

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, 2024  
OR

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

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

**S T R A T U S**®

**Stratus Properties Inc.**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of incorporation or organization)

**72-1211572**

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

**212 Lavaca St., Suite 300**

**Austin, Texas**

(Address of principal executive offices)

**78701**

(Zip Code)

**(512) 478-5788**

(Registrant's telephone number, including area code)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The aggregate market value of common stock held by non-affiliates of the registrant was \$130.7 million on June 30, 2024.

Common stock issued and outstanding was 8,072,897 shares on March 26, 2025.

**DOCUMENTS INCORPORATED BY REFERENCE**

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

**STRATUS PROPERTIES INC.  
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## PART I

### **Items 1. and 2. Business and Properties**

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

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

### **Overview**

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

We generate revenues and cash flows primarily from the sale of our developed and undeveloped properties, the lease of our retail, mixed-use and multi-family properties and development and asset management fees received from our properties. Developed property sales can include an individual tract of land that has been developed and permitted for residential use, a developed lot with a residence built on the lot or a property that has been developed for lease. In addition to our developed and leased properties, we have a development portfolio that consists of approximately 1,500 acres of commercial and multi-family and single-family residential projects under development or undeveloped land held for future use. Our commercial real estate portfolio consists of stabilized retail properties or future retail and mixed-use development projects with no commercial office space. We may sell properties under development, undeveloped properties or leased properties if opportunities arise that we believe will maximize overall asset value as part of our business strategy. Our leasing operations primarily involve the lease of space at retail and mixed-use properties that we developed, and the lease of residences in multi-family properties that we developed. Tenants in our retail and mixed-use properties are diverse and include grocery stores, restaurants, healthcare services, fitness centers, a movie theater, and other retail products and services.

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

- In 2024, the sales of five Amarra Villas homes for a total of \$18.9 million, 47 acres of undeveloped land at Magnolia Place for \$14.5 million, Magnolia Place – Retail for \$8.9 million and one Amarra Drive Phase III lot for \$1.4 million.
- In 2023, the formation of a joint venture to develop our 495-acre Holden Hills Phase 1 residential project within the Barton Creek community in Austin, resulting in a cash distribution and payment of \$35.8 million to us.
- In 2022, the sale of our mixed-use real estate property Block 21 in downtown Austin, producing net cash proceeds of \$112.3 million. We also completed the sale of substantially all of our non-core assets.

After the sale of Block 21 in May 2022, which eliminated our Hotel and Entertainment segments, our Board of Directors (the Board) and management team engaged in a strategic planning process, which included consideration of the uses of proceeds from recent property sales and our future business strategy. In September 2022, our Board declared a special cash dividend of \$4.67 per share (totaling \$40.0 million) on our common stock. Our Board also approved a share repurchase program authorizing repurchases of up to \$10.0 million of our common stock, which

was completed in October 2023. In November 2023, our Board authorized a new \$5.0 million share repurchase program. As of March 21, 2025, \$3.0 million remains available for repurchases under the program. We have continued 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 have also continued to focus on developing properties using project-level debt and third-party equity capital through joint ventures in which we receive development management fees and asset management fees, with our potential returns increasing above our relative equity interest in each project as negotiated return hurdles are achieved.

Largely as a result of cash received from the property sales and joint venture distribution discussed above and focused liquidity management on our part, as of December 31, 2024, consolidated cash and cash equivalents totaled \$20.2 million, and we had \$39.0 million available under our revolving credit facility, net of \$13.3 million of letters of credit committed against the facility, with no amounts drawn on the facility.

We were challenged by difficult conditions in the real estate business in 2023. Interest rates, which began rising in 2022, continued to increase, and costs remained elevated. During 2024, interest rates stabilized but costs remained elevated. We saw limited opportunities for transactions on favorable terms. Accordingly, during this market cycle, we have been working to maintain our business, advance our projects under construction or development, control costs and advance entitlements, relationships and opportunities to position us to capture value when market conditions improve. During 2023 and 2024, among other things, we completed construction and lease-up of The Saint June multi-family project, continued construction of The Saint George multi-family project, advanced road and utility infrastructure construction of Holden Hills Phase 1, managed our completed retail projects and advanced entitlements on other projects. In addition, during 2023 and 2024, we sold six Amarra Villas homes for a total of \$21.4 million, 47 acres of undeveloped land at Magnolia Place for \$14.5 million, Magnolia Place – Retail for \$8.9 million and an Amarra Drive Phase III lot for \$1.4 million, described further below.

As of December 31, 2024, our retail and multi-family portfolio consisted of five stabilized projects, namely The Saint June, Jones Crossing – Retail, Kingwood Place, Lantana Place – Retail and West Killeen Market. As previously disclosed, we had been testing the market for potential sales of West Killeen Market, Magnolia Place – Retail, Lantana Place – Retail and Kingwood Place. In third-quarter 2024, we closed on the sale of Magnolia Place – Retail for \$8.9 million. The sale generated pre-tax net cash proceeds of approximately \$8.6 million and a pre-tax gain of \$1.6 million. As described below, in fourth-quarter 2024 and first-quarter 2025, we amended or refinanced loans for The Saint June, Kingwood Place, Lantana Place and Jones Crossing, all at lower rates, and generated additional cash proceeds after property taxes, closing costs and partnership expenses of approximately \$7.7 million in the aggregate.

Although 2023 and 2024 were challenging, we see reasons for optimism regarding improving real estate market conditions in our markets over the next 12 months. Among other things, the Federal Reserve lowered interest rates in September 2024 for the first time in four years, and lowered interest rates again in November and December 2024. In fourth-quarter 2024, we extended the maturity of The Saint June construction loan for one year at a lower rate and with additional cash proceeds of approximately \$1.5 million after closing costs. We also refinanced the Kingwood Place construction loan with a three-year term loan at a lower rate and additional cash proceeds of approximately \$2.0 million after partnership expenses and closing costs. In January 2025, we refinanced the Lantana Place construction loan with a four-year term loan at a lower rate and additional cash proceeds of approximately \$3.0 million after property taxes and closing costs. In March 2025, we refinanced the Jones Crossing loan with a three-year term loan at a lower rate and additional cash proceeds of approximately \$1.2 million after closing costs. We expect that, if market rates continue to decline, interest on our outstanding debt, all of which is variable rate, will continue to decline. We believe we have sufficient liquidity and access to capital to sell properties when market conditions are favorable to us and to hold or refinance our properties or to continue to develop our properties, as applicable, through the market cycle. We expect to re-evaluate our strategy as sales and development progress on the projects in our portfolio and as market conditions continue to evolve.

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

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

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

Revenue from our Real Estate Operations segment accounted for 64 percent of our total revenue for 2024 and 15 percent for 2023. Revenue from our Real Estate Operations segment was a higher percentage of total revenue in 2024 compared to 2023 primarily due to significant revenue from sales of properties during 2024 as compared to 2023.

Real estate held for sale includes developed properties in the Real Estate Operations segment and at December 31, 2024 consisted of one residential lot in Amarra Drive Phase III and three Amarra Villas homes. See “Properties – Barton Creek” for further discussion.

The acreage under development and undeveloped as of December 31, 2024 that comprise our real estate operations other than real estate held for sale is presented in the following table.

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

	Acreage Under Development				Undeveloped Acreage				Total Acreage
	Single Family	Multi-family	Commercial	Total	Single Family	Multi-family	Commercial	Total	
Austin:									
Barton Creek <sup>a</sup>	502	—	—	502	12	215	394	621	1,123
Circle C <sup>b</sup>	—	—	—	—	—	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	—	—	—	—	—	11	—	11	11
Jones Crossing	—	—	—	—	—	21	22	43	43
Kingwood Place	—	—	—	—	—	10	8	8	8
New Caney	—	—	—	—	—	—	28	38	38
<b>Total</b>	<b>502</b>	<b>4</b>	<b>—</b>	<b>506</b>	<b>12</b>	<b>326</b>	<b>673</b>	<b>1,011</b>	<b>1,517</b>

- a. Refer to “Properties – Barton Creek” below for a discussion of our properties within Barton Creek. The single-family acreage under development includes 495 acres in Holden Hills Phase 1 (formerly known as Holden Hills) on which we commenced infrastructure construction during first-quarter 2023. The multi-family and commercial undeveloped acreage includes approximately 570 acres representing our Holden Hills Phase 2 (formerly known as Section N) project.
- b. We are pursuing rezoning of approximately 216 undeveloped acres from commercial use to multi-family use.

