfalls).

(iii) *Guarantees*. As of the Effective Date, an Affiliate of the Class A Limited Partner approved by the Partners (the "**Class A Guarantor**") will guarantee payment of the General Partner's Capital Commitment and the Class A Limited Partner's Capital Commitment pursuant to a guaranty agreement approved by the Partners. As of the Effective Date, an Affiliate of the Class B Limited Partner approved by the Partners (the "**Class B Guarantor**") will guarantee payment of the Class B Limited Partner's Capital Commitment pursuant to a guaranty agreement approved by the Partners.

(c) Requests for Additional Capital Contributions.

(i) *Determination of Remaining Funding Deficit*. If the amounts of Capital Contributions, loan proceeds to the Partnership, and net cash flow from operations received by the Partnership, less any prior distributions of such amounts to the Partners and other prior expenditures of such amounts in accordance with the terms of this Agreement, are not adequate to meet the Partnership's current or future anticipated costs, expenses, or obligations for the improvement, management, operation, protection, maintenance, or utilization of the Partnership, Property, or Business (a "**Funding Deficit**") as reasonably determined by the General Partner, before requesting additional capital or loans from the Partners, the General Partner will request additional financing for all of the Funding Deficit from the primary secured Lender to the Partnership on the same or better terms as the existing financing from such Lender. To the extent all or any part of the Funding Deficit is not funded to the Partnership on the same or better terms as the existing financing from such Lender within thirty (30) days after requested by the General Partner (a "**Remaining Funding Deficit**"), the General Partner may request additional Capital Contributions from the Partners as provided below.

(ii) *Notice and Participation in Additional Capital Contributions*. The Partners will have the option, but not the obligation, to make additional Capital Contributions ("**Additional Capital Contributions**") to the Partnership (subject to Section 4.8, on the same terms and conditions as, but with priority of payment over, the Initial Capital Contributions and the Capital Contributions pursuant to the Capital Commitments) in such amount(s) as specified by the General Partner for the Remaining Funding Deficit, and/or to reimburse a Credit Guarantor for any Guaranty Payment in accordance with Section 4.3(e), in such proportions as the Partners' respective Capital Interests bear to each other, provided that the failure of a Partner to contribute Additional Capital Contributions to the Partnership will result in the dilution of such Partner's Interest as provided in this Agreement. Upon written notice from the General Partner to the Partners of a Remaining Funding Deficit and request for Additional Capital Contributions (the "**Additional Capital Contribution Notice**"), if any Partner desires to

make an Additional Capital Contribution, then such Partner must deliver written notice to the General Partner within ten (10) business days after the Additional Capital Contribution Notice (the "**Additional Capital Contribution Offering Period**") requesting participation in the Additional Capital Contributions and the amount such Partner desires to contribute. Unless otherwise agreed by the Partners providing Additional Capital Contributions, the relative percentages of the amount of Additional Capital Contributions to be funded by the Partners will be in proportion to the relative Capital Interests of the Partners participating in such Additional Capital Contributions. After the Additional Capital Contribution Offering Period, the General Partner will deliver written notice to the Partners who requested participation in the Additional Capital Contributions stating the amounts that each of such participating Partners will be providing as Additional Capital Contributions (the "**Additional Capital Contribution Funding Notice**"). Within ten (10) business days after the Additional Capital Contribution Funding Notice, the Partners participating in the Additional Capital Contributions must deliver funds to the Partnership for the Additional Capital Contributions as set forth in the Additional Capital Contribution Funding Notice. If any Partner does not contribute such Partner's entire proportionate share of any Additional Capital Contributions within the applicable time and in the manner specified above, then such Partner's Interest will be diluted as set forth in Section 4.8.

(iii) *Personal Right of the General Partner*. Subject to Section 7.4, the right and power of the General Partner to make calls for Additional Capital Contributions under this Agreement is personal to the General Partner existing on the Effective Date and any subsequent General Partner who is elected or appointed in accordance with this Agreement, and such right and power is not delegable or assignable to, nor exercisable by, any other party, without the express written consent of the Partners. Any attempt or effort to assign or delegate this right or power is void.

(d) Construction Loan. The Partnership expects to obtain a development and construction loan (the "**Construction Loan**") from a Lender secured by the Property to provide debt financing for the development and construction of the Project. In connection with the maturity of the Construction Loan and subject to Section 7.4, the General Partner will determine whether to refinance the Construction Loan to a longer-term loan or sell the Project depending on market conditions. In connection with the Construction Loan to the Partnership, Stratus and/or its Affiliates shall provide such Lender with certain limited guaranties (each a "**Guaranty**") on terms acceptable to Stratus and, unless otherwise agreed by Stratus, generally consistent with similar guarantees provided by Stratus on other projects. Neither the Class B Limited Partner nor any Affiliate of the Class B Limited Partner will be required to guarantee the Construction Loan or any other indebtedness of the Partnership.

(e) Guaranty Contributions. If any of the General Partner, Class A Limited Partner, or their Affiliates makes a payment directly to a creditor in satisfaction of any indebtedness of the Partnership pursuant to any indemnity, guaranty, or contribution obligation (a "**Guaranty Payment**") of such General Partner, Class A Limited Partner, or Affiliate (a "**Credit Guarantor**"), the Class A Limited Partner will be deemed to have made an Additional Capital Contribution under Section 4.3(c) equal to the Guaranty Payment amount and will be entitled to distributions of such amount and returns on such amount under Section 6.3, except to the extent that such payment is the result of the Credit Guarantor's actual and intentional fraud, gross negligence, or willful misconduct. In connection with any Guaranty Payment by a Credit Guarantor, the General Partner will request Additional Capital Contributions from the Partners pursuant to Section 4.3(c) so all Partners will have the opportunity to contribute Additional

Capital Contributions to the Partnership to avoid dilution as provided in this Agreement. Any such Additional Capital Contributions received from Partners pursuant to such request will be paid to the Class A Limited Partner to reimburse (or partially reimburse to the extent of such Additional Capital Contributions) the Guaranty Payment.

4.4 Returns on Capital Contributions.

(a) 9% Return. All Capital Contributions of the Partners (i.e., Initial Capital Contributions (see Section 4.2(d) for clarity on net amounts for General Partner and Class A Limited Partner), Capital Contributions pursuant to the Capital Commitments, Additional Capital Contributions, and any other Capital Contributions in accordance with this Agreement) will accrue a cumulative return thereon calculated in the manner of interest at the rate of nine percent (9.0%) per annum (based on a 365-day year), beginning on the date of the applicable Partner's Capital Contribution to the Partnership and until the date of distribution pursuant to Section 6.3 and calculated based on the initial daily balance of the Unreturned Capital Contributions and Unreturned 9% Return, compounded monthly on the last day of the applicable month (the "**9% Return**").

(b) 12% Return. All Capital Contributions of the Class B Limited Partner (i.e., Initial Capital Contributions, Capital Contributions pursuant to the Capital Commitments, Additional Capital Contributions, and any other Capital Contributions in accordance with this Agreement) will accrue a cumulative return thereon calculated in the manner of interest at the rate of twelve percent (12.0%) per annum (based on a 365-day year), beginning on the date of the applicable Partner's Capital Contribution to the Partnership and until the date of distribution pursuant to Section 6.3 and calculated based on the initial daily balance of the Unreturned Capital Contributions and Unreturned 12% Return, compounded monthly on the last day of the applicable month (the "**12% Return**").

(c) Payment of 9% Return and 12% Return. The 9% Return and the 12% Return will be payable to the Partners in accordance with Section 6.3.

(d) Definitions. For purposes of this Agreement, the following terms and phrases have the meanings set forth below:

"**Unreturned Additional Capital Contributions**" means each Partner's respective Additional Capital Contributions under Section 4.3(c) less amounts distributed to such Partner under Section 6.3(a).

"**Unreturned Capital Contributions**" means each Partner's respective Capital Contributions (i.e., Initial Capital Contributions and Capital Contributions pursuant to the Capital Commitments, and Additional Capital Contributions) less amounts distributed to such Partner under Sections 6.3(a) and 6.3(b).

"**Unreturned 9% Return**" means each Partner's respective 9% Return less amounts distributed to such Partner under Section 6.3(c).

"**Unreturned 12% Return**" means each Partner's respective 12% Return less amounts distributed to such Partner under Section 6.3(d).

4.5 Loans to the Partnership.

(a) Operating Loans. To the extent Additional Capital Contributions are not adequate to satisfy a Remaining Funding Deficit as reasonably determined by the General Partner, then upon written notice from the General Partner to the Partners that additional funds are necessary to pay such Remaining Funding Deficit, the Partners will have the option, but not the obligation, to loan funds ("**Operating Loan(s)**") to the Partnership as set forth in this Section 4.5. Unless otherwise agreed by the Partners, Operating Loans will bear interest at a floating rate per annum equal to the same benchmark rate (and compounded at the intervals as such benchmark rate) used for the primary third-party secured debt of the Partnership plus five percent (5%) (the "**General Interest Rate**"). If the Partnership does not have third-party secured debt at the time any Operating Loan is outstanding, then the General Interest Rate will be the prime rate (as reported in The Wall Street Journal) plus one percent (1%). Operating Loans will be repaid in full (both principal and interest) pursuant to Section 6.2 before any distributions are made to the Partners in their capacity as such pursuant to Section 6.3 but, for the avoidance of doubt, not before tax distributions are made to the Partners pursuant to Section 6.5. Operating Loans will be expressly subordinate to any third-party secured debt of the Partnership and will be treated as equity in the Partnership to the extent required by any third-party Lender to the Partnership. Partners making Operating Loans to the Partnership will execute and deliver any documents and agreements evidencing such subordination to the extent required by any third-party Lender to the Partnership.

(b) Notice and Participation in Operating Loans. Upon written notice from the General Partner to the Partners of a Remaining Funding Deficit after the Additional Capital Contributions under Section 4.3(c) and Operating Loan(s) ("**Operating Loan Offer Notice**"), if any Partner desires to make an Operating Loan to reduce or eliminate such Remaining Funding Deficit, such Partner must deliver written notice to the General Partner within ten (10) business days after the Operating Loan Offer Notice ("**Loan Offering Period**") requesting participation in the Operating Loans and specifying the amount such Partner desires to loan. Unless otherwise agreed by the Partners providing Operating Loans, the percentages of each Operating Loan will be in proportion to the relative Capital Interests of the Partners participating in such Operating Loan. After the expiration of a Loan Offering Period, the General Partner will deliver written notice to the Partners who requested participation in the relevant Operating Loan stating the amount that each participating Partner will be providing as an Operating Loan ("**Operating Loan Funding Notice**"). Within ten (10) business days after an Operating Loan Funding Notice, the Partners participating in the relevant Operating Loan will deliver its proportionate share of the principal amount of such Operating Loan to the Partnership as set forth in the Operating Loan Funding Notice.

4.6 Restrictions on Loans. Except as otherwise specifically provided by this Agreement, no Partner may make any loan to the Partnership without the approval of the General Partner, and to the extent required pursuant to Section 7.4, the Limited Partners.

4.7 Liability of Limited Partners. Except as otherwise required by the TBOC without regard to the terms of this Agreement, no Limited Partner shall be personally liable for any of the debts or obligations of the Partnership, and the liability of each Limited Partner to the Partnership shall be limited to the total Capital Contributions that such Partner is required to make to the Partnership pursuant to the express provisions of this Agreement (including with respect to the Partners' Capital Commitments), and such liability shall be enforceable only by the Partnership and the Partners and not, directly or indirectly, by any creditors of the Partnership,

4.8 Failure to Make Additional Capital Contributions – Dilution. If any Partner fails to contribute such Partner's proportionate share of any Capital Commitment or Additional Capital Contributions (a "**Non-Contributing Partner**") in accordance with Section 4.3(b) or Section 4.3(c), as applicable, then upon the other Partners (the "**Contributing Partners**") funding their respective Capital Contributions (including Additional Capital Contributions), as applicable, (i) each Non-Contributing Partner's Capital Interest, Voting Interest, and Distribution Interest (including relative adjustments to the percentage splits set forth in Section 6.3(d) and 6.3(e)) will be reduced and diluted pro-rata based on the relative total Capital Contributions made by all Partners and (ii) any reduction in the Non-Contributing Partner's Interest will be added to the respective Interest(s) of the Contributing Partner(s); provided, however, the Promote Interest percentages will not increase or decrease. Examples of the calculations for adjustments to the percentage splits are set forth on Exhibit D. The provisions of this Section 4.8 are self-operative, and will occur concurrently with the advance of a Capital Contribution by Contributing Partner(s) on behalf of a Non-Contributing Partner.

4.9 Admission of Additional Limited Partners.

(a) If a Remaining Funding Deficit remains after the Additional Capital Contributions under Section 4.3(c) and Operating Loans under Section 4.5, then, upon the approval of each Partner, which approval will not be unreasonably withheld, delayed, or conditioned, additional Interests may be issued to new limited partners of the Partnership, provided that (i) no such Person is a Limited Partner, the General Partner, or an Affiliate of any Limited Partner or the General Partner, (ii) the terms and conditions of such additional Interests are approved by each Partner, which approval will not be unreasonably withheld, delayed, or conditioned, and (iii) the Partnership first complies with the other requirements of this Section 4.9 and Section 4.10.

(b) The General Partner is authorized to and will reflect the issuance of any such additional Interests in an amendment to this Agreement setting forth any changes to this Agreement (including changes in classes of Capital Interests, Distributions Interests, and Voting Interests reflected on Exhibit A and changes in the priority of payments and distributions under Sections 6.2, 6.3 or 6.4 or any similar or successor provision) necessary or appropriate to reflect the issuance of such additional Interests or the creation of additional classes of such Interests.

4.10 Right of First Offer.

(a) Offer. If the Partnership proposes to offer any additional Interests, or securities convertible into or exchangeable or exercisable for Interests in the Partnership ("**Additional Offered Interests**") to any un-Affiliated Persons in accordance with Section 4.9 and Section 7.4, the General Partner will first offer the Additional Offered Interests to the Limited Partners by delivering written notice ("**Offering Notice**") to the Limited Partners stating (i) its bona fide intention to offer such Additional Offered Interests to such third party(ies); (ii) the amount of Additional Offered Interests to be sold to such third party(ies); and (iii) the price and terms upon which it proposes to sell the Additional Offered Interests.

(b) Election. Each Limited Partner may elect to purchase and obtain, at the price and on the terms specified in the Offering Notice, up to the portion of Additional Offered Interests that equals such Limited Partner's Capital Interest, by delivering written notice of such election (the "**Election Notice**") to the General Partner within ten (10) days after receipt of the Offering Notice. If any Limited Partner does not fully subscribe for the amount of Additional Offered Interests such Limited Partner is entitled to purchase, then each other participating Limited Partner will have the right to purchase the percentage of the Additional Offered Interests not so

subscribed for determined by dividing (x) the Capital Interest held by such fully participating Limited Partner by (y) the aggregate Capital Interests then held by all fully participating Limited Partners who elect to purchase unsubscribed Additional Offered Interests. The procedure described in the preceding sentence will be repeated until there are no remaining Additional Offered Interests that the Limited Partners have elected to purchase. Any Limited Partner electing to purchase Additional Offered Interests must purchase such Additional Offered Interests on the terms and conditions that are set forth in the Offering Notice with respect to such Additional Offered Interests within the timeframe as specified by the General Partner in the Offering Notice (which shall not be less than sixty (60) days after delivery of the Offering Notice). If any Limited Partner fails to timely deliver the Election Notice to the General Partner, the right of such Limited Partner to purchase such Additional Offered Interests will automatically lapse and be deemed waived.

(c) Sale to Other Parties. Following application of Section 4.10(b), the General Partner may offer the remaining unsubscribed portion of such Additional Offered Interests to any Persons at a price not less than, and upon terms not more favorable to the offeree than, those specified in the Offering Notice. If the General Partner does not consummate the sale of the Additional Offered Interests within one hundred eighty (180) days after completion of the offering process described above in Sections 4.10(a) and (b), the rights provided hereunder will be deemed to be revived and such Additional Offered Interests will not be offered unless first reoffered to the Limited Partners in accordance with Section 4.10(b).

(d) Not Applicable to Capital Contributions. Notwithstanding anything to the contrary in this Agreement, this Section 4.10 will not apply to calling for, making, or accepting Additional Capital Contributions by Partners under this Agreement, and will only apply to sales of additional limited partnership interests in the Partnership that are otherwise in accordance with the terms of this Agreement.

ARTICLE 5

TAX MATTERS

5.1 Capital Account Computations and Adjustments. For purposes of the maintenance of the Capital Accounts of the Partners, the allocation of Profits and Losses among the Partners, the conduct of tax controversies, and other tax matters, the provisions of Appendix A shall apply for U.S. federal income tax purposes (and state and local tax purposes where applicable).

ARTICLE 6

DISTRIBUTIONS

6.1 Net Cash Flow Defined. "**Net Cash Flow**" means, with respect to any fiscal year, the sum of all cash or other property available for distribution by the Partnership to the Partners as reasonably determined by the General Partner, subject to legal and contractual restrictions on such distributions, and the establishment of expense and loss reserves, in each case, as reasonably determined by the General Partner.

6.2 Priority Payments. Before any distributions are made under Section 6.3, the Partnership, as such times as the General Partner reasonably determines, will pay the Partnership's available cash after required third-party debt service payments, as reasonably determined by the General Partner, in the order and priority set forth below:

(a) Development Management Fee. First, to the General Partner (or other Affiliate of the General Partner) for the Development Management Fee (as defined below) in accordance with the Development Management Agreement (as defined below) until the Development Management Fee has been fully paid. The Partners acknowledge and agree that the Development Management Fee will be paid as an expense of the Partnership, and, unless otherwise agreed to be deferred by the General Partner, will be paid before Net Cash Flow is available.

(b) Asset Management Fee. Second, all accrued but unpaid Asset Management Fees shall be paid in accordance with the Asset Management Agreement (as defined below).

(c) Loans. Third, to the Partners in repayment of all outstanding Operating Loans, including unpaid interest accrued thereon, made by the Partners to the Partnership, if any, pursuant to Section 4.5, with such payments made *pro rata* based on the amounts due to the respective Partners on such outstanding Operating Loans.

6.3 Distributions - Net Cash Flow. Subject to the payments set forth in Section 6.2, the Partnership, at such times as the General Partner reasonably determines, will distribute Net Cash Flow in the following order and priority:

(a) Return of Additional Capital. First, to all Partners, in proportion to each Partner's Unreturned Additional Capital Contributions, until each Partner's Unreturned Additional Capital Contributions is reduced to zero (but not below zero); then

(b) Return of Initial and Committed Capital. Second, to all of Partners, in proportion to the respective Partners' Unreturned Capital Contributions, until each Partner's Unreturned Capital Contributions is reduced to zero (but not below zero); then

(c) 9% Return. Third, to all Partners, in proportion to the respective Partners' relative Unreturned 9% Return, until each Partner has achieved the 9% Return (but not more than the 9% Return); then

(d) 45/55 to 12% Return. Fourth,

(i) 45% to the Class B Limited Partner;

(ii) 50% to the Class A Limited Partner; and

(iii) 5% to the Class A Limited Partner (the "**5% Promote Interest**"), until the Class B Limited Partner has achieved the 12% Return (but not more than the 12% Return); and

(e) 35/65. Thereafter,

(i) 35% to the Class B Limited Partner;

(ii) 50% to the Class A Limited Partner; and

(iii) 15% to the Class A Limited Partner (the "**15% Promote Interest**").

The 5% Promote Interest and the 15% Promote Interest are referred to collectively as the "**Promote Interest**."

Attached as Exhibit E is an example of the calculation for the 9% Return, the 12% Return, and the distributions under this Section 6.3.

6.4 Distributions - Sale Proceeds/Liquidation. The net cash proceeds of the Partnership from the sale of all or substantially all of the Property upon the liquidation and winding up of the Partnership pursuant to Section 14.3 below ("**Sale Proceeds** will be paid, distributed, and applied in the following order of priority:

(a) First, to the payment of all debts and liabilities of the Partnership, including payments under Sections 6.2(a) and 6.2(b), but excluding: (i) Operating Loans and/or other advances or loans made by any Partner to the Partnership in accordance with the terms of this Agreement, and (ii) any other accrued but unpaid fees to any Partner, provided that such fees were incurred and accrued in accordance with the terms of this Agreement; then,

(b) Second, to any reserve fund the General Partner reasonably determines (with the Class B Limited Partner's consent, which consent shall not be unreasonably withheld, delayed, or conditioned, unless such reserve is included in a then current Operating Budget or Project Budget) is necessary or desirable for any known, unknown, or contingent liabilities or obligations of the Partnership; then,

(c) Third, to the payment of (i) any Operating Loans or advances made by any Partner to the Partnership; (ii) advances or loans made by any Partner to the Partnership; and/or (iii) any other accrued but unpaid fees to any Partner in accordance with the terms of this Agreement; and,

(d) Thereafter, to the Partners, in accordance with Section 6.3.

6.5 Tax Distributions. As soon as reasonably practicable after the close of each taxable year of the Partnership, the General Partner shall estimate the amount of the Partnership's taxable income allocable to each Partner for U.S. federal income tax purposes for such taxable year. To the extent the Partnership has Net Cash Flow and available cash for distribution as reasonably determined by the General Partner, the Partnership shall advance to each Partner, at such time an amount of cash equal to the excess, if any, of (i) the product of (A) the Applicable Rate multiplied by (B) the Partnership's net taxable income (if any) estimated by the General Partner to be allocable to such Partner for such taxable year over (ii) the total distributions pursuant to Sections 6.3 and 6.4 or advances pursuant to this Section 6.5 previously or contemporaneously made to such Partner for such taxable income. Provided, however, no such advances/distributions will be made to the extent that the Partnership is restricted from payment of distributions under the terms of any note or agreement relating to borrowings by the Partnership. All advances to the Partners pursuant to this Section 6.5 shall be treated as advances against distributions otherwise payable to the Partners under Sections 6.3 and 6.5. For purposes of this Section 6.5, the term "***Applicable Rate***" means the highest combined marginal ordinary income or capital gain, as the case may be, federal and state tax rates for an individual residing in the State of Texas. Notwithstanding the foregoing, the General Partner, in its reasonable discretion, may reduce or increase the Applicable Rate with respect to all (but not fewer than all) Partners to no less than the highest combined marginal ordinary income or capital gain, as the case may be, federal and state tax rates applicable to such Partner's (or such Partner's direct or indirect owners) state of residence or incorporation. Each Partner shall cooperate fully with and provide to the General Partner the state of residence or incorporation of all of its individual and corporate direct or indirect owners.

6.6 Withholding. Notwithstanding any provision of this Agreement to the contrary, the Partnership may withhold and remit to the applicable taxing authority all amounts required by any local,

state, federal or foreign law to be withheld and remitted by the Partnership with respect to a Partner on account of dispositions of Partnership property, distributions to a Partner, or allocations to a Partner of Partnership taxable income, gain, loss, deduction, or credit, and any such withholding shall be deemed a distribution to such Partner pursuant to the applicable provisions of Section 6.3. Each Partner will timely provide to the General Partner all information, forms, and certifications necessary or appropriate to enable the General Partner and the Partnership to comply with any such withholding obligation. Each Partner represents and warrants that the information, forms, and certifications furnished by it will be true and accurate in all material respects.

6.7 Distributions With Respect to Transferred Interests; Rights of Offset. Distributions will be made to the Partners of record on the record date for the distribution without regard to the length of time the record holder has been such; provided that any distribution due to a Partner with an uncured default in payment of such Partner's Capital Contribution that has not been otherwise paid or funded to the Partnership, or any other sum owed from the Partner to the Partnership pursuant to a final non-appealable judicial determination, arbitration award, or written agreement of such Partner, will be retained by the Partnership and offset against the amount due from such Partner.

6.8 Distributions in Kind. To the extent the Partners approve distributions of Partnership assets in kind, such assets will be distributed to the Partners entitled to distributions as tenants-in-common at the valuation determined by all the Partners in the same proportions as such Partners would have been entitled to cash distributions.

6.9 No Demand. No Partner may demand and receive property other than cash in return for such Partner's Capital Contributions to the Partnership, and no Partner will be entitled to any distributions from the Partnership (whether in return of such Partner's Capital Contributions or otherwise) except as provided in this Agreement.

ARTICLE 7

CONTROL AND MANAGEMENT

7.1 General Partner's Responsibilities. Subject to Section 7.4 and any other limitations expressly set forth in this Agreement, the General Partner will have (i) the full, exclusive, and complete control in the planning and management of the Business, the Partnership, and the Partnership's operations and (ii) the authority to take any action it deems in good faith to be necessary, convenient, or advisable in connection with the planning and management of the Partnership in accordance with this Agreement. In dealing with the General Partner acting on behalf of the Partnership, no Person will be required to inquire into the authority of the General Partner or officers of the General Partner to bind the Partnership. Persons dealing with the Partnership are entitled to rely conclusively on the power and authority of the General Partner as set forth in this Agreement. The General Partner will manage and control the affairs of the Partnership in good faith and will conduct the operations contemplated under this Agreement in good faith and in a reasonably prudent manner and in accordance with industry practice.

7.2 Powers. Subject to Section 7.4 and any other limitations expressly set forth in this Agreement, the General Partner will have the authority to perform or cause to be performed, at the expense of the Partnership, the coordination of all management and operational functions relating to the purposes of the Partnership as set forth in Article Two. Without limiting the generality of the foregoing but subject to any limitations expressly set forth in this Agreement, the General Partner is authorized on behalf of the Partnership, without the joinder, consent, approval, or agreement of any other Partner, to:

(a) Operate, maintain, and manage the Business and the Property in the interests of the Partnership, and to that end to negotiate, enter into and supervise any and all contracts and agreements, upon such terms as the General Partner reasonably determines, with respect to the operation, maintenance, and management of the Business and to perform the obligations, and exercise the rights and privileges, of the Partnership under such contracts and agreements;

(b) Spend the capital, loan proceeds, if any, and net income of the Partnership for the Business and for the ownership, management, development, improvement, leasing, maintenance, and sale of the Property, and in the exercise of any other rights or powers possessed by the General Partner under this Agreement;

(c) Coordinate all accounting and clerical functions of the Partnership and employ or engage, compensate, and supervise contractors, consultants, accountants, attorneys, managers, agents, and other management or service personnel (including any Affiliate of the General Partner, subject, however, to Section 7.10 below) as may from time to time be required to carry on the Business;

(d) Borrow funds upon such terms and conditions as the General Partner determines for: (i) the financing and refinancing of the Property; (ii) discharging the Partnership's obligations; (iii) protecting and preserving the assets of the Partnership; (iv) refinancing any loans or other indebtedness of the Partnership; or (v) operating the Partnership in the ordinary course of business and grant liens and security interests in and collaterally assign Property of the Partnership to secure such indebtedness;

(e) Purchase, lease, rent or otherwise acquire or obtain the use of office equipment, materials, supplies, and other kinds and types of real or personal property, and to incur expenses for travel, phone, and such other things, services, and facilities as may be deemed necessary, convenient, or advisable for carrying on the Business;

(f) Lease, sell, transfer, assign, dispose of, trade, exchange, quitclaim, surrender, release, or abandon Property, or any interest therein, to any Person, and, in connection therewith, to receive such consideration as it deems fair and in the best interests of the Partnership;

(g) Sue and be sued, complain, and defend in the name and on behalf of the Partnership;

(h) Do all acts, take part in any proceedings, and exercise all rights and privileges as could an absolute owner of Property, subject to the limitations expressly stated in this Agreement and the performance of the General Partner's obligations to the Partnership and the Partners;

(i) Take such other action and perform such other acts as the General Partner deems necessary, convenient, or advisable in carrying out the Business;

(j) Procure and maintain with responsible companies such insurance as may be available in such amounts and covering such risks as the General Partner determines to be appropriate;

(k) Take and hold all Property, real, personal, and mixed, tangible and intangible, in the name of the Partnership;

(l) Pay and distribute Net Cash Flow as provided in this Agreement;

(m) Execute any contracts, management agreements, and other documents as may be required in connection with the purposes of the Partnership;

(n) Employ, engage, compensate, supervise, or terminate such employees and contractors as may be required, from time to time, to carry on the Business;

(o) Pay any and all fees and expenses incurred by the General Partner or its Affiliates in the organization and maintenance of the Partnership or in accomplishing the purposes and business of the Partnership; and

(p) Delegate any and all of the General Partner's duties hereunder and, in furtherance of any such delegation, to appoint, employ, or contract with, and pay appropriate reasonable fees to, any Person it may in its discretion deem necessary or desirable for the transaction of the Business including Persons who may: (i) serve as the Partnership's advisors and consultants in connection with policy decisions made by the General Partner; (ii) act as consultants, accountants, correspondents, attorneys, brokers, escrow agents, or in any other capacity deemed by the General Partner necessary or desirable; (iii) perform or assist in the performance of such administrative or managerial functions necessary in the management of the Partnership as may be agreed upon by the General Partner; and (iv) perform such other acts or services for the Partnership as the General Partner in its discretion may reasonably approve.

7.3 Duties of the General Partner.

(a) Management Duties. The General Partner will manage the Partnership and the Business in a reasonable manner.

(b) Level of Duty. The General Partner will conduct, manage, and control the Partnership and its affairs with the degree of reasonable care that a prudent business person would use under similar circumstances.

(c) Time and Attention to Duties. The General Partner will devote such time and attention to the performance of its duties under this Agreement as are reasonably necessary. Except as otherwise provided in this Agreement, the General Partner (and all Affiliates of the General Partner) may engage in such activities as it may choose, whether such activities are competitive with the Partnership or otherwise, without being under any obligations to offer any interest in such activities to the Partnership or the Limited Partners.

(d) Limitation of Duties. The General Partner shall owe the duties of care, loyalty and good faith to the Partnership and the Limited Partners, in each case, as such duties are determined under the TBOC. Notwithstanding any other provision of this Agreement, the General Partner will only be liable to the Partnership and the Limited Partners for damages, to the extent caused by the actual and intentional fraud, willful misconduct, gross negligence, or material breach of an express provision of this Agreement of or by the General Partner or any Affiliate of the General Partner, but in other respects will not be liable for a good faith mistake in judgment. Neither the General Partner nor any owner, officer, employee, or Affiliate of any entity that owns any interest in the General Partner or in which the General Partner owns any interest will be liable, responsible, or accountable in damages or otherwise to any other Partner for any acts performed in good faith, and within the scope of, this Agreement. Notwithstanding any term or provision in this Agreement to the contrary, except in the case of actual and intentional fraud, willful misconduct, or gross negligence, the General Partner (and any Affiliate of the General Partner) will not be responsible or liable for, and the Partnership and each Partner

waive any right to, any punitive, exemplary, indirect, or consequential damages of any kind alleged or that may be alleged related to this Agreement, a Cause Event, the relationship created by this Agreement, the transactions contemplated by this Agreement, or any default or Event of Default under this Agreement, in each case, except to the extent the Partnership or a Limited Partner is liable to a third party for such damages.