The following table summarizes the estimated development potential of our acreage under development and undeveloped acreage as of December 31, 2024:

	Single Family (lots)	Multi-family (units)	Commercial (gross square feet)
Barton Creek <sup>a</sup>	489	1,412	1,648,891
Circle C <sup>b</sup>	—	56	660,985
Lantana	—	212	160,000
The Annie B	—	316	8,325
The Saint George	—	316	—
Lakeway	—	270	—
Magnolia Place	—	275	—
Jones Crossing	—	275	104,750
New Caney	—	275	145,000
Other	—	—	7,285
<b>Total</b>	<b>489</b>	<b>3,407</b>	<b>2,735,236</b>

- a. Substantially all of the single-family lots relate to Holden Hills Phase 1 and substantially all of the multi-family units and commercial square footage relates to Holden Hills Phase 2. Refer to “Properties – Barton Creek” below for further discussion of recent legal developments and ongoing development planning that may result in changes in our development plans and increased densities for Holden Hills Phases 1 and 2.
- b. We are pursuing rezoning of approximately 216 undeveloped acres planned for 660,985 square feet of commercial space from commercial use to multi-family use.

Real estate under development as of December 31, 2024 in the tables above included a multi-family property under construction in Austin, Texas: The Saint George, a 316-unit luxury wrap-style project. The Saint George is expected to be reclassified into the Leasing Operations segment upon its completion, which is expected to occur in the first half of 2025.

The development potential of our undeveloped acreage at December 31, 2024 also included the following, which are not reflected in the table above:

- one vacant retail pad site at Kingwood Place and

- four vacant retail pad sites at Jones Crossing.

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

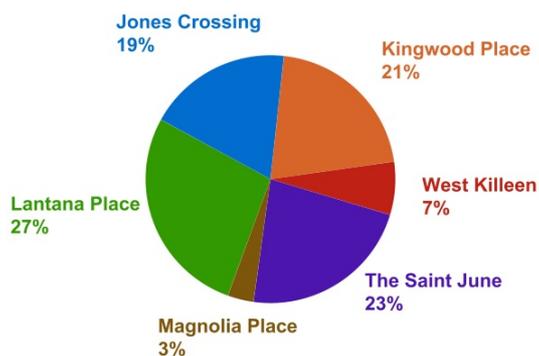
Leasing Operations. Our Leasing Operations segment primarily involves leasing of commercial space at retail and mixed-use properties and residences in multi-family properties that we developed. We engage third-party leasing and property management companies to manage our Leasing Operations properties. 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, 2024 consisted of:

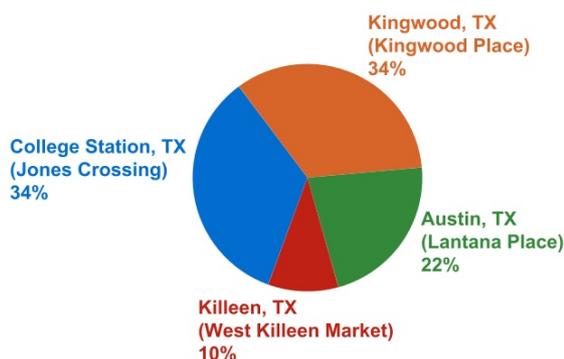
- a 154,092-square-foot retail property representing the first retail phase of Jones Crossing;
- a 151,877-square-foot retail property known as Kingwood Place;
- a 99,377-square-foot retail property representing the first phase of Lantana Place;
- a 44,493-square-foot retail property known as West Killeen Market; and
- The Saint June, a luxury garden-style multi-family project consisting of 182 units.

Revenue from our Leasing Operations segment accounted for 36 percent of our total revenue for 2024 and 85 percent for 2023. Revenue from our Leasing Operations segment was a lower percentage of total revenue in 2024 compared to 2023 primarily due to higher revenue in our Real Estate Operations segment in 2024, which had significant revenue from sales of properties compared to 2023. Leasing Operations segment revenue increased \$4.6 million in 2024 compared to 2023, primarily as a result of the commencement of operations at The Saint June in mid-2023, as well as, increased revenue at Lantana Place – Retail, Jones Crossing – Retail and Kingwood Place, primarily due to new leases. Refer to the charts below for our Leasing Operations revenue by property during 2024 and our developed square footage of retail space by geographic location as of December 31, 2024.

2024 LEASING OPERATIONS REVENUE BY PROPERTY



2024 RETAIL SPACE BY GEOGRAPHIC LOCATION



Retail properties in our Leasing Operations segment had average rentals of \$22.52 per square foot as of December 31, 2024, compared to \$22.29 per square foot as of December 31, 2023. Our scheduled expirations of leased retail square footage as of December 31, 2024 as a percentage of total space leased was none in 2025, 1 percent in 2026, 4 percent in 2027, 8 percent in 2028, 14 percent in 2029 and 73 percent thereafter.

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

### Properties

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

### Barton Creek

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

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

In 2015, we completed the development of the Amarra Drive Phase III subdivision, which consists of 64 lots on 166 acres. In fourth-quarter 2024, we sold one Amarra Drive Phase III lot for \$1.4 million. As of December 31, 2024, one developed Phase III lot remained unsold.

*Amarra Multi-family and Commercial.* We also have multi-family and commercial lots in the Amarra development of Barton Creek. The Amarra Villas and The Saint June are located on two of these multi-family lots. As of December 31, 2024, we have one undeveloped approximately 11-acre multi-family lot and one undeveloped 22-acre commercial lot.

*Amarra Villas.* The Villas at Amarra Drive (Amarra Villas) project is a 20-unit development within the Amarra development in Barton Creek. The homes average approximately 4,000 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 nine homes between 2017 and 2022. In first-quarter 2023, we completed and sold one home for \$2.5 million. Construction was completed on two of the homes in fourth-quarter 2023. In first-quarter 2024, we completed construction of two of the homes, and we sold two of the homes for a total of \$7.6 million. In second-quarter 2024, we sold another Amarra Villas home for \$3.6 million. In third-quarter 2024, we completed and sold one Amarra Villas home for \$4.0 million. In fourth-quarter 2024, we completed construction of three of the homes and we sold one home for \$3.8 million, leaving three completed homes in inventory as of December 31, 2024. Construction on the last two homes continues to progress and is expected to be completed in the first half of 2025. As of March 21, 2025, five homes remain available for sale.

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

*Holden Hills Phase 1 (formerly known as Holden Hills).* Our final large residential development within the Barton Creek community, which we now refer to as Holden Hills Phase 1, consists of 495 acres. The community has been designed to feature unique luxury residences to be developed in multiple sections with a focus on health and wellness, sustainability and energy conservation.

We entered into a limited partnership agreement with a third-party equity investor for Holden Hills Phase 1 (the Holden Hills Phase 1 partnership) in January 2023, and in February 2023 obtained construction financing for road and utility infrastructure of Holden Hills Phase 1. We contributed to the Holden Hills Phase 1 partnership the Holden Hills Phase 1 land and related personal property at an agreed value of \$70.0 million, and our 50.0 percent partner contributed \$40.0 million in cash. Immediately thereafter, the Holden Hills Phase 1 partnership distributed \$30.0 million of cash to us. Further, the Holden Hills Phase 1 partnership reimbursed us for certain initial project costs and closing costs of approximately \$5.8 million. We consolidate the Holden Hills Phase 1 partnership, and the contribution from our partner was accounted for as a noncontrolling interest in subsidiary. Refer to Notes 2 and 6 for further discussion.

We and the third-party equity investor have agreed to contribute up to an additional \$10.0 million each to the Holden Hills Phase 1 partnership if called upon by the general partner, which is one of our subsidiaries. The initial and potential additional capital contributions are projected to constitute a sufficient amount of equity capital to develop both the infrastructure (including the Tecoma Improvements described below) and home sites of Holden Hills Phase 1. The Holden Hills Phase 1 partnership anticipates securing additional debt financing for subsequent development in Holden Hills Phase 1 when and as needed. The construction of homes would require additional capital. Construction of the road and utility infrastructure is expected to be completed in the first half of 2025. As a result of the removal of Holden Hills Phase 1 from Austin’s ETJ pursuant to the ETJ Law, as described below, our development plans for portions of Holden Hills Phase 1 are being adjusted to benefit from the new regulatory

scheme. We anticipate being in a position to start building homes and/or selling home sites in late 2025, assuming regulators timely fulfill their permit processing obligations and there are no further changes in the regulatory environment.