7.4 Limitation on Authority/Major Decisions. In addition to any other actions that require the approval or consent of the Partners under this Agreement, all Partners will have the right to approve the following (individually, a "**Major Decision**" and collectively, the "**Major Decisions**"):

(a) the Project Budget and Operating Budget and amendments thereto to the extent provided in Section 7.16;

(b) the Business Plan and amendments thereto to the extent provided in Section 7.16;

(c) sales, leases, transfers, or exchanges of any portion of the Project to any Partner, any Affiliate of any Partner, or to any unaffiliated third party other than as contemplated in the Business Plan;

(d) all payments, transactions and agreements between the Partnership or any subsidiary of the Partnership, on the one hand, and any Partner or any Affiliate thereof, on the other hand, including without limitation the Development Management Agreement, the Asset Management Agreement, the Listing Agreement, and the Development Agreement, but excluding (i) payments made pursuant to the Development Management Agreement, the Asset Management Agreement, the Listing Agreement, and the Development Agreement after such agreements are approved by the Limited Partners in accordance with this Agreement and other payments that are expressly provided for in this Agreement or included in the then current Project Budget or Operating Budget that has been approved by the Partners; (ii) indemnification obligations and payments in accordance with this Agreement; (iii) payments in accordance with agreements approved by the Partners; and (iv) except as otherwise limited in this Agreement (in Section 9.1, for example) any unbudgeted payment that does not exceed $50,000 or an aggregate amount of $100,000 during any 12-month period;

(e) mortgaging any Property of the Partnership or any subsidiary of the Partnership, or incurring any indebtedness for borrowed money, or guaranteeing any indebtedness, by the Partnership or any subsidiary of the Partnership and any material amendment or modification of any mortgages or guaranties of the Partnership or any subsidiary of the Partnership;

(f) capital calls in excess of the total Capital Commitments or issuing additional, or redeeming, Partnership Interests or admitting any Person(s) as an additional Partner to the Partnership, including in connection with raising additional capital if required, in accordance with this Agreement as provided in Sections 4.9 and 4.10;

(g) any Transfer of the General Partner or the Class A Limited Partner's Interests, except for (i) any Transfer to wholly-owned subsidiaries of Stratus, provided such assignees remain Affiliates of Stratus; (ii) any Transfer of any indirect interest in the Partnership to extent required under the terms of Stratus' current revolving credit facility, as amended or extended; provided, however, that notwithstanding anything to the contrary, following the occurrence of any default or event of default under such credit facility and failure of Stratus to timely cure such default or event of default within any applicable notice and opportunity to cure period that could result in a direct or indirect change of control of Stratus, the General Partner, or the Class A

Limited Partner upon a foreclosure or other forfeiture of such transferred, pledged or assigned indirect interest, the Class B Limited Partner shall have the right in its sole discretion to remove and replace the General Partner in accordance with Section 7.12; provided further, however, such right shall lapse if, prior to any such change of control, Stratus cures such default or event of default under the credit facility; (iii) any other Transfer of any stock in Stratus or sale, transfer, assignment, exchange, or encumbrance of any beneficial ownership in Stratus; and (iv) any Transfer of an Interest or an indirect interest in the Partnership in connection with any merger, reorganization, recapitalization, consolidation, sale of all or substantially all of the assets, or similar transaction of or by Stratus (provided, that such Transfer of an Interest or an indirect interest in the Partnership is in connection with the merger, reorganization, recapitalization, consolidation, sale of all or substantially all of the assets, or similar transaction of or by Stratus and is to the primary successor in interest of Stratus in such merger, reorganization, recapitalization, consolidation, sale of all or substantially all of the assets, or similar transaction of or by Stratus);

(h) any Transfer of the Class B Limited Partner's Interest, except for any Transfer provided for in Section 8.2;

(i) forming any subsidiary of the Partnership;

(j) amendments to this Agreement, provided that if such amendment is in connection with raising additional capital in accordance with this Agreement (after requests to the Partners for additional capital, and subject to the preemptive rights of the Partners as provided in Sections 4.10), then each Partner's approval to such amendment shall not be unreasonably withheld, delayed, or conditioned;

(k) confessing any judgment against the Partnership or any subsidiary of the Partnership in excess of $1,000,000, or settling, compromising, litigating, or arbitrating any dispute, lawsuit, claim, arbitration, or mediation against or involving the Partnership in excess of $1,000,000, in each case, which approval shall not be unreasonably withheld, delayed, or conditioned;

(l) material tax elections of the Partnership;

(m) filing any Bankruptcy petition or any similar action on behalf of the Partnership or any subsidiary of the Partnership, or admitting, confessing, or acquiescing to any involuntary Bankruptcy filing or similar action against the Partnership or any subsidiary of the Partnership; and

(n) dissolving the Partnership, except in accordance with this Agreement.

A Limited Partner's failure to provide written notice to the General Partner of its objection to any Major Decision within ten (10) business days after delivery of written notice thereof by the General Partner (which notice may be given by email) (the "**Consent Request Notice**") shall be deemed an approval of such Major Decision by such Limited Partner; provided, however, in the event of a bona fide emergency that requires the determination of a Major Decision within less than ten (10) business days, approval or disapproval must be provided within a reasonable and appropriate time frame requested by the General Partner in the Consent Request Notice, provided that a failure of a Limited Partner to provide a timely written notice to the General Partner of its approval or disapproval of such emergency Major Decision shall be deemed such Limited Partner's disapproval of such Major Decision. Notwithstanding the forgoing, instead of ten (10) business days, the timeframe for objections to each proposed Annual Revised

Project Budget, Annual Revised Business Plan, Annual Revised Operating Budget, or Material Plan or Budget Change is thirty (30) days as provided in Section 7.16(d)(ii). If any Limited Partner does not approve any two (2) Major Decisions proposed by the General Partner within any 12-month period and the Partners fail to resolve any disagreement regarding such approval or Major Decision within an additional fifteen (15)-day negotiation period, then any Partner may declare a "**Deadlock**" to have occurred by delivering written notice of the Deadlock ("**Deadlock Notice**") to the other Partners.

The following Major Decisions listed above are referred to as "**Fundamental Decisions**": (i) Section 7.4(c) (but not with respect to sales, leases, transfers, or exchanges or any portion of the Project to any unaffiliated third party); (ii) Section 7.4(d); and (iii) Section 7.4(j) (but only with respect to amendments to this Agreement that would materially and adversely affect a Partner's obligations to make Capital Contributions hereunder, the priority of distributions to such Partner, or such Partner's share of distributions in a manner that disproportionately and adversely affects such Partner as compared to effects of such amendment on the other Partner, in each case, other than amendments in connection with raising additional capital from third parties in accordance with this Agreement).

Notwithstanding anything to the contrary, determinations of the Partnership regarding whether to provide or withhold, assert or refrain from asserting, defend, or settle (as the case may be), and the terms of, consents, authorizations, waivers, claims, and settlements of claims, under the Development Management Agreement, the Asset Management Agreement, the Listing Agreement, the Development Agreement, and any other agreement between the Partnership or any subsidiary of the Partnership, on the one hand, and the General Partner or any Affiliate of the General Partner or the Class A Limited Partner, on the other hand, shall be determined on behald of the Partnership by the Class B Limited Partner.

7.5 **Approval of the Partners**. When the phrases "approved by the Partners," "approval of the Partners," "determined by the Partners," "agreed by the Partners," "consent of the Partners," or similar phrases are used in this Agreement, or when other language is used in this Agreement indicating that a particular matter, decision, or determination requires the approval, agreement, consent, or other joint action of the Partners, the same means that the matter in question must be approved by the General Partner, the Class A Limited Partner, and the Class B Limited Partner.

7.6 **Approval of the Limited Partners**. When the phrases "approved by the Limited Partners," "approval of the Limited Partners," "determined by the Limited Partners," "agreed by the Limited Partners," "consent of the Limited Partners," or other similar phrases are used in this Agreement, or when other language is used in this Agreement indicating that a particular matter, decision, or determination requires the approval, agreement, consent, or other joint action of the Limited Partners, the same means that the matter in question must be approved by the Class A Limited Partner and the Class B Limited Partner.

7.7 **No Limited Partner Control**. The Limited Partners will not take part in any of the day-to-day conduct or control of the Business and will not have any right, power, or authority to act for or to bind the Partnership in any manner. The exercise of any of the rights and powers of the Limited Partners pursuant to the terms of this Agreement will not be deemed taking part in the day-to-day affairs of the Partnership or the exercise of control over Partnership affairs. No Limited Partner may withdraw from the Partnership nor, except as provided in this Agreement, receive a return of any of its contributions to the Partnership until the Partnership is terminated and its affairs are wound up in accordance with this Agreement and the TBOC. No Limited Partner may cause the Partnership's dissolution, termination, or winding up by court decree or otherwise. A Limited Partner will be liable to the Partnership for actual, direct damages resulting from an Event of Default with respect to such Limited Partner, but such Limited Partner shall not be liable for any punitive, exemplary, indirect, or consequential damages of any kind alleged or that may be alleged related to or any Event of Default, in each case, except to the extent the

Partnership is liable to a third party for such damages as a result of such Event of Default. The Partnership may recover any such damages suffered by the Partnership from an Event of Default with respect to any Limited Partner by offsetting such damages against any distributions or capital otherwise payable to such Limited Partner, provided such damages and the Partnership's right to recover such damages have been determined by a final non-appealable judicial determination or arbitration award or agreed in writing by such Limited Partner.

7.8 **Limited Partner Liability**. The Limited Partners will not be bound by, nor personally liable for, the expenses, liabilities, or obligations of the Partnership. Except for the Initial Capital Contributions, Capital Commitments, or as otherwise expressly provided in this Agreement, and except to the extent a Partner is required (notwithstanding the terms of this Agreement) to return previously received distributions to the Partnership pursuant to applicable law, the Limited Partners are not personally liable for and will not be required or obligated to make further additional Capital Contributions. Each Limited Partner will have a duty of good faith to each other Partner and the Partnership under this Agreement. Except for the duty of good faith, to the fullest extent permitted by law, neither the Limited Partners nor any of their respective Affiliates (in the case of the Class A Limited Partner, other than the General Partner) shall have duties (fiduciary or otherwise) to the Partnership or any other Partner, and this Agreement is not intended to, and does not, create or impose any such duties on the Limited Partners or any such Affiliates and each other Partner (including the General Partner) hereby expressly waives any and all fiduciary duties and any implied duties that, absent such waiver, may be owed to the Partnership, any other Limited Partner, or any other stakeholder in the Partnership by the Limited Partners or such Affiliates thereof.

7.9 **Return of Capital Contribution**. Except as otherwise expressly provided in this Agreement, the General Partner will not be personally liable for the return of all or any portion of the Capital Contributions of the Limited Partners.

7.10 **Contracts with Affiliates; Development Management Fee; Asset Management Fee**. The Partners acknowledge and agree that the Partnership is authorized to enter into following arrangements, contracts, and agreements with the General Partner or any Affiliate of the General Partner, on terms and conditions reasonably approved by the Partners and pay the following fees to the General Partner or an Affiliate of the General Partner, as applicable: (i) the Development Management Agreement, the terms of which shall include, among others, provisions for installment payments to the General Partner or its Affiliate of an aggregate development fee equal to 4.0% of Hard Construction Costs (the "**Development Management Fee**") and, unless the General Partner approves any deferral of the Development Management Fee, which Development Management Fee shall be payable by the Partnership as Hard Construction Costs are paid and in proportion thereto; (ii) the Asset Management Agreement, the terms of which shall include, among others, provisions for payments to the General Partner or its Affiliate of annual management fees fee equal to $150,000 per year (prorated for any partial year) starting fifteen (15) months after construction starts on the Project (the "**Asset Management Fee**"), which Asset Management Fee shall be payable as provided in the Asset Management Agreement; (iii) an exclusive listing agreement with Amarra Realty, LLC, an affiliate of Stratus, for the listing and sale of all single-family lots within the Project (including amendments thereto, the "**Listing Agreement**"); and (iv) a development agreement with the Class A Limited Partner, or other Affiliate of the Class A Limited Partner, related to development and construction of horizontal improvements within the Property and offsite benefiting the Property and cost sharing for such improvements (including amendments thereto, the "**Development Agreement**").

7.11 Indemnification.

(a) Right to Indemnification. Subject to the limitations and conditions as provided in this Section 7.11, to the fullest extent permitted by the TBOC, the Partnership shall indemnify and hold harmless each of the Partnership Indemnified Parties who was or is a party, or is threatened to be made a party to, or is involved in any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative, arbitrative, or investigative (including any action by or at the request of the Partnership), from and against any and all claims, losses, liabilities, damages, and expenses of any kind for which such Person has not otherwise been reimbursed and to which such Partnership Indemnified Party may become subject in connection with the Partnership (including, without limitation, all reasonable costs and expenses of attorneys, defense, appeal and settlement of any and all suits, actions or proceedings instituted or threatened against such Partnership Indemnified Party or the Partnership (including, without limitation, formal and informal regulatory and/or governmental inquiries and/or governmental requests) actually and reasonably incurred by such Person in connection with such action, suit or proceeding) (collectively, "**Indemnified Losses**"); provided, however, that a Partnership Indemnified Party shall be entitled to indemnification for Indemnified Losses hereunder only to the extent that such Indemnified Losses are not attributable to such Partnership Indemnified Party's material breach of this Agreement, gross negligence, actual and intentional fraud, willful misconduct, bad faith or, in the case of the General Partner or its Affiliates, such liabilities are not directly or indirectly related to a dispute between or among any of the General Partner its Affiliates, or any members or employees thereof; provided further, that if liabilities arise out of the conduct of the business and affairs of the Partnership and any other Person for which the Person entitled to indemnification from the Partnership hereunder was then acting in a similar capacity, the amount of the indemnification provided by the Partnership shall be limited to the Partnership's proportionate share thereof as determined in good faith by the General Partner. The Limited Partner Indemnified Parties shall be entitled to indemnification for Indemnified Losses only to the extent that such Indemnified Losses are not attributable to such Limited Partner Indemnified Party's material breach of this Agreement, gross negligence, actual and intentional fraud, willful misconduct, or bad faith. The satisfaction of any indemnification and any holding harmless pursuant to this Section 7.11(a) shall be from and limited to Partnership assets, the Limited Partners shall not have any obligation to make Capital Contributions to fund its share of any indemnification obligations under this Section 7.11 in excess of its Initial Capital Contribution and Capital Commitments, and no Limited Partner shall have any personal liability on account thereof. Notwithstanding anything to the contrary, no Partner shall be required to make Capital Contributions to the Partnership for purposes of paying the Partnership's indemnification obligations hereunder (y) unless and until all insurance proceeds with respect to such Indemnified Losses have been collected and applied to such Indemnified Losses, or (z) to the extent such Capital Contributions exceed the lesser of (i) 15% of the sum of such Partner's Initial Capital Contributions plus such Partner's Capital Commitment and (ii) the undrawn balance of the sum of such Partner's Initial Capital Contributions plus such Partner's Capital Commitment.

(b) Advance Payment. The right to indemnification conferred in this Section 7.11 shall include the right to be paid or reimbursed by the Partnership the reasonable expenses incurred by a Partnership Indemnified Party or a Limited Partner Indemnified Partner, as the case may be, of the type entitled to be indemnified under Section 7.11(a) who was, is, or is threatened to be made a named defendant or respondent in a threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative, arbitrative, or investigative, or any appeal thereof with respect to Indemnified Losses (a "**Proceeding**") in advance of the final disposition of such Proceeding and without any determination as to the Person's ultimate entitlement to

indemnification; provided, however, that the payment of such expenses incurred by any such Person in advance of the final disposition of a Proceeding, shall be made only upon delivery to the Partnership of a written affirmation by such Person of its good faith belief that it has met the standard of conduct necessary for indemnification under this Section 7.11 and a written undertaking, by such Person, to repay all amounts so advanced if it shall ultimately be determined that such Person is not entitled to be indemnified under this Section 7.11.

(c) Indemnification of Officers, Employees and Agents. To the extent a Partnership Indemnified Party is an officer, employee, or agent of the General Partner or the Partnership such Person shall be entitled to indemnification and advancement of expenses from and by the Partnership pursuant to this Section 7.11 only to the extent approved by the General Partner and subject to such conditions as may be imposed by the General Partner.

(d) Appearance as a Witness. Notwithstanding any other provision of this Section 7.11, but subject to Section 7.4, the Partnership may pay or reimburse expenses incurred by a General Partner in connection with such General Partner's appearance as a witness or other participation in a Proceeding at a time when such General Partner is not a named defendant or respondent in the Proceeding.

(e) Non-exclusivity of Rights. The right to indemnification and the advancement and payment of expenses conferred in this Section 7.11 shall not be exclusive of any other right which a Partnership Indemnified Party or Limited Partner Indemnified Partner indemnified pursuant to this Section 7.11 may have or hereafter acquire under any applicable law or other agreement that has been approved by the Partners, provided that no Partnership Indemnified Party or Limited Partner Indemnified Party shall be entitled under this Section 7.11 or otherwise to multiple recoveries of any Indemnified Loss.

(f) Insurance. To the extent available on commercially reasonable terms, the Partnership shall purchase and maintain insurance, at the Partnership's expense, to protect the Partnership and any Person who is or was serving as a General Partner, Partner, officer, employee or agent of the Partnership or is or was serving at the request of the Partnership as member, manager, director, officer, general partner, partner, venturer, proprietor, trustee, employee, agent or similar functionary of another foreign or domestic limited liability company, corporation, partnership, joint venture, sole proprietorship, trust employee benefit plan, or other enterprise against any Indemnified Losses whether or not the Partnership would have the power to indemnify such Person against such expense, liability or loss under this Section 7.11.

(g) Partner Notification. The General Partner shall promptly notify the Limited Partners in writing of any payment of Indemnified Losses or advance of expenses relating thereto by or on behalf of the Partnership pursuant, except to the extent such payment or advancement is covered by a then current Operating Budget or Project Budget.

(h) Savings Clause. If this Section 7.11 or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then the Partnership shall nevertheless indemnify and hold harmless each Partner or any other Person indemnified pursuant to this Section 7.11 as to costs, charges, and expenses (including attorneys' fees), judgments, fines, and amounts paid in settlement with respect to any action, suit or proceeding, whether civil, criminal, administrative, arbitrative, or investigative, to the full extent permitted by any applicable portion of this Section 7.11 not invalidated and to the fullest extent permitted by law.

7.12 **Removal of General Partner**. The General Partner may be removed and cease to be a general partner of the Partnership only as provided for in Section 7.4(g) or upon the occurrence of any of the following events (each a "**Cause Event**"):

(a) the liquidation or termination of the General Partner;

(b) the Bankruptcy of the General Partner or Stratus;

(c) a final non-appealable determination by the acting arbitrator pursuant to Section 15.19(c) hereof or a court of competent jurisdiction of the actual and intentional fraud, gross negligence, or willful misconduct by the General Partner; or

(d) a final non-appealable conviction of felonies or crimes involving moral turpitude, actual and intentional fraud, or misappropriation of assets by the General Partner or Chief Executive Officer or Chief Financial Officer of Stratus, provided that the General Partner will have the right to cure any such act that was committed by a rogue employee (other than the Chief Executive Officer or Chief Financial Officer) if the General Partner immediately causes the removal of such officer from any further involvement in the Project and with the Partnership and makes restitution for any actual damages suffered by the Partnership and the Class B Limited Partner.

The General Partner shall promptly advise the Class B Limited Partner in writing of the occurrence of any Cause Event known by the General Partner. Within ninety (90) days following (y) the occurrence of a General Partner removal event described in Section 7.4(g) or (z) the Class A Limited Partner's receipt from the General Partner of such written notice of the occurrence of a Cause Event (or, if earlier, within 90 days following the first date on which the Class B Limited Partner received written knowledge of such Cause Event (without any duty to investigate)) the Class B Limited Partner may cause the General Partner to be removed as the general partner of the Partnership by providing written notice of such removal to the General Partner and the Class A Limited Partner (the "**Removal Notice**"). The Removal Notice must state the effective date of such removal, which date must be no later than one hundred twenty (120) days after the date of the Removal Notice.

7.13 **Guarantor Releases and Conversion**. If the General Partner is removed in accordance with Section 7.12, the General Partner's liability and responsibility for all matters shall cease as of the date of such removal and the Partnership shall promptly take all steps reasonably necessary under the TBOC to cause such cessation of liability and responsibility. Within ninety (90) days after the General Partner is removed, the Class B Limited Partner must either (a) obtain written releases (the "**Guarantor Releases**") of the General Partner, the Class A Limited Partner, Stratus, and any of their Affiliates (in such capacity, a "**Guarantor**", and collectively the "**Guarantors**") from any and all obligations as a guarantor of any debt of, or loan to, the Partnership or (b) cause all of such guaranteed debts and loans of the Partnership to be paid in full. Following a removal of the General Partner in accordance with Section 7.12, the Class B Limited Partner may at its election within a 180-day period following such removal either (y) cause the Interests of the removed General Partner and the Class A Limited Partner to be redeemed by the Partnership in accordance with Section 13.2, as if such removal were an Event of Default by such removed General Partner and the Class A Limited Partner, or (z) cause the Interest of the removed General Partner to be converted to that of a limited partner, in which case (i) the General Partner's Interest will be converted to the Interests of a limited partner without any change in the amount of income, loss, or cash allocable or distributable to the General Partner, except as otherwise expressly provided herein, and upon such conversion the General Partner shall be entitled to all of the rights, obligations, and duties of a Class A Limited Partner under this Agreement, but shall not have any right to vote on, consent to, or approve any Partnership action or participate in any management, operation, or

administration of the Partnership except for Fundamental Decisions; (ii) no further distributions of or with respect to the Promote Interests will be made to the Class A Limited Partner (with appropriate adjustments to Partnership allocations); and (iii) all distributable cash and the proceeds of sale and other assets of the Company distributable to the Partners that otherwise would have been distributed with respect to the Promote Interests in the distribution waterfall will thereafter be distributed to the Class B Limited Partner.

7.14 Appointment of Substitute General Partner. Contemporaneously with the removal of the General Partner pursuant to Section 7.12, the Class B Limited Partner shall appoint a successor General Partner (which may be the Class B Limited Partner or an Affiliate of the Class B Limited Partner) who shall assume full and exclusive authority over the management of the Partnership as of the effective date of removal as determined in accordance with Section 7.12 which successor General Partner shall manage the Partnership in accordance with and subject to the terms and provisions of this Agreement beginning on the effective date of the appointment. The Class B Limited Partner's designation of a successor General Partner pursuant to this Section 7.14 shall be binding on all Partners.

7.15 Confidentiality.

(a) Proprietary Information. The term "**Proprietary Information**" means and includes the identity of any Partner or its Affiliates, the terms of this Agreement, and all of the Partnership's confidential, trade secret or proprietary information, including without limitation, any reports, investigations, research or developmental work, work in progress, designs, business plans, proposals, notes, memoranda, files (including machine readable files), marketing and sales information, financial projections, cost summaries, and all concepts or ideas, materials, or information related to the Business, except as otherwise determined by the General Partner. The term "**Proprietary Information**" does not apply to information which is or becomes general public knowledge other than by default on the part of any party, or is lawfully obtained by a Partner from a third party having no duty of confidentiality to the Partnership regarding such information, or was within the disclosing Partner's possession prior to such Proprietary Information being furnished to it, or is independently developed by the disclosing Partner without reference to or reliance upon the Proprietary Information.

(b) Confidentiality.

(i) Acknowledgment of Proprietary Information. Each of the Partners acknowledges that the Proprietary Information is valuable to the Partnership and the Business. Each of the Partners agrees that all Proprietary Information shall be the sole and exclusive property of the Partnership and its assigns.

(ii) Non-Disclosure and Non-Use of Proprietary Information. Each of the Partners agrees at all times during the term of this Agreement to maintain the Proprietary Information in strict confidence, and not to disclose or allow to be disclosed, either directly or indirectly, any Proprietary Information to any third party, other than on a need to know basis to Persons engaged by the Partnership to further the Business of the Partnership, to the consultants, attorneys, accountants, lenders, investors, financiers or advisors of such Partner or its Affiliates, and not to use directly or indirectly any Proprietary Information except as may be necessary in the ordinary course of performing such Partner's duties on behalf of the Partnership, all without the prior written consent of the General Partner or the Class B Limited Partner, with respect to disclosures of the terms of this Agreement or the identity of the Class B Limited Partner or its Affiliates, except that disclosure of the terms of Proprietary Information may be made without the

prior written approval of any Partner, to the extent required by law or legal process or by applicable stock exchange rules (provided that, to the extent practicable, advance notice of any such disclosure shall be provided to the General Partner or the Class B Limited Partner, with respect to the disclosure of the terms of this Agreement or the identity of the Class B Limited Partner or its Affiliates) or in any proceeding between the Partners. Notwithstanding any conditions of confidentiality imposed by this Section 7.15, the Partners agree that each Partner (and each employee, representative, or other agent of such Partner) may disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure of the transaction and all materials of any kind (including opinions or other tax analyses) that are provided to the Partner relating to such tax treatment and tax structure; *provided, however,* that the foregoing is not intended to waive the attorney-client privilege or other privileges, including the tax advisor privilege under section 7525 of the Code.

(iii) Return of Materials at Termination. Each of the Partners hereby acknowledges that all documents and other tangible property containing Proprietary Information (other than the terms of this Agreement and the identity of the Class B Limited Partner and its Affiliates), furnished to such Partner by the Partnership or produced by such Partner in connection with such Partner's association with the Partnership, shall be and remain the sole and exclusive property of the Partnership, except as otherwise determined by the General Partner. In the event of termination of a Partner as a partner in the Partnership, with or without cause and whatever the reason, each such Partner shall promptly deliver to the Partnership (or erase or destroy, and such erasure and destruction shall be certified in writing to the Partnership) all Proprietary Information in tangible form (for the avoidance of doubt, other than the terms of this Agreement and the identity of the Class B Limited Partner and its Affiliates), including all notebooks, records, data, notes, drawings, photographs, specifications, memoranda, files (including electronic media and machine readable files to the extent practical) and other information in tangible or electronic form, and all copies, excerpts or reproductions thereof that are derived from Proprietary Information, except as otherwise agreed by the General Partner. Notwithstanding the foregoing or anything to the contrary in this Agreement, such Partner may retain copies of such Proprietary Information or any reports or other materials containing Proprietary Information solely to the extent necessary to comply with such Partner's written, internal document retention policies and/or applicable laws or regulations; provided, however, that any such Proprietary Information shall be retained by such Partner in accordance with the terms and conditions of this Section 7.15(b).

7.16 Budgets and Business Plan.

(a) Project Budget. The written budget reflecting the budgeted cost of development and construction of the Project for the period commencing on the Effective Date and extending through December 31, 2023 (the "**Initial Project Budget**") has been approved by the Partners as of the Effective Date. Until construction of the Project is completed, at least sixty (60) days before the end of each calendar year (commencing with the 2024 calendar year), the General Partner will prepare and deliver to the Partners for approval a proposed project budget for the immediately following calendar year (each such proposed project budget an "**Annual Revised Project Budget**" and collectively with the Initial Project Budget, the "**Project Budget**"). Each proposed Annual Revised Project Budget will be in a format similar to the Initial Project Budget and will be in such detail and accompanied by such supporting material as reasonably determined by the General Partner.

(b) Business Plan. A written business plan reflecting the general plans for the construction, marketing, leasing, management, and operation of the Project and the Business for the period commencing on the Effective Date and extending through December 31, 2023 (the "**Initial Business Plan**") has been approved by the Partners as of the Effective Date. At least sixty (60) days before the end of each calendar year (commencing with the 2024 calendar year), the General Partner will prepare and deliver to the Partners for approval a proposed business plan for the immediately following calendar year (each such proposed business plan an "**Annual Revised Business Plan**" and collectively with the Initial Business Plan, the "**Business Plan**"). Each proposed Annual Revised Business Plan will be in a format and contain information, details, and supporting materials that are substantially the same as the Initial Business Plan.

(c) Operating Budget. An operating budget reflecting the estimated costs of operating the Project, Partnership, and Business for period commencing on the completion of construction of the Project and ending on December 31 of the year of such completion (the "**Initial Operating Budget**") has been approved by the Partners as of the Effective Date. At least sixty (60) days before the end of each calendar year thereafter, the General Partner will prepare and deliver to the Partners for approval a proposed operating budget for the immediately following calendar year (each such proposed operating budget an "**Annual Revised Operating Budget**" and collectively with the Initial Operating Budget, the "**Operating Budget**"). Each proposed Annual Revised Operating Budget will be in a format similar to the Initial Operating Budget and will set forth in reasonable detail a line-item budget for capital costs and operating expenses, cash flow projections, and such supporting material as the General Partner reasonably determines.

(d) Approvals.

(i) *Approval Rights*. Subject to the approval right of the Partners set forth in this Section 7.16(d), each proposed Project Budget, Business Plan, and Operating Budget and any proposed changes to the Project Budget, Business Plan, and Operating Budget will be determined by the General Partner and subject to the approval of the Limited Partners in accordance with Section 7.4.

(ii) *Timeframe and Response*. Within thirty (30) days after its receipt of each proposed Annual Revised Project Budget, Annual Revised Business Plan, Annual Revised Operating Budget, or Material Plan or Budget Change, as applicable, the Partners will have the right to either approve or disapprove such proposed Annual Revised Project Budget, Annual Revised Business Plan, Annual Revised Operating Budget, or Material Plan or Budget Change. If requested by any Partner, the Partners will confer in good faith with the General Partner to reach agreement on the proposed Annual Revised Project Budget, Annual Revised Business Plan, Annual Revised Operating Budget, or Material Plan or Budget Change.

(iii) *Adopted Budgets and Plan Supersede*. Once the proposed Annual Revised Project Budget, Annual Revised Business Plan, Annual Revised Operating Budget, or Material Plan or Budget Change is approved by the Partners, such Annual Revised Project Budget, Annual Revised Business Plan, Annual Revised Operating Budget or revised Project Budget, Business Plan, or Operating Budget supersedes and replaces any previously adopted Project Budget, Business Plan, or Operating Budget, as applicable. To the extent a proposed Annual Revised Project Budget, Annual Revised Business Plan, Annual Revised Operating Budget, or Material Plan or Budget Change is not approved, then the existing previously approved Project Budget, Business Plan, or

Operating Budget, as applicable, will continue in effect for the relevant fiscal year unless and until the Partners approve a new Project Budget, Business Plan, or Operating Budget, as applicable, in accordance with Section 7.4. If such previously approved Project Budget or Operating Budget continues for such next subsequent fiscal year, then any uncontrollable costs and expenses, such as taxes, utilities, insurance, and contractual obligations shall increase (or decrease) in due course.

(e) Overages. The General Partner does not guarantee that any cost, expense, or revenue of the Partnership will be within the Project Budget or the Operating Budget. Before causing the Partnership to incur any discretionary expenditure in connection with the development and construction of the Project or operation and management of the Partnership, the Project, or the Business that would result in an overage of ten percent (10%) of the applicable line-item category of the approved Project Budget or annual Operating Budget, as applicable, for the applicable fiscal year, after applying any contingencies, reserves, or savings from other budget categories, or that are unbudgeted and exceed $50,000 after applying any contingencies, reserves, or savings from other budget categories, the General Partner will obtain approval of the Partners in accordance with Section 7.4. Notwithstanding the foregoing, without approval of the Partners, the General Partner may make or cause to be made any expenditure: (i) to prevent imminent material risk to health and safety, imminent material property damage, or imminent imposition of criminal or civil sanctions against the Partnership, the Property, or any Partner; (ii) that is included in any portion of the proposed Project Budget Operating Budget that has been approved by the Partners; (iii) for taxes, utilities, insurance, or other like nondiscretionary expenses and over which the General Partner has no reasonable control; or (iv) incurred pursuant to and in accordance with any contract or agreement entered into by or on behalf of the Partnership in accordance with this Agreement.

ARTICLE 8

TRANSFER OF THE INTERESTS OF THE PARTNERS

8.1 Prohibition Against Unauthorized Transfers. Except as expressly provided in this Article Eight and subject to Section 7.4(g), no Partner may voluntarily, involuntarily, or by operation of law sell, assign, transfer, exchange, grant a lien on or otherwise encumber, or otherwise dispose of or alienate, all or any part of all or any portion of such Partner's Interests (each, a "**Direct Transfer**") without the prior written consent of the General Partner and any Direct Transfer or attempted Direct Transfer in violation of this Article Eight will be null and void *ab initio*. Without the prior written consent of the other Partners, no Partner that is an entity may voluntarily, involuntarily, or by operation of law permit the sale, assignment, transfer, exchange, granting a lien on or otherwise encumbering, or otherwise disposing of or alienating, all or any part of any beneficial ownership interest in such Partner (i) that results in a Change of Control (as defined below) of such Partner or (ii) that such Partner knows, or reasonably should know, will cause a default by the Partnership under any loan documents evidencing any material indebtedness of the Partnership (each, an "**Indirect Transfer**") without the consent of the applicable Lender under such loan documents, and any Indirect Transfer or attempted Indirect Transfer in violation of this Article Eight will be an Event of Default. A Direct Transfer and an Indirect Transfer are each referred to as a "**Transfer**." Except as provided in Section 8.2, no Transfer will be valid unless such Transfer is to a "**Qualified Transferee**" as such term is defined in Section 8.3(a). No Limited Partner may, without the General Partner's prior written consent, withdraw from the Partnership nor, except as otherwise provided in this Agreement, receive a return of any of its contributions to the Partnership until the Partnership is terminated and its affairs are wound up in accordance with this Agreement and the TBOC. For purposes of this Agreement, a "**Change of Control**" means (i) the closing of a merger, consolidation, liquidation, or reorganization of a Partner into or with another company or other legal

Person, after which merger, consolidation, liquidation, or reorganization the voting power of the beneficial ownership of a particular Partner outstanding prior to consummation of the transaction is not converted into or exchanged for or does not represent more than 50% of the aggregate voting power of the surviving or resulting entity; (ii) the direct or indirect acquisition by any Person(s) who did not own more than 50% of the voting power or beneficial ownership interest in a particular Partner of more than 50% of the voting power or the beneficial ownership interest in such Partner, in a single transaction or series of related transactions; or (iii) the sale, exchange, or transfer of all or substantially all of the Partner's assets (other than a sale, exchange, or transfer to one or more entities where the owners of the Partner immediately before such sale, exchange or transfer retain, directly or indirectly, at least a majority of the beneficial ownership interest and voting power of the entities to which the assets were transferred).

8.2 **Permitted Assignments**. Notwithstanding anything to the contrary in this Agreement:

(a) Upon written notice to the Partners, (i) the Class A Limited Partner may Transfer all or any part of the Class A Limited Partner's Interest to any one or more Affiliates of Stratus that remain Affiliates of Stratus without the consent of any other Partner, and such Transfer will not be subject to the any of the options, restrictions, or rights of first refusal set forth in this Article Eight and (ii) the Class B Limited Partner may Transfer all or any part of the Class B Limited Partner's Interest to any one or more Affiliates of the Class B Guarantor that remain Affiliates of the Class B Guarantor without the consent of any other Partner (including the General Partner), and such Transfer will not be subject to the any of the options, transfer restrictions, or rights of first refusal set forth in this Article Eight.

(b) Subject to Section 7.4(g), any sale, transfer, assignment, exchange, or encumbrance of any stock in Stratus or any beneficial ownership in Stratus and any merger, reorganization, recapitalization, consolidation, change of control, change of voting power, or sale of all or substantially all of the assets of Stratus, or similar transaction of or by Stratus, will not be subject to any of the options, restrictions, or rights of first refusal set forth in this Article Eight.

(c) The Class B Limited Partner may Transfer all or any portion of such Partner's Interest to a trust, family limited partnership, or other estate planning vehicle for the benefit of one or more members of the family of an Affiliate of the Class B Guarantor (each a "**Permitted Assignee**") without the consent of the General Partner, but subject to the consent of any applicable Lender if required under the any loan documents evidencing any material indebtedness of the Partnership. Upon such assignment, the Permitted Assignee shall thereupon be entitled to the rights of a Partner as to the Interest assigned, but unless the General Partner otherwise consents, only if and so long as the original assigning Limited Partner retains voting control of the Transferred Interest. Any subsequent Transfer by a Permitted Assignee shall be subject to the terms of this Agreement. Any such "assignee" to whom an Interest has been validly Transferred pursuant to this Section 8.2 shall only: (i) be allocated income, gain, or loss and receive distributions as provided in this Agreement in the same manner as the Partner from whom such interest was transferred would have received such allocations and distributions; (ii) be credited with the Capital Account of the transferring Partner; and (iii) acquire all the rights, responsibilities and obligations of the Partner from whom such interest was transferred (including the obligations to contribute capital), but shall not have any right to participate in any management, operation, or administration of the Partnership.

8.3 **Right of First Refusal for Transfers**. Except as otherwise provided and expressly permitted or authorized in this Agreement and except for Transfers pursuant to Section 8.2, and subject to Section 7.4, all Transfers of Interests will be subject to this Section 8.3, and no Partner (a "**Selling**

Partner") that proposes any such Transfer (a "**ROFR Sale**") will make any such Transfer without complying with the requirements of this Section 8.3.

(a) Transferee Qualifications. No Transfer of Interest that is subject to this Section 8.3 will be valid unless, in addition to meeting all other requirements of this Agreement, the prospective transferee (i) agrees in writing prior to such Transfer to assume and be bound by the terms and provisions of this Agreement and (ii) each Lender consents to such Transfer, to the extent such consent is required pursuant to the loan or credit agreement to which such Lender is a party. Any prospective transferee meeting all of the requirements of this Section 8.3(a) will be deemed to be a "**Qualified Transferee**."

(b) ROFR Offer. A Selling Partner shall, at least thirty (30) days before the proposed ROFR Sale, provide each other Partner (a "**ROFR Offeree**") written notice of the proposed ROFR Sale (the "**ROFR Notice**"), which ROFR Notice include (i) the name and contact information of the prospective purchaser in the ROFR Sale (the "**ROFR Purchaser**"); (ii) the amount of Interests that the ROFR Purchaser has offered to purchase from the Selling Partner in the ROFR Sale (the "**ROFR Interest**"); (iii) the price and form of consideration to be paid by the ROFR Purchaser for such ROFR Interest; (iv) the other material terms and conditions relating to the ROFR Purchaser's offer to purchase the ROFR Interest; and (v) an irrevocable and unconditional offer by the Selling Partner to each other Partner to sell all, and not less than all, the ROFR Interest on the same terms and subject to the same conditions as offered by the ROFR Purchaser (the "**ROFR Offer**").

(c) Acceptance of ROFR Offer. Each ROFR Offeree shall have thirty (30) days from its receipt of the ROFR Notice to accept the ROFR Offer by providing written notice of such acceptance to the Selling Partner and the amount of the ROFR Interest that it commits to acquire pursuant thereto. If there are more than one ROFR Offerees, then each ROFR Offeree shall be entitled to purchase not less than its proportionate share (based on the Capital Interests of all ROFR Offerees that accept the ROFR Offer) of the ROFR Interest pursuant to the ROFR Offer. A ROFR Offeree that provides timely notice of acceptance of the ROFR Offer shall be legally bound to purchase the ROFR Interest (or its proportionate share thereof) in accordance with the terms of the ROFR Offer. If any ROFR Offeree fails to provided written notice of its acceptance of the ROFR Offer within such thirty (30)-day period, then such ROFR Offeree shall be deemed to have rejected the ROFR Offer. If the ROFR Offeree(s) do not collectively (if applicable) accept the ROFR Offer with respect to all the ROFR Interest within such thirty (30)-day period, then the ROFR Offer shall be deemed to have been rejected by all ROFR Offerees, and the Selling Partner shall be entitled to consummate the ROFR Sale with the ROFR Purchaser on the same terms as the ROFR Offer. If the Selling Partner and the ROFR Purchaser fail to consummate the ROFR Sale within forty-five (45) days of the expiration of such thirty (30)-day period or if the terms of the ROFR Sale are changed in any material respect from the terms set forth in the ROFR Notice, then the ROFR Sale shall again become subject to this Section 8.3, a new ROFR Notice must be provided by the Selling Partner to each ROFR Offeree, and the terms and procedures in this Section 8.3 shall be repeated.

8.4 Push-Pull Buy-Sell.

(a) Notice of Intent. At any time (i) following a Deadlock that occurs before the third (3rd) anniversary of the Effective Date or (ii) on or after the third (3rd) anniversary of the Effective Date (clause (i) or clause (ii), as applicable, being referred to as a "**Triggering Event**"), either the General Partner and the Class A Limited Partner, acting together as one party with respect to their combined Interests, on the one hand (collectively, the "**Stratus Partners**"), or the

Class B Limited Partner, on the other hand, may elect to purchase from, or to sell to, the Class B Limited Partner or the Stratus Partners, respectively, all of such electing Partner's Interests in accordance with the terms of this Section 8.4 (the "**Buy/Sell Right**"). All references to "Partner" under this Section 8.4 will include both of the Stratus Partners when applicable to either the Class A Limited Partner or the General Partner. The Buy/Sell Right may be exercised at any time following a Triggering Event by either Partner (the "**Initiating Partner**") by delivering to the other Partner (the "**Responding Partner**") and the Partnership a written notice (the "**Buy/Sell Offer Notice**") specifying that the Initiating Partner is exercising the Buy/Sell Right and setting forth all of the terms and conditions (the "**Offer Terms**") on which the Initiating Partner offers to purchase the Responding Partner's Interest. The Offer Terms shall include the gross dollar amount (without reduction for any deemed or imputed expenses of sale) that the Initiating Partner would be willing to pay to the Partnership in cash (the "**Offer Amount**") for all (and not less than all) of the Partnership's assets, including, without limitation, the Property and the Project, free and clear of any liens, liabilities, encumbrances, or obligations including debt agreements, but excluding restrictions, easements and similar encumbrances of record in Travis County, Texas and obligations under agreements of the Partnership (other than debt and other than agreements between the Partnership and any Partner or any Affiliate of any Partner) that were entered into in accordance with the terms of this Agreement and that are in place on the Buy/Sell Closing Date (which encumbrances and obligations would be deemed to continue in connection with such acquisition) (collectively, the "**Sale Assets**"). The Offer Terms shall also include, without limitation, (A) the closing date proposed for the purchase and sale of the Buy/Sell Seller's Interest provided for in this Section 8.4, which proposed closing date shall not be later than two hundred seventy (270) days after the expiration of the Buy/Sell Election Period, and (B) that the Partner purchasing the other Partner's Interest pursuant to this Section 8.4 will bear all of the Partnership's reasonable fees and expenses (but not the other Partner's fees and expenses) that are incurred in connection with such transaction. The Offer Terms shall not include requirements to pay any development, management, or other fees, commissions, or expenses to the Initiating Partner or any Affiliate or beneficial owner of the Initiating Partner following or as a result of the consummation of such purchase and sale transaction provided for in this Section 8.4, except for payment of the accrued but unpaid amounts under the Development Management Agreement, the Asset Management Agreement, and the Listing Agreement if the Stratus Partners are the Buy/Sell Seller as provided in Section 8.4(f). None of the Offer Terms may be inconsistent with the terms of this Agreement. None of the Offer Terms may provide that the terms or conditions of the Buy/Sell Purchase will be materially different for the Initiating Partner depending on whether the Initiating Partner is the Buy/Sell Seller or the Buy/Sell Purchaser except as expressly set forth in this Agreement (e.g., Receipt Amount would be different based on waterfall distribution calculation provided in this Section 8.4, affiliate agreements with Stratus Partners would terminate only if Stratus Partners are the Buy/Sell Seller, etc.).

(b) Notice as Offer. The Buy/Sell Offer Notice shall be deemed to constitute (i) a binding offer by the Initiating Partner to purchase the Responding Partner's Interest for a price equal to the Receipt Amount applicable to the Responding Partner's Interest, and (ii) a binding offer by the Initiating Partner to sell the Initiating Partner's Interest for a price equal to the Receipt Amount applicable to the Initiating Partner's Interest. The "**Receipt Amount**" shall mean the aggregate amount that the Partner whose Interests is to be transferred, whether the Initiating Partner or Responding Partner, would receive as a distribution under Section 6.4 (provided that the reserve fund under Section 6.4(b) will be $0.00) if (i) the Sale Assets were sold for the Offer Amount on the Buy/Sell Closing Date (without regard to any deemed or imputed expenses that would occur in a sale to a third party (e.g., brokerage fees, title expenses, etc.)); (ii) all liabilities of the Partnership that would be reflected on the Partnership financial statements under GAAP as of the Buy/Sell Closing were paid in full from such proceeds; and (iii) prorations

were made with respect to all ad valorem taxes and, without duplication, other items of income and expenses of the Partnership as would be customarily prorated in such a sale in Travis County, Texas, such as rental income. Within ten (10) days following the delivery of a Buy/Sell Offer Notice, the General Partner will provide to the Initiating Partner and the Responding Partner a reasonably detailed good faith estimate of the applicable Receipt Amount for the Initiating Partner and the applicable Receipt Amount for the Responding Partner (including reasonably detailed calculations of the liabilities of the Partnership, prorations, net proceeds for distribution, distribution amounts for each subsection of Section 6.3, and the resulting Receipt Amount for the Initiating Partner and for the Responding Partner). If the Class B Limited Partner disagrees with any of the calculations of the Receipt Amount, then within twenty (20) days after the General Partner delivers its estimate of the Receipt Amount, the Initiating Partner or Responding Partner, as applicable, must deliver written notice of its disagreement including reasonable detail of its reasons for disagreement and setting forth its calculations of the Receipt Amount. If the Partners cannot agree of the calculations of the Receipt Amount, then such disagreement will be resolved under the dispute resolution procedures in Section 15.19. The General Partner will deliver an updated and accurate calculation of the Receipt Amount at least three (3) business days prior to the Buy/Sell Closing Date, which estimate and calculation shall not be binding on the Partners. Any dispute over the calculation of the Receipt Amount shall be resolved under the dispute resolution procedures in Section 15.19.

(c) Response to Offer Notice. If there is no disagreement as to the calculations of the Receipt Amount as provided in Section 8.4(b), the Responding Partner shall have sixty (60) days from the date of receipt of the Buy/Sell Offer Notice (and if there is disagreement as to the calculations of the Receipt Amount as provided in Section 8.4(b), then the Responding Partner shall have 10 days from the date of the resolution as to the calculations of the Receipt Amount) (the "**Buy/Sell Election Period**") to elect, by written notice to the Initiating Partner signed by the Responding Partner, to either (i) sell such Responding Partner's Interests to the Initiating Partner, or (ii) purchase (or cause its designee to purchase) the Initiating Partner's Interests, in each case, on the Offer Terms.

(d) Election to Sell or Failure to Respond. If the Responding Partner elects to sell such Responding Partner's Interests in accordance with Section 8.4(c) or fails to make an election within the Buy/Sell Election Period as required by Section 8.4(c), then such Responding Partner shall be conclusively deemed to have elected to sell, and will be obligated to sell, the Responding Partner's Interests to the Initiating Partner according to the terms of this Section 8.4 for a price equal to the applicable Receipt Amount for the Responding Partner's Interest, and the Initiating Partner shall be obligated to purchase the Responding Partner's Interest according to the terms of this Section 8.4 and for such amount.

(e) Election to Purchase. If the Responding Partner elects to purchase the Initiating Partner's Interest by sending written notice to the Initiating Partner within the Buy/Sell Election Period as required by Section 8.4(c), then the Initiating Partner shall be conclusively deemed to have elected to sell, and will be obligated to sell, the Initiating Partner's Interests to the Responding Partner according to the terms of this Section 8.4 for a price equal to the applicable Receipt Amount for the Initiating Partner's Interest, and the Responding Partner shall be obligated to purchase the Initiating Partner's Interest according to the terms of this Section 8.4 and for such amount.

(f) Closing. The closing of such purchase and sale provided for in this Section 8.4 (the "**Buy/Sell Closing**") shall be subject to and in accordance with the Offer Terms and shall take place no later than the Buy/Sell Closing Date at a location in Austin, Texas reasonably

chosen by the Partner (the "**Buy/Sell Purchaser**") that is obligated to purchase the Interests of the other Partner (the "**Buy/Sell Seller**") pursuant to this Section 8.4 (the "**Buy/Sell Purchase**"). Within ten (10) days after the expiration of the Buy/Sell Election Period, the Buy/Sell Purchaser shall fix a closing date (the "**Buy/Sell Closing Date**") for the Buy/Sell Closing that is a business day and not later than two hundred seventy (270) days after the expiration of the Buy/Sell Election Period by written notice to the Buy/Sell Seller. Upon no less than thirty (30) days' prior written notice to the Buy/Sell Seller, the Buy/Sell Purchaser may change the Buy/Sell Closing Date to a different a business day that is not later than two hundred seventy (270) days after the expiration of the Buy/Sell Election Period. At the Buy/Sell Closing, each Partner shall execute and deliver to the other Partner (or its designee) such instruments of assignment, bills of sale, amendments to this Agreement and other instruments and documents as the other Partner (or such designee) may reasonably require for the conveyance to such Buy/Sell Purchaser (or such designee) of all of the Buy/Sell Seller's Interests against receipt by the Buy/Sell Seller of a wire transfer of immediately available funds in an amount equal to the applicable Receipt Amount. If the Stratus Partners are the Buy/Sell Seller, then, (i) in addition to the Receipt Amount, the Buy/Sell Purchaser must pay to the Stratus Partners or their Affiliates at the Buy/Sell Closing any accrued but unpaid fees as of the Buy/Sell Closing Date under the Development Management Agreement, the Asset Management Agreement, and the Listing Agreement, provided that neither the Stratus Partners nor any of their Affiliates shall be entitled to any commissions or other fees as a consequence of the consummation of the Buy/Sell Purchase and (ii) the Development Management Agreement, the Asset Management Agreement, and the Listing Agreement will terminate on the Buy/Sell Closing Date. Each of the Buy/Sell Seller and the Buy/Sell Purchaser shall each bear their respective closing costs and expenses (including, but not limited to, all attorney's fees and costs and all applicable transfer and income taxes) incurred in the purchase or sale of the Buy/Sell Seller's Interests hereunder. The sale of such Interests shall be made without representation, warranty or recourse, except for customary representations and warranties regarding existence, good standing, title, no liens or encumbrances, authority, authorization, no conflicts, no other remaining right, title, or interest of any kind in the Partnership, the Property, or the Business, and such other customary matters as may be reasonably requested by the Buy/Sell Purchaser. If the Stratus Partners or their Affiliates are Buy/Sell Sellers, then such Buy/Sell Sellers shall also represent and warrant to the Buy/Sell Purchaser that, subject to any written disclosures by the Buy/Sell Sellers of exceptions, as of the Buy/Sell Closing Date, (i) all Partnership liabilities that are required under GAAP to be reflected on the Partnership's balance sheet have been reflected on the most recent balance sheet delivered to the Partners under Section 10.3, have been incurred in the ordinary course of business since the date of such balance sheet, or have been disclosed in writing to the Buy/Sell Purchaser and (ii) the Partnership has complied in all material respects with all applicable laws. If the Buy/Sell Offer Notice or the closing of the purchase contemplated thereby causes the maturity of any Partnership indebtedness to be accelerated, the Buy/Sell Seller must be released from personal liability resulting from such accelerated indebtedness at the Buy/Sell Purchaser's sole cost and expense. The Buy/Sell Purchaser shall indemnify and hold the Buy/Sell Seller harmless from and against any losses, damages, costs or expenses (including attorneys' fees) incurred by the Buy/Sell Seller, or the Buy/Sell Seller's Affiliates, employees, agents, representatives, consultants, attorneys, fiduciaries, servants, officers, directors, partners, predecessors, successors and assigns and Affiliates of the foregoing (the "**Indemnified Parties**") related to any such indebtedness, other than any losses, damages, costs or expenses (including attorneys' fees) incurred by any of the Indemnified Parties as a direct result of such Indemnified Party's actual and intentional fraud, gross negligence, or willful misconduct. As a precondition to the closing of the Buy/Sell Purchase and an obligation of the Buy/Sell Purchaser, the Buy/Sell Purchaser shall also obtain the release of the Buy/Sell Seller and its Affiliates from any and all personal liability for any indebtedness of the Partnership, including, without limitation, the release of any guaranty and

collateral pledged to secure any guaranty debt. If such release cannot be obtained from the applicable Lender, then the Buy/Sell Purchaser shall cause the payment in full of such indebtedness on the Buy/Sell Closing Date.

(g) Default. In the event that the Buy/Sell Purchaser defaults in its obligation to purchase the Interests of the Buy/Sell Seller on the Buy/Sell Closing Date, the Buy/Sell Seller shall have the right, as its exclusive remedies, to do any of the following: (i) revoke the Buy/Sell Offer and waive the relevant Triggering Event (which waiver shall not affect the Partners' rights under this Section 8.4 with respect to future Triggering Events); (ii) solicit third party offers on behalf of the Partnership for the purchase of the Sale Assets, to accept the best such offer, as determined by the Buy/Sell Seller in its sole and absolute discretion, and to cause the Partnership to consummate the sale of the Sale Assets to such third party pursuant to such offer and distribute the proceeds in accordance with Section 6.4 (with the defaulting Buy/Sell Purchaser receiving only eighty percent (80%) of the amount it would be otherwise entitled to thereunder and the other Partner receiving, in addition to the amounts that it would otherwise be entitled to receive in accordance with Section 6.4, the remaining twenty percent (20%) of the amount the Buy/Sell Purchaser would otherwise be entitled to receive); (iii) purchase the Interests of the Buy/Sell Purchaser for a purchase price equal to eighty percent (80%) of the applicable Receipt Amount; or (iii) specifically enforce (without any requirement to post bond or other collateral or establish the inadequacy of legal remedies) the Buy/Sell Purchaser's obligation to purchase the Interests of the Buy/Sell Seller in accordance with the Offer Terms. In the event the Buy/Sell Seller defaults in its obligation to sell the Interests of the Buy/Sell Seller on the Buy/Sell Closing Date, the Buy/Sell Purchaser shall have the right to specifically enforce (without any requirement to post bond or other collateral or establish the inadequacy of legal remedies) the Buy/Sell Seller's obligation to sell the Interests of the Buy/Sell Seller in accordance with the Offer Terms and/or pursue an action for damages, costs and expenses.

ARTICLE 9

COSTS, OBLIGATIONS AND RESERVES

9.1 **Costs**. Subject to Section 7.4 and this Section 9.1, the Partnership will be responsible for paying all direct costs and expenses of the organization and operations of the Partnership, including, without limitation, organizational costs, filing fees, compensation of supervisory personnel, bookkeeping, accounting, office supplies, legal fees and costs, and all other fees, costs, and expenses directly attributable to the Partnership business. Notwithstanding the foregoing or anything to the contrary in this Agreement, the Partnership shall reimburse each of the General Partner and the Class A Limited Partner, on the one hand, and the Class B Limited Partner, on the other hand, up to $190,000 for its documented out-of-pocket costs and expenses, including reasonable legal fees, paid or incurred for the formation of the Partnership and the preparation and negotiation of this Agreement and other related activities and agreements (including, without limitation, the Development Management Agreement, the Asset Management Agreement, the Listing Agreement, and the Development Agreement). If any such costs and expenses are or have been advanced and paid by any Partner from such Partner's own funds on behalf of the Partnership, then subject to the foregoing limitations, such Partner will be entitled to reimbursement by the Partnership for such payment (excluding any Initial Project Costs for which the Class A Limited Partner received reimbursement pursuant to Section 4.2(b)(iii)).

ARTICLE 10

ACCOUNTING

10.1 **Books of Account**. The General Partner shall keep or cause to be kept complete and appropriate records and books of account. Except as otherwise expressly provided herein and subject to applicable law, the books and records of the Partnership shall be maintained in accordance with GAAP and shall be maintained for at least three (3) years following the termination of the Partnership. The books and records shall be maintained at the principal office of the Partnership. Each Partner, and such Partner's representative or designee, will have full and complete access to the books and records of the Partnership at reasonable times upon reasonable advance written notice.

10.2 **Fiscal Year**. The fiscal year of the Partnership will be the calendar year.

10.3 **Reports and Statements**.

(a) Quarterly Reports. Within forty-five (45) days after the end of each fiscal quarter of the Partnership, the General Partner will, at the expense of the Partnership, generate and distribute to the Partners (i) an unaudited profit and loss statement and a balance sheet of the Partnership for such quarter either internally or independently prepared in accordance with GAAP and, except to the extent prohibited by GAAP or applicable law, consistent with Stratus' reporting practices for other limited partnerships with third-party investors managed by Affiliates of Stratus; (ii) an executive summary of the Partnership's operations and financial condition, and changes in Partners' capital for such quarter; and (iii) such other information in the possession of or under the control of the Partnership or the General Partner as any Partner reasonably requests for such the Partner to be advised of the results of operations, financial condition, and cash flows of the Partnership. Such financial statements and executive summary will be in materially the same form and content as Affiliates of Stratus provide to third-party investors in other limited partnerships managed by Affiliates of Stratus.

(b) Annual Reports. Within one hundred twenty (120) days after the end of each fiscal year of the Partnership, the General Partner will, at the expense of the Partnership, generate and distribute to the Partners (i) an unaudited profit and loss statement and balance sheet of the Partnership, and statement of changes in Partners' capital for such year either internally or independently prepared in accordance with GAAP and, except to the extent prohibited by GAAP or applicable law, consistent with Stratus' reporting practices for other limited partnerships with third-party investors managed by Affiliates of Stratus; (ii) an executive summary of the operations of the Partnership for such year; (iii) the Project's net asset value, as disclosed in Stratus' Investor Presentation filed with the U.S. Securities and Exchange Commission (the "**Published NAV**"); and (iv) such other information as is reasonably necessary for the Partners to be advised of the results of operations, financial condition, and cash flows of the Partnership. Such financial statements, executive summary, and Published NAV will be in materially the same form and content as Affiliates of Stratus provide to third-party investors in other limited partnerships managed by Affiliates of Stratus. The General Partner will provide a certification of the annual financial statements and Published NAV by a senior accounting officer on behalf of the General Partner in a materially similar format as the financial statement certification delivered to the lender of the primary secured debt of the Partnership.

ARTICLE 11

POWERS OF ATTORNEY

11.1 **Power of Attorney**. Each Limited Partner hereby makes, constitutes, and appoints the General Partner its true and lawful attorney-in-fact, for it and in its name, place, and stead and for its use and benefit, from time to time:

(a) To make and execute all agreements amending this Agreement and the Certificate of Formation, as now or hereafter executed or amended, that may be appropriate to reflect:

(i) A change of the name or location of the principal or registered place of business of the Partnership;

(ii) The disposal by a Limited Partner of its Interest in the Partnership in any manner permitted by this Agreement;

(iii) A Person becoming an additional or a substituted Limited Partner of the Partnership, provided that such admission or substitution will be in accordance with this Agreement; and/or

(iv) A change in any provision of this Agreement adopted in accordance with the provisions hereof, or the exercise by any Person of any right or rights hereunder.

(b) To make such certificates, instruments, and documents as required by, or appropriate under, the laws of any state or other jurisdiction that the Partnership is doing or intends to do business, in connection with the use of the name of the Partnership by the Partnership as permitted by this Agreement; and

(c) To make such certificates, instruments, and documents as the Limited Partner may be required, or as may be appropriate for a Limited Partner to make, by the laws of any state or other jurisdiction to reflect:

(i) A change of name or address of the Limited Partner, or

(ii) Any changes in or amendments to this Agreement as permitted by this Agreement.

Each of such agreements, certificates, instruments, and documents will be in such form as such attorney-in-fact and counsel for the Partnership deems appropriate. The powers herein conferred to make agreements, certificates, instruments, and documents will be deemed to include without limitation the powers to sign, execute, acknowledge, swear to, verify, deliver, file, record, or publish the same.

Each Limited Partner hereby authorizes such attorney-in-fact to take any further action which such attorney-in-fact reasonably considers necessary or advisable in connection with any of the foregoing.

11.2 **Duration of Power**. The power of attorney granted herein:

(a) Is a special power of attorney coupled with an interest, is irrevocable, and will survive the death, incapacity, Bankruptcy, or insolvency of the Limited Partner; and

(b) Will survive the delivery of an assignment by the Limited Partner of the whole or a portion of its Interest, except that where such assignment is of the Limited Partner's entire Interest and the purchaser, transferee, or assignee thereof, with the consent of the General Partner, is admitted as a substituted Limited Partner, the power of attorney will survive the delivery of such assignment for the sole purpose of enabling such attorney-in-fact to execute, acknowledge, and file any such agreement, certificate, instrument, or document necessary to effect such substitution.

ARTICLE 12

PARTNER REPRESENTATIONS AND WARRANTIES

12.1 Representations and Warranties. Each of the Partners, by execution of this Agreement, hereby severally (but not jointly) represents and warrants to and covenants with the Partnership and the other Partners as follows:

(a) Organization and Good Standing. Such Partner, if a corporation, partnership, limited liability company, trust, or other entity, is duly organized or formed, validly existing, and in good standing under the law of the state of its incorporation, formation, or organization, and if required by law is duly qualified to do business and in good standing in the jurisdiction of its principal place of business (if not formed in that jurisdiction).

(b) Authority; No Conflict. Such Partner has the right, power, legal capacity, and authority to execute and deliver this Agreement and to consummate any transactions contemplated by this Agreement. This Agreement has been duly and validly executed and delivered by such Partner, and constitutes the valid, legal, and binding agreement of such Partner subject to the effects of bankruptcy, insolvency, moratorium, reorganization, fraudulent conveyance or other similar laws affecting creditors' rights generally. The individual or individuals executing this Agreement, and any and all documents contemplated in it, on behalf of such Partner has or have the legal power, right, and actual authority to bind such Partner to the terms and conditions in this Agreement and in those documents. No authorization, consent, or approval of, notice to, or filing with, any other Person or governmental authority, is required for the execution, delivery, and performance by such Partner of this Agreement. Neither the execution, delivery, or performance by such Partner of this Agreement, nor compliance of the terms and provisions of this Agreement, conflicts or will conflict with, or will result in, a breach or violation of any of the terms, conditions, or provisions of any law, governmental rule or regulation, or any other agreement of such Partner, or any order, writ, injunction, or decree of any court or governmental authority against such Partner, or by which it or any of its properties is bound, or any indenture, mortgage, contract, or other agreement or instrument to which such Partner is a party or by which it or any of its properties is bound, or constitutes or will constitute a default thereunder or will result in the imposition of any lien upon any of its properties. No further approval of any Person is required for the execution and delivery of this Agreement by such Partner or the consummation of any of the transactions contemplated by this Agreement.