We entered into a development agreement with the Holden Hills Phase 1 partnership (Development Agreement) that provides that, as part of the road and utility infrastructure, the Holden Hills Phase 1 partnership will construct certain street, drainage, water, sidewalk, electric and gas improvements in order to extend the Tecoma Circle roadway on Holden Hills Phase 2 land owned by us (which we formerly referred to as Section N) from its current terminus to Southwest Parkway, estimated to cost approximately \$15.6 million (the Tecoma Improvements). The Tecoma Improvements will enable access and provide utilities necessary for the development of Holden Hills Phases 1 and 2. Pursuant to the Development Agreement, we will reimburse the Holden Hills Phase 1 partnership for 60 percent of the costs of the Tecoma Improvements. We have posted standby letters of credit with the City of Austin or Travis County under our revolving credit facility with Comerica Bank totaling approximately \$12.9 million as fiscal security for completion of certain infrastructure improvements benefiting Holden Hills Phase 1 and have agreed to leave such fiscal security in place until the improvements are completed. As of December 31, 2024, the remaining costs to complete the Tecoma Improvements totaled \$3.5 million, of which our share totaled \$2.1 million.

The Holden Hills Phase 1 partnership is expected to be eligible to be reimbursed in the future by Travis County Municipal Utility Districts (MUD) for a portion of costs of the Tecoma Improvements and also for a portion of costs related only to Holden Hills Phase 1, 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 Holden Hills Phase 1. The Holden Hills Phase 1 partnership has agreed to deliver to us 60 percent of any MUD reimbursements for Tecoma Improvement costs, when such reimbursements are received by the partnership. The amount and timing of MUD reimbursements depends upon, among other factors, the amount and timing of actual costs incurred, the MUD having a sufficient tax base within its district to issue bonds and obtaining the necessary state approval for the sale of the bonds. Accordingly, the amount and timing of the receipt of MUD reimbursements is uncertain.

*Holden Hills Phase 2 (formerly known as Section N).* Holden Hills Phase 2 is adjacent to Holden Hills Phase 1. Due to their proximity in the Barton Creek community and common infrastructure facilities, we are now planning both Holden Hills Phase 1 and Holden Hills Phase 2 as one interconnected development, which will be branded as Holden Hills, comprising Holden Hills Phase 1 (the 495-acre residential development) and Holden Hills Phase 2 (the 570-acre mixed-use commercial development located south of Holden Hills Phase 1 along Southwest Parkway). Using an entitlement strategy similar to that used for Holden Hills Phase 1, we continue to progress the development plans for Holden Hills Phase 2. We have removed the majority of Holden Hills Phase 2 from Austin's ETJ pursuant to the ETJ Law, as described below, and are adjusting our development plans to benefit from the new regulatory scheme. Holden Hills Phase 2 is being designed as a mixed-use project, with extensive residential uses, coupled with limited entertainment and hospitality uses, surrounded by extensive outdoor recreational and greenspace amenities. The new regulatory scheme is expected to result in a significant increase in development density as compared to our prior plans.

*ETJ Process.* Texas Senate Bill 2038 (the ETJ Law) became effective September 1, 2023. We have completed the statutory process to remove all of our relevant land subject to development, including primarily Holden Hills Phases 1 and 2 from the extraterritorial jurisdiction (ETJ) of the City of Austin, as permitted by the ETJ Law. We have also made filings with Travis County to grandfather Holden Hills Phases 1 and 2 under most laws in effect in Travis County at the time of the filings. A number of cities in Texas have brought lawsuits challenging the ETJ Law. If the ETJ Law is upheld, we expect that the removal of our properties from the ETJ of the City of Austin will streamline the development permitting process, allow greater flexibility in the design of projects, potentially decrease certain development costs, and potentially permit meaningful increases in development density. In light of the ETJ Law, our development plans for portions of Holden Hills Phases 1 and 2 are being adjusted. For additional discussion, refer to Item 1A. "Risk Factors."

#### Circle C Community

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

The Circle C settlement, as amended in 2004, permits development of 1.16 million square feet of commercial space, 504 multi-family units and 830 single-family residential lots. As of December 31, 2024, our Circle C community had remaining entitlements for 660,985 square feet of commercial space and 56 residential units. We are pursuing rezoning that would change the permitted land use from commercial to multi-family.

#### Lantana

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

*Lantana Place – Retail.* We completed construction of the 99,377-square-foot first phase of Lantana Place in 2018. As of December 31, 2024, we had signed leases for substantially all of the retail space, including the anchor tenant, Moviehouse & Eatery, and a ground lease for an AC Hotel by Marriott, which opened in November 2021.

*Lantana Place – The Saint Julia.* We have advanced development plans for The Saint Julia, an approximately 210-unit multi-family project that is part of Lantana Place. Our goal is to commence construction as soon as financing and other market conditions warrant. Refer to Note 6 for additional discussion.

#### The Annie B

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

#### The Saint George

In third-quarter 2022, we began construction on The Saint George, a 316-unit luxury wrap-style multi-family project in north central Austin. The Saint George is being built on approximately four acres and is comprised of studio, one- and two-bedroom units for lease and an attached parking garage. We purchased the land and entered into third-party equity financing for the project in December 2021. We entered into a construction loan for the project in July 2022 and began construction in third-quarter 2022. We currently expect to achieve substantial completion in the first half of 2025. We own this project through a limited partnership with a third-party equity investor. Refer to Notes 2 and 6 for further discussion.

#### Lakeway Multi-Family

After extensive negotiation with the City of Lakeway, utility suppliers and neighboring property owners, during 2023 we secured the right to develop a multi-family project on approximately 35 acres of undeveloped property in Lakeway, Texas located in the greater Austin area. The multi-family project is expected to utilize the road, drainage and utility infrastructure we are required to build, subject to certain conditions, which is secured by a \$2.3 million letter of credit under our revolving credit facility. Our goal is to commence construction on the multi-family project or to sell the site, as soon as infrastructure construction, which has not yet started, is complete and market conditions warrant. Refer to Note 6 and "Capital Resources and Liquidity – Revolving Credit Facility and Other Financing Arrangements" below for additional discussion. Refer to Note 9 for discussion of our sale of The Oaks at Lakeway in 2017.

Our other Texas properties include:

#### Magnolia Place

In August 2021, we began construction on the first phase of development of Magnolia Place, our H-E-B, L.P (H-E-B) grocery shadow-anchored, mixed-use project in Magnolia, Texas (in the greater Houston area). The first phase of development consisted 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. In first-quarter 2024, we completed the sale of approximately 47 acres of undeveloped land planned for a second phase of retail development, all remaining pad

sites and up to 600 multi-family units, for \$14.5 million. In connection with the sale, the Magnolia Place construction loan, with a balance of \$8.8 million, was repaid. In third-quarter 2024, we sold Magnolia Place – Retail, the first phase of the development, for \$8.9 million, generating pre-tax net cash proceeds of approximately \$8.6 million and a pre-tax gain of \$1.6 million. Following the sales, we retained potential development of approximately 11 acres planned for 275 multi-family units and approximately \$12 million of potential future reimbursements from the municipal utility district (MUD), with no project debt.

#### Jones Crossing

In 2017, we entered into a 99-year ground lease pursuant to which we leased a 72-acre tract of land in College Station, Texas, the location of Texas A&M University, for Jones Crossing, an H-E-B-anchored, mixed-use project. Construction of the first phase of the retail component of the Jones Crossing project was completed in 2018, consisting of 154,092 square feet. The H-E-B grocery store opened in September 2018, and, as of December 31, 2024, we had signed leases for substantially all of the retail space, including the H-E-B grocery store. As of December 31, 2024, we had approximately 22 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 a 21-acre multi-family component of this project. During 2023, we separated the ground lease for the multi-family parcel from the primary ground lease.

#### Kingwood Place

In 2018, we purchased a 54-acre tract of land in Kingwood, Texas (in the greater Houston area) to be developed as Kingwood Place, an H-E-B-anchored, mixed-use development project. The Kingwood Place project includes 151,877 square feet of retail lease space, anchored by a 103,000-square-foot H-E-B grocery store, and five pad sites. Construction of two retail buildings, totaling approximately 41,000 square feet, was completed in August 2019, and the H-E-B grocery store opened in November 2019. An 8,000-square-foot retail building was completed in June 2020. We have signed ground leases on four retail pad sites and one retail pad site remains available for lease. As of December 31, 2024, we had signed leases for substantially all of the retail space, including the H-E-B grocery store. We own this project through a limited partnership with third-party equity investors. Refer to Notes 2 and 6 for further discussion.

#### West Killeen Market

In 2015, we acquired approximately 21 acres in Killeen, Texas, near Fort Cavazos, to develop the West Killeen Market project, an H-E-B shadow-anchored retail project and sold 11 acres to H-E-B. The project encompasses 44,493 square feet of commercial space and three pad sites adjacent to a 90,000 square-foot H-E-B grocery store. Construction at West Killeen Market was completed and the H-E-B grocery store opened in 2017. The three pad sites were sold between 2020 and 2022. As of December 31, 2024, we had signed leases for approximately 74 percent of the retail space at West Killeen Market.