(c) Investment Intent. Such Partner, and each assignee or transferee of such Partner by acceptance of the rights and interests of such Partner in the Partnership, represents and warrants to and covenants and agrees with the Partnership and the other Partners, with the intent that the same be relied upon in determining suitability as a Partner in the Partnership, that such Partner's Interest has been acquired under this Agreement for such Partner's own account, for investment, and not with a view to or for sale in connection with any distribution thereof, or with any present intention of distributing or selling such Interest, and that such Person will not sell or

assign any Interest in the Partnership without having first delivered to the General Partner and the Partnership an opinion of counsel satisfactory to the General Partner that such sale or assignment does not violate the Securities Laws, or the registration or qualification provisions of any other securities law, state or federal, applicable thereto or any of the other provisions of this Agreement.

(d) Accredited Investor. Such Partner is of legal age and is an "ACCREDITED INVESTOR" as that term is defined in Regulation D promulgated under the Securities Act of 1933, as amended (the "**Act**").

(e) High Risk Venture. Such Partner understands that the Partnership has no financial or operating history and limited assets, that this is the Partnership's first venture, and that there are very high risks incident to the ownership of an Interest in the Partnership. Such Partner has carefully reviewed and understands the high degree of risk and speculative nature of, and other considerations relating to, a purchase of an Interest in the Partnership, including the tax risks.

(f) Substantial Transfer Restrictions. Such Partner understands that an investment in the Partnership is not a liquid investment. In particular, such Partner recognizes that:

(i) Such Partner must bear the economic risk of investment in the Partnership for an indefinite period of time, since the Interests in the Partnership have not been registered under any Securities Laws and cannot be sold unless they are either subsequently registered under such Securities Laws (which is neither contemplated by nor required of the General Partner) or an exemption from such registration is available;

(ii) No federal or state agency has made any finding or determination as to the fairness of an investment in, nor any recommendation or endorsement of, an investment in the Partnership. Such Partner understands that its Interest has not been registered under any Securities Laws in reliance upon applicable exemptions;

(iii) There is no established market for an investment in the Partnership and that it is not anticipated that any public market for such investment will develop in the near future;

(iv) The right to transfer an Interest in the Partnership is restricted, as described in this Agreement; and

(v) The tax effects that may be expected from investment in an Interest in the Partnership are not susceptible to firm prediction, and new developments and rulings of the Internal Revenue Service, audit adjustments, court decisions, or legislative changes may have an adverse effect on one or more of the tax consequences expected by the Partnership.

(g) No Representations. Such Partner represents that none of the following have been represented, guaranteed or warranted to such Partner by any broker, the General Partner, its agents or employees, or any other Person, expressly or by implication:

(i) The length of time that such Partner will be required to remain as the owner of an Interest in the Partnership;

(ii) The percentage profit and/or the amount or type of consideration, profit or loss (including tax write-offs and/or tax benefits) to be realized, if any as a result of an investment in the Partnership; or

(iii) That the past performance or experience on the part of the General Partner or any officer, director or affiliate, any securities broker or finder, their partners, associates, agents, or employees or any other Person, will in any way indicate the predictable results of the ownership of an Interest in the Partnership.

(h) Investing Experience. Such Partner, or representative therefor, has such knowledge and experience in financial and business matters, including investing in or dealing with businesses and activities similar to those of the Partnership, that such Partner is capable of evaluating the merits and risks of an investment in the Partnership. Such Partner is able to bear the economic risk of an investment in the Partnership, including the risk of holding indefinitely any Interest acquired by such Person. Such Partner has made other speculative investments and together with a Purchaser representative, if any, has the capacity to evaluate the risks and merits of this investment and to make an informed investment decision.

(i) No Reliance; Full Access. Such Partner has relied on its own professional advisors for legal, tax, and investment advice in evaluating an investment in the Partnership, and has not relied on another Partner for such advice. Such Partner has been afforded full access to representatives of the General Partner for purposes of such inquiry as such Partner deems appropriate, and all information requested by such Partner concerning the Partnership has been supplied.

(j) Illiquidity. Such Partner has adequate means of providing for current needs and all possible personal contingencies and has no need for liquidity in an investment in the Partnership. Such Partner could afford to sustain a loss of the entire investment in the Partnership if such loss should occur.

(k) Inspection. Such Partner is familiar with the existing or proposed business, financial condition, properties, operations, and prospects of the Partnership and has asked such questions, and conducted such due diligence concerning such matters and concerning its acquisition of its Interest as it has desired to ask and conduct, and all such questions have been answered to its full satisfaction. Such Partner understands that all documents, records, and books pertaining to the Partnership and the Business have been made available for inspection by such Partner or such Partner's attorney, accountant, and advisors, and that the books and records of the General Partner will be available, upon reasonable notice, for inspection by Partners during reasonable hours at the General Partner's principal place of business. Such Partner has had an opportunity to ask questions of and receive answers from the General Partner, or a Person or Persons acting on such Partner's behalf, concerning the terms and conditions of an investment in the Partnership.

12.2 Reimbursement Obligation. If the Partnership is required to expend any sum or incur any expense as a result of any particular reporting requirements for any Partner, other than reporting requirements that can be satisfied or extrapolated from data and reports required pursuant to this Agreement, such as the preparation of an annual estimate of the market value of a Partner's Interest, such expense will be borne solely by the Partner requiring such report. Such Partner agrees to promptly reimburse the Partnership for such cost and expense.

12.3 **Indemnification of Partnership, General Partner and Others**. Each Limited Partner understands the meaning and legal consequences of the representations and warranties contained herein, and hereby agrees to indemnify and hold harmless the General Partner and the Partnership and their officers, directors, agents, and employees from and against any and all loss, damage or liability due to or arising out of a breach of any representation or warranty of such Limited Partner contained in Section 12.1. Notwithstanding any of the representations, warranties, acknowledgements, or agreements made herein, the Partners do not in any manner waive any non-waivable rights granted under federal or state securities laws.

12.4 **Represented Parties**. In connection with the preparation and execution of this Agreement, the formation of the Partnership, and any investment in the Partnership, Armbrust & Brown, PLLC (the "**Firm**") has represented only the General Partner, the Class A Limited Partner, and the Partnership (collectively in such capacity, the "**Represented Parties**"). The Firm has not represented and does not intend to represent any Partner other than the General Partner and the Class A Limited Partner, and has not provided legal, tax, or business advice to any other Partner in connection with this Agreement, the formation of the Partnership, any investment in the Partnership, and the Transactions. The Class B Limited Partner has been advised to retain and is, and will be, relying on separate counsel in connection with this Agreement, the formation of the Partnership, any investment in the Partnership, and the Transactions (or has had the opportunity to retain separate counsel and declined to do so). The Partnership and each Partner hereby acknowledges that it has read and agrees to the provisions of Exhibit F, attached hereto and incorporated herein, concerning the Firm's continued representation of the Represented Parties and/or the Partnership on future matters, as requested by those parties, and consents to such representation as set forth in Exhibit F.

ARTICLE 13

DEFAULT BY A PARTNER

13.1 **Events of Default**. Each of the following events shall be deemed to be an "**Event of Default**" by a Partner:

(a) Failure of a Partner to fund such Partner's Initial Capital Contribution when due and the continuance of such failure for a period of ten (10) business days after written notice thereof has been given to such Partner;

(b) Failure of a Partner to fund such Partner's applicable portion of the Capital Commitment when due and the continuance of such failure for a period of five (5) business days after written notice thereof has been given to such Partner as provided in Section 4.3(b);

(c) As provided in Section 8.1 or a material violation of any provision of this Agreement (not involving capital contributions addressed in Sections 13.1(a) or 13.1(b)) or any provision of any subscription agreement executed in connection with this Agreement and failure to remedy or commence curative action for such violation within thirty (30) days after written notice thereof has been given to such Partner and thereafter diligently pursue such curative action to remedy thereof;

(d) The making of an assignment for benefit of creditors of a Partner;

(e) The Bankruptcy of a Partner;

(f) The appointment of a receiver for all or substantially all of the assets of a Partner and the failure to have such receiver discharged within thirty (30) days after appointment; and

(g) Any Transfer or attempted Transfer in violation of Article Eight.

13.2 Effect of Default.

(a) Upon the occurrence of an Event of Default by a Partner and a written notice from a Partner who is not a defaulting Partner, the defaulting Partner shall automatically forfeit for the duration of the default any of the following rights: (i) to receive distributions from the Partnership and (ii) to vote on, consent to, or approve any Partnership action except for Fundamental Decisions. Upon the occurrence of an Event of Default by a Partner (or, if the Class A Limited Partner elects to cause the Partnership to redeem the Interests of the General Partner and the Class A Limited Partner pursuant to Section 7.13, upon the deemed Event of Default that occurs thereunder upon the removal of the General Partner following the occurrence of a Cause Event) and written notice from a Partner who is not a defaulting (or deemed defaulting) Partner, such non-defaulting Partner(s) shall have the right, but not the obligation, to purchase, or at the option of the non-defaulting Partner(s) to cause the Partnership to redeem, the Interest of the defaulting Partner for a cash price equal to eighty percent (80%) of its Computed Value, as such value is determined in this Section 13.2. Such redemption option may be exercised by such non-defaulting Partner(s) by the delivery of a written purchase or redemption notice (the "**Redemption Notice**") under this Section 13.2 (or Section 7.13, if applicable), to the defaulting (or deemed defaulting) Partner at any time prior to the time that all such default(s) are cured by the defaulting Partner (or in the case of a purchase or redemption pursuant to Section 7.13, at any time prior to the expiration of the 180-period specified therein). Upon the exercise of the purchase or redemption option under this Section 13.2 (or Section 7.13, if applicable), the defaulting (or deemed defaulting) Partner will be obligated to assign its Interest to the Partnership or the non-defaulting Partner(s) as provided in this Section 13.2. The purchase or redemption of the defaulting (or deemed defaulting) Partner's Interest under this Section 13.2 (or Section 7.13, if applicable) will be closed within one hundred fifty (150) days thereafter on the date selected in the sole discretion of such non-defaulting Partner(s) (or in the case of a redemption pursuant to Section 7.13, within the 180-period specified therein) and occur at the Partnership's office or other location reasonably determined by such non-defaulting Partners(s). The non-defaulting Partner(s) or the Partnership, as applicable, will pay the purchase or redemption price in cash at the closing and the defaulting (or deemed defaulting) Partner will assign to the non-defaulting Partner(s) or the Partnership, as applicable, with general warranties, good and indefeasible title to its Interest, free and clear of any and all liens, claims, and encumbrances (other than liens, claims and encumbrances that secure indebtedness of the Partnership that was incurred in accordance with the terms of this Agreement) and with all other customary terms, representations, warranties and indemnities as reasonably requested by and in form and content reasonably acceptable to such non-defaulting Partner(s). As a precondition to the closing of such purchase by the non-defaulting Partner(s) or redemption by the Partnership and an obligation of the defaulting (or deemed defaulting) Partner to assign its Interest to the non-defaulting Partner(s) or the Partnership under this Section 13.2 (or Section 7.13, if applicable), such non-defaulting Partner(s) shall also obtain the release of the defaulting (or deemed defaulting) Partner and its Affiliates from any and all personal liability for any indebtedness of the Partnership, including, without limitation, the release of any guaranty and collateral pledged to secure any guaranteed indebtedness debt. If such release cannot be obtained from the applicable Lender, then such non-defaulting Partner(s) shall cause the payment in full of such indebtedness on the closing date under this Section 13.2. The Partner(s) will be entitled to enforce this Section 13.2 by specific

performance (without any requirement to post bond or other collateral or prove the inadequacy of legal remedies) and/or any other remedies available at law or in equity.

(b) "**Computed Value**" will be the amount that a specified Partner would receive if all of the Partnership's assets (including the Property and the Project) were sold for the Agreed Asset Value, and proceeds thereof were distributed on the date of the Redemption Notice pursuant to Article Six in liquidation of the Partnership. For purposes of such determination, the liabilities of the Partnership shall be deemed paid at face value on the date of the Appraisal Notice and include any applicable prepayment fees and/or penalties.

(c) "**Agreed Asset Value**" means the gross fair market value of all of the Partnership's assets (including the Property and the Project) on the date of the Redemption Notice, as the Partners may mutually agree in writing. If the Partners fail to agree upon the Agreed Asset Value within thirty (30) days after delivery of the Redemption Notice in accordance with Section 13.2(a), then any Partner may by written notice to the other Partners (an "**Appraisal Notice**") cause such fair market value to be determined pursuant to the remainder of this Section 13.2(c). Within ten (10) days of delivery of the Appraisal Notice to each Partner, the Class A Limited Partner and the Class B Limited Partner shall each notify the other of its proposed Agreed Asset Value (collectively, the "**Proposed Valuations**") and mutually designate a third-party valuation firm that has not less than ten (10) years of experience valuing assets substantially similar to the Partnership's (the "**Valuation Consultant**"). If such Partners fail to mutually agree upon a Valuation Consultant within such ten (10)-day period, then each of the Class A Limited Partner and the Class B Limited Partner shall designate a third-party valuation and notify the other Partner of such designation within ten (10) days after the expiration of the initial ten (10)-day period, and the two designated third-party valuation firms shall designate a third such valuation firm, which shall be the Valuation Consultant. The Valuation Consultant shall thereafter be engaged by the Partnership to determine the gross fair market value of all of the Partnership's assets (including the Property and the Project), which determination shall (i) be delivered to the Partners in writing, with supporting backup, as promptly as practicable (and not later than sixty (60) days following such engagement), (ii) not be greater than the highest Proposed Valuation or lower than the lowest Proposed Valuation, and (iii) shall be the Agreed Asset Value and final and binding on the Partnership and the Partners. The Partners agree that a "Restricted Appraisal" (as such term is defined or used in the appraisal industry) of the Property and the Project is sufficient for purposes of the Valuation Consultant's determination of the Agreed Asset Value. The fees and expenses of the Valuation Consultant (and the other two designated firms, if applicable) shall be expenses of the Partnership and reflected in the calculation of the Computed Value.

(d) Unless otherwise agreed by all the Partners, no distributions shall be made by the Partnership (including, without limitation, distributions pursuant to Section 6.5) between the date of a Redemption Notice and the closing of the redemption that is the subject of such notice in accordance with Section 13.2 (or Section 7.13, if applicable).

ARTICLE 14

WINDING-UP AND TERMINATION

14.1 **Winding Up and Termination**. The Partnership will be wound up and its existence terminated, upon the earliest to occur of:

(a) the agreement of the General Partner with the approval of the Limited Partners to wind up and terminate the Partnership;

(b) the Bankruptcy of the Partnership;

(c) a reasonable time, as determined by the General Partner, after the sale of substantially all of the assets of the Partnership and conversion into cash of all proceeds thereof received in a non-cash form or medium and distribution of any reserves after such sale;

(d) a final judicial determination requiring the winding up and termination of the Partnership pursuant to the TBOC or other applicable law.

The death, incompetency, insolvency, Bankruptcy, or retirement of a Limited Partner will not result in the winding up or termination of the Partnership.

14.2 Restoration of Deficit Capital Account. Upon the winding-up, termination, and liquidation of the Partnership, or the termination of the Partnership for tax purposes under Code §708(b)(1)(B), no Partner will have the obligation to restore the deficit balance of such Partner's Capital Account, if any.

14.3 Winding Up and Liquidation. Upon the occurrence of any event requiring the winding up of the Partnership pursuant to this Agreement, the Partnership's business will be wound up and liquidated as rapidly as business circumstances will reasonably permit, and the winding up and liquidation of the Partnership will be handled by a liquidating agent, who shall be the General Partner, or if there is no General Partner, the Class B Limited Partner, or such other Person as may be specified in this Agreement. The winding up and liquidation will consist of the use, application, and distribution of the assets and properties of the Partnership as herein provided and at its conclusion the Partnership will terminate upon the filing of a certificate of termination in accordance with the TBOC. The liquidating agent, whether original or successor, individual or corporate, will not be liable for any action taken or omitted in its capacity as liquidating agent hereunder, except for its own actual and intentional fraud, gross negligence or willful misconduct. Any corporate liquidating agent, other than the General Partner or its Affiliates, will be entitled to reasonable compensation commensurate with the duties and responsibilities involved, but no individual liquidating agent will receive compensation for such agent's services unless expressly approved by the Partners selecting such agent. The liquidating agent may sell all of the assets of the Partnership, including, without limitation, the Property and the Project, at reasonable market terms and conditions, or it may distribute those properties in kind in accordance with the terms of this Agreement; provided, however, that the liquidating agent will ascertain the fair market value (by appraisal or other reasonable means) of all assets of the Partnership, including the Property and the Project, remaining unsold and distributed to the Partners in kind, and the income, gain, loss, deduction, and credit that would have been realized will be allocated to the Partners (and each Partner's Capital Account will be debited or credited, as the case may be) in accordance with Article Five, as if such assets had been sold for such fair market value. All of the assets of the Partnership, including, without limitation, the proceeds of sales, if any, of the Property or any portion thereof, and all other cash and property, if any, then on hand in the Partnership will be applied and distributed, based on the fair market value thereof as determined in accordance with the preceding sentence, in the order or priority set forth in Section 6.4 above, but after the allocations provided in Article Five.

14.4 Right of Partition Waived. Each of the Partners hereby agrees to and hereby irrevocably waives for the duration of this Agreement any right any such Partner might have to cause the Partnership or any of its assets to be partitioned.

ARTICLE 15

MISCELLANEOUS

15.1 **Notices**. Whenever any notice is required or permitted to be given under any provision of this Agreement, such notice must be in writing, signed by or on behalf of the Person giving the notice, and will be deemed to have been given (i) when actually delivered by personal delivery; (ii) one (1) business day after being placed for express delivery with Federal Express or other national overnight carrier; or (iii) if sent from and addressed to an address within the United States, five (5) business days after sent by registered or certified mail, return receipt requested, postage and charges prepaid, addressed to the Person or Persons to whom such notice is to be given at the address set forth opposite the Partners' signatures to this Agreement (or at such other address as shall be stated in a notice similarly given to the Partnership).

15.2 **Binding Effect**. Except as herein otherwise provided to the contrary, this Agreement will be binding upon and will inure to the benefit of the parties hereto, their personal representatives, successors, and assigns.

15.3 **No Oral Modification**. No modification or waiver of this Agreement or any part hereof will be valid or effective unless in writing; and no waiver of any breach or condition of this Agreement will be deemed to be a waiver of any other subsequent breach or condition, whether of like or different nature.

15.4 **Applicable Laws and Venue**. This Agreement and the rights of the parties to this Agreement is governed by and will be construed in accordance with the laws of the state of Texas, without giving effect to the principles of conflict of laws. Subject to the rights and obligations of the Partnership and the Partners under Section 15.19, the Partnership and each Partner hereby irrevocably submits in any suit, action, or proceeding arising out of or relating to this Agreement or the Partnership's, or any Partner's performance of this Agreement, or rights or obligations under this Agreement to the jurisdiction of the federal and state courts sitting in Austin, Travis County, Texas and waives any and all objections to the jurisdiction of, or venue in, such court that the Partnership or any such Partner may have under applicable laws.

15.5 **Gender**. All pronouns and any variations thereof will be deemed to refer to the masculine, feminine, or neuter, singular or plural, as the identity of the Person may require.

15.6 **No Implied Waiver**. The failure of any Partner to insist at any time upon the strict performance of any covenant or agreement or to exercise any option, right, power, or remedy contained in this Agreement will not be construed as a waiver or a relinquishment thereof for the future.

15.7 **Legal Construction**. In case any one or more of the provisions contained in this Agreement are for any reason held to be invalid, illegal, or unenforceable in any respect, such invalidity, illegality, or unenforceability will not affect any other provision of this Agreement and this Agreement will be construed as if such invalid, illegal, or unenforceable provision had never been contained herein. Furthermore, in lieu of each such illegal, invalid or unenforceable provision there will be substituted a provision as similar in terms to such illegal, invalid, or unenforceable provision as may be possible and be legal, valid, and enforceable. The Partners acknowledge and agree that this is a fully negotiated document and that a full and fair opportunity has been provided for review and comment on the provisions in this Agreement by all of the Partners and their respective representatives and attorneys and any rule of construction that ambiguities are to be resolved against the drafting party or any particular

Partner will not be applicable to this Agreement. Every covenant, term, and provision of this Agreement will be construed simply according to its fair meaning and not strictly for or against any Partner.

15.8 Headings. The headings contained herein are for administrative purposes only and will not control or affect the meaning or construction of any provision of this Agreement. Unless otherwise specified, all references to "Section," "Article," "Exhibit," or "Appendix" in this Agreement are to sections, articles, exhibits, or appendices of this Agreement.

15.9 Multiple Counterparts. This Agreement may be executed in one or more counterparts, all of which shall constitute one and the same instrument. For the avoidance of doubt, a Person's execution and delivery of this Agreement by electronic signature and electronic transmission (jointly, an "**Electronic Signature**"), including via Docusign or other similar method, shall constitute the execution and delivery of a counterpart of this Agreement by or on behalf of such Person and shall bind such Person to the terms of this Agreement. The parties hereto agree that this Agreement and any additional information incidental hereto may be maintained as electronic records. Any Person executing and delivering this Agreement by Electronic Signature further agrees to take any and all reasonable additional actions, if any, evidencing its intent to be bound by the terms of this Agreement, as may be reasonably requested by any Partner.

15.10 Execution of Documents. Each party hereto agrees to execute any and all documents and writing which may be necessary or expedient in connection with the creation of the Partnership and the achievement of its purposes to the extent not otherwise inconsistent with the terms of this Agreement.

15.11 Reliance on Authority of General Partner. In no event will any Person dealing with the General Partner with respect to any property of the Partnership be obligated to ascertain that the terms of this Agreement have been complied with, or be obligated to inquire into the necessity or expediency of any act or action of the General Partner; and, every contract, agreement, deed, mortgage, promissory note, or other instrument or document executed by the General Partner with respect to any property of the Partnership will be conclusive evidence in favor of any and every Person relying thereon or claiming thereunder that: (i) at the time of execution and/or delivery thereof, this Agreement was in full force and effect; (ii) such instrument or document was duly executed in accordance with the terms and provisions of this Agreement and is binding upon the Partnership and all of the Partners thereof; and (iii) the General Partner has been duly authorized and empowered to execute and deliver any and every such instrument or document for and on behalf of the Partnership.

15.12 No Third-Party Beneficiary.

(a) The provisions of this Agreement are for the exclusive benefit of the Partners and the Partnership and their respective successors and permitted assigns and, solely with respect to Sections 7.11, the Partnership Indemnified Parties and the Limited Partner Indemnified Parties. Except for the foregoing, this Agreement is not intended to benefit or create rights in any other Person, including (i) any Person to whom any debts, liabilities or obligations are owed by the Partnership or any Partner, except to the extent otherwise expressly agreed in writing by the General Partner on behalf of the Partnership in accordance with the terms of this Agreement, or (ii) any liquidator, trustee or creditor acting on behalf of the Partnership, and no such creditor or any other Person shall have any rights under this Agreement, including rights with respect to enforcing the making of Capital Contributions.

(b) The Partnership Indemnified Parties and Limited Partner Indemnified Partners that are not Partners shall have no rights to consent to any amendments to this Agreement,

including, without limitations, amendments that may adversely affect rights of such Persons under Section 7.11.

15.13 Amendments. Except as otherwise provided in this Agreement, this Agreement, including Appendix A, may not be amended, altered, or modified except by an instrument in writing and signed by the General Partner and the Limited Partners.

15.14 Reliance on Authority of Person Signing Agreement. If a Partner is an entity other than a natural person, neither the Partnership nor any Partner shall: (i) be required to determine the authority of the person signing this Agreement to make any commitment or undertaking on behalf of such entity or to determine any fact or circumstances bearing upon the existence of the authority of such person, or (ii) be required to see to the application or distribution of proceeds paid or credited to persons signing this Agreement on behalf of such entity.

15.15 Attorney's Fees. If a suit or other judicial or other dispute resolution action is filed in a court of law or submitted to arbitration or mediation, the prevailing party shall be entitled to reasonable attorney's fees, expenses, and court costs.

15.16 No Right of Withdrawal. Except as may be otherwise expressly permitted in this Agreement, withdrawal by a Partner shall not be permitted.

15.17 Time is of Essence. Time is of the essence with all things pertaining to this Agreement.

15.18 Entire Agreement. This Agreement contains the entire agreement among the Partners relating to the subject matter and any prior oral or written agreements or any representations or offers whatsoever not contained herein are terminated.

15.19 Dispute Resolution.

(a) Negotiated Resolution. If any dispute, disagreement, deadlock, or Deadlock (each, a "**Dispute**") arises (i) out of or relating to, this Agreement or any alleged breach thereof, or (ii) with respect to any of the transactions or events contemplated hereby, the party desiring to resolve such Dispute of shall deliver a written notice of the Dispute including the specific facts of the Dispute ("**Dispute Notice**") to the other parties of such Dispute. If any party delivers a Dispute Notice pursuant to this Section 15.19, the parties involved in the Dispute shall meet (in person, telephonically or remotely) at least twice within the thirty (30)-day period commencing with the date of the Dispute Notice and in good faith shall attempt to resolve such Dispute.

(b) Mediation. If any Dispute is not resolved or settled by the parties as a result of negotiation pursuant to Section 15.19(a), the parties shall submit the Dispute to non-binding mediation before a mutually agreeable retired judge of a Federal District Court or Texas District Court, or some similarly qualified, mutually agreeable individual. The parties shall bear the costs of such mediation equally.

(c) Arbitration. If the Dispute is not resolved by mediation pursuant to Section 15.19(b), or if the parties fail to agree upon a mediator, within ninety (90) days after the Dispute Notice, the Dispute shall be settled by arbitration conducted in Austin, Texas by a panel of three (3) arbitrators, which arbitration shall be conducted in accordance with the commercial arbitration rules and procedures then in effect of the American Arbitration Association, and, to the maximum extent applicable, the Federal Arbitration Act (Title 9 of the United States Code). Notwithstanding anything herein to the contrary, any party may, prior to the selection of the panel

of arbitrators, petition any court of competent jurisdiction for a temporary restraining order or a preliminary injunction upon a showing of the requisites therefore (subject to the terms of this Agreement) in such court (this provision for court proceedings is intended to be limited to those cases in which emergency access to the court is necessary to prevent immediate and irreparable harm in the interim period until the panel of arbitrators can be constituted). The arbitration of such issues, including the written determination of any amount of damages suffered by any party hereto by reason of the acts or omissions of any party, shall be final and binding upon all parties. Any award rendered shall be final and conclusive upon the parties and a judgment thereon may be entered in the highest court of the forum, state or federal, having jurisdiction. The panel of arbitrators shall be empowered to impose sanctions and to take such other actions as the panel of arbitrators shall deem necessary to the same extent a judge could pursuant to the Federal or Texas Rules of Civil Procedure and applicable law. Notwithstanding the foregoing, the panel of arbitrators shall not be authorized to award punitive damages with respect to any such claim or controversy, except to the extent such punitive damages are payable a third party, nor shall any party seek punitive damages relating to any matter under, arising out of or relating to this Agreement in any other forum. Except as otherwise set forth in this Agreement, the cost of any arbitration hereunder, including the cost of the record or transcripts thereof, if any, administrative fees, and all other fees involved including reasonable attorneys' fees incurred by the party determined by the panel of arbitrators to be the prevailing party shall be paid by the party determined by the panel of arbitrators not to be the prevailing party, or otherwise allocated in an equitable manner as determined by the panel of arbitrators. The parties shall instruct the panel of arbitrators to render their decision no later than ninety (90) days after the submission of the Dispute. Each party may serve upon the other request for production of documents as determined by the arbitrator. If disputes arise concerning these requests, the panel of arbitrators shall have complete and sole discretion to resolve such disputes. The panel of arbitrators shall give effect to statutes of limitation in determining any claim, and any controversy concerning whether an issue is arbitrable shall be determined by the panel of arbitrators. The panel of arbitrators shall follow applicable law in reaching a reasoned decision and shall deliver a written opinion setting forth findings of fact, conclusions of law, and the rationale for their decision.

(d) Confidentiality. Each party agrees to keep all Disputes and mediation and arbitration proceedings strictly confidential, except for disclosures of information required in the ordinary course of business of the parties or by applicable law or regulation; provided, however, that judgment upon the decision rendered by the arbitrator may be entered in any court having competent jurisdiction.

15.20 Tied House Regulations. The General Partner and the Class A Limited Partner acknowledge and agree that the Class B Limited Partner and its Affiliates are restricted under state and/or federal law (the "**Investment Restrictions**") from directly or indirectly investing in any Person that is involved in the wholesale or retail sale of alcoholic beverages (i.e., "non-supplier" tiers in the alcoholic beverage industry) (each, a "**Prohibited Investment**"). For example, and without limiting the generality of the foregoing, this would include any person or entity who directly or indirectly operates, or has a debt or equity interest in, real or personal property, fixtures, or equipment of, a wholesale or retail seller of alcoholic beverages, including but not limited to, distributors, restaurants, bars, grocery stores, liquor stores, etc. For so long as and to the extent the Class B Limited Partner or any of its Affiliates are subject to the Investment Restrictions, the General Partner and the Class A Limited Partner hereby agree that the Partnership shall (a) not invest in, extend loans or other forms of credit to, operate, or hold any interest in (including, without limitation, any fee or leasehold interest in any real property) any Person or business that is involved in the wholesale or retail sale of alcoholic beverages (i.e., "non-supplier" tiers in the alcoholic beverage industry) prohibited under the Investment Restrictions or make or maintain other investments or take other actions that are prohibited under the Investment Restrictions and (b) take such

further actions and refrain from taking actions, in each case, to the extent the Class B Limited Partner reasonably determines that taking or refraining from taking such actions is necessary or advisable for purposes of complying with the Investment Restrictions.

[Remainder of page intentionally left blank.]

[Signature pages follow.]

EXECUTED in multiple counterparts by the General Partner, the Class A Limited Partner, and the Class B Limited Partner executing this Agreement as of the Effective Date.

Address: **GENERAL PARTNER**:

212 Lavaca Street, Suite 300 HOLDEN HILLS GP, L.L.C., a Texas limited
Austin, Texas 78701 liability company

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

[Limited Partner Counterpart Signature Pages Follow]

COUNTERPART SIGNATURE PAGE

TO AMENDED AND RESTATED LIMITED PARTNERSHIP AGREEMENT

OF HOLDEN HILLS, L.P.

By execution of this counterpart signature page, the undersigned named limited partner hereby becomes the Class A Limited Partner of **HOLDEN HILLS, L.P.**, a Texas limited partnership (the "**Partnership**"), pursuant to the Amended and Restated Limited Partnership Agreement of the Partnership (the "**Agreement**"). The undersigned hereby agrees to be bound by all of the terms and conditions of the Agreement and authorizes the General Partner to attach this counterpart signature page to the Agreement and, when so attached with the signature pages of all of the Partners, such Agreement will constitute one and the same document as if all signatories had originally signed thereon.

Dated effective as of the Effective Date.

Address: **CLASS A LIMITED PARTNER**:

212 Lavaca Street, Suite 300
Austin, Texas 78701

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

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

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

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

COUNTERPART SIGNATURE PAGE

TO AMENDED AND RESTATED LIMITED PARTNERSHIP AGREEMENT

OF HOLDEN HILLS, L.P.

By execution of this counterpart signature page, the undersigned named limited partner hereby becomes the Class B Limited Partner of **HOLDEN HILLS, L.P.**, a Texas limited partnership (the "**Partnership**"), pursuant to the Amended and Restated Limited Partnership Agreement of the Partnership (the "**Agreement**"). The undersigned hereby agrees to be bound by all of the terms and conditions of the Agreement and authorizes the General Partner to attach this counterpart signature page to the Agreement and, when so attached with the signature pages of all of the Partners, such Agreement will constitute one and the same document as if all signatories had originally signed thereon.

Dated effective as of the Effective Date.

Address: **CLASS B LIMITED PARTNER**:

[***]
[***]
Attention: [***]
By: /s/ Class B Limited Partner listed on Exhibit A

EXHIBIT A

TO THE AMENDED AND RESTATED LIMITED PARTNERSHIP AGREEMENT OF HOLDEN HILLS, L.P.

Partners' Initial Capital Interests, Initial Voting Interests, Initial Capital Contributions, and Capital Commitments

Partners	Initial Capital Interest	Initial Voting Interest	Initial Capital Contribution	Capital Commitment
General Partner:				
Holden Hills GP, L.L.C.	0.1%	0.1%	$80,000.00(1)	$20,000.00
Class A Limited Partner:				
Stratus Properties Operating Co., L.P.	49.9%	49.9%	$39,920,000.00(1)	$9,980,000.00
Class B Limited Partner:				
Bartoni, LLC	50.0%	50.0%	$40,000,000.00(2)	$10,000,000.00
Total:	100.0%	100.0%	$80,000,000.00	$20,000,000.00

(1) See Section 4.2(b) for the General Partner's and Class A Limited Partner's Initial Capital Contributions. The total net Initial Capital Contributions of the General Partner and the Class A Limited Partner is summarized as follows:

Agreed Value of the Real Property and Personal Property (excluding the Initial Project Costs)	$70,000,000.00
Less Initial Distribution to Class A Limited Partner	($30,000,000.00)
Net Initial Capital Contributions	$40,000,000.00

(2) Immediately available funds.

APPENDIX A
Capital Accounts,

Allocations of Profits and Losses and
Other Tax Matters

Table of Contents

ARTICLE I.
DEFINITIONS; CONSTRUCTION

Section 1.1 Definitions. As used in this Appendix A (this "***Tax Exhibit***"), the following capitalized terms shall have the meanings set forth below:

"***Adjusted Capital Account***" means the Capital Account established and maintained for each Partner, as the same is specially computed after giving effect to the following adjustments:

(a) Credit to such Partner's Capital Account any amounts which such Partner is deemed obligated to restore pursuant to Treasury Regulations Sections 1.704-1(b)(2)(ii)(c), 1.704-2(g)(1) and 1.704-2(i)(5); and

(b) Debit to such Partner's Capital Account the items described in Treasury Regulations Sections 1.704-1(b)(2)(ii)(d)(4), (5) and (6).

The foregoing definition of "Adjusted Capital Account" is intended to comply with the provisions of Treasury Regulations Sections 1.704-1(b)(2)(ii)(d) and 1.704-2 and shall be interpreted consistently therewith.

"***Affected Tax Return***" has the meaning set forth in Section 4.3(b)(iii).

"***Agreed Value***" means (a) in the case of contributions or distributions of cash, the amount thereof and (b) in the case of any contributions or distributions of Property other than in the form of cash, the fair market value of that Property as reasonably determined by the General Partner and the applicable Limited Partner.

"***Allocated Share***" has the meaning set forth in Section 4.3(e).

"***Allocation Year***" means (a) the period commencing on the date the Partnership is first classified as a partnership for U.S. federal income tax purposes and ending on December 31 of the year that includes such date, (b) any subsequent 12-month period commencing on January 1 and ending on December 31, or (c) any portion of the period described in clause (a) or (b) for which the Partnership is required to allocate Profit, Loss and other items of Partnership income, gain, loss or deduction for U.S. federal income tax purposes, unless the Partnership is required by Section 706 of the Code to use a different taxable year (as defined in Section 7701(a)(23)), in which case "Allocation Year" shall mean such different taxable year (or relevant portion thereof).

"***Built-In Gain***" means with respect to any Property (a) the excess of the Agreed Value of any Contributed Property over its adjusted basis for U.S. federal income tax purposes as of the time of contribution and (b) in the case of any adjustment to the Gross Asset Value of any Property pursuant to the definition of Gross Asset Value, the Unrealized Gain with respect to that Property.

"***Built-In Loss***" means with respect to any Property (a) the excess of the adjusted basis for U.S. federal income tax purposes of any Contributed Property over its Agreed Value as of the time of contribution and (b) in the case of any adjustment to the Gross Asset Value of any Property pursuant to the definition of Gross Asset Value, the Unrealized Loss with respect to that Property.

"***Capital Account***" means, with respect to any Partner, the Capital Account maintained for such Partner in accordance with the following provisions:

(a) to each Partner's Capital Account there shall be credited (i) such Partner's Capital Contributions, (ii) such Partner's distributive share of Profits and any items in the nature of income or gain which are specially allocated to such Partner pursuant to Section 3.1 or Section 3.2, and (iii) to the extent not taken into account in determining the amount of such Partner's Capital Contributions under clause (i) above, the amount of any Partnership liabilities assumed by such Partner or that are secured by any Property distributed to such Partner; provided, that the principal amount of a promissory note that is not readily traded on an established securities market and that is contributed to the Partnership by the maker of the note (or a Partner related to the maker of the note within the meaning of Treasury Regulations Section 1.704-1(b)(2)(ii)(c)) shall not be included in the Capital Account of any Partner until the Partnership makes a taxable disposition of the note or until (and to the extent) principal payments are made on the note, all in accordance with Treasury Regulations Section 1.704-1(b)(2)(iv)(d)(2);

(b) to each Partner's Capital Account there shall be debited (i) the amount of money and the Gross Asset Value of any Property distributed to such Partner pursuant to any provision of the Agreement, (ii) such Partner's distributive share of Losses and any items in the nature of expenses or losses which are specially allocated to such Partner pursuant to Section 3.1 or Section 3.2, and (iii) the amount of any liabilities of such Partner assumed by the Partnership or that are secured by any Property contributed by such Partner to the Partnership;

(c) in the event Interests are transferred in accordance with the terms of the Agreement, the transferee shall succeed to the Capital Account of the transferor to the extent it relates to the Interests that are transferred; and

(d) in determining the amount of any liability for purposes of clauses (a) and (b) above, there shall be taken into account Section 752(c) of the Code and any other applicable provisions of the Code and Treasury Regulations.

The foregoing provisions and the other provisions of this Tax Exhibit relating to the maintenance of Capital Accounts are intended to comply with Treasury Regulations Section 1.704-1(b), and shall be interpreted and applied in a manner consistent with such Treasury Regulations. In the event the General Partner determines that it is prudent to modify the manner in which the Capital Accounts, or any debits or credits thereto are computed in order to comply with such Treasury Regulations, the General Partner may make such modification upon advice of the Partnership's tax advisor. The General Partner also shall (A) make any adjustments that are necessary or appropriate to maintain equality between the Capital Accounts of the Partners and the amount of capital reflected on the Partnership's balance sheet, as computed for book purposes, in accordance with Treasury Regulations Section 1.704-1(b)(2)(iv)(q), and (B) make any appropriate modifications in the event unanticipated events might otherwise cause this Tax Exhibit not to comply with Treasury Regulations Section 1.704-1(b). The General Partner shall provide the Partners with written notice of any such adjustments or modifications.

"***Capital Contribution***" means, for purposes of this Tax Exhibit, the contribution of Contributed Property and the amount of such contribution shall be the Agreed Value of such Contributed Property net of the principal amount of any indebtedness or any other liability, whether assumed by the Partnership or to which the Contributed Property is subject.

"***Code***" means the Internal Revenue Code of 1986, as amended.

"***Consolidated Group***" has the meaning set forth in in Section 4.4.

"***Contributed Property***" means any Property contributed by a Partner to the capital of the Partnership with respect to an Interest.

"***Depreciation***" means, for each Allocation Year or other period, an amount equal to the depreciation, amortization (including pursuant to Sections 195, 197 and 709 of the Code), or other cost recovery deduction allowable with respect to a Property for such period for U.S. federal income tax purposes, except that (a) with respect to a Property whose Gross Asset Value differs from its adjusted basis for U.S. federal income tax purposes and which difference is being eliminated by use of the "remedial allocation method" as defined in Treasury Regulations Section 1.704-3(d), Depreciation for such period shall be the amount of the book basis recovered for such period under the rules prescribed in Treasury Regulations Section 1.704-3(d)(2), and (b) with respect to any other Property whose Gross Asset Value differs from its adjusted tax basis at the beginning of such period, Depreciation shall be an amount which bears the same ratio to such beginning Gross Asset Value as the U.S. federal income tax depreciation, amortization or other cost recovery deduction for such year or other period bears to such beginning adjusted tax basis; provided, however, that if the U.S. federal income tax depreciation, amortization, or other cost recovery deduction for such Allocation Year or other period is zero, Depreciation shall be determined with reference to such beginning Gross Asset Value using any reasonable method selected by the General Partner.

"***Designated Individual***" has the meaning given to such term in Treasury Regulations Section 301.6223-1(b)(3).

"***Election Out***" has the meaning set forth in Section 4.3(b)(i).

"***Former Partner***" means any Person that held an Interest as a partner but has ceased to be a Partner.

"***Gross Asset Value***" means, with respect to any Property, the Property's adjusted basis for U.S. federal income tax purposes, except as follows:

(a) the initial Gross Asset Value of any Property contributed by a Partner to the Partnership shall be the Agreed Value;

(b) immediately prior to the occurrence of a Revaluation Event, the Gross Asset Values of all Properties shall be adjusted to equal their respective fair market values (taking Section 7701(g) of the Code into account), as determined by the General Partner; provided, however, if any Noncompensatory Option is outstanding upon the occurrence of a Revaluation Event, Gross Asset Values shall be adjusted in accordance with Treasury Regulations Sections 1.704-1(b)(2)(iv)(f)(1) and 1.704-1(b)(2)(iv)(h)(2);

(c) the Gross Asset Value of any Property distributed to any Partner shall be adjusted to equal the fair market value (taking Section 7701(g) of the Code into account) of such Property on the date of distribution, as such fair market value is reasonably determined by the General Partner; and

(d) the Gross Asset Values of each Property shall be increased (or decreased) to reflect any adjustments to the adjusted basis of such Property pursuant to Section 734(b) of the Code, but only to the extent that such adjustments are taken into account in determining Capital Accounts pursuant to Treasury Regulations Section 1.704-1(b)(2)(iv)(m) and clause (f) of the definition of "Profit" and "Loss"; provided, however, that Gross Asset Values shall not be adjusted pursuant to this clause (d) to the extent an adjustment pursuant to clause

(b) above is required in connection with a transaction that would otherwise result in an adjustment pursuant to this clause (d).

If the Gross Asset Value of a Property has been determined or adjusted pursuant to clause (a), (b) or (d), such Gross Asset Value shall thereafter be adjusted by the Depreciation taken into account with respect to such Property, for purposes of computing Profits and Losses.

"***Imputed Underpayment Modifications***" has the meaning set forth in Section 4.3(d).

"***Indemnifying Partner***" has the meaning set forth in Section 4.3(e).

"***IRS***" means the United States Internal Revenue Service.

"***Noncompensatory Option***" has the meaning given such term in Treasury Regulations Section 1.721-2(f).

"***Nonrecourse Liability***" has the meaning given such term in Treasury Regulations Section 1.704-2(b)(3).

"***Partner Minimum Gain***" has the meaning given the term "partner nonrecourse debt minimum gain" set forth in Treasury Regulations Section 1.704-2(i)(2), and will be computed as provided in Treasury Regulations Section 1.704-2(i)(3).

"***Partner Nonrecourse Debt***" has the meaning given such term in Treasury Regulations Section 1.704-2(b)(4).

"***Partner Nonrecourse Deductions***" has the meaning given such term in Treasury Regulations Section 1.704-2(i).

"***Partnership Level Taxes***" has the meaning set forth in Section 4.3(d).

"***Partnership Minimum Gain***" has the meaning given such term in Treasury Regulations Section 1.704-2(b)(2), and will be computed as provided in Treasury Regulations Section 1.704-2(d).

"***Partnership Representative***" has the meaning set forth in Section 4.3(a).

"***Partnership Tax Audit Rules***" means Sections 6221 through 6241 of the Code, together with any applicable Treasury Regulations and other IRS guidance issued thereunder or successor provisions.

"***Profit***" and "***Loss***" means, for each Allocation Year or other period, an amount equal to the Partnership's U.S. federal taxable income or loss, respectively, determined in accordance with Section 703(a) of the Code (but including in taxable income or loss, for this purpose, all items of income, gain, loss or deduction required to be stated separately pursuant to Section 703(a)(1) of the Code), with the following adjustments:

(a) any income of the Partnership exempt from U.S. federal income tax and not otherwise taken into account in computing taxable income or loss will be added to such taxable income or loss;

(b) any expenditures of the Partnership described in Section 705(a)(2)(B) of the Code (or treated as expenditures described in Section 705(a)(2)(B) of the Code pursuant to

Treasury Regulations Section l.704-1(b)(2)(iv)(i)) and not otherwise taken into account in computing taxable income or loss will be subtracted from such taxable income or loss;

(c) in the event the Gross Asset Value of any Property is adjusted pursuant to clauses (b) or (c) of the definition of "Gross Asset Value", the amount of such adjustment shall be treated as an item of gain (if the adjustment increases the Gross Asset Value of the Property) or an item of loss (if the adjustment decreases the Gross Asset Value of the Property) from the disposition of such Property and shall be taken into account for purposes of computing Profits or Losses;

(d) gain or loss resulting from any disposition of any Property with respect to which gain or loss is recognized for U.S. federal income tax purposes will be computed by reference to the Gross Asset Value of the Property disposed of, notwithstanding that the adjusted tax basis of such asset differs from its Gross Asset Value;

(e) in lieu of the depreciation, amortization and other cost recovery deductions taken into account in computing such taxable income or loss, there will be taken into account Depreciation for such Allocation Year or other period, computed in accordance with the definition of Depreciation;

(f) to the extent an adjustment to the adjusted tax basis of any Partnership asset pursuant to Section 734(b) of the Code is required, pursuant to Treasury Regulations Section 1.704-1(b)(2)(iv)(m)(4), to be taken into account in determining Capital Accounts as a result of a distribution other than in liquidation of a Partner's Interests, the amount of such adjustment shall be treated either as an item of gain (if the adjustment increases the basis of the asset) or an item of loss (if the adjustment decreases the basis of the asset) from the disposition of the asset and shall be taken into account for purposes of computing Profits or Losses;

(g) any fees and other expenses incurred by the Partnership to promote the sale of (or to sell) an Interest that can neither be deducted nor amortized under Section 709 of the Code will be treated as an item of deduction; and

(h) excluding any items specially allocated pursuant to Section 3.1 or Section 3.2.

The amounts of the items of income, gain, loss, or deduction available to be specially allocated pursuant to Section 3.1 and Section 3.2 shall be determined by applying rules analogous to those set forth in clauses (a) through (g) above.

"***Push Out Election***" has the meaning set forth in Section 4.3(b)(vi).

"***Reporting Partner***" has the meaning set forth in in Section 4.4.

"***Revaluation Event***" means each of the following events: (a) the contribution of money or other Property (other than a de minimis amount) by any Person, including an existing Partner, to the capital of the Partnership in respect of an Interest; (b) the grant of an Interest (other than a de minimis amount) as consideration for the provision of services to or for the benefit of the Partnership by any Person, including an existing Partner, or by a new Partner acting in a member capacity or in anticipation of becoming a member; (c) the distribution of money or other Property (other than a de minimis amount) by the Partnership to a retiring or continuing Partner as consideration for an Interest; (d) the liquidation of the Partnership; (e) the acquisition of an Interest upon the exercise of a Noncompensatory Option in

accordance with Treasury Regulations Section 1.704-1(b)(2)(iv)(s), or (f) such other times as the General Partner determines necessary or advisable in order to comply with Treasury Regulations Sections 1.704- 1(b) and 1.704-2.

"***Unrealized Gain***" means, with respect to any Property, the excess of the Agreed Value of that Property as of that date of determination over the Gross Asset Value of that Property as of that date of determination.

"***Unrealized Loss***" means, with respect to any Property, the excess of the Gross Asset Value of that Property as of that date of determination over the Agreed Value of that Property as of that date of determination.

Section 1.2 Construction. Unless the context otherwise requires, references to Articles and Sections (other than in connection with the Code, the Agreement or the Treasury Regulations) refer to Articles and Sections of this Tax Exhibit. Capitalized terms that are not defined in this Tax Exhibit shall have the meanings assigned to them in the Agreement.

ARTICLE II.
CAPITAL ACCOUNTS

Section 2.1 Capital Accounts. A separate Capital Account shall be maintained for each Partner. Each Partner shall have a single Capital Account that reflects all of such Partner's Interests, regardless of class or the time or manner in which acquired.

Section 2.2 Deficit Capital Accounts. No Partner shall be required to pay to the Partnership, to any other Partner or to any third party any deficit which may exist from time to time in such Partner's Capital Account, including upon dissolution of the Partnership.

ARTICLE III.
ALLOCATIONS OF PROFIT AND LOSS

Section 3.1 Basic Allocations. After applying Section 3.2, and after adjusting for all Capital Contributions and distributions made during the Allocation Year, the Partnership shall allocate Profits, Losses and, to the extent necessary, individual items of income, gain, loss or deduction, for each Allocation Year in a manner such that, after such allocations have been made, the balance of each Partner's Capital Account, immediately after making such allocation, is, as nearly as possible, equal (proportionately) to (a) the amount that would be distributed to such Partner if (i) the Partnership were to sell all of its Properties for an amount of cash equal to their Gross Asset Values (determined, for the avoidance of doubt, without any adjustment on account of the deemed liquidation described in this sentence), (ii) all Partnership liabilities were satisfied (limited with respect to each Nonrecourse Liability to the Gross Asset Value of the assets securing such liability), and (iii) the remaining cash was distributed in accordance with Section 6.4(d) of the Agreement to the Partners, minus (b) the sum of (i) such Partner's share of Partnership Minimum Gain and such Partner's Partner Minimum Gain, each as computed immediately prior to the hypothetical sale of assets described in clause (a), and (ii) the amount, if any, that such Partner is obligated (or deemed obligated) to contribute, in its capacity as a partner, to the Partnership immediately after the hypothetical sale of the Properties described in clause (a).

Section 3.2 Special Allocations. If the requisite stated conditions or facts are present, the following special allocations shall be made in the following order and priority:

(a) *Minimum Gain Chargeback*. If there is a net decrease in Partnership Minimum Gain during any Allocation Year, each Partner shall be specially allocated items of Partnership income and gain for such Allocation Year (and, if necessary, subsequent Allocation Years) in an amount equal to such Partner's share of the net decrease in Partnership Minimum Gain determined in accordance with Treasury Regulations Section 1.704-2(g)(2). Allocations pursuant to the previous sentence shall be made in proportion to the respective amounts required to be so allocated to each Partner pursuant thereto. The items to be allocated shall be determined in accordance with Treasury Regulations Sections 1.704-2(f)(6) and 1.704-2(j)(2). This Section 3.2(a) is intended to comply with the minimum gain chargeback requirement in Treasury Regulations Section 1.704-2(f) and shall be interpreted consistently therewith.

(b) *Partner Minimum Gain Chargeback*. Except as otherwise provided in Treasury Regulations Section 1.704-2(i)(4), if there is a net decrease in Partner Minimum Gain attributable to Partner Nonrecourse Debt during any Allocation Year, each Partner who has a share of the Partner Minimum Gain attributable to such Partner Nonrecourse Debt, determined in accordance with Treasury Regulations Section 1.704-2(i)(5), shall be specially allocated items of income and gain for such Allocation Year (and, if necessary, subsequent Allocation Years) in an amount equal to such Partner's share of the net decrease in Partner Nonrecourse Debt, determined in a manner consistent with the provisions of Treasury Regulations Section 1.704-2(i)(4). Allocations pursuant to the previous sentence shall be made in proportion to the respective amounts required to be so allocated to each Partner pursuant thereto. The items to be allocated will be determined in accordance with Treasury Regulations Sections 1.704-2(i)(4) and 1.704-2(j)(2). This Section 3.2(b) is intended to comply with the minimum gain chargeback requirement in Treasury Regulations Section 1.704-2(i)(4) and shall be interpreted consistently therewith.

(c) *Qualified Income Offset*. In the event any Partner unexpectedly receives any adjustment, allocation or distribution described in Treasury Regulations Section 1.704-1(b)(2)(ii)(d)(4), (5) or (6), such Partner shall be specially allocated items of income and gain (consisting of a pro rata portion of each item of income and gain) in an amount and in the manner sufficient to eliminate, to the extent required by the Treasury Regulations, any deficit in such Partner's Adjusted Capital Account created by such adjustment, allocation or distribution as quickly as possible; provided, that an allocation pursuant to this Section 3.2(c) shall be made only if and to the extent that such Partner would have a deficit in such Partner's Adjusted Capital Account after all other allocations provided in this Section 3.2 have been tentatively made as if this Section 3.2(c) were not a part of this Agreement. This Section 3.2(c) is intended to be a "qualified income offset" as that term is used in Treasury Regulations Section 1.704- 1(b)(2)(ii)(d) and shall be interpreted consistently therewith.

(d) *Gross Income Allocation*. In the event any Partner has a deficit Capital Account at the end of any Allocation Year that is in excess of the sum of (i) the amount such Partner is obligated to restore pursuant to the penultimate sentences of Treasury Regulations Sections 1.704-2(g)(1) and 1.704- 2(i)(5), each such Partner shall be specially allocated items of Partnership income and gain in the amount of such excess as quickly as possible; provided, that an allocation pursuant to this Section 3.2(d) shall be made only if and to the extent that such Partner would have a deficit Capital Account in excess of such sum after all other allocations provided for in this ARTICLE III have been made as if Section 3.2(c) and this Section 3.2(d) were not in this Tax Exhibit.

(e) *Nonrecourse Deductions*. Nonrecourse deductions (as defined and determined under Sections 1.704-2(b)(1) and (c) of the Treasury Regulations) shall be specially allocated between the Partners in accordance with the Partners' interests in the Partnership (defined in the

same manner as the "partners' interests in the partnership" as used in Sections 1.704-2(b)(1) and (e) of the Treasury Regulations). To the extent permitted under Section 1.704-2 of the Treasury Regulations, nonrecourse deductions shall be allocated in the manner in which loss and deduction is allocated under Section 3.1 as applicable in the Allocation Year in which the nonrecourse deductions are being allocated. This provision is intended to comply with Sections 1.704-2(b) and (e) of the Treasury Regulations and shall be applied consistently therewith.

(f) *Partner Nonrecourse Deductions*. Any Partner Nonrecourse Deductions for any Allocation Year shall be specially allocated to the Partner who bears the economic risk of loss with respect to the Partner Nonrecourse Debt to which such Partner Nonrecourse Deductions are attributable in accordance with Treasury Regulations Section 1.704-2(i)(1).

(g) *Section 754 Adjustments*. To the extent an adjustment to the adjusted tax basis of any Partnership property pursuant to Sections 734(b) or 743(b) of the Code is required, pursuant to Treasury Regulations Section 1.704-1(b)(2)(iv)(m), to be taken into account in determining Capital Accounts, the amount of such adjustment to the Capital Accounts will be treated as an item of gain (if the adjustment increases the basis of the property) or loss (if the adjustment decreases such property) and such gain or loss will be specially allocated among the Partners in a manner consistent with the manner in which their Capital Accounts are required to be adjusted pursuant to Treasury Regulations Section 1.704- 1(b)(2)(iv)(m).

Section 3.3 Tax Allocations.

(a) The Partnership shall, except to the extent such item is subject to allocation pursuant to Section 3.3(b) below, allocate each item of income, gain, loss, deduction, and credit, for U.S. federal income tax purposes, in the same manner as such item was allocated for purposes of maintaining the Partners' Capital Accounts.

(b) The Partnership, for U.S. federal income tax purposes, shall allocate items of income, gain, loss, depreciation, cost recovery, and amortization deductions attributable to any Contributed Property with a Built-In Gain or Built-In Loss pursuant to Section 704(c) of the Code using any method permitted pursuant to Treasury Regulations Section 1.704-3, as determined by the General Partner; provided, that the Partnership shall elect to use the "traditional method" described in Treasury Regulations Section 1.704-3(b) with respect to any Property contributed (or deemed contributed for U.S. federal income tax purposes) to the Partnership on the Effective Date. Similar allocations shall be made in the event the Gross Asset Value of Partnership Properties subject to depreciation, cost recovery, or amortization are adjusted pursuant to the definition of "Gross Asset Value." If an existing Partner acquires additional Interests, such allocations shall apply only to the extent of its additional Interests. No allocation under Section 704(c) of the Code shall be charged or credited to a Partner's Capital Account.

Section 3.4 Other Allocation Rules. Profit, Loss and any other items of income, gain, loss, or deduction shall be allocated to the Partners pursuant to this ARTICLE III as of the last day of each Allocation Year; provided, that Profit, Loss, and such other items shall also be allocated at such times as the Gross Asset Value of any Property is adjusted pursuant to the definition of "Gross Asset Value" in Section 1.1. For purposes of determining Profit, Loss, or any other items allocable to any period, Profit, Loss, and any such other items shall be determined on a daily, monthly, or other basis, as determined by the General Partner using any permissible method under Section 706 of the Code and the Treasury Regulations thereunder. The Partners are aware of the income tax consequences of the allocations made by this ARTICLE III and hereby agree to be bound by the provisions of this ARTICLE III in reporting their shares of Partnership income and loss for income tax purposes, except to the extent otherwise

required by law.

Section 3.5 **Allocations on Transfers**. If any Interest is transferred during any Allocation Year in compliance with the provisions of the Agreement, Profits, Losses, each item thereof, and all other items attributable to the transferred Interest for such Allocation Year shall be divided and allocated between the transferor and the transferee by taking into account their varying interests during such Allocation Year in accordance with Section 706(d) of the Code, using any methods and conventions permitted by Treasury Regulations Section 1.706-4 that is selected by the General Partner. Solely for purposes of making such allocations, the Partnership shall recognize such Transfer as of time that such Transfer is deemed to occur under Treasury Regulations Section 1.706-4, even if such Transfer is deemed to occur prior to or after the actual Transfer. Notwithstanding any provision of this Agreement to the contrary, this Section 3.5 is intended to be and shall be interpreted as an "agreement of the partners" (within the meaning of Treasury Regulations Section 1.706-4(f)) that the General Partner is authorized to select the methods, conventions, and additional extraordinary items within the meaning of Treasury Regulations Sections 1.707-4(a)(3)(iii), (c)(3), (d), and (e)(2)(ix) for purposes of determining the transferor's and transferee's distributive shares of the Partnership's Profits, Losses, each item thereof, and all other items attributable to the transferred Interest.

ARTICLE IV.
OTHER TAX MATTERS

Section 4.1 **Tax Returns**.

(a) The General Partner shall cause the Partnership to prepare and timely file (including extensions) all tax returns required to be filed by the Partnership pursuant to the Code and all other tax returns required in each jurisdiction in which the Partnership does business. Each Partner shall furnish to the Partnership all pertinent information in its possession relating to the Partnership's operations that is necessary to enable the Partnership's tax returns to be timely prepared and filed.

(b) The General Partner shall use reasonable efforts to cause the Partnership to furnish to each Partner all information with respect to the Partnership necessary for the preparation of such Partner's U.S. federal, state and local income tax returns or reasonable estimates thereof within ninety (90) days after the end of each Allocation Year. Except to the extent otherwise required by law or otherwise permitted by the Agreement or this Tax Exhibit, each Partner shall take reporting positions on their respective income tax returns consistent with the positions determined for the Partnership and reported to each Partner on the Schedule K-1 issued by the Partnership to such Partner.

Section 4.2 **Tax Elections**.

The Partnership shall make the following elections on the appropriate tax returns:

(a) to adopt the calendar year as the Partnership's Allocation Year to the extent permitted by Section 706 of the Code;

(b) to elect to deduct the organizational expenses of the Partnership as permitted by Section 709(b) of the Code;

(c) to elect to deduct the start-up expenditures of the Partnership as permitted by Section 195(b) of the Code;

(d) if requested by a Partner, to make an election under Section 754 of the Code and the Treasury Regulations promulgated thereunder to adjust the bases of the Partnership's Properties under Sections 734 and 743 of the Code; and

(e) any other election the General Partner deems appropriate and in the best interest of the Partnership.

Neither the Partnership nor any Partner may make an election for the Partnership to be classified as an association taxable as a corporation for U.S. federal income tax purposes or to be excluded from the application of the provisions of Subchapter K of Chapter 1 of Subtitle A of the Code or similar provisions of applicable state law, and no provision of the Agreement or this Tax Exhibit shall be construed to sanction or approve any such election.

Section 4.3 Tax Controversies.

(a) *Partnership Representative & Designated Individual*. The General Partner shall be designated as the "partnership representative" (within the meaning of Section 6223(a) of the Partnership Tax Audit Rules) of the Partnership (the "***Partnership Representative***"), and the General Partner shall designate the Designated Individual. In accordance with the Partnership Tax Audit Rules and to the extent provided therein, the General Partner shall have the authority to remove and replace each of the Partnership Representative and the Designated Individual and designate its or his successor. To the extent the General Partner deems necessary, each Partner shall take all actions required to cause such designations and removals to be effective under the Partnership Tax Audit Rules.

(b) *Authority*. Except as provided in this Tax Exhibit, the Partnership Representative and the Designated Individual shall have the power and authority granted to each in such capacities under the Partnership Tax Audit Rules, and each shall exercise (and the Designated Individual, if any, shall cause the Partnership Representative to exercise) such power and authority in a manner consistent with the Agreement, including this Tax Exhibit. If the Partnership Representative is a Person other than the Partnership, then neither the Partnership Representative nor the Designated Individual, individually or on behalf of the Partnership Representative, shall take the following actions without the prior consent of the General Partner and shall take such actions as directed by the General Partner:

(i) *Election Out.* Make the election provided by Section 6221(b) of the Partnership Tax Audit Rules to have Subchapter C of Chapter 63 of the Code not apply (the "***Election Out***").

(ii) *Engage Advisors and Experts*. Engage accountants, legal counsel, or experts to assist the Partnership Representative and the Designated Individual in discharging their duties hereunder at the expense of the Partnership.

(iii) *Extend the Statute of Limitations*. Enter into any agreement with the IRS to extend the period for assessing any U.S. federal income tax that is attributable to any item that may be the subject of an audit of a U.S. federal income tax return of the Partnership (an "***Affected Tax Return***").

(iv) *Settlements*. Settle any audit or agree to a notice of final partnership adjustment with respect to any Affected Tax Return with the IRS concerning the adjustment of any Partnership item.

(v) *Litigation*. Commence or settle any Tax Court case or other judicial or administrative proceeding with respect to any Affected Tax Return.