#### New Caney

In 2018, we purchased a 38-acre tract of land, in partnership with H-E-B, in New Caney, Texas (in the greater Houston area), originally planned for the future development of an H-E-B-anchored, mixed-use project. Subject to completion of development plans, we anticipate that the New Caney project will include restaurants and retail services, totaling approximately 145,000 square feet, five pad sites and a 10-acre multi-family parcel planned for approximately 275 multi-family units. We are currently working on options for a retail anchor and do not plan to commence construction of the New Caney project prior to 2027.

#### Additional Development

Our development plans for The Annie B, Holden Hills Phase 2 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 future development in Holden Hills Phase 1. We are also pursuing other development projects. These potential development projects and projects in our portfolio could require extensive additional permitting and will be dependent on market conditions and financing. Because of the nature and cost of the approval and development process and uncertainty regarding market demand for a particular use, there is uncertainty regarding the nature of the final development plans and whether we will be able to successfully execute the plans.

## **Competition**

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

## **Revolving Credit Facility and Other Financing Arrangements**

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

## **Regulation and Environmental Matters**

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

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

## **Corporate Responsibility**

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

### ***Human Capital***

We believe that our employees are one of our greatest resources and that our dedicated and talented team is the foundation of our success and achievements. We are committed to encouraging the health and well-being of our employees. At December 31, 2024, we had a total of 34 employees, all of whom were full-time employees. We believe we have a good relationship with our employees, none of whom are represented by a union. We adopted a Labor and Human Rights Policy, recommended by our Board’s Nominating and Corporate Governance Committee and approved by our Board.

### ***Sustainability***

As a real estate development company centered in Austin, Texas, we understand the value that a healthy environment and healthy people bring to our projects, our company and our stakeholders. As a member of the U.S. Green Building Council (USGBC), we work along with council members with the goal of transforming the way buildings and communities are designed, built and operated in order to create environmentally and socially responsible properties for a more sustainable life. For over 16 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 Phase 1 project is being designed to focus on health and wellness, sustainability and energy conservation. The Saint June project was designed to celebrate the natural landscape and provides a guidebook describing ways residents can use the green features of the community to further enhance its sustainability. We believe that our customers recognize our environmental stewardship and will continue to reward thoughtful and sustainable development. We adopted an Environmental Policy and a Vendor Code of Conduct, recommended by our Board’s Nominating and Corporate Governance Committee and approved by our Board.

## **Item 1A. Risk Factors**

*This report contains “forward-looking statements” within the meaning of the United States (U.S.) federal securities laws. Forward-looking statements are all statements other than statements of historical fact, such as plans, projections or expectations. For additional information, refer to “Cautionary Statement” in MD&A.*

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

### **Risks Relating to our Business and Industry**

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

We cannot assure you that our current business strategy will be successful. For a description of our current business strategy, refer to “Business Strategy” in MD&A. Our long-term success will depend on our ability to profitably execute our development plans over time. Austin, our primary market, has experienced significant growth in demand for residential projects during 2020 and 2021 and peaking in 2022 related in part to COVID-19 pandemic-influenced in-migration. However, more recently, prices and demand for residential real estate in the Austin area have generally declined from that peak. We also have faced challenging market conditions in recent years, including as a result of high inflation and interest rates. Furthermore, our development plans for our undeveloped land and land under development may change over time, including as a result of changes in real estate market conditions, economic conditions, the cost and availability of capital and changes in laws, such as changes resulting from Texas Senate Bill 2038 (the ETJ Law) enacted in 2023, discussed further below.

We may not be able to obtain the capital necessary to implement our business strategy on acceptable terms or at all. 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, as discussed below, have their own risks. Even if we are able to obtain the necessary capital, our business strategy may not produce sufficient revenues, profits and cash flows. In addition, our ability to generate revenue in our leasing operations depends on our ability to successfully develop new projects and our ability to obtain attractive rental and occupancy rates on existing and new projects.

Results of the past sales of our properties are not indicative of results of future sales, and we may determine to hold or refinance our properties or continue to develop them, as applicable, rather than position them for sale. For example, in 2024, we paused exploring the sales of West Killeen Market, Lantana Place – Retail and Kingwood Place, deciding to retain these cash-flowing properties at this time and refinance certain of these properties. The timing of any property sales or refinancings and proceeds from such sales or refinancings are difficult to predict and depend on market conditions and other factors. 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.

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

Our industry has been experiencing inflation, higher borrowing costs, tightened bank credit, more limited availability of equity capital, increased construction costs, higher labor costs, labor shortages, and supply chain constraints. Inflation increased rapidly during 2021 through June 2022. Since June 2022, the rate of inflation generally has declined; however, it began increasing in the later part of 2024 and has generally remained higher than the Federal Reserve’s target rate of inflation of two percent. The Federal Reserve raised the federal funds target rate multiple times from March 2022 through July 2023, by 525 basis points on a cumulative basis. Between September 2024

and December 2024, the Federal Reserve lowered the federal funds target rate by 100 basis points on a cumulative basis. Elevated inflation and interest rates 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; and elevated inflation and interest rates may continue or worsen. Further, additional changes in U.S. trade policies, including the imposition of or increase in tariffs as have recently been imposed or threatened by the current Presidential administration, and retaliatory responses from other countries, could increase our costs or limit the availability of materials used in our development projects. For example, the administration has announced that it is considering tariffs on lumber imports, which could have a material adverse effect on the availability of lumber and on our construction costs, at least in the short term.

On completed projects, we have experienced increased borrowing costs on our variable rate debt due to higher interest rates and increased operating costs due to inflation. As of December 31, 2024, all of our consolidated debt was variable rate debt. For all such debt, the average interest rate increased for 2024 compared to 2023, but began to stabilize toward the end of 2024. Interest costs remain elevated and may rise in the future if prevailing market interest rates rise again. We typically do not hedge against changes in interest rates, except that we entered into an interest rate cap agreements for our Kingwood Place and Jones Crossing loans refinanced in November 2024 and March 2025, respectively, as required by the lender. Refer to Note 6 for additional information. Future 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. In addition, inflation may continue to cause the value of our properties to rise, which has resulted in higher property taxes and could lead to future increases. Our general and administrative expenses include compensation costs, professional fees and technology services, all of which may continue to increase due to inflation.

Inflation and higher interest rates may also adversely impact a potential buyer's ability to obtain financing on favorable terms, decreasing demand for the purchase of our properties and lowering their market value. High inflation could have a negative impact on our tenants' ability to pay rent or absorb rent increases. In addition, rising costs and delays in delivery of materials may increase the risk of default by contractors and subcontractors on ongoing construction projects. Also, as discussed elsewhere in this report, higher costs and project delays have required us to make operating loans and a capital contribution to some of our joint ventures and we expect to make additional operating loans and capital contributions during the next 12 months.

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

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

Our business may be adversely affected by periods of economic uncertainty, economic weakness or recession, declining employment levels, declining consumer confidence and spending, declining access to capital, geopolitical instability, or the public's perception that any of these events or conditions may occur, be present or worsen. Our business is especially sensitive to economic conditions in the Austin, Texas area, where the majority of our properties are located. As discussed elsewhere in this report, our business has been adversely impacted since 2022 through early 2025 by inflation and elevated interest rates and other adverse economic conditions.

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

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

Our real estate operations are primarily located in the Austin, Texas area. While our real estate operations have expanded to include select markets in Texas outside of the Austin area, the geographic concentration of the majority

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

As a result of our focus on pure residential and residential-centric mixed-use projects, we may be exposed to greater risks than if our investment focus was based on more diversified types of properties. Weakening in the Austin residential market generally makes it more difficult for us to sell our residential properties at attractive prices or to rent our properties at attractive rents. Weakening in the Austin residential market may also adversely impact the demand for our retail projects, as may any other trends that cause consumers not to shop at retail locations. Refer to "Overview of Financial Results for 2024 – Real Estate Market Conditions" in MD&A for more information.

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

Our industry is capital-intensive and requires significant up-front expenditures to secure land and pursue development and construction. We have relied on proceeds from property sales and debt financing and cash flow from operations as our primary sources of funding. We have also relied on third-party project-level equity financing of our subsidiaries, which we expect to continue to seek 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 on acceptable terms when needed for existing or future projects could delay or terminate future projects, hinder our ability to complete projects, and prevent us from refinancing debt obligations, which could have a material adverse effect on our business, financial condition and results of operations.