(vi) *Push Out Election*. Make the election provided in Section 6226 of the Partnership Tax Audit Rules (the "***Push Out Election***") with respect to an "imputed underpayment" described in Section 6225(b) of the Partnership Tax Audit Rules. To request such consent, the Partnership Representative shall, as soon as reasonable practicable, provide a notice to the General Partner explaining in reasonable detail the reasons for proposing such action and the date such action is proposed to be to be taken. If the requested consent has not been granted or denied before the date such action is proposed to be taken as set forth in such notice, the Partnership Representative may take such action on such date, and if such action is taken, the Partnership Representative shall promptly provide notice thereof to the General Partner.

(c) *Notice; Submissions*. The Partnership Representative shall (i) inform the Partners of all significant matters that may come to its attention in its capacity as the Partnership Representative and shall forward to the Partners copies of all significant written communications it may receive in that capacity within 10 business days of receiving the same and (ii) provide the Partners with drafts of significant written communications prior to the submission thereof with the IRS or any court, including protests, court filings, or settlement agreements, with a reasonable opportunity for the Partners to review and provide comments thereon. Any such written communication shall not be submitted or filed with the IRS or any court until approved by the Partners unless the Partnership Representative (or Designated Individual on behalf of the Partnership Representative) (i) reasonably determines that it must make such submission or filing to comply with the Partnership Tax Audit Rules, including to meet time limitations for making such submission or filing; (ii) reasonably determines that making such submission or filing is in the aggregate best interest of the Partnership; and (iii) the Partnership Representative notifies the Partners that such submission or filing has been or will be made, provides copies thereof, and provides reasonably sufficient detail explaining its reasons for making such submission or filing without obtaining such approval.

(d) *Imputed Underpayment Modifications*. The Partnership Representative shall use its reasonable efforts to (i) make any modifications available under Section 6225(c) of the Partnership Tax Audit Rules ("***Imputed Underpayment Modifications***") that would reduce any imputed underpayment, interest, penalty, addition to tax, or additional amount that could be assessed and collected from the Partnership under the Partnership Tax Audit Rules ("***Partnership Level Taxes***"), and (ii) if requested by a Partner or Former Partner, provide to such Partner or Former Partner information allowing such Partner or Former Partner to file an amended U.S. federal income tax return (as described in Section 6225(c)(2) of the Partnership Tax Audit Rules) to the extent that such amended return and payment of any related U.S. federal income taxes would reduce the Partnership Level Taxes payable by the Partnership. Each Partner and Former Partner agrees to promptly provide the Partnership Representative with information reasonably requested by the Partnership Representative in order for it to submit Imputed Underpayment Modifications to the IRS on a timely basis.

(e) *Allocation of Imputed Underpayment*. Notwithstanding any provision of the Agreement or this Tax Exhibit to the contrary, Partnership Level Taxes shall be treated as attributable to the Partners and Former Partners, and the General Partner, in consultation with the Partnership Representative, shall allocate the burden of any such Partnership Level Taxes to those Partners and Former Partners to whom such amounts are reasonably attributable (whether as a result of their status, actions, inactions, or otherwise), taking into account the effect of the

Imputed Underpayment Modifications that are properly attributable to each Partner or Former Partner (with respect to each Partner or Former Partner, its "***Allocated Share***"). With respect to the Allocated Shares of the Partners for each applicable Allocation Year, the General Partner shall cause each Partner or Former Partner to economically bear its Allocated Share by either (i) requiring each Partner or Former Partner to pay to the Partnership an amount equal to its Allocated Share or (ii) deducting from the amounts next distributable to such Partner pursuant to the Agreement an amount equal to its Allocated Share; provided, that, if the amount of such Partner's Allocated Share exceeds the amount of such aggregate reductions at the time of the dissolution and winding up of the Partnership pursuant to the Agreement, such Partner shall pay to the Partnership an amount equal to such excess prior to the final distribution pursuant to Article 14 of the Agreement. Except as otherwise required by law, the Partners, Former Partners, and the Partnership intend for U.S. federal income tax purposes that (i) the payment of the Partnership Level Taxes by the Partnership be treated as an expense that will be reimbursed by the Partners and Former Partners in proportion to their Allocated Shares; (ii) the payment of each Partner's or Former Partner's Allocated Share to the Partnership be treated as a reimbursement of such expense; and (iii) if, rather than making a payment to the Partnership, a Partner's distributions are reduced to pay such Partner's Allocated Share, then such Partner shall be treated as receiving a distribution and then reimbursing the Partnership for its Allocate Share with such distribution at the time distributions otherwise payable to such Partner are offset pursuant to this Section 4.3(e). To the fullest extent permitted by applicable law, each Partner and Former Partner (the "***Indemnifying Partner***") hereby agrees to indemnify and hold harmless the Partnership and the other Partners and Former Partners from and against the nonpayment of the Indemnifying Partner's Allocated Share.

(f) *Reimbursement; Indemnification*. Any reasonable cost or expense incurred by the Partnership Representative (if other than the Partnership) or Designated Individual in connection with its or his duties in such capacity shall be paid by the Partnership, and the Partnership shall promptly reimburse the Partnership Representative (if other than the Partnership) and Designated Individual for their respective reasonable out-of-pocket costs and expenses incurred in such capacities, including travel expenses and the costs and expenses incurred to engage accountants, legal counsel, or experts to assist the Partnership Representative and the Designated Individual in discharging their duties hereunder to the extent such engagements were approved, if required, pursuant to Section 4.3(b)(ii). The Partnership shall indemnify, defend, and hold the Partnership Representative (if other than the Partnership) and the Designated Individual harmless for all expenses, including legal and accounting fees, claims, liabilities, losses and damages incurred in connection with its serving in that capacity.

(g) Partners. Each Partner agrees to provide information, documents, self-certifications, tax identification numbers, tax forms, and verifications thereof, that the Partnership Representative or the Designated Individual reasonably requests in connection with fulfilling its duties contemplated in this Section 4.3, including such information needed to make the Election Out and the Push Out Election or an audit or a final adjustment of the Partnership by a taxing authority.

(h) *State & Local Taxes*. In connection with any state or local income or franchise tax audit that incorporates rules similar to the Partnership Tax Audit Rules, the rules, principles, and procedures of this Section 4.3 shall apply to such taxes, *mutatis mutandis*, and references to the Code or Treasury Regulations in this Section 4.3 shall be deemed to refer to corresponding provisions that may become applicable under state or local income or franchise tax statutes and regulations.

(i) *Survival*. The provisions of this Section 4.3 shall survive the termination of any Partner's interest in the Partnership and shall remain binding on the Partnership, the Partners, and Former Partners for so long as necessary to resolve with the IRS any and all matters regarding the U.S. federal income taxation of the Partnership, the Partners, and Former Partners with respect to Affected Tax Returns.

Section 4.4 Consolidated Reporting. If the Partnership is treated as a member of a consolidated, combined, or unitary group for tax purposes with any Partner or an Affiliate thereof (a "***Consolidated Group***"), such Partner (the "***Reporting Partner***") shall cause one of the members of such Consolidated Group other than the Partnership to be the reporting or parent entity for any tax return of such Consolidated Group and pay the tax liability due with respect to such Consolidated Group. The Partners agree that the Partnership shall promptly reimburse the Reporting Partner for any Applicable Tax (defined below) paid by or on behalf of the Reporting Partner or any other member of such Consolidated Group; provided, however, that the Partners agree that (a) any such Applicable Tax shall be considered as paid on behalf of the Partnership for U.S. federal income tax purposes, (b) except as provided in clause (c) below, the Partnership shall deduct for U.S. federal income tax purposes 100% of the Applicable Tax, and (c) in the event that it is determined, pursuant to a determination as defined in Section 1313 of the Code, that all or a portion of such deduction may be properly claimed by the Reporting Partner, its Affiliate, or any other member of the Consolidated Group, but not the Partnership, the Partnership shall reimburse the Reporting Partner only for the after-tax cost of such payment of Applicable Tax. With respect to any tax of a Consolidated Group of which the Partnership is a member, the "***Applicable Tax***" shall be equal to the tax of the Consolidated Group that the Partnership would have paid if it had computed its tax liability for the applicable period on a separate entity basis (rather than as a member of the Consolidated Group). Except as provided in this Section 4.4 with respect to the amount of such Consolidated Group's tax that the Partnership is required to reimburse the Reporting Partner, the Reporting Partner shall indemnify and hold the Partnership harmless from and against any and all taxes of the Consolidated Group.

APPENDIX B

TO THE AMENDED AND RESTATED LIMITED PARTNERSHIP AGREEMENT OF HOLDEN HILLS, L.P.

Definitions

"9% Return" is defined in Section 4.4(a).

"12% Return" is defined in Section 4.4(b).

"5% Promote Interest" is defined in Section 6.3(d)(iii).

"15% Promote Interest" is defined in Section 6.3(e)(iii).

"Act" is defined in Section 12.1(d).

"Additional Capital Contributions" is defined in Section 4.3(c)(ii).

"Additional Capital Contribution Notice" is defined in Section 4.3(c)(ii).

"Additional Capital Contribution Offering Period" is defined in Section 4.3(c)(ii).

"Additional Capital Contribution Funding Notice" is defined in Section 4.3(c)(ii).

"Additional Offered Interests" is defined in Section 4.10(a).

"Affiliates" means a Partner and any Person that directly or indirectly controls, is controlled by, or is under common control with the Person in question, or, in the case of a corporation, any entity succeeding to the interest of such corporation, provided that not less than fifty-one percent (51%) of the ownership interest in such entity is held by one or more Persons who had held a majority interest in such corporation As used in this definition of "Affiliate," the term "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through ownership of voting securities, by contract or otherwise. "Affiliate" shall also include the spouse, parents, children, grandchildren, and siblings of an Affiliate, a Partner or his or her spouse, as well as a trust, family partnership, limited liability company, or other entity whose primary beneficiaries or owners are the family members described herein.

"Agreed Asset Value" is defined in Section 13.2(c).

"Agreed Initial Value" is defined in Section 4.2(d).

"Agreement" is defined in the Introductory Paragraph.

"Annual Revised Business Plan" is defined in Section 7.16(b).

"Annual Revised Operating Budget" is defined in Section 7.16(c).

"Annual Revised Project Budget" is defined in Section 7.16(a).

"Applicable Rate" is defined in Section 6.5.

"Appraisal Notice" is defined in Section 13.2(c).

"Asset Management Agreement" means an Asset Management Agreement between the Partnership and the General Partner or an Affiliate thereof for the coordination and management of the Partnership, and amendments thereto, which agreement and each amendment thereto shall have been approved by the Partners in accordance with Section 7.4..

"Asset Management Fee" is defined in Section 7.10.

"Bankruptcy" means the filing of a voluntary or involuntary petition for relief as to any Person as debtor or bankrupt under the Bankruptcy Code of 1978, as amended, or a successor statute thereto (except if such petition is contested by such Person), or the filing by such Person or by another of a petition or application to declare the insolvency of such Person or for the appointment of a receiver or a trustee for such Person or a substantial part of such Person's assets; provided, however, if such proceeding is commenced by another, such Person must indicate such Person's approval of such proceeding, consent thereto or acquiesce therein, or fail to have such proceeding dismissed within one hundred twenty (120) days.

Borrower files a petition for relief under the Federal Bankruptcy Code or any other present or future federal or state insolvency, bankruptcy or similar law (all of the foregoing collectively called "**Applicable Bankruptcy Law**") or an involuntary petition for relief is filed against Borrower under any Applicable Bankruptcy Law and such involuntary petition is not dismissed within ninety (90) days after the filing thereof, or an order for relief naming Borrower is entered under any Applicable Bankruptcy Law, or any composition, rearrangement, extension, reorganization or other relief of debtors now or hereafter existing is requested or consented to by Borrower

"Business" is defined in Section 2.1.

"Business Plan" is defined in Section 7.16(b).

"Buy/Sell Closing" is defined in Section 8.4(f).

"Buy/Sell Closing Date" is defined in Section 8.4(f).

"Buy/Sell Election Period" is defined in Section 8.4(c).

"Buy/Sell Offer Notice" is defined in Section 8.4(a).

"Buy/Sell Purchase" is defined in Section 8.4(f).

"Buy/Sell Purchaser" is defined in Section 8.4(f).

"Buy/Sell Right" is defined in Section 8.4(a).

"Buy/Sell Seller" is defined in Section 8.4(f).

"Capital Commitment" or ***"Capital Commitments"*** is defined in Section 4.3(b)(i).

"Capital Commitment Call" is defined in Section 4.3(b)(i).

"Capital Commitment Call Notice" is defined in Section 4.3(b)(i).

"Capital Commitment Shortfall" is defined in Section 4.3(b)(ii).

"Capital Contributions" is defined in Section 4.2(a).

"Capital Interests" or ***"Capital Interest"*** is defined in Section 4.1(a).

"Cause Event" is defined in Section 7.12.

"Certificate of Formation" is defined in the Recitals.

"Change of Control" is defined in the Section 8.1.

"Class A Guarantor" is defined in the Section 4.3(b)(iii).

"Class B Guarantor" is defined in the Section 4.3(b)(iii).

"Class A Limited Partner" is defined in the Introductory Paragraph.

"Class B Limited Partner" is defined in the Introductory Paragraph.

"Computed Value" is defined in Section 13.2(b).

"Consent Request Notice" is defined in Section 7.4.

"Construction Loan" is defined in Section 4.3(d).

"Contributing Partners" is defined in Section 4.8.

"Contribution Agreement" is defined in Section 1.10.

"Credit Guarantor" is defined in Section 4.3(e).

"Deadlock" is defined in Section 7.4.

"Deadlock Notice" is defined in Section 7.4.

"Development Agreement" is defined in Section 7.10.

"Development Management Agreement" means a Development Management Agreement for the coordination and management of the development and construction of the Property (including, without limitation, the Project), and amendments thereto, which agreement and each amendment thereto shall have been approved by the Partners in accordance with Section 7.4.

"Development Management Fee" is defined in Section 7.10.

"Direct Transfer" is defined in Section 8.1.

"Dispute" is defined in Section 15.19(a).

"Dispute Notice" is defined in Section 15.19(a).

"Distribution Interests" or ***"Distribution Interest"*** is defined in Section 4.1(a).

"Effective Date" is defined in the Introductory Paragraph.

"Election Notice" is defined in Section 4.10(b).

"Electronic Signature" is defined in Section 15.9.

"*Event of Default*" is defined in Section 13.1.

"Firm" is defined in Section 12.4.

"Funding Deficit" is defined in Section 4.3(c)(i).

"Fundamental Decisions" is defined in Section 7.4.

"GAAP" means generally accepted accounting principles as set forth in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board (or agencies with similar functions of comparable stature and authority within the accounting profession), or in such other statements by such entity as may be in general use by significant segments of the U.S. accounting profession. The foregoing shall not be intended to include the requirement that footnotes be included in financial statements.

"General Partner" is defined in the Introductory Paragraph.

"General Interest Rate" is defined in Section 4.5(a).

"Guarantor" or ***"Guarantors"*** is defined in Section 7.13.

"Guarantor Releases" is defined in Section 7.13.

"Guaranty" is defined in Section 4.3(d).

"Guaranty Payment" is defined in Section 4.3(e).

"Hard Construction Costs" means the amount so designated in the Project Budget or an amendment thereto, to the extent such amount is actually spent by the Partnership.

"Indemnified Losses" is defined in Section 7.11(a).

"Indemnified Parties" is defined in Section 8.4(f).

"Indirect Transfer" is defined in Section 8.1.

"Initial Business Plan" is defined in Section 7.16(b).

"Initial Capital Contributions" is defined in Section 4.2(a).

"Initial Distribution to the Class A Limited Partner" is defined in Section 4.2(c).

"Initial Operating Budget" is defined in Section 7.16(c).

"Initial Project Budget" is defined in Section 7.16(a).

"Initial Project Costs" is defined in Section 4.2(b)(iii).

"Initiating Partner" is defined in Section 8.4(a).

"Interest" or ***"Interest(s)"*** is defined in Section 4.1(a).

"Investment Restrictions" is defined in Section 15.20.

"Lender" is defined in Section 2.3.

"Limited Partners" or ***"Limited Partner"*** is defined in the Introductory Paragraph.

"Limited Partner Indemnified Parties" means the Limited Partners, and their respective Affiliates and members, partners, officers, directors, employees, agents, stockholders and legal representatives.

"Listing Agreement" is defined in Section 7.10.

"Loan Offering Period" is defined in Section 4.5(b).

"Major Decision" or ***"Major Decisions"*** is defined in Section 7.4.

"Net Cash Flow" is defined in Section 6.1.

"Non-Contributing Partner" is defined in Section 4.8.

"Offer Amount" is defined in Section 8.4(a).

"Offer Terms" is defined in Section 8.4(a).

"Offering Notice" is defined in Section 4.10(a).

"Operating Budget" is defined in Section 7.16(c).

"Operating Loan(s)" is defined in Section 4.5(a).

"Operating Loan Funding Notice" is defined in Section 4.5(b).

"Operating Loan Offer Notice" is defined in Section 4.5(b).

"Original Partnership Agreement" is defined in the Recitals.

"Organization Date" is defined in the Recitals.

"Partner" or ***"Partners"*** is defined in the Introductory Paragraph.

"Partnership" is defined in the Recitals.

"Partnership Indemnified Parties" means the General Partner and its Affiliates (other than the Class A Limited Partner) and the members, partners, officers, directors, employees, agents, stockholders and any Person who serves at the specific request of the General Partner on behalf of the Partnership as a member, partner, officer, director, employee or agent of any other Person.

"Permitted Assignee" is defined in Section 8.2(c).

"Person" means any individual, partnership, limited partnership, joint venture, corporation, limited liability company, trust, estate, custodian, trustee, executor, administrator, nominee, representative, unincorporated organization, sole proprietorship, employee benefit plan, tribunal, governmental entity, department, or agency, or other entity.

"Personal Property" is defined in Section 4.2(b)(i).

"Proceeding" is defined in Section 7.11(b).

"Prohibited Investment" is defined in Section 15.20.

"Project" is defined in Section 2.2.

"Project Budget" is defined in Section 7.16(a).

"Promote Interest" is defined in Section 6.3.

"Property" is defined in Section 2.1.

"Proprietary Information" is defined in Section 7.15(a).

"Proposed Valuations" is defined in Section 13.2(c).

"Published NAV" is defined in Section 10.3(b).

"Qualified Transferee" is defined in Section 8.3(a).

"Real Property" is defined in Section 2.1.

"Receipt Amount" are defined in Section 8.4(b).

"Redemption Notice" are defined in Section 13.2(a).

"Remaining Funding Deficit" is defined in Section 4.3(c)(i).

"Remaining Payment Amount" is defined in Section 4.2(e).

"Removal Notice" is defined in Section 7.12.

"Represented Parties" is defined in Section 12.4.

"Responding Partner" is defined in Section 8.4(a).

"ROFR Interest" is defined in Section 8.3(b).

"ROFR Notice" is defined in Section 8.3(b).

"ROFR Offer" is defined in Section 8.3(b).

"ROFR Offeree" is defined in Section 8.3(b).

"ROFR Purchaser" is defined in Section 8.3(b).

"ROFR Sale" is defined in Section 8.3.

"Sale Assets" is defined in Section 8.4(a).

"Sale Proceeds" is defined in Section 6.4.

"Securities Laws" is defined in the cover page.

"Section N" means that certain real property in Travis County described on Exhibit G attached hereto.

"Selling Partner" is defined in Section 8.3.

"Stratus" is defined in Section 1.11.

"Stratus Partners" is defined in Section 8.4(a).

"TBOC" is defined in Section 1.1.

"Transactions" is defined on Exhibit F.

"Transfer" is defined in Section 8.1.

"Triggering Event" is defined in Section 8.4(a).

"Unreturned 9% Return" is defined in Section 4.4(d).

"Unreturned 12% Return" is defined in Section 4.4(d).

"Unreturned Additional Capital Contributions" is defined in Section 4.4(d).

"Unreturned Capital Contributions" is defined in Section 4.4(d).

"Valuation Consultant" is defined in Section 13.2(c).

"Voting Interests" or ***"Voting Interest"*** is defined in Section 4.1(a).

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. Information that was omitted has been noted in this document with a placeholder identified by the mark "[***]".

DEVELOPMENT AGREEMENT

(Barton Creek Section N Tecoma Circle Phase 2 Right of Way)

This Development Agreement (this "Agreement") is made and entered into effective as of January 31 , 2023 (the "Effective Date") by and between **STRATUS PROPERTIES OPERATING CO., L.P.**, a Delaware limited partnership ("SPOC"), and **HOLDEN HILLS, L.P.**, a Texas limited partnership ("Holden Hills"). SPOC and Holden Hills are sometimes collectively called "Parties" or individually a "Party."

R E C I T A L S:

A. SPOC owns the land described on Exhibit A attached hereto (the "SPOC Land").

B. Holden Hills owns the land described on Exhibit B attached hereto (the "Holden Hills Land").

C. The Parties desire to enter into this Agreement to provide for cost sharing of the design, permitting, and construction of certain street, drainage, water quality pond, water, wastewater, effluent, erosion/sedimentation control, sidewalk, electric, and gas improvements a more particularly described on Exhibit C attached hereto (collectively, the "Tecoma Improvements").

D. SPOC and the City of Austin entered into that certain Subdivision Construction Agreement signed by the City of Austin on June 15, 2022 and recorded as document number 2022110640 in the Official Public Records of Travis County, Texas entered into as a condition to approval of the final subdivision plat of the Barton Creek Section N Tecoma Circle Phase 2 Right of Way Subdivision, City Case No. C8-92-0064.5A, and pursuant to which SPOC is required to complete the Tecoma Improvements (the "Subdivision Construction Agreement").

AGREEMENTS:

NOW, THEREFORE, for and in consideration of the premises, the mutual promises and covenants in this Agreement, and other good and valuable consideration, the receipt and sufficiency of which are acknowledged, SPOC and Holden Hills agree as follows:

ARTICLE 1
DESIGN, PERMITTING, AND CONSTRUCTION

1.1 Design and Permitting. Before the Effective Date, SPOC engaged LJA Engineering, Inc. (the "Engineer") to design and assist in securing the necessary permits and approvals for the construction and installation of the Tecoma Improvements in accordance with all applicable governmental regulations, including the requirements of the Subdivision Construction Agreement. The plans and specifications for the Tecoma Improvements, entitled *Barton Creek Section N – Tecoma Circle Phase 2 Paving, Drainage, Water and Wastewater*, dated August 10, 2020 and sealed by John A. Clark, P.E. (referred to as the "Plans and Specifications" and incorporated herein by reference), were submitted, reviewed, and approved

by the City of Austin under Case File C8-92-0064.5A. The permits and approvals required for the construction of the Tecoma Improvements from the City of Austin and other applicable governmental authorities have been issued.

1.2 Constructing Party. Holden Hills will cause the construction and installation of the Tecoma Improvements, as provided in this Agreement. Such construction and installation will be performed by one or more contractors selected by Holden Hills in accordance with Section 1.3 below. Holden Hills will use reasonable efforts to ensure that such construction and installation is performed in a diligent and good and workmanlike manner and in accordance with the Subdivision Construction Agreement and the Plans and Specifications and all applicable governmental rules and regulations, including, without limitation, those necessary for the acceptance of the Tecoma Improvements for operation and maintenance by the City of Austin and the applicable utility providers.

1.3 Contractor. Holden Hills, in its discretion but working with the assistance of and in cooperation with SPOC, and in compliance with the public bid process required by the applicable municipal utility districts (collectively, the "MUDs"), will select and engage one or more contractors for the construction and installation of the Tecoma Improvements (the "Contractor"). Although the Tecoma Improvements may be divided into one or more components for purposes of contracting (e.g., streets under one contract and utilities under another; streets and wet utilities under one contract with dry utilities under another, etc.), for coordination, efficiency, and cost purposes, Holden Hills expects to award construction of all components of the Tecoma Improvements to a single contractor.

1.4 Construction Contracts. Each construction contract between Holden Hills and a Contractor (a "Construction Contract") will require the Contractor to construct the applicable portion of the Tecoma Improvements in accordance with the Plans and Specifications. A projected schedule for construction of the Tecoma Improvements is set forth on Exhibit D attached hereto (the "Construction Schedule"). Each Construction Contract will include an estimated substantial completion date for the Tecoma Improvements (or applicable portion thereof) that is consistent with the date for completion set forth in the Construction Schedule. Holden Hills will use commercially reasonable efforts to cause each Contractor to achieve substantial completion of the Tecoma Improvements (or applicable portion thereof) on or before the substantial completion date indicated in the Construction Schedule, subject to any delay due to Force Majeure (defined below). As soon as reasonably possible after substantial completion of the Tecoma Improvements, Holden Hills shall have the Tecoma Improvements accepted for maintenance by the City of Austin (or other applicable governmental entity or utility service providers). Upon completion and acceptance of the Tecoma Improvements by the City of Austin, Holden Hills will cause the Contractors to post the required maintenance bond with the City of Austin and will use commercially reasonable efforts to enforce the applicable Contractor's warranty in the event of any work defect during the maintenance period.

1.5 Change Orders. Holden Hills, in its reasonable discretion, may issue change orders and/or changes to the Plans and Specifications with regard to the Tecoma Improvements, so long as such changes: (i) are required to comply with any applicable governmental regulations, rules, codes, statutes, or ordinances; (ii) do not significantly change the location, quality, or cost of the Tecoma Improvements; (iii) are required due to unforeseen conditions and

are required to complete the Tecoma Improvements; and (iv) are in compliance with City of Austin or MUD requirements, as applicable. Copies of all such change orders shall be delivered to SPOC within thirty (30) days after Holden Hills's execution of such change order. Any proposed change orders will not require the prior consent or approval of SPOC.

1.6 **Fiscal Security**. SPOC has posted all fiscal security required for the Tecoma Improvements by the City of Austin as required by the Subdivision Construction Agreement. Before the Effective Date, SPOC posted a standby letter of credit with the City of Austin issued by Comerica Bank (LOC No. OSB22774T) dated June 10, 2022 in the amount of $6,671,933.00 as fiscal security for completion of the Tecoma Improvements. SPOC will leave such fiscal security posted with the City of Austin until the Tecoma Improvements are completed and accepted by the City (for avoidance of doubt, Holden Hills will not be required to replace, in whole or part, the fiscal security posted by SPOC). The fiscal security posted by SPOC will be repayable and returnable only to SPOC, which is expected to occur upon completion of the Tecoma Improvements and release of such fiscal by the City of Austin.

1.7 **Maintenance Bonds**. Each Construction Contract will require the applicable Contractor, as a condition of substantial completion of the Tecoma Improvements (or applicable portion thereof), to secure a maintenance bond for any portion of the Contractor's work that the City of Austin or applicable governmental authority requires be covered by a maintenance bond.

1.8 **Completion and Acceptance**. After the Tecoma Improvements are completed and accepted by the City of Austin and any other applicable governmental authority, Holden Hills will deliver a written notice to SPOC ("Notice of Completion") stating that the Tecoma Improvements have been completed, the amount of the actual Project Costs (as defined below) incurred before the date of the Notice of Completion, and the applicable remaining amount of the Project Costs owed by SPOC to Holden Hills, with reasonably detailed supporting materials evidencing completion and acceptance of the Tecoma Improvements, including a certificate of completion signed by the Engineer, final lien releases from contractors, and reasonably detailed supporting materials for the actual Project Costs.

ARTICLE 2
PROJECT COSTS AND PAYMENTS

2.1 **Project Costs**. All costs and expenses incurred by either SPOC or Holden Hills with respect to the planning, preparation, design, engineering, permitting, approvals, contracting, construction management, construction, and installation of the Tecoma Improvements are referred to as the "Project Costs". The Project Costs include, without limitation, engineering, architect, legal, consulting and other profession fees, contract administration and management fees, expenses for posting fiscal security, maintenance bond fees, insurance, and other related costs and expenses, but do not include any general overhead expenses of SPOC or its affiliates or fees and expenses paid by SPOC to its affiliates (except to the extent reimbursed to such affiliates for payments to third parties that would otherwise qualify as Project Costs). The budget for the Project Costs is attached as Exhibit E, which reflects the Project Costs included in Exhibit C of the Holden Hills LPA (as defined below) and the budgeted Project Costs to be incurred and paid thereafter as set forth in the Project Budget (as defined in the Holden Hills LPA).

2.2 **Cost Sharing**. SPOC will be responsible for sixty percent (60%) of the Project Costs, and Holden Hills will be responsible for forty percent (40%) of the Project Costs.

2.3 **Initial Payments by Holden Hills**. Holden Hills will pay for all Project Costs as and when due pursuant to the Construction Contracts, contracts with the applicable service or product providers, or applicable law.

2.4 **Cost Sharing Payments by SPOC to Holden Hills**.

(a) Progress Payments. Holden Hills will deliver periodic written notices (anticipated to be during the first or second week of each month in connection with construction draw requests pursuant to the Construction Contracts) stating the amount of the actual Project Costs incurred to date that Holden Hills requires payment from SPOC (each a "Progress Payment Notice") with reasonably detailed supporting materials for such Project Costs. Within five (5) days after receipt of the applicable Progress Payment Notice, SPOC will pay to Holden Hills SPOC's 60% share of the Project Costs reflected in such Progress Payment Notice (the "Progress Payments").

(b) Payments Upon Completion. Within five (5) days after receipt of the Notice of Completion, SPOC will pay to Holden Hills SPOC's 60% share of the remaining Project Costs not previously paid by the Progress Payments.

(c) Additional Project Costs. If Holden Hills incurs any additional Project Costs not included in the Progress Payment Notices or Notice of Completion, then Holden Hills may require payment from SPOC for SPOC's 60% share of such additional Project Costs by delivering written notice to SPOC for payment of such amount with reasonably detailed supporting materials of such additional Project Costs. Within five (5) days after receipt of such written notice of additional Project Costs, SPOC will pay its 60% share of the additional Project Costs to Holden Hills.

2.5 **MUD Reimbursement Sharing**. A portion of the Tecoma Improvements will be dedicated to and maintained by the MUDs, and pursuant to those certain reimbursement agreements entitled Utility Construction and Reimbursement Agreement between Travis County Municipal Utility District No. 4 and Holden Hills dated effective as of September 13, 2022, and Utility Construction and Reimbursement Agreement between Travis County Municipal Utility District No. 8, and Holden Hills dated effective as of August 31, 2022, Holden Hills is expected to be eligible for future reimbursement of a portion of the Project Costs for such Tecoma Improvements dedicated to the MUDs. To the extent Holden Hills receives reimbursements of the Project Costs from the MUDs, Holden Hills will deliver sixty percent (60%) of such amounts to SPOC within thirty (30) days after receipt of such reimbursements, along with reasonably detailed supporting documentation for the reimbursement and the allocation to SPOC.

ARTICLE 3
MISCELLANEOUS

3.1 **Force Majeure**. The term "Force Majeure" means any of the following events: (i) acts of God; (ii) fires, explosions, floods, earthquakes, natural disasters, or other action of the

elements; (iii) war, invasions, hostilities (whether war is declared or not), terrorist threats or acts, riots or other civil unrest; (iv) moratorium on the issuance of governmental approvals; (v) governmental or military authority, proclamations, orders, laws, actions, or requests; (vi) embargoes or blockades; (vii) epidemics, pandemics, or other national or regional public health emergencies; (viii) strikes, labor stoppages or slowdowns, or other industrial disturbances; (ix) inability to procure or a general shortage of labor, equipment, facilities, materials, supplies, or power; (x) failure of transportation; (xi) shortage of supplies, adequate power, or transportation facilities; and (xii) any other event or cause, whether similar or dissimilar to the foregoing, that actually causes a delay in the performance of an obligation herein, and is not within the control of the Party claiming the Force Majeure. In no event will the obligation to pay money be subject to delay by reason of a claim of Force Majeure. Each Party shall use reasonable diligence to avoid any Force Majeure event and shall resume performance as promptly as possible after the occurrence of a Force Majeure event.

3.2 **Attorneys' Fees**. Any Party to this Agreement who is the prevailing Party in any legal proceeding against any other Party brought under or with relation to this Agreement or transaction shall be additionally entitled to recover court costs and reasonable attorney's fees from the non-prevailing Party.

3.3 **Notices**. Any notices required or permitted to be given under this Agreement shall be in writing and shall be deemed to be given (a) when actually received by that party, or (b) three (3) days after being deposited in the United States mail, postage prepaid, certified mail, return receipt requested, addressed to the party in question at the address indicated hereinbelow, or to a different address as previously given in a notice to the other parties in accordance with the terms hereof:

If to SPOC: Stratus Properties Operating Co., L.P.
Attn: Erin D. Pickens
98 San Jacinto Blvd., Suite 220
Austin, Texas 78701

with a copy to: Armbrust & Brown, PLLC
Attn: Ken Jones
100 Congress Avenue, Suite 1300
Austin, Texas 78701

If to Holden Hills: Holden Hills, L.P.
Attn: William H. Armstrong, III
98 San Jacinto Blvd., Suite 220
Austin, Texas 78701

with a copies to: Armbrust & Brown, PLLC
Attn: Ken Jones
100 Congress Avenue, Suite 1300
Austin, Texas 78701

[***]

[***]
[***]
[***]

Reed Smith LLP
Attn: Edward Rhyne
811 Main Street, Suite 1700
Houston, Texas 77002

Either Party may change its address for notices by notifying the other Party hereunder of such change by written notice in accordance with this Section.

3.4 **Further Assurances**. Each Party will, promptly upon the reasonable request of another Party, correct any defect, error or omission which may be discovered in the contents of this Agreement; execute, acknowledge, deliver, procure and record and/or file such further documents (including, without limitation, plats, permit requests, easements, dedications, ratifications, releases, affidavits and certifications) and do such further acts as may be necessary, desirable or proper to carry out more effectively the purposes of this Agreement, to more fully identify any subject to this Agreement, property and interests intended to be covered; and provide such certificates, documents, reports, information, affidavits and other instruments and do such further acts as may be necessary, desirable or proper in the reasonable determination of the requesting Party to enable the requesting Party to comply with the requirements or requests of any agency having jurisdiction over the SPOC Land or Holden Hills Land, or any portion thereof.

3.5 **Entire Agreement**. This Agreement contains the entire agreement of the Parties hereto with respect to the subject matter hereof, and this Agreement can be amended only by written agreement signed by all of the Parties.

3.6 **Governing Law, Performance, and Venue**. THIS AGREEMENT WILL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS, EXCLUDING ANY CONFLICTS-OF-LAW RULE OR PRINCIPLE THAT MIGHT REFER THE CONSTRUCTION OR INTERPRETATION OF THIS AGREEMENT TO THE LAWS OF ANOTHER STATE. ALL OBLIGATIONS CREATED IN THIS AGREEMENT ARE PERFORMABLE IN TRAVIS COUNTY, TEXAS, AND THE EXCLUSIVE VENUE FOR ANY ACTION BROUGHT UNDER THIS AGREEMENT WILL BE IN TRAVIS COUNTY, TEXAS.

3.7 **Binding Effect**. This Agreement and all of its terms and provisions shall be binding upon and inure to the benefit of the Parties hereto and their respective successors and assigns.

3.8 **Invalid Provisions**. In case any one or more of the provisions contained in this Agreement shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision of this Agreement, and this Agreement shall be construed as if such invalid, illegal or unenforceable provision had never been contained.

3.9 **Amendments**. This Agreement may be amended only by a writing signed and acknowledged by all of the Parties.

3.10 **Exhibits**. Each reference to an exhibit refers to the applicable exhibit that is attached to this Agreement, which exhibit may be amended by the Parties from time to time in accordance with the provisions of this Agreement. All such exhibits constitute a part of this Agreement.

3.11 **Waivers**. A waiver by a Party of any provision of this Agreement or of any default by any Party must be in writing and no such waiver shall be implied from any omission by a Party to take any action in respect of such default if such default continues or is repeated. No express written waiver of any default shall affect any default or cover any period of time other than the default and period of time specified in such express waiver.

3.12 **No Partnership**. Nothing in this Agreement or any acts of the Parties shall be construed or deemed by the Parties, or by any third person, to create the relationship of principal and agent, or of partnership, or of joint venture.

3.13 **Counterparts**. To facilitate execution, this Agreement may be executed in any number of counterparts as may be convenient or necessary, and it shall not be necessary that the signatures of all Parties hereto be contained on any one counterpart hereof. A signed copy of this Agreement delivered by email or other means of electronic transmission will be deemed to have the same legal effect as delivery of an original signed copy of this Agreement.

3.14 **Limitation of Liability of Holden Hills**. Notwithstanding anything to the contrary, Holden Hills shall not have any liability or obligation to SPOC for the performance or failure to perform any obligation or covenant in, or any other act or omission pursuant to, this Agreement except to the extent such performance, failure to perform, or other act or omission was at the direction of Bartoni, LLC. a Delaware limited liability company ("Bartoni") or the direct result of Bartoni's breach of its obligations under the Amended and Restated Limited Partnership Agreement of Holden Hills, dated as of the Effective Date, as amended (the "Holden Hills LPA").

EXECUTED by the Parties to be effective as of the date first above written.

SPOC:

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

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

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

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

HOLDEN HILLS:

HOLDEN HILLS, L.P., a Texas limited partnership

By: Holden Hills GP, L.L.C., a Texas limited liability company, General Partner

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

LIST OF EXHIBITS
TO
Development Agreement
By and Between
Stratus Properties Operating Co., L.P. and
Holden Hills, L.P.

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

Exhibit A – SPOC Land

Exhibit B – Holden Hills Land

Exhibit C – Tecoma Improvements[1]

Exhibit D – Construction Schedule

Exhibit E – Budget[2]

[1] Exhibit C has been filed as an exhibit to this Development Agreement.
[2] Exhibit E has been filed as an exhibit to this Development Agreement.

EXHIBIT C

Tecoma Improvements

The Tecoma Improvements generally consist of the final phase of Tecoma Circle, extending the roadway and related improvements (drainage, water quality pond, water, wastewater, effluent, erosion/sedimentation control, sidewalk, electric, and gas) through the SPOC Land, from its current terminus to Southwest Parkway. The Tecoma Improvements enable access and provide critical utilities necessary for the development of both the SPOC Land and the Holden Hills Land. The Tecoma Improvements are described in detail in the Plans and Specifications.

EXHIBIT E

Budget

Tecoma Circle

Construction Budget

	Total Cost
Construction Costs	$12,211,196
Engineering, Surveying, Geotech	$2,442,239
Total Costs	**$14,653,435**

STRATUS PROPERTIES INC.
DIRECTOR COMPENSATION
(As of August 11, 2022)

Cash Compensation

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

Equity-Based Compensation

Each non-employee director receives equity-based compensation under Stratus' stock incentive plans, which were approved by Stratus' stockholders. Each year, each non-employee director receives a grant of restricted stock units ("RSUs") having a grant date fair value equal to $45,000. Beginning in 2023, the grant date for the RSU award each year will be on or around the date of Stratus' annual meeting of stockholders. The RSUs will fully vest on the first anniversary of the grant date. Each RSU entitles the director to receive one share of Straus common stock upon vesting.

Stock Purchase Elections

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

CONSULTING AGREEMENT

This Consulting Agreement (this "Agreement") is entered into effective as of the Effective Date, as defined in Section 9.13 below, by and between **Stratus Properties Inc.**, a Delaware corporation (the "Company"), and **James C. Leslie**, an individual residing in Dallas, Texas ("Consultant").

R E C I T A L:

The Company desires to engage Consultant as an independent contractor to perform certain services described in this Agreement, and Consultant desires to accept engagement in such capacity by the Company under the terms and conditions of this Agreement.

NOW, THEREFORE, in consideration of the premises, the mutual covenants of the parties set forth in this Agreement and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Company and Consultant agree as follows:

1. **Engagement**. The Company hereby engages Consultant and Consultant accepts such engagement as an independent contractor and not as an employee, all in accordance with the terms and conditions of this Agreement.

2. **Term**. Consultant's engagement under this Agreement will commence on the Effective Date and terminate two years thereafter (the "Term"). Notwithstanding anything to the contrary contained herein, this Agreement and the Term are subject to prior termination pursuant to Section 5.

3. **Duties and Responsibilities**. During the Term, Consultant will consult with and advise the Company on matters related to strategy and operations of the Company (collectively, the "Services"), including but not limited to consulting with and assisting the Company in evaluating, qualifying, and analyzing proposals from prospective lenders and equity providers.

4. **Service Parameters**. The Services will be performed by Consultant only at the direction of the Lead Independent Director (or the Independent Chairman, should be Company change its structure), and shall be limited to twenty-five (25) hours per quarter; any of such twenty-five hours not used in a particular quarter shall not be carried forward to any subsequent quarter.

5. **Fees**. In consideration of the Services to be performed under this Agreement, the Company will pay Consultant a fee ("Consulting Fee") at the rate of Twenty-Five Thousand Dollars per quarter for eight consecutive quarters. Payment will be made in a one-time lump sum payment of Two Hundred Thousand Dollars ($200,000.00) on the Effective Date. In addition, the Company shall reimburse Consultant on a monthly basis for all reasonable and necessary business expenses incurred by Consultant in the performance of Consultant's duties, functions and responsibilities under this Agreement. All requests for reimbursement of expenses shall be submitted on periodic expense reports in accordance with the Company's policy at any given time.

6. **Termination of Engagement**.

6.1 **Termination by the Company**. The Company may terminate the engagement of Consultant under this Agreement immediately upon written notice for any reason or no reason. Upon termination of this Agreement by the Company, the Consulting Fee shall be deemed fully earned, provided that such termination shall not be due to the breach of this Agreement or willful misconduct by Consultant.

6.2 **Termination by Death of Consultant**. The death or permanent disability of Consultant will cause the immediate termination of this Agreement.

6.3 **Liabilities Upon Termination**. Upon termination of this Agreement, neither the Company nor Consultant will have any further liability to the other under this Agreement.

7. **Certain Covenants of Consultant**.

7.1 **Confidentiality**. The Company and the Company's affiliates own and/or hold certain confidential or proprietary information and trade secrets, including, without limitation, agreements with third parties, financial information, marketing information, customer information, vendor information, business plans, projections, personnel information, and other business information (all of such agreements and information are referred to collectively as the "Confidential Information"). The Company may disclose some of the Confidential Information to Consultant in the performance of Consultant's service under this Agreement. Consultant agrees to (i) keep the Confidential Information strictly confidential and (ii) not disclose (directly or indirectly), and take all reasonable steps to prevent disclosure of, any of the Confidential Information to any person or entity other than persons authorized in writing in advance by the Company. Consultant agrees not to use the Confidential Information for Consultant's own benefit or account or in any way, directly or indirectly, detrimental to the Company without the prior express written consent of the Company. Prohibited actions by Consultant include, but are not limited to, (i) the internal or external use of the Confidential Information for a use not expressly granted in writing to Consultant by the Company and (ii) the sale, lease, transfer, conveyance, or disposition of the Confidential Information or any part of the Confidential Information in a way not provided by the terms of this Agreement. The term "Confidential Information" does not apply to information which (i) is or becomes public knowledge other than by default on the part of Consultant; (ii) Consultant receives prior written approval to disclose; (iii) is independently developed by Consultant or is lawfully obtained by Consultant from a third party having no duty of confidentiality to the Company in respect of such information; (iv) Consultant is required to disclose by judicial action. Consultant acknowledges that the Confidential Information constitutes valuable, special, and unique property of the Company critical to its business, and that irreparable damage will result to the Company if any of the Confidential Information is disclosed to a third party except as provided herein and that, as a result, money damages alone are an inadequate remedy for breach of this Agreement because of the difficulty of ascertaining the amount of damage that will be suffered by the Company in the event this Agreement is breached. Therefore, Consultant agrees that the Company will be entitled to obtain specific performance of this Agreement and injunctive relief against any breach or threatened breach hereof, and Consultant agrees to waive, and to use its best efforts to

cause its representatives to waive, any requirement of the securing or posting of any bond in connection with such remedies; provided, however, if any bond or bonds are required to be posted by the Company in connection with such remedies, such bond or bonds will not exceed One Thousand Dollars ($1,000.00) in the aggregate. Such remedies will not be deemed exclusive remedies for breach of this Agreement, but will be in addition to all other remedies available at law or in equity to the Company.

The Company acknowledges that Consultant currently owns and operates a business similar to the Company's business in the North Texas market. Notwithstanding any other provision of this Agreement, Consultant at any time and from time to time may engage in and possess interests in other business ventures of any and every type and description, independently or with others, including ones in competition with the Company, with no obligation to offer to the Company the right to participate therein.

7.1 **Non-Disparagement**. Consultant will not make nor publish any statement, written or oral, disparaging the reputation of the Company or the Company's directors, officers, employees, owners, and agents.

7.2 **Professional Efforts**. Consultant will provide the Services in a diligent and professional manner. In addition to the specific duties set forth in this Agreement, Consultant will use Consultant's best efforts to preserve and enhance the business of the Company and the goodwill of all owners, customers, clients, consultants, contacts, suppliers and other persons having business relations with the Company. Consultant agrees to maintain the highest standards of professionalism, honesty and integrity in the discharge of Consultant's duties hereunder.

7.3 **No Authority**. Notwithstanding any provision in this Agreement to the contrary, Consultant agrees that Consultant has no authority to enter into, execute, make or acknowledge any documents, agreement or representation pertaining to the Company, or the Company's clients or any sale to which the Company is a party or to which the Company may be bound, without the express prior written approval of the Company. Consultant agrees that Consultant will not enter into, execute, make or acknowledge any contract, covenant, agreement or representation binding upon the Company without the express prior written approval of the Company.

7.4 **Applicable Laws**. During the Term, Consultant will comply with all federal, state and local laws, statutes, regulations, ordinances and rules (collectively referred to herein as the "Applicable Laws").

7.5 **Enforcement**. A breach of the covenants contained in Sections 7.1, 7.2, 7.4 or 7.5 by Consultant will result in irreparable and continuing damage to the Company and its business for which the Company will have no adequate remedy at law. Consultant hereby agrees and stipulates that the monetary damages which would be suffered by the Company in the event Consultant breaches any such covenant would be difficult to measure and would not be an adequate remedy to the Company for the breach thereof, and for this reason and other reasons, Consultant hereby agrees that the Company will have the right to seek, without liability of the Company to Consultant, specific

performance of and injunctive relief (both temporary and permanent) against Consultant in the event Consultant breaches any of such covenants. Such right will be in addition to any and all other rights and remedies of the Company at law or in equity

8. **Taxes**. The Company is not required to withhold or pay any payroll, employments, or related taxes on any kind and Consultant is responsible for paying and will pay when due any and all payroll, employment, and related taxes, including, but not limited to, FICA, FUTA, federal personal income tax, state personal income tax, state disability insurance tax, workers compensation, and state unemployment tax. Consultant will comply with all tax laws applicable to the operation of a business such as Consultant's, including, but not limited to, the reporting of all gross receipts therefrom as self-employment income or income from the operation of a business, the payment of all self-employment taxes, compliance with all employment tax requirements for withholding on any employees used by Consultant, and compliance with State employment and workers compensation laws.

9. **General**.

9.1 **Assignment**. This Agreement may not be sold, transferred, pledged, or assigned directly or indirectly by either the Company or the Consultant.

9.2 **Governing Law, Performance, and Venue**. THIS AGREEMENT WILL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS, EXCLUDING ANY CONFLICTS-OF-LAW RULE OR PRINCIPLE THAT MIGHT REFER THE CONSTRUCTION OR INTERPRETATION OF THIS AGREEMENT TO THE LAWS OF ANOTHER STATE. ALL OBLIGATIONS CREATED IN THIS AGREEMENT ARE PERFORMABLE IN TRAVIS COUNTY, TEXAS, AND THE EXCLUSIVE VENUE FOR ANY ACTION BROUGHT UNDER THIS AGREEMENT WILL BE IN TRAVIS COUNTY, TEXAS.

9.3 **Opportunity for Review**. EACH PARTY ACKNOWLEDGES THAT ADEQUATE OPPORTUNITY HAS BEEN PROVIDED TO EACH PARTY FOR REVIEW AND COMMENT ON THE PROVISIONS IN THIS AGREEMENT BY EACH OF THEIR RESPECTIVE ATTORNEYS, COUNSELORS, AND ADVISORS; AND, ANY RULE OF CONSTRUCTION THAT AMBIGUITIES ARE TO BE RESOLVED AGAINST THE DRAFTING PARTY WILL NOT BE APPLICABLE TO THIS AGREEMENT.

9.4 **No Consequential Damages**. NEITHER PARTY WILL BE LIABLE TO THE OTHER FOR ANY SPECIAL, INCIDENTAL, INDIRECT, CONSEQUENTIAL, PUNITIVE OR EXEMPLARY DAMAGES ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE SUBJECT MATTER HEREOF, REGARDLESS OF THE FORM OF ACTION AND WHETHER OR NOT THE COMPANY HAD BEEN INFORMED OF, OR OTHERWISE MIGHT HAVE ANTICIPATED, THE POSSIBILITY OF SUCH DAMAGES.

9.5 **Severability**. If any one or more of the provisions contained in this Agreement is for any reason held by a court of competent jurisdiction to be invalid,

illegal, or unenforceable in any respect, such invalidity, illegality, or unenforceability will not affect any other provision in this Agreement and in lieu of such illegal, invalid, or unenforceable provision, there will be added as a part of this Agreement a provision as similar in terms to such illegal, invalid, or unenforceable provision as may be possible, and be legal, valid, and enforceable.

9.6 **No Waiver**. Except for a written waiver signed by the Company, any action or inaction by the Company with respect to any provision of this Agreement, including, but not limited to, the Company's failure to enforce any provision of this Agreement, will not constitute a waiver of that provision or any other provision of this Agreement. Any waiver by the Company of any provision of this Agreement will not constitute a waiver of any other provision of this Agreement.

9.7 **Binding Effect**. This Agreement will bind and benefit the parties to this Agreement and their respective heirs, legal and personal representatives, successors, and assigns.

9.8 **Notices**. All notices, demands, or other communications to be given or delivered hereunder or by reason of the provisions of this Agreement will be in writing and will be deemed to have been properly served if (a) delivered personally; (b) delivered by a recognized overnight courier service; or (c) sent by certified or registered mail, return receipt requested and first class postage prepaid. Such notices, demands, and other communications will be sent to the addresses indicated next to the respective party's signature below, or to such other address or to the attention of such other person as the recipient party has specified by prior written notice to the sending party in accordance with this Agreement. Date of service of such notice will be (i) the date such notice is personally delivered; (ii) three (3) days after the date of mailing if sent by certified or registered mail; or (iii) one (1) day after date of delivery to the overnight courier if sent by overnight courier.

9.9 **Descriptive Headings**. The descriptive headings in this Agreement are inserted for convenience of reference only and are not intended to be part of or to affect the meaning or interpretation of this Agreement.

9.10 **Dispute Resolution**. Any and all disputes (a "Dispute") between or among Consultant or the Company (i) arising out of or relating to this Agreement or any alleged breach thereof or (ii) in any way relating to the engagement of Consultant by the Company, will be resolved in accordance with this Section 9.10; provided, however, notwithstanding this Section 9.10, any dispute related to Section 6 or any alleged or threatened breach of Section 6, may be resolved, at the option of the Company, in its sole discretion, pursuant to any legal process, including, but not limited to, litigation, injunctive relief, and the enforcement provisions set forth in Section 6.

(a) Negotiated Resolution. The party desiring to resolve such Dispute will deliver a written notice of the Dispute including the specific facts of the Dispute ("**Dispute Notice**") to the other parties to such Dispute. If any party delivers a Dispute Notice pursuant to this Section 9.10, the parties involved in the

Dispute must meet at least twice within the thirty (30) day period commencing with the date of the Dispute Notice and in good faith attempt to resolve such Dispute.

(b) Mediation. If any Dispute is not resolved or settled by the parties as a result of negotiation pursuant to Section 9.10(a) above, the parties will submit the Dispute to non-binding mediation before a retired judge of a federal District Court or Texas District Court, or some similarly qualified, mutually agreeable individual. The parties will bear the costs of such mediation equally.

(c) Arbitration. If the Dispute is not resolved by mediation pursuant to Section 9.10(b) above, or if the parties fail to agree upon a mediator, within ninety (90) days after the Dispute Notice, the Dispute will be settled by arbitration conducted in Austin, Texas which will be in accordance with the rules and procedures of the Commercial Arbitration Rules of the American Arbitration Association, and, to the maximum extent applicable, the Federal Arbitration Act (Title 9 of the United States Code) then in effect with respect to commercial disputes. The arbitration of such issues, including the determination of any amount of damages suffered by any party hereto by reason of the acts or omissions of any party, will be final and binding upon all parties. The arbitrator will be empowered to impose sanctions and to take such other actions as the arbitrator deems necessary to the same extent a judge could pursuant to the Federal or Texas Rules of Civil Procedure and applicable law. Notwithstanding the foregoing, the arbitrator will not be authorized to award punitive damages with respect to any such claim or controversy, nor will any party seek punitive damages relating to any matter under, arising out of or relating to this Agreement in any other forum. Except as otherwise set forth in the Agreement, the cost of any arbitration hereunder, including the cost of the record or transcripts thereof, if any, administrative fees, and all other fees involved including reasonable attorneys' fees incurred by the party determined by the arbitrator to be the prevailing party will be paid by the party determined by the arbitrator not to be the prevailing party, or otherwise allocated in an equitable manner as determined by the arbitrator. The parties will instruct the arbitrator to render its decision no later than ninety (90) days after the submission of the Dispute.

(d) Confidentiality. Each party agrees to keep all Disputes and negotiation, mediation, and arbitration proceedings strictly confidential, except for disclosures of information in the ordinary course of business of the parties or by applicable law or regulation.

9.11 No Partnership. Notwithstanding any provision of this Agreement to the contrary, no partnership, joint venture, trust, trustee-beneficiary or other relationship will be created between Consultant and the Company in connection with this Agreement and the engagement of Consultant by the Company. It is the express intent of the parties that the relationship of Consultant to the Company will be solely that of an independent contractor and not as an employee.

9.12 **Survival**. Consultant's obligations under Sections 6 through 8 will survive the termination of this Agreement and the termination of Consultant's engagement with the Company.

9.13 **Effective Date**. Notwithstanding anything in this Agreement to the contrary, the term "Effective Date" shall mean the date on which Closing occurs under that certain Stock Repurchase Agreement, entered into by and between the Company and James C. Leslie, contemporaneously with this Agreement (the "Stock Repurchase Agreement"). For purposes of this Section 8.13, the term "Closing" is used and defined as in Section 1.(b) of the Stock Repurchase Agreement.

8.14 **Indemnification; Limitation of Liability**. Consultant is liable for errors or omissions in performing its duties hereunder only in the case of bad faith, gross negligence, violation of applicable laws or breach of the provisions of this Agreement, but not otherwise. Except as expressly stated herein, Consultant makes no representation or warranty regarding the results of any information or advice provided to the Company in connection with this Agreement. The Company hereby indemnifies and holds Consultant harmless of and from all loss, liability, cost and expenses suffered by or asserted against Consultant arising out of the performance of Consultant's obligations and duties hereunder (except where caused by the bad faith or gross negligence of, or violation of applicable laws by, Consultant or arising out of a breach of this Agreement by Consultant), or arising out of a breach of this Agreement by the Company.

[Remainder of page intentionally left blank.]

[Signature page follows.]

Executed to be effective as of the Effective Date.

Address: **COMPANY**:
212 Lavaca Street
Suite 300,
Austin, TX 78701 STRATUS PROPERTIES INC., a Delaware corporation

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

CONSULTANT:
Address:
By: /s/ James C. Leslie
[Intentionally omitted] James C. Leslie
[Intentionally omitted]
_____
_____

STOCK REPURCHASE AGREEMENT

THIS STOCK REPURCHASE AGREEMENT (this "Agreement") is entered into as of November 1, 2022 by and between Stratus Properties Inc., a Delaware corporation (the "Company"), and James C. Leslie (the "Selling Stockholder"). Each of the Company and the Selling Stockholder are sometimes individually referred to as a "party" and collectively as the "parties."

Recitals

WHEREAS, (i) the Selling Stockholder desires to sell to the Company an aggregate of 24,029 shares (the "Shares") of common stock, par value $0.01 per share, of the Company (the "Common Stock") at a price of $30.50 per Share ("Purchase Price Per Share") and (ii) the Company wishes to purchase the Shares from the Selling Stockholder, in each case upon the terms and subject to the conditions hereinafter set forth; and

WHEREAS, after due consideration, the Audit Committee and the Board of Directors of the Company have approved the transaction contemplated hereby.

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

Agreement

1. Repurchase.

(a) *Purchase and Sale*. Upon the terms and subject to the conditions of this Agreement, and in reliance on the representations, warranties and agreements set forth in this Agreement, at the Closing (defined below), (i) the Selling Stockholder shall sell, transfer and deliver the Shares to the Company, free and clear of all Liens (defined below) and (ii) the Company shall purchase and acquire the Shares from the Selling Stockholder, in each case in exchange for the payment by the Company, pursuant to Section 1(b), of an amount equal to the product of the Purchase Price Per Share and the number of Shares being sold and delivered by the Selling Stockholder hereunder (such product, the "Aggregate Share Purchase Price") to such Selling Stockholder at the Closing. "Lien" means any mortgage, lien, pledge, claim, charge, security interest, adverse claim, transfer restriction or encumbrance of any kind.

(b) *Closing*. Subject to the terms and conditions of this Agreement and the delivery of the deliverables contemplated by Section 1(c) of this Agreement, the closing of the sale of the Shares (the "Closing") shall take place on the third business day following the date hereof at approximately 10:00 a.m., Central time, via the electronic exchange of deliverables, or such other time, date or place as shall be agreed upon in writing by the parties.

(c) *Closing Deliveries and Actions*. At the Closing, subject to Schedule I, (i) the Selling Stockholder shall deliver the Shares to the Company by causing the Shares to be electronically transferred to the account(s) designated by the Company on Schedule II, (ii) the Company, or a broker on its behalf, shall deliver to the Selling Stockholder such Selling

Stockholder's Aggregate Share Purchase Price plus the dividend equivalents in the amount of $17,998.18 accrued with respect to vested restricted stock units (together, the "Total Purchase Price") by wire transfer(s) of immediately available funds to the account designated by such Selling Stockholder on Schedule II, and (iii) the Company and Selling Stockholder shall have executed and delivered the Consulting Agreement (herein so called) in the form and substance attached hereto as Exhibit A. Selling Stockholder must report the transactions contemplated under this Agreement on a Form 4 within two business days of the execution and delivery of this Agreement. The Company agrees to prepare, in a manner consistent with Selling Stockholder's previous Form 4 filings, a Form 4 to be submitted for Selling Stockholder's execution, and once executed, the Company will assist the Selling Stockholder in filing such Form 4 with the Securities and Exchange Commission ("SEC"). This Agreement and the Consulting Agreement will be disclosed in the Company's SEC filings.

2. Conditions to Closing.

(a) The Company's obligation to purchase, and convey the Total Purchase Price for, the Shares at the Closing is subject to the following conditions having been satisfied (or the Company waiving in writing the conditions that it has determined have not been satisfied) on or before the Closing: (i) the Selling Stockholder shall have delivered to the Company written notice of his retirement from the Company's Board of Directors and resignation from all of his positions with the Company's Board of Directors and from all Board committees on which he serves effective as of the Closing including receipt of the Total Purchase Price and confirming that the Selling Stockholder's retirement and resignation is not due to a disagreement with the Company (the "Letter of Retirement"); (ii) the Company shall have received the closing deliverables to be delivered by Selling Stockholder pursuant to Section 1(c), in form and substance satisfactory to the Company, which shall be fully executed originals or electronic copies of such originals, and (iii) the representations and warranties of Selling Stockholder contained in Section 4 shall be true and correct at and as of the date of Closing with the same force and effect as if such representations and warranties had been made as of the Closing.

(b) The Selling Stockholder's obligation to sell the Shares at the Closing and deliver the Letter of Retirement is subject to the following conditions having been satisfied (or Selling Stockholder waiving in writing the conditions that it has determined have not been satisfied) on or before the Closing: (i) the Company shall have performed all of its agreements, covenants and obligations to be performed by it under the Consulting Agreement, including, without limitation, payments of the "Consulting Fee" as defined in the Consulting Agreement, (ii) Selling Stockholder shall have received the closing deliverables to be delivered by the Company pursuant to Section 1(c), in form and substance satisfactory to the Selling Stockholder, which shall be fully executed originals or electronic copies of such originals, and (iii) the representations and warranties of Company contained in Section 3 shall be true and correct at and as of the date of Closing with the same force and effect as if such representations and warranties had been made as of the Closing.

3. Representations of the Company. The Company represents and warrants to the Selling Stockholder that, as of the date hereof and at the Closing:

(a) The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware.

(b) The Company has the full power and authority to execute, deliver and carry out the terms and provisions of this Agreement and to consummate the transactions contemplated hereby, and has taken all necessary action to authorize the execution, delivery and performance of this Agreement.

(c) This Agreement has been duly and validly authorized, executed and delivered by the Company and constitutes a legal, valid and binding obligation of the Company, enforceable against the Company in accordance with its terms, except to the extent that (i) such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws now or hereafter in effect affecting creditors' rights generally and (ii) the remedy of specific performance and injunctive and other forms of equitable relief may be subject to certain equitable defenses and to the discretion of the court before which any proceedings thereof may be brought.

(d) There is no action, suit, proceeding, claim, arbitration, litigation or investigation, pending or, to the knowledge of the Company, threatened in writing against the Company which, if adversely determined, would prevent the consummation of the transaction contemplated by this Agreement.

(e) The Selling Stockholder is relying on the Company's representations, warranties, acknowledgments and agreements in this Agreement as a condition to proceeding with the transaction contemplated hereby, and without such representations, warranties and agreements, the Selling Stockholder would not enter into this Agreement or engage in such transaction.

4. Representations of the Selling Stockholder. The Selling Stockholder represents and warrants to the Company that, as of the date hereof and at the Closing:

(a) The Selling Stockholder is the owner of the Shares and has valid and unencumbered title free and clear of any and all Liens and has not heretofore conveyed, transferred or assigned to any person or entity any interest in any or all of the Shares.

(b) The Selling Stockholder has the full power and authority to execute, deliver and carry out the terms and provisions of this Agreement and consummate the transactions contemplated hereby, and has taken all necessary action to authorize the execution, delivery and performance of this Agreement.

(c) This Agreement has been duly and validly authorized, executed and delivered by the Selling Stockholder, and constitutes a legal, valid and binding agreement of the Selling Stockholder, enforceable against the Selling Stockholder in accordance with its terms, except to the extent that (i) such enforceability may be limited by bankruptcy, insolvency, moratorium or other similar laws now or hereafter in effect affecting creditors' rights generally and (ii) the remedy of specific performance and injunctive and other forms of equitable relief may be subject to certain equitable defenses and to the discretion of the court before which any proceedings therefor may be brought.