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

We have formed strategic relationships with key tenants as part of our overall strategy for particular retail and mixed-use development projects and may enter into other similar arrangements in the future. Our inability to form and retain strategic relationships with key tenants 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 continued our use of third-party equity financing of our subsidiaries' development projects. We expect to continue to fund development projects through the use of such joint ventures. Joint ventures involve risks not present with our wholly-owned properties, including but not limited to, the possibility the other joint venture partners may possess the ability to take or force action contrary to our interests or withhold consent contrary to our requests, have business goals which are or become inconsistent with ours, or default on their financial obligations to the joint venture, which may require us to fulfill the joint venture's financial obligations as a legal or practical matter. We and our joint venture partners may each have the right to initiate a buy-sell arrangement, which could cause us to sell our interest, or acquire a joint venture partner's interest, at a time when we otherwise would not have entered into

such a transaction. In addition, a sale or transfer by us to a third party of our interests in the joint venture may be subject to consent rights or rights of first refusal in favor of our partners which would restrict our ability to dispose of our interest in the joint venture. Each joint venture agreement is individually negotiated, and our ability to operate, finance, or dispose of a joint venture project in our sole discretion is limited to varying degrees depending on the terms of the applicable joint venture agreement. Refer to Note 2 for further discussion of our investments in joint ventures.

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

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

**Failure to succeed in new markets may limit our growth.**

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

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

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

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

Many of our business processes and records depend on information systems to conduct day-to-day operations and lower costs, and therefore, we are vulnerable to the increasing threat of information system disruptions and cybersecurity incidents. We also utilize the services of a number of independent contractors, such as general construction contractors, engineers, architects, leasing agents, property managers, technology service providers and attorneys, whose businesses are also vulnerable to the increasing threat of cybersecurity incidents and other information system disruptions. These risks include, but are not limited to, installation of malicious software, phishing, ransomware, credential attacks, unauthorized access to data and other cybersecurity incidents, including those that use artificial intelligence and quantum computing, that could lead to disruptions in information systems, unauthorized release of confidential or otherwise protected information, employee theft or misuse of confidential or

otherwise protected information and the corruption of data. Increased use of remote work and virtual platforms may increase our risk of cybersecurity incidents. Our information systems and those of our contractors are also vulnerable to damage or interruption from fire, floods, power loss, telecommunications failures, computer viruses, break-ins and similar events. A significant theft, loss, loss of access to, or fraudulent use of employee, tenant or other company data could adversely impact our reputation and could result in a loss of business, as well as remedial and other expenses, fines and litigation. There can be no assurance that our security efforts and measures and those of our independent contractors will be effective.

We have experienced targeted and non-targeted cybersecurity incidents in the past and may experience them in the future. While these cybersecurity incidents did not result in any material loss to us as of March 21, 2025, there can be no assurance that we will not experience any such losses in the future. Further, as cybersecurity threats continue to evolve and become more sophisticated, we may be required to expend significant additional resources to continue to modify or enhance our protective measures or to investigate and remediate any vulnerabilities to cybersecurity threats. Refer to Item 1C. "Cybersecurity" for further information on our cybersecurity governance, risk management and strategy.

**Any major public health crisis could adversely affect our business.**

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

**Risks Relating to our Indebtedness**

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

As of December 31, 2024, our outstanding debt totaled \$194.9 million and our cash and cash equivalents totaled \$20.2 million. As of March 21, 2025, principal payments due on outstanding debt during 2025 are expected to total \$48.9 million. We estimate our interest payments during 2025 will total approximately \$12.9 million, assuming interest rates in effect on our debt at December 31, 2024, no new debt agreements, and completed or scheduled principal payments as of March 21, 2025 on debt outstanding at December 31, 2024. Except for our Comerica Bank revolving credit facility, all of our loans are project-level loans. Our project loans are generally secured by all or substantially all of the assets of the project, and our Comerica Bank revolving credit facility is secured by substantially all of our assets other than those encumbered by separate project-level financing. Stratus, as the parent company, is typically required to guarantee the payment of the project loans, in some cases until certain development milestones and/or financial conditions are met, in some cases on a full recourse basis and in other cases on a more limited recourse basis. In addition, as described elsewhere in this report, as of December 31, 2024, all of our consolidated debt was variable rate debt, and interest due on such debt rises as interest rates rise. Refer to Note 6 for additional discussion.

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

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

- Limit our ability to obtain future financing to fund our working capital, our development activities, capital expenditures, debt service requirements and other financing needs;
- Limit our ability to obtain bonds, letters of credit or guarantees to governmental authorities and others to ensure completion of certain projects; and/or
- Limit our ability to refinance our indebtedness or cause the refinancing terms to be less favorable than the terms of our original indebtedness.

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

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

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

- borrow additional money or provide guarantees;
- pay dividends, repurchase equity or make other distributions to equity holders;
- 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 MD&A and Note 6 for additional discussion of restrictive covenants in our debt agreements.

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

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

## **Risks Relating to Real Estate Operations**

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

The U.S. real estate industry is highly cyclical and is affected by global, national and local economic conditions, general employment and income levels, availability of financing, inflation, interest rates, and consumer confidence and spending. As discussed above, our industry has been adversely impacted since 2022 by elevated inflation and interest rates, and elevated inflation and interest rates may continue in 2025 and beyond. Other factors that may impact real estate businesses include over-building, changes in traffic patterns, changes in demographic trends, changes in tenant and buyer preferences and changes in government requirements, including tax law changes and changes in zoning or land use laws. These factors are outside of our control and may have a material adverse effect on our business, profits and the timing and amounts of our cash flows.

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

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

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

We can provide no assurances that we will complete any of the projects in our development portfolio on the anticipated schedule or within the budget, or that, once completed, these properties will achieve the results that we expect. During 2023 and 2024, and first-quarter 2025, we made operating loans and a capital contribution to certain of our joint ventures. Refer to Note 2 for further discussion. We anticipate making future operating loans to one of our joint ventures totaling up to \$1.7 million over the next 12 months. We also anticipate making an additional capital contribution of \$125 thousand to one of our joint ventures over the next 12 months. 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.

**Holden Hills Phase 1 involves the development of a large number of residential lots, which exposes us to risks specific to that business.**

Holden Hills Phase 1 involves the development of a large number of residential lots. Our ability to successfully monetize our investment in developed lots will depend on the availability and cost of financing for purchasers of the lots, for residential construction and for homebuyers, which may be adversely impacted by rising or sustained high interest and mortgage rates. We must dedicate a significant amount of time and capital to construct project infrastructure and amenities over a long period of time before the project may generate revenue. Any delays in the development of the community and sale of properties exposes us to the risk that the market assumptions on which we based our development plans may deteriorate and adversely affect or eliminate potential cash flow and profits.

**Litigation challenging the ETJ Law may make valuation of Holden Hills Phases 1 and 2 more difficult and execution of our development plans more complex and costly.**

The ETJ Law became effective September 1, 2023. We have completed the statutory process to remove all of our relevant land subject to development, including primarily Holden Hills Phases 1 and 2, from the extraterritorial jurisdiction (ETJ) of the City of Austin, as permitted under the ETJ Law. We have also made filings with Travis County to grandfather Holden Hills Phases 1 and 2 under most laws in effect in Travis County at the time of the filings. A number of cities in Texas have brought lawsuits challenging the ETJ Law.

If the ETJ Law is upheld, our projects formerly subject to both the jurisdiction of Travis County and the City of Austin, primarily Holden Hills Phases 1 and 2, will no longer be subject to the City of Austin regulations applicable in the ETJ. Accordingly, if the ETJ Law is upheld, we expect that the removal of our properties from the ETJ of the City of Austin will streamline the development permitting process, allow greater flexibility in the design of projects, potentially decrease certain development costs, and potentially permit meaningful increases in development density. We believe that the litigation challenging the ETJ Law makes valuation of Holden Hills Phases 1 and 2 more difficult.

In light of the ETJ Law, our development plans for portions of Holden Hills Phases 1 and 2 are being adjusted. We are proceeding with certain revised development plans for portions of Holden Hills Phases 1 and 2 and are incurring costs in alignment with the revised plans, subject to the risk that the ETJ law will be invalidated. We may not be able to realize any benefits from the ETJ Law in a time frame and a manner consistent with our plans.

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

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

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

Real estate is a relatively illiquid asset and we may not be able to sell our real estate at times and prices we find desirable. The value of our real estate and our ability to sell our real estate at attractive prices may be materially adversely affected by a decline in the value of real estate in our markets. The valuation of our real estate assets or real estate investments is inherently subjective and based on individual characteristics of each asset. Factors such as market supply and demand, availability of attractive financing for potential buyers, changes in laws and regulations, and political and economic conditions, among others, subject our ability to sell our real estate, and our real estate valuations, to uncertainty. Our valuations are made on the basis of assumptions and/or appraisals that may not be accurate, and which may cause us to reevaluate our assets which could result in write-downs. The relatively illiquid nature of real estate assets may limit our ability to make rapid adjustments in the size and content of our portfolio of assets in response to changes in economic or other conditions, may constrain our ability to pay our debts, and may lead to losses or additional impairment charges. Refer to "Critical Accounting Estimates" in MD&A for more information.

**Significant competition could have an adverse effect on our business.**

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

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

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

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

**Our operations are subject to environmental regulations, which can change at any time and could increase our costs. Further, changing governmental and societal expectations on environmental, social and governance matters 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 U.S. 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. Any stricter standards in environmental legislation and regulations could have a material adverse effect on our operating costs.

Environmental, social and governance matters have been a focus of society and governments in recent years, are controversial and opinions and reactions continue to evolve. Responding to these changes may continue to increase our costs of assessing and reporting on such matters. If we are unable or are perceived to be unable to appropriately address such matters, our reputation and our business could be adversely impacted. 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.

### **Risks Relating to Leasing Operations**

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

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

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

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

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

Once entered into, our multi-family leases are typically for a term of 12 months. As these leases typically permit the residents to leave at the end of the lease term without penalty, our rental revenues are impacted by declines in market rents more quickly than if our leases were for longer terms. Further, we may be unable to renew existing leases as they come due. Adverse economic conditions that negatively impact our tenants' employment could

adversely impact our tenants' ability to pay rent and/or cause tenants and potential tenants to prefer housing alternatives with lower rents. In addition, economic developments that favor home ownership over renting, such as low or declining interest rates, favorable or improving mortgage terms or a strong or strengthening job market, could also have an adverse impact on the profitability of our multi-family properties. If we are unable to lease our multi-family properties, collect rent payments from tenants or release space on comparable or more favorable terms, such failure could have a material adverse effect on our financial condition and ability to service our debt obligations.

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

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

**Risks Relating to Ownership of Shares of Our Common Stock**

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

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

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

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

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

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

Additionally, our Comerica Bank debt agreements contain a restrictive covenant limiting common stock repurchases to \$1.0 million in the aggregate during the term of the agreements. Any repurchases of our common stock in excess of \$1.0 million would require a waiver from Comerica Bank. During third-quarter 2022 and fourth quarter 2023, we received written consents from Comerica Bank in order to implement our \$10.0 million share repurchase program and subsequent \$5.0 million share repurchase program, respectively. Comerica Bank's consents to share repurchase programs in the past are not indicative of the bank's willingness to consent to any future share repurchase programs. Our \$10.0 million program was completed in October 2023 and in November 2023 our Board approved a new \$5.0 million program. As of March 21, 2025, \$3.0 million remained available for the repurchase of shares under the \$5.0 million program. The timing, price and number of shares that may be repurchased under the program will be based on market conditions, applicable securities laws and other factors considered by management and the Capital Committee of the Board. Share repurchases under the program may be made from time to time through solicited or unsolicited transactions in the open market, in privately negotiated transactions or by other means in accordance with securities laws. Our share repurchase program does not obligate us to repurchase any specific amount of shares, does not have an expiration date, and may be suspended, modified or discontinued at any time without prior notice, which may decrease the trading price of our common stock.

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

**Item 1B. Unresolved Staff Comments**

None.

**Item 1C. Cybersecurity**

***Cybersecurity Risk Management and Strategy***

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

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

Our cybersecurity risk management program includes:

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

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

***Cybersecurity Governance***

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

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

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

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

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

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

### **Item 3. Legal Proceedings**

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

### **Item 4. Mine Safety Disclosures**

Not applicable.

### **Information About Our Executive Officers**

Certain information as of March 21, 2025, 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.

<b>Name</b>	<b>Age</b>	<b>Position or Office</b>
William H. Armstrong III	60	Chairman of the Board, President and Chief Executive Officer
Erin D. Pickens	63	Senior Vice President and Chief Financial Officer

Mr. Armstrong has been employed by us since our inception in 1992. Mr. Armstrong has served as President since August 1996, Chief Executive Officer since May 1998 and Chairman of the Board since August 1998. Mr. Armstrong previously served as President, Chief Operating Officer and Chief Financial Officer, from 1996 to 1998. Mr.

Armstrong also serves as a director of Moody National REIT II, Inc., a publicly traded real estate investment trust, from September 2017 to present. Mr. Armstrong previously served as a director of Moody National REIT I, Inc., a publicly traded real estate investment trust, from September 2008 until September 2017. Mr. Armstrong previously served as secretary-treasurer of Green Business Certification Inc., an organization that drives implementation of the LEED green building program, from March 2021 to January 2024.

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

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

Our common stock trades on The Nasdaq Stock Market (NASDAQ) under the symbol "STRS." As of March 26, 2025, there were 293 holders of record of our common stock including participants in security position listings.

**Common Stock Dividends and Share Repurchase Programs**

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

In 2022, with written consent from Comerica Bank, our Board approved a share repurchase program, which authorized repurchases of up to \$10.0 million of our common stock. In October 2023, we completed the share repurchase program. In total, under the completed share repurchase program we acquired 389,378 shares of our common stock for a cost of \$10.0 million at an average price of \$25.68 per share. In November 2023, with written consent from Comerica Bank, our Board approved a new share repurchase program, which authorizes repurchases of up to \$5.0 million of our common stock. As of March 21, 2025, \$3.0 million remains available for repurchases 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 \$5.0 million share repurchase program would require a waiver from Comerica Bank. Refer to Part I, Item 1A. "Risk Factors" for further discussion.

**Unregistered Sales of Equity Securities**

None.

**Issuer Purchases of Equity Securities**

The following table sets forth information with respect to shares of our common stock that we repurchased under our share purchase program during the three months ended December 31, 2024.

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs <sup>a</sup>	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs <sup>a</sup>
October 1, 2024 through October 31, 2024	—	\$ —	—	\$ 5,000,000
November 1, 2024 through November 30, 2024	52,767	25.33	52,767	3,663,598
December 1, 2024 through December 31, 2024	9,919	25.58	9,919	3,409,906
Total	<u>62,686</u>	\$ —	<u>62,686</u>	\$ 3,409,906

- a. On November 14, 2023, we announced that our Board approved a share repurchase program authorizing repurchases of up to \$5.0 million of our common stock. The timing, price and number of shares that may be repurchased under the program will be based on market conditions, applicable securities laws and other factors considered by management and the Capital Committee of the Board. Share repurchases under the program may be made from time to time through solicited or unsolicited transactions in the open market, in privately negotiated transactions or by other means in accordance with securities laws. The share repurchase program does not obligate us to repurchase any specific amount of shares, does not have an expiration date, and may be suspended, modified or discontinued at any time without prior notice. Through

March 21, 2025, we acquired 83,380 shares of our common stock for a total cost of \$2.0 million at an average price of \$23.98 per share, and \$3.0 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 residential and retail focused real estate company with headquarters in Austin, Texas. We are engaged primarily in the entitlement, development, management, leasing and sale of multi-family and single-family residential and commercial real estate properties in the Austin, Texas area and other select markets in Texas. In addition to our developed properties, we have a development portfolio that consists of approximately 1,500 acres of commercial and multi-family and single-family residential projects under development or undeveloped land held for future use. Our commercial real estate portfolio consists of stabilized retail properties or future retail and mixed-use development projects with no commercial office space. We generate revenues and cash flows from the sale of our developed and undeveloped properties, the lease of our retail, mixed-use and multi-family properties and development and asset management fees received from our properties. Refer to Part I, Items 1. and 2. "Business and Properties," and Note 10 for further discussion of our operating segments and "Business Strategy" below for a discussion of our business strategy.

### **BUSINESS STRATEGY**

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

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

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

Our main sources of revenue and cash flow are expected to be sales of our properties to third parties or distributions from joint ventures, the timing of and proceeds from which are difficult to predict and depend on market

conditions and other factors. We also generate cash flow from rental income in our leasing operations and from development and asset management fees received from our properties. Due to the nature of our development-focused business, we do not expect to generate sufficient recurring cash flow to cover our general and administrative expenses each period. However, we believe that the unique nature and location of our assets, and our team's ability to execute successfully on development projects, have and will continue to provide us with positive cash flows and net income over time, as evidenced by our sales of The Santal and The Saint Mary in 2021 and Block 21 in 2022, the cash distribution from the Holden Hills Phase 1 partnership in 2023 and our property sales in 2024. Further, we believe our investment strategy, current liquidity and portfolio of projects provide us with many opportunities to increase value for our stockholders.

We do not currently have any material commitments to contribute additional cash to our joint venture projects or wholly owned development projects other than the potential additional \$10.0 million of capital that we may be required to contribute to our Holden Hills Phase 1 joint venture and our share (related to Holden Hills Phase 2) of the cost of the Tecoma Improvements discussed below under "Recent Development Activities – Current Residential Activities – Barton Creek – Holden Hills Phase 1." As of December 31, 2024, the remaining costs to complete the Tecoma Improvements totaled \$3.5 million, of which our share totaled \$2.1 million. However, during 2023 and 2024, and first-quarter 2025, we made operating loans and a capital contribution to our joint ventures. Refer to Note 2 for further discussion. We anticipate making future operating loans to the limited partnership for The Annie B totaling up to \$1.7 million and a capital contribution to the limited partnership for The Saint George of \$125 thousand over the next 12 months. Our estimates of future operating loans are based on estimates of future costs of the partnership. Refer to Note 2 and "Capital Resources and Liquidity – Revolving Credit Facility and Other Financing Arrangements" and "Capital Resources and Liquidity – Liquidity Outlook" for further discussion. In addition, our development plans for future projects require significant additional capital.

As of December 31, 2024, consolidated cash totaled \$20.2 million and we had \$39.0 million available under our revolving credit facility, net of \$13.3 million of letters of credit committed against the facility, with no amounts drawn on the facility. In January 2025, our revolving credit facility was modified to increase the aggregate amount of letters of credit that may be committed against the facility to \$15.6 million. In March 2025, our revolving credit facility was amended to extend the maturity and lower the interest rate, as described in more detail in Item 9B, "Other Information", and as of March 25, 2025, the availability under our revolving credit facility was \$38.5 million.

We were challenged by difficult conditions in the real estate business in 2023. Interest rates, which began rising in 2022, continued to increase, and costs remained elevated. During 2024, interest rates stabilized but costs remained elevated. We saw limited opportunities for transactions on favorable terms. Accordingly, during this market cycle, we have been working to maintain our business, advance our projects under construction or development, control costs and advance entitlements, relationships and opportunities to position us to capture value when market conditions improve. During 2023 and 2024, among other things, we completed construction and lease-up of The Saint June multi-family project, continued construction of The Saint George multi-family project, advanced road and utility infrastructure construction of Holden Hills Phase 1, managed our completed retail projects and advanced entitlements on other projects. In addition, during 2023 and 2024, we sold six Amarra Villas homes for a total of \$21.4 million, 47 acres of undeveloped land at Magnolia Place for \$14.5 million, Magnolia Place – Retail for \$8.9 million and one Amarra Phase III lot for \$1.4 million, described further below.

As of December 31, 2024, our retail and multi-family portfolio consisted of five stabilized projects, namely The Saint June, Jones Crossing – Retail, Kingwood Place, Lantana Place – Retail and West Killeen Market. As previously disclosed, we had been testing the market for potential sales of West Killeen Market, Magnolia Place – Retail, Lantana Place – Retail and Kingwood Place. In third-quarter 2024, we closed on the sale of Magnolia Place – Retail for \$8.9 million. The sale generated pre-tax net cash proceeds of approximately \$8.6 million and a pre-tax gain of \$1.6 million. As described below, in fourth-quarter 2024 and first-quarter 2025, we amended or refinanced loans for The Saint June, Kingwood Place, Lantana Place and Jones Crossing, all at lower rates, and generated additional cash proceeds after property taxes, closing costs and partnership expenses of approximately \$7.7 million in the aggregate.

Although 2023 and 2024 were challenging, we see reasons for optimism regarding improving real estate market conditions in our markets over the next 12 months. Among other things, the Federal Reserve lowered interest rates in September 2024 for the first time in four years, and lowered interest rates again in November and December 2024. In fourth-quarter 2024, we extended the maturity of The Saint June construction loan for one year at a lower rate and with additional cash proceeds of approximately \$1.5 million after closing costs. We also refinanced the Kingwood Place construction with a three-year term loan at a lower rate and additional cash proceeds of

approximately \$2.0 million after partnership expenses and closing costs. In January 2025, we refinanced the Lantana Place construction loan with a four-year term loan at a lower rate and additional cash proceeds of approximately \$3.0 million after property taxes and closing costs. In March 2025, we refinanced the Jones Crossing loan with a three-year term loan at a lower rate and additional cash proceeds of approximately \$1.2 million after closing costs. We also expect that, if market rates continue to decline, interest on our outstanding debt, all of which is variable rate, will continue to decline. We believe we have sufficient liquidity and access to capital to sell properties when market conditions are favorable to us and to hold or refinance our properties or to continue to develop our properties, as applicable, through the market cycle. We expect to re-evaluate our strategy as sales and development progress on the projects in our portfolio and as market conditions continue to evolve.

## OVERVIEW OF FINANCIAL RESULTS FOR 2024

*Sources of revenue and income.* Stratus has two operating segments: Real Estate Operations and Leasing Operations. We operate primarily in Austin, Texas and in other select markets in Texas.

Our Real Estate Operations segment encompasses our activities associated with our entitlement, development, and sale of real estate. The current focus of our real estate operations is multi-family and single-family residential properties and residential-centric mixed-use properties. We may sell or lease the properties we develop, depending on market conditions. Multi-family and retail rental properties that we develop are reclassified to our Leasing Operations segment when construction is completed and they are ready for occupancy. Revenue in our Real Estate Operations segment 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 1,500 acres of commercial and multi-family and single-family residential projects under development or undeveloped land held for future use. Our Real Estate Operations segment does not have exposure to office space.

Revenue in our Leasing Operations segment is generated from leasing space at retail and mixed-use properties and residences in the multi-family properties that we developed. Our Leasing Operations segment does not have exposure to office space. We also generate income from the sale of our leased properties from time to time, 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 2024 and 2023.* Our revenues totaled \$54.2 million for 2024, compared with \$17.3 million for 2023, primarily due to an increase in revenue from our Real Estate Operations segment and, to a lesser extent, from our Leasing Operations segment. The \$32.3 million increase in revenues from our Real Estate Operations segment in 2024, compared to 2023, is primarily a result of the sales of five Amarra Villas homes for a total of \$18.9 million, 47 acres of undeveloped land at Magnolia Place for \$14.5 million and one Amarra Drive Phase III lot for \$1.4 million in 2024, compared with the sale of one Amarra Villas home in 2023 for \$2.5 million. Revenues from our Leasing Operations segment increased \$4.6 million in 2024, primarily as a result of the commencement of operations at The Saint June in mid-2023, as well as increased revenue at Lantana Place – Retail, Jones Crossing – Retail and Kingwood Place, primarily due to new leases. During 2024, we recorded a \$1.6 million pre-tax gain on the sale of Magnolia Place – Retail. Refer to "Results of Operations" below for further discussion of our segments.

Our net income attributable to common stockholders totaled \$2.0 million, or \$0.24 per diluted share during 2024, compared to net loss attributable to common stockholders of \$(14.8) million, or \$(1.85) per diluted share, during 2023.

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

In addition to the traditional influence of state and federal government employment levels on the local economy, the Austin-Round Rock, Texas area (Austin-Round Rock) has been influenced by growth in the technology sector.

Large, high-profile technology companies have expanded their profile in Austin-Round Rock recently as the technology sector has clustered in this market. The COVID-19 pandemic and the related increase in remote work also resulted in population increases in Texas and within the Austin area.

In 2024, the Austin-Round Rock area continued its population growth, although at a lower rate compared to recent years. According to the Texas Demographic Center, between 2020 and 2024, the City of Austin's population increased by 2.6 percent and Austin is now the fifth largest city in the state of Texas. During that time, the Austin-Round Rock area's population increased by 10.9 percent. The expanding economy resulted in rising demand for residential housing and retail services. This surge in population growth spurred a rapid increase in multi-family construction. In 2024, supply in the multi-family market grew by 10.3 percent over the previous year. This increased supply caused rental rates to drop by 6.9 percent from the previous year, averaging \$1,478 per month. Occupancy rates remained high, however, at 92.8 percent, which was an increase over 2023 occupancy rates at 92.6 percent.

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

Building Type	December 31,	
	2024	2023
Multi-Family Buildings <sup>a</sup>	7.2 %	7.4 %
Retail Buildings <sup>b</sup>	3.4 %	3.4 %

a. Colliers, CoStar Group, Inc.

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

Our industry has been experiencing construction and labor cost increases, supply chain constraints, labor shortages, higher borrowing costs and tightening bank credit. Inflation increased rapidly during 2021 through June 2022. Since June 2022, the rate of inflation generally has declined; however, it began increasing in the later part of 2024 and has generally remained higher than the Federal Reserve's target rate of inflation of two percent. In response, the Federal Reserve raised the federal funds target rate multiple times from March 2022 through July 2023, by 525 basis points on a cumulative basis. As inflation began to decline, the Federal Reserve began to focus on improving the labor market and price stability. Between September 2024 and December 2024, the Federal Reserve lowered the federal funds target rate by 100 basis points on a cumulative basis. Elevated inflation and interest rates increase our costs of materials, services, labor and capital. 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 United States (U.S. GAAP) 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. GAAP that involve a significant level of estimation uncertainty and have had or are reasonably likely to have a material impact on our financial condition or results of operations. Our critical accounting estimates are discussed below.

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

In developing estimated future cash flows for impairment testing for our real estate assets, we have incorporated our own market assumptions including those regarding real estate prices, sales pace, sales and marketing costs,

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

We recorded no impairment charges on real estate during 2024 or 2023.

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

We regularly evaluate the recoverability of our deferred tax assets, considering available positive and negative evidence, including earnings history and the forecast of future taxable income. We had deferred tax assets (net of deferred tax liabilities and \$9.3 million valuation allowances) totaling \$153 thousand at December 31, 2024. Refer to Note 7 for further discussion.

**Profit Participation Incentive Plan and Long-Term Incentive Plan.** Refer to Notes 1 and 8 for our accounting policies related to the Stratus Profit Participation Incentive Plan (PPIP) and Long-Term Incentive Plan (LTIP). During 2024, we credited \$296 thousand to project development costs and charged \$570 thousand to general and administrative expenses related to the PPIP and LTIP. During 2023, we capitalized \$201 thousand to project development costs and credited \$41 thousand to general and administrative expenses related to the PPIP and LTIP. The accrued liability for the PPIP and LTIP totaled \$1.9 million at December 31, 2024, and \$3.1 million at December 31, 2023 (included in other liabilities).

The most significant assumptions in the estimation of the \$1.9 million PPIP and LTIP liability at December 31, 2024 were estimated capitalization rates ranging from 4.50 percent to 7.22 percent, expected remaining service periods ranging from 0.3 years to 3.1 years, and estimated transaction costs ranging from 1.25 percent to 7.46 percent of sale prices. The assumptions for the PPIP and LTIP liability as of December 31, 2023 were estimated capitalization rates ranging from 4.25 percent to 6.50 percent, expected remaining service periods ranging from 1.4 years to 2.8 years, and estimated transaction costs ranging from 1.25 percent to 7.83 percent.

## RECENT DEVELOPMENT ACTIVITIES

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

**Residential.** As of December 31, 2024, the number of our residential lots/units that are developed, under development and available for potential development by area are shown below:

	Residential Lots/Units			Total
	Developed	Under Development	Potential Development <sup>a</sup>	
<b>Barton Creek:</b>				
Amarra Drive:				
Phase III lot	1	—	—	1
Amarra Villas	3	2	—	5
The Saint June	182	—	—	182
Other homes	—	—	10	10
Holden Hills Phase 1 (f/k/a Holden Hills) <sup>b</sup>	—	475	—	475
Holden Hills Phase 2 (f/k/a Section N) <sup>c</sup>	—	—	1,412	1,412
Other Barton Creek sections	—	—	2	2
Circle C multi-family	—	—	56	56
The Annie B <sup>c</sup>	—	—	316	316
The Saint George	—	316	—	316
Lakeway	—	—	270	270
Lantana (The Saint Julia) <sup>c</sup>	—	—	212	212
Jones Crossing <sup>c</sup>	—	—	275	275
Magnolia Place	—	—	275	275
New Caney <sup>c</sup>	—	—	275	275
<b>Total Residential Lots/Units</b>	<b>186</b>	<b>793</b>	<b>3,103</b>	<b>4,082</b>

- a. Our development of the properties identified under the heading “Potential Development” is dependent upon the approval of our development plans and permits by governmental agencies, including the City of Austin, Travis County and other local governments in our Texas markets. Those governmental agencies may not approve one or more development plans and permit applications related to such properties or may require us to modify our development plans. Accordingly, our development strategy with respect to those properties may change in the future. While we may be proceeding with approved infrastructure projects or planning activities for some of these properties, they are not considered to be “under development” for disclosure in this table until construction activities have begun.
- b. For further discussion of the ETJ process and ongoing development planning that may result in changes in our development plans and increased densities for Holden Hills Phases 1 and 2, refer to “Barton Creek” below.
- c. For a discussion of this project, refer to Items 1. and 2. “Business and Properties.”

### Barton Creek

**Amarra Villas.** The Villas at Amarra Drive (Amarra Villas) project is a 20-unit development within the Amarra development for which we completed site work in 2015. We have been constructing and selling the units over time. The homes average approximately 4,000 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 nine homes between 2017 and 2022. In first-quarter 2023, we completed and sold one home for \$2.5 million. Construction was completed on two of the homes in fourth-quarter 2023. In first-quarter 2024, we completed construction of two of the homes, and we sold two of the homes for a total of \$7.6 million. In second-quarter 2024, we sold another Amarra Villas home for \$3.6 million. In third-quarter 2024, we completed and sold one Amarra Villas home for \$4.0 million. In fourth-quarter 2024, we completed construction of three of the homes and we sold one home for \$3.8 million, leaving three completed homes in inventory as of December 31, 2024. Construction on the last two homes continues to progress and is expected to be completed in the first half of 2025. As of March 21, 2025, five homes remain available for sale.

*The Saint June.* In third-quarter 2021, we began construction on The Saint June, a 182-unit luxury garden-style multi-family project within the Amarra development. The first units were available for occupancy in July 2023, and construction was completed in fourth-quarter 2023. We completed the lease-up of The Saint June during 2024.

*Holden Hills Phase 1 (formerly known as Holden Hills).* Our final large residential development within the Barton Creek community, Holden Hills Phase 1, consists of 495 acres. The community has been designed to feature unique luxury residences to be developed in multiple sections with a focus on health and wellness, sustainability and energy conservation.

We entered into a limited partnership agreement with a third-party equity investor for Holden Hills Phase 1 in January 2023, and in February 2023 obtained construction financing for road and utility infrastructure of Holden Hills Phase 1. Construction on the road and utility infrastructure is expected to be completed in the first half of 2025. As a result of the removal of Holden Hills Phase 1 from Austin's ETJ pursuant to Texas Senate Bill 2038 (the ETJ Law), as described below, our development plans for portions of Holden Hills Phase 1 are being adjusted to benefit from the new regulatory scheme. We anticipate being in a position to start building homes and/or selling home sites in late 2025, assuming regulators timely fulfill their permit processing obligations and there are no further changes in the regulatory environment. For additional discussion, refer to Items 1. and 2. "Business and Properties" and Notes 2 and 6.

*Holden Hills Phase 2 (formerly known as Section N).* Using an entitlement strategy similar to that used for Holden Hills Phase 1, we continue to progress the development plans for Holden Hills Phase 2, our approximately 570-acre tract located along Southwest Parkway in the southern portion of the Barton Creek community adjacent to Holden Hills Phase 1. We have removed the majority of Holden Hills Phase 2 from Austin's ETJ pursuant to the ETJ Law, as described below, and are adjusting our development plans to benefit from the new regulatory scheme. Holden Hills Phase 2 is being designed as a mixed-use project, with extensive residential uses, coupled with limited entertainment and hospitality uses, surrounded by extensive outdoor recreational and greenspace amenities. The new regulatory scheme is expected to result in a significant increase in development density as compared to our prior plans.

*ETJ Process.* The ETJ Law became effective September 1, 2023. We have completed the statutory process to remove all of our relevant land subject to development, including primarily Holden Hills Phases 1 and 2 from the extraterritorial jurisdiction (ETJ) of the City of Austin, as permitted by the ETJ Law. We have also made filings with Travis County to grandfather Holden Hills Phases 1 and 2 under most laws in effect in Travis County at the time of the filings. A number of cities in Texas have brought lawsuits challenging the ETJ Law. If the ETJ Law is upheld, we expect that the removal of our properties from the ETJ of the City of Austin will streamline the development permitting process, allow greater flexibility in the design of projects, potentially decrease certain development costs, and potentially permit meaningful increases in development density. In light of the ETJ Law, our development plans for portions of Holden Hills Phases 1 and 2 are being adjusted. For