(d) There is no action, suit, proceeding, claim, arbitration, litigation or investigation, pending or, to the knowledge of such Selling Stockholder, threatened in writing against such Selling Stockholder which, if adversely determined, would prevent the consummation

of the transaction contemplated by this Agreement. There is no action, suit, proceeding, claim, arbitration, litigation or investigation by such Selling Stockholder pending or, to the knowledge of Selling Stockholder, threatened in writing against any other person relating to the Shares owned by such Selling Stockholder.

(e) The Company is relying on the Selling Stockholder's representations, warranties, acknowledgments and agreements in this Agreement as a condition to proceeding with the transaction contemplated hereby, and without such representations, warranties and agreements, the Company would not enter into this Agreement or engage in such transaction.

5. Indemnification. The Company shall indemnify, defend and hold harmless the Selling Stockholder from and against any and all costs, expenses (including reasonable attorney's fees), judgements, fines, penalties charged by governmental authorities, and losses incurred or sustained by, or imposed upon the Selling Stockholder based upon, arising out of, with respect to or by reason of: (a) any inaccuracy in or breach of any of the representations or warranties of the Company contained in this Agreement or in any certificate or instrument delivered by or on behalf of the Company pursuant to this Agreement; (b) any breach or non-fulfillment of any covenant, agreement or obligation to be performed by the Company pursuant to this Agreement; and (c) any claim, inquiry, request for information, or other demand from any party, including without limitation, any individual, entity, governmental agency, the SEC, or other regulatory body arising out of the transactions contemplated by this Agreement.

6. Notices. All notices, demands or other communications to be given or delivered under or by reason of the provisions of this Agreement will be in writing and will be deemed to have been given when delivered personally, mailed by certified or registered mail (return receipt requested and postage prepaid), sent via a nationally recognized overnight courier, or sent via email to the recipient. Such notices, demands and other communications shall be sent as follows:

To the Selling Stockholder:

Jim Leslie
[Intentionally omitted]
[Intentionally omitted]
[Intentionally omitted]

With a copy (which shall not constitute notice):

Beckham Portela
3400 Carlisle, Suite 550
Dallas, Texas 75204
Attn: David R. Beverly
Email: [Intentionally omitted]

To the Company:

Stratus Properties Inc.
212 Lavaca Street, Suite 300

Austin, Texas 78701
Attention: Kenneth N. Jones, General Counsel and Secretary
Email: [Intentionally omitted]

With a copy (which shall not constitute notice):

Jones Walker, LLP
445 North Blvd, Suite 800
Baton Rouge, Louisiana 70802
Attention: Dionne M. Rousseau
Email: [Intentionally omitted]

Attention: Victoria J. Bagot
Email: [Intentionally omitted]

or such other address or to the attention of such other person as the recipient party shall have specified by prior written notice to the sending party.

7. Miscellaneous.

(a) Survival of Representations and Warranties. All representations and warranties contained herein or made in writing by any party in connection herewith shall survive the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby until the expiration of the applicable statute of limitations.

(b) Severability. If any one or more of the provisions contained in this Agreement is for any reason held by a court of competent jurisdiction to be invalid, illegal, or unenforceable in any respect, such invalidity, illegality, or unenforceability will not affect any other provision in this Agreement and in lieu of such illegal, invalid, or unenforceable provision, there will be added as a part of this Agreement a provision as similar in terms to such illegal, invalid, or unenforceable provision as may be possible, and be legal, valid, and enforceable.

(c) Complete Agreement. This Agreement supersedes all prior agreements and understandings (whether written or oral) between the Company and the Selling Stockholder with respect to the subject matter hereof.

(d) Counterparts. This Agreement may be executed by any one or more of the parties hereto in any number of counterparts, each of which shall be deemed to be an original, but all such counterparts shall together constitute one and the same instrument.

(e) Successors and Assigns. Neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned, in whole or in part, by either party without the prior written consent of the other party. Except as otherwise provided herein, this Agreement shall bind and inure to the benefit of and be enforceable by the Selling Stockholder and the Company and their respective successors and assigns.

(g) Governing Law; Waiver of Jury Trial. This Agreement shall be construed in accordance with, and governed by, the laws of the State of Delaware, without resort to its conflicts-

of-laws rules. The Company and the Selling Stockholder each hereby irrevocably waives, to the fullest extent permitted by applicable law, any and all right to trial by jury in any legal proceeding arising out of or relating to this Agreement or the transactions contemplated hereby.

(h) Opportunity for Review. Each party acknowledges that adequate opportunity has been provided to each party for review and comment on the provisions in this Agreement by each of their respective attorneys, counselors and advisors; and, any rule of construction that ambiguities are to be resolved against the drafting party will not be applicable to this Agreement.

(i) Further Assurances. Each party shall execute and deliver such additional documents and instruments and shall take such further action as may be necessary or appropriate to effectuate fully the provisions of this Agreement.

(j) Amendment and Waiver. The provisions of this Agreement may be amended or waived only with the prior written consent of the Company and the Selling Stockholder.

(k) Expenses. Each of the Company and the Selling Stockholder shall bear its own expenses in connection with the drafting, negotiation, execution and delivery of this Agreement and the consummation of the transactions contemplated hereby.

[Signatures appear on following page.]

IN WITNESS WHEREOF, the parties hereto have executed this Stock Repurchase Agreement as of the date first written above.

COMPANY:
STRATUS PROPERTIES INC.

By: /s/ Erin D. Pickens
Name: Erin D. Pickens
Title: Senior Vice President and Chief Financial Officer

SELLING STOCKHOLDER:

By: /s/ James C. Leslie
Name: James C. Leslie

[Signature Page to Stock Repurchase Agreement]

LIST OF EXHIBITS AND SCHEDULES
TO
Stock Repurchase Agreement

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

Schedule I – Vesting of Restricted Stock Units

Schedule II – Wire and DWAC Instructions

Exhibit A – Form of Consulting Agreement[1]

[1] Exhibit A has been filed as an exhibit to this Stock Repurchase Agreement.

Exhibit A

Form of Consulting Agreement

CONSULTING AGREEMENT

This Consulting Agreement (this "Agreement") is entered into effective as of the Effective Date, as defined in Section 9.13 below, by and between **Stratus Properties Inc.**, a Delaware corporation (the "Company"), and **James C. Leslie**, an individual residing in Dallas, Texas ("Consultant").

R E C I T A L:

The Company desires to engage Consultant as an independent contractor to perform certain services described in this Agreement, and Consultant desires to accept engagement in such capacity by the Company under the terms and conditions of this Agreement.

NOW, THEREFORE, in consideration of the premises, the mutual covenants of the parties set forth in this Agreement and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Company and Consultant agree as follows:

1. **Engagement**. The Company hereby engages Consultant and Consultant accepts such engagement as an independent contractor and not as an employee, all in accordance with the terms and conditions of this Agreement.

2. **Term**. Consultant's engagement under this Agreement will commence on the Effective Date and terminate two years thereafter (the "Term"). Notwithstanding anything to the contrary contained herein, this Agreement and the Term are subject to prior termination pursuant to Section 5.

3. **Duties and Responsibilities**. During the Term, Consultant will consult with and advise the Company on matters related to strategy and operations of the Company (collectively, the "Services"), including but not limited to consulting with and assisting the Company in evaluating, qualifying, and analyzing proposals from prospective lenders and equity providers.

4. **Service Parameters**. The Services will be performed by Consultant only at the direction of the Lead Independent Director (or the Independent Chairman, should be Company change its structure), and shall be limited to twenty-five (25) hours per quarter; any of such twenty-five hours not used in a particular quarter shall not be carried forward to any subsequent quarter.

5. **Fees**. In consideration of the Services to be performed under this Agreement, the Company will pay Consultant a fee ("Consulting Fee") at the rate of Twenty-Five Thousand Dollars per quarter for eight consecutive quarters. Payment will be made in a one-time lump sum payment of Two Hundred Thousand Dollars ($200,000.00) on the Effective Date. In addition, the Company shall reimburse Consultant on a monthly basis for all reasonable and necessary business expenses incurred by Consultant in the performance of Consultant's duties, functions and responsibilities under this Agreement. All requests for reimbursement of expenses shall be submitted on periodic expense reports in accordance with the Company's policy at any given time.

6. **Termination of Engagement**.

9.1 **Termination by the Company**. The Company may terminate the engagement of Consultant under this Agreement immediately upon written notice for any reason or no reason. Upon termination of this Agreement by the Company, the Consulting Fee shall be deemed fully earned, provided that such termination shall not be due to the breach of this Agreement or willful misconduct by Consultant.

9.2 **Termination by Death of Consultant**. The death or permanent disability of Consultant will cause the immediate termination of this Agreement.

9.3 **Liabilities Upon Termination**. Upon termination of this Agreement, neither the Company nor Consultant will have any further liability to the other under this Agreement.

7. **Certain Covenants of Consultant**.

9.1 **Confidentiality**. The Company and the Company's affiliates own and/or hold certain confidential or proprietary information and trade secrets, including, without limitation, agreements with third parties, financial information, marketing information, customer information, vendor information, business plans, projections, personnel information, and other business information (all of such agreements and information are referred to collectively as the "Confidential Information"). The Company may disclose some of the Confidential Information to Consultant in the performance of Consultant's service under this Agreement. Consultant agrees to (i) keep the Confidential Information strictly confidential and (ii) not disclose (directly or indirectly), and take all reasonable steps to prevent disclosure of, any of the Confidential Information to any person or entity other than persons authorized in writing in advance by the Company. Consultant agrees not to use the Confidential Information for Consultant's own benefit or account or in any way, directly or indirectly, detrimental to the Company without the prior express written consent of the Company. Prohibited actions by Consultant include, but are not limited to, (i) the internal or external use of the Confidential Information for a use not expressly granted in writing to Consultant by the Company and (ii) the sale, lease, transfer, conveyance, or disposition of the Confidential Information or any part of the Confidential Information in a way not provided by the terms of this Agreement. The term "Confidential Information" does not apply to information which (i) is or becomes public knowledge other than by default on the part of Consultant; (ii) Consultant receives prior written approval to disclose; (iii) is independently developed by Consultant or is lawfully obtained by Consultant from a third party having no duty of confidentiality to the Company in respect of such information; (iv) Consultant is required to disclose by judicial action. Consultant acknowledges that the Confidential Information constitutes valuable, special, and unique property of the Company critical to its business, and that irreparable damage will result to the Company if any of the Confidential Information is disclosed to a third party except as provided herein and that, as a result, money damages alone are an inadequate remedy for breach of this Agreement because of the difficulty of ascertaining the amount of damage that will be suffered by the Company in the event this Agreement is breached. Therefore, Consultant agrees that the Company will be entitled to obtain specific performance of this Agreement and injunctive relief against any breach or threatened breach hereof, and Consultant agrees to waive, and to use its best efforts to

cause its representatives to waive, any requirement of the securing or posting of any bond in connection with such remedies; provided, however, if any bond or bonds are required to be posted by the Company in connection with such remedies, such bond or bonds will not exceed One Thousand Dollars ($1,000.00) in the aggregate. Such remedies will not be deemed exclusive remedies for breach of this Agreement, but will be in addition to all other remedies available at law or in equity to the Company.

The Company acknowledges that Consultant currently owns and operates a business similar to the Company's business in the North Texas market. Notwithstanding any other provision of this Agreement, Consultant at any time and from time to time may engage in and possess interests in other business ventures of any and every type and description, independently or with others, including ones in competition with the Company, with no obligation to offer to the Company the right to participate therein.

9.2 **Non-Disparagement**. Consultant will not make nor publish any statement, written or oral, disparaging the reputation of the Company or the Company's directors, officers, employees, owners, and agents.

9.3 **Professional Efforts**. Consultant will provide the Services in a diligent and professional manner. In addition to the specific duties set forth in this Agreement, Consultant will use Consultant's best efforts to preserve and enhance the business of the Company and the goodwill of all owners, customers, clients, consultants, contacts, suppliers and other persons having business relations with the Company. Consultant agrees to maintain the highest standards of professionalism, honesty and integrity in the discharge of Consultant's duties hereunder.

9.4 **No Authority**. Notwithstanding any provision in this Agreement to the contrary, Consultant agrees that Consultant has no authority to enter into, execute, make or acknowledge any documents, agreement or representation pertaining to the Company, or the Company's clients or any sale to which the Company is a party or to which the Company may be bound, without the express prior written approval of the Company. Consultant agrees that Consultant will not enter into, execute, make or acknowledge any contract, covenant, agreement or representation binding upon the Company without the express prior written approval of the Company.

9.5 **Applicable Laws**. During the Term, Consultant will comply with all federal, state and local laws, statutes, regulations, ordinances and rules (collectively referred to herein as the "Applicable Laws").

9.6 **Enforcement**. A breach of the covenants contained in Sections 7.1, 7.2, 7.4 or 7.5 by Consultant will result in irreparable and continuing damage to the Company and its business for which the Company will have no adequate remedy at law. Consultant hereby agrees and stipulates that the monetary damages which would be suffered by the Company in the event Consultant breaches any such covenant would be difficult to measure and would not be an adequate remedy to the Company for the breach thereof, and for this reason and other reasons, Consultant hereby agrees that the Company will have the right to seek, without liability of the Company to Consultant, specific

performance of and injunctive relief (both temporary and permanent) against Consultant in the event Consultant breaches any of such covenants. Such right will be in addition to any and all other rights and remedies of the Company at law or in equity

8. **Taxes**. The Company is not required to withhold or pay any payroll, employments, or related taxes on any kind and Consultant is responsible for paying and will pay when due any and all payroll, employment, and related taxes, including, but not limited to, FICA, FUTA, federal personal income tax, state personal income tax, state disability insurance tax, workers compensation, and state unemployment tax. Consultant will comply with all tax laws applicable to the operation of a business such as Consultant's, including, but not limited to, the reporting of all gross receipts therefrom as self-employment income or income from the operation of a business, the payment of all self-employment taxes, compliance with all employment tax requirements for withholding on any employees used by Consultant, and compliance with State employment and workers compensation laws.

9. **General**.

9.1 **Assignment**. This Agreement may not be sold, transferred, pledged, or assigned directly or indirectly by either the Company or the Consultant.

9.2 **Governing Law, Performance, and Venue**. THIS AGREEMENT WILL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS, EXCLUDING ANY CONFLICTS-OF-LAW RULE OR PRINCIPLE THAT MIGHT REFER THE CONSTRUCTION OR INTERPRETATION OF THIS AGREEMENT TO THE LAWS OF ANOTHER STATE. ALL OBLIGATIONS CREATED IN THIS AGREEMENT ARE PERFORMABLE IN TRAVIS COUNTY, TEXAS, AND THE EXCLUSIVE VENUE FOR ANY ACTION BROUGHT UNDER THIS AGREEMENT WILL BE IN TRAVIS COUNTY, TEXAS.

9.3 **Opportunity for Review**. EACH PARTY ACKNOWLEDGES THAT ADEQUATE OPPORTUNITY HAS BEEN PROVIDED TO EACH PARTY FOR REVIEW AND COMMENT ON THE PROVISIONS IN THIS AGREEMENT BY EACH OF THEIR RESPECTIVE ATTORNEYS, COUNSELORS, AND ADVISORS; AND, ANY RULE OF CONSTRUCTION THAT AMBIGUITIES ARE TO BE RESOLVED AGAINST THE DRAFTING PARTY WILL NOT BE APPLICABLE TO THIS AGREEMENT.

9.4 **No Consequential Damages**. NEITHER PARTY WILL BE LIABLE TO THE OTHER FOR ANY SPECIAL, INCIDENTAL, INDIRECT, CONSEQUENTIAL, PUNITIVE OR EXEMPLARY DAMAGES ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE SUBJECT MATTER HEREOF, REGARDLESS OF THE FORM OF ACTION AND WHETHER OR NOT THE COMPANY HAD BEEN INFORMED OF, OR OTHERWISE MIGHT HAVE ANTICIPATED, THE POSSIBILITY OF SUCH DAMAGES.

9.5 **Severability**. If any one or more of the provisions contained in this Agreement is for any reason held by a court of competent jurisdiction to be invalid,

illegal, or unenforceable in any respect, such invalidity, illegality, or unenforceability will not affect any other provision in this Agreement and in lieu of such illegal, invalid, or unenforceable provision, there will be added as a part of this Agreement a provision as similar in terms to such illegal, invalid, or unenforceable provision as may be possible, and be legal, valid, and enforceable.

9.6 **No Waiver**. Except for a written waiver signed by the Company, any action or inaction by the Company with respect to any provision of this Agreement, including, but not limited to, the Company's failure to enforce any provision of this Agreement, will not constitute a waiver of that provision or any other provision of this Agreement. Any waiver by the Company of any provision of this Agreement will not constitute a waiver of any other provision of this Agreement.

9.7 **Binding Effect**. This Agreement will bind and benefit the parties to this Agreement and their respective heirs, legal and personal representatives, successors, and assigns.

9.8 **Notices**. All notices, demands, or other communications to be given or delivered hereunder or by reason of the provisions of this Agreement will be in writing and will be deemed to have been properly served if (a) delivered personally; (b) delivered by a recognized overnight courier service; or (c) sent by certified or registered mail, return receipt requested and first class postage prepaid. Such notices, demands, and other communications will be sent to the addresses indicated next to the respective party's signature below, or to such other address or to the attention of such other person as the recipient party has specified by prior written notice to the sending party in accordance with this Agreement. Date of service of such notice will be (i) the date such notice is personally delivered; (ii) three (3) days after the date of mailing if sent by certified or registered mail; or (iii) one (1) day after date of delivery to the overnight courier if sent by overnight courier.

9.9 **Descriptive Headings**. The descriptive headings in this Agreement are inserted for convenience of reference only and are not intended to be part of or to affect the meaning or interpretation of this Agreement.

9.10 **Dispute Resolution**. Any and all disputes (a "Dispute") between or among Consultant or the Company (i) arising out of or relating to this Agreement or any alleged breach thereof or (ii) in any way relating to the engagement of Consultant by the Company, will be resolved in accordance with this Section 9.10; provided, however, notwithstanding this Section 9.10, any dispute related to Section 6 or any alleged or threatened breach of Section 6, may be resolved, at the option of the Company, in its sole discretion, pursuant to any legal process, including, but not limited to, litigation, injunctive relief, and the enforcement provisions set forth in Section 6.

(a) Negotiated Resolution. The party desiring to resolve such Dispute will deliver a written notice of the Dispute including the specific facts of the Dispute ("**Dispute Notice**") to the other parties to such Dispute. If any party delivers a Dispute Notice pursuant to this Section 9.10, the parties involved in the

Dispute must meet at least twice within the thirty (30) day period commencing with the date of the Dispute Notice and in good faith attempt to resolve such Dispute.

(b) Mediation. If any Dispute is not resolved or settled by the parties as a result of negotiation pursuant to Section 9.10(a) above, the parties will submit the Dispute to non-binding mediation before a retired judge of a federal District Court or Texas District Court, or some similarly qualified, mutually agreeable individual. The parties will bear the costs of such mediation equally.

(c) Arbitration. If the Dispute is not resolved by mediation pursuant to Section 9.10(b) above, or if the parties fail to agree upon a mediator, within ninety (90) days after the Dispute Notice, the Dispute will be settled by arbitration conducted in Austin, Texas which will be in accordance with the rules and procedures of the Commercial Arbitration Rules of the American Arbitration Association, and, to the maximum extent applicable, the Federal Arbitration Act (Title 9 of the United States Code) then in effect with respect to commercial disputes. The arbitration of such issues, including the determination of any amount of damages suffered by any party hereto by reason of the acts or omissions of any party, will be final and binding upon all parties. The arbitrator will be empowered to impose sanctions and to take such other actions as the arbitrator deems necessary to the same extent a judge could pursuant to the Federal or Texas Rules of Civil Procedure and applicable law. Notwithstanding the foregoing, the arbitrator will not be authorized to award punitive damages with respect to any such claim or controversy, nor will any party seek punitive damages relating to any matter under, arising out of or relating to this Agreement in any other forum. Except as otherwise set forth in the Agreement, the cost of any arbitration hereunder, including the cost of the record or transcripts thereof, if any, administrative fees, and all other fees involved including reasonable attorneys' fees incurred by the party determined by the arbitrator to be the prevailing party will be paid by the party determined by the arbitrator not to be the prevailing party, or otherwise allocated in an equitable manner as determined by the arbitrator. The parties will instruct the arbitrator to render its decision no later than ninety (90) days after the submission of the Dispute.

(d) Confidentiality. Each party agrees to keep all Disputes and negotiation, mediation, and arbitration proceedings strictly confidential, except for disclosures of information in the ordinary course of business of the parties or by applicable law or regulation.

9.11 No Partnership. Notwithstanding any provision of this Agreement to the contrary, no partnership, joint venture, trust, trustee-beneficiary or other relationship will be created between Consultant and the Company in connection with this Agreement and the engagement of Consultant by the Company. It is the express intent of the parties that the relationship of Consultant to the Company will be solely that of an independent contractor and not as an employee.

9.12 **Survival**. Consultant's obligations under Sections 6 through 8 will survive the termination of this Agreement and the termination of Consultant's engagement with the Company.

9.13 **Effective Date**. Notwithstanding anything in this Agreement to the contrary, the term "Effective Date" shall mean the date on which Closing occurs under that certain Stock Repurchase Agreement, entered into by and between the Company and James C. Leslie, contemporaneously with this Agreement (the "Stock Repurchase Agreement"). For purposes of this Section 8.13, the term "Closing" is used and defined as in Section 1.(b) of the Stock Repurchase Agreement.

8.14 **Indemnification; Limitation of Liability**. Consultant is liable for errors or omissions in performing its duties hereunder only in the case of bad faith, gross negligence, violation of applicable laws or breach of the provisions of this Agreement, but not otherwise. Except as expressly stated herein, Consultant makes no representation or warranty regarding the results of any information or advice provided to the Company in connection with this Agreement. The Company hereby indemnifies and holds Consultant harmless of and from all loss, liability, cost and expenses suffered by or asserted against Consultant arising out of the performance of Consultant's obligations and duties hereunder (except where caused by the bad faith or gross negligence of, or violation of applicable laws by, Consultant or arising out of a breach of this Agreement by Consultant), or arising out of a breach of this Agreement by the Company.

[Remainder of page intentionally left blank.]

[Signature page follows.]

Executed to be effective as of the Effective Date.

Address: **COMPANY**:
212 Lavaca Street
Suite 300,
Austin, TX 78701 STRATUS PROPERTIES INC., a Delaware corporation

By: _____
Erin D. Pickens, Senior Vice President

CONSULTANT:
Address:
By: _____
[Intentionally omitted] James C. Leslie
[Intentionally omitted]
_____
_____

STRATUS PROPERTIES INC.

NOTICE OF GRANT OF
RESTRICTED STOCK UNITS
UNDER THE
2022 STOCK INCENTIVE PLAN

Pursuant to the terms of the Stratus Properties Inc. 2022 Stock Incentive Plan (the "Plan"), _____ (the "Director"), being a non-employee director of Stratus Properties Inc. (the "Company"), was granted effective _____ (the "Grant Date") restricted stock units as hereinafter set forth. Defined terms not otherwise defined herein shall have the meanings set forth in Section 2 of the Plan.

1. Subject to all the terms and conditions of the Plan, the Director, as a matter of separate inducement and agreement in connection with his or her services as a director or advisory director of the Company, and not in lieu of any salary or other compensation for the Director's services, is granted, on the terms and conditions set forth in the Plan, ____ restricted stock units ("RSUs").

2. Unless the vesting of the RSUs is accelerated pursuant to the terms of the Plan or this Notice, and subject to any other terms of the Plan, the RSUs shall vest in one installment on the first anniversary of the Grant Date.

3. Additional Terms and Conditions of Restricted Stock Units.

3.1 Subject to the terms, conditions, and restrictions set forth herein, each RSU represents the right to automatically receive from the Company, on the respective scheduled vesting date for such RSU, one share (a "Share") of Common Stock, free of any restrictions and all cash, securities and property credited to or deposited in the Director's Dividend Equivalent Account (as defined in Section 3.3) with respect to such RSU.

3.2 Except as provided in Section 3.3, an RSU shall not entitle the Director to any incidents of ownership (including, without limitation, dividend and voting rights) (a) in any Share until the RSU shall vest and the Director shall be issued a Share to which such RSU relates nor (b) in any cash, securities or property credited to or deposited in a Dividend Equivalent Account related to such RSU until such RSU vests.

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

Distribution in lieu of crediting such Dividend Equivalent Account with the Fair Market Value thereof, or may otherwise adjust the terms of the Award as permitted under Section 5(b) of the Plan. For purposes of this Notice, "Fair Market Value" of a share of Common Stock or any other security shall have the meaning set forth in the Stratus Properties Inc. Policies of the Committee applicable to the Plan, and with respect to any other property, shall mean the value thereof as determined by the Board in connection with the declaration of the dividend or distribution thereof.

3.4 (a) Except as otherwise set forth in Section 3.4(b), all unvested RSUs, all amounts credited to the Director's Dividend Equivalent Account with respect to such RSUs, and all securities and property comprising Property Distributions deposited in such Dividend Equivalent Account with respect to such RSUs shall immediately be forfeited on the date the Director ceases to be an Eligible Individual, unless the Director continues providing services to the Company pursuant to a consulting or other arrangement as set forth in Section 3.4(c).

(b) If the Director ceases to be an Eligible Individual by reason of the Director's death, disability (as defined in Section 3.4(d)), or retirement (as determined by the Board), or ceases to serve as a member of the Board because he or she is not re-nominated for another term by the Board, the RSUs and all amounts credited to or property deposited in the Director's Dividend Equivalent Account with respect to such RSUs shall vest as of the date the Director ceases to be an Eligible Individual.

(c) For purposes of this Section 3.4, if the Director continues to provide services to the Company or a subsidiary of the Company pursuant to a consulting or other arrangement, the Director will not "cease to be an Eligible Individual" until such time as the Director has "separated from service" under Section 409A of the Internal Revenue Code and any related implementing regulations or guidance.

(d) For purposes of this Section 3.4, a "disability" shall have occurred if the Director is (i) unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, or (ii) by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, receiving income replacement benefits for a period of not less than 3 months under an accident and health plan covering employees of the Director's employer.

3.5 Upon a Change of Control, provided such Change of Control also qualifies as a change in the ownership of the Company, a change in the effective control of the Company or a change in the ownership of a substantial portion of the assets of the Company under Section 409A of the Internal Revenue Code and any related implementing regulations or guidance, all outstanding RSUs shall become fully vested.

4. The RSUs granted hereunder are not transferable by the Director otherwise than by will or by the laws of descent and distribution.

5. All notices hereunder shall be in writing, and if to the Company, shall be delivered personally to the Secretary of the Company or mailed to its offices located at 212

Lavaca Street, Suite 300, Austin, Texas 78701, addressed to the attention of the Secretary; and if to the Director, shall be delivered personally or mailed to the Director at the address on file with the Company. Such addresses may be changed at any time by notice from one party to the other.

6. The terms of this Notice shall bind and inure to the benefit of the Director, the Company and the successors and assigns of the Company and, to the extent provided in the Plan and in this Notice, the legal representatives of the Director.

7. This Notice is subject to the provisions of the Plan. The Plan may at any time be amended by the Board, and this Notice may at any time be amended by the Committee provided that no amendment to this Notice that materially impairs the benefits provided to the Director hereunder may be made without the Director's consent. Subject to any applicable provisions of the Company's by-laws or of the Plan, any applicable determinations, orders, resolutions or other actions of the Committee shall be final, conclusive and binding on the Company and the holder of the RSUs granted hereunder.

STRATUS PROPERTIES INC.

Exhibit 21.1

List of Subsidiaries of Stratus Properties Inc.*

(as of December 31, 2022)

Entity	Organized	Name Under Which It Does Business
Santal, L.L.C.	Delaware	Same
Stratus Block 21, L.L.C.	Delaware	Same
Stratus Block 21 Member, L.L.C.	Delaware	Same
Stratus Investments LLC	Delaware	Same
Stratus Properties Operating Co., L.P.	Delaware	Same
Circle C Land, L.P.	Texas	Same
College Station 1892 Properties, L.L.C.	Texas	Same
Killeen FM 440, L.L.C.	Texas	Same
Lantana Place, L.L.C.	Texas	Same
Magnolia East 149, L.L.C.	Texas	Same
New Caney 242 Investments, L.P.	Texas	Same
Santal I, L.L.C.	Texas	Same
Stratus Block 150, L.P.	Texas	Same
Stratus Block 21 Investments, L.P.	Texas	Same
Stratus Kingwood Place, L.P.	Texas	Same
The Saint George Apartments, L.P.	Texas	Same
The Saint June, L.P.	Texas	Same
The Saint Mary, L.P.	Texas	Same
The Villas at Amarra Drive, L.L.C.	Texas	Same

* Pursuant to Item 601(b)(21)(ii) of Regulation S-K, the names of certain other subsidiaries of Stratus Properties Inc. are omitted because, considered in the aggregate as a single subsidiary, they would not constitute a “significant subsidiary” as that term is defined in Rule 1-02(w) of Regulation S-X under the Securities Exchange Act of 1934, as amended.

Exhibit 23.2

Consent of Independent Registered Public Accounting Firm

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 333-219823 and 333-264997) of Stratus Properties Inc. of our report dated March 31, 2022 with respect to the consolidated balance sheet as of December 31, 2021, and the related consolidated statements of comprehensive income (loss), equity and cash flows for the year ended December 31, 2021, which appear in the December 31, 2022 annual report on Form 10-K of Stratus Properties Inc.

/s/ BKM Sowan Horan, LLP

Austin, Texas
March 31, 2023

#101150072v2

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 333-190637 and 333-264997) of Stratus Properties Inc. of our report dated March 31, 2023 with respect to the consolidated financial statements of Stratus Properties Inc. for the year ended December 31, 2022, included in this Annual Report on Form 10-K of Stratus Properties Inc. for the year ended December 31, 2022.

/s/ CohnReznick LLP

Dallas, Texas
March 31, 2023

Exhibit 31.1

Certification

I, William H. Armstrong III, certify that:

1. I have reviewed this annual report on Form 10-K of Stratus Properties Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: March 31, 2023

By: /s/ William H. Armstrong III

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

Exhibit 31.2

Certification

I, Erin D. Pickens, certify that:

1. I have reviewed this annual report on Form 10-K of Stratus Properties Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: March 31, 2023

By: /s/ Erin D. Pickens

Erin D. Pickens
Senior Vice President and
Chief Financial Officer

Exhibit 32.1

Certification Pursuant to 18 U.S.C. Section 1350
(Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002)

In connection with the Annual Report on Form 10-K of Stratus Properties Inc. (the "Company") for the year ended December 31, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), William H. Armstrong III, as Chairman of the Board, President and Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: March 31, 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.

Exhibit 32.2

Certification Pursuant to 18 U.S.C. Section 1350
(Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002)

In connection with the Annual Report on Form 10-K of Stratus Properties Inc. (the "Company") for the year ended December 31, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Erin D. Pickens, as Senior Vice President and Chief Financial Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of her knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: March 31, 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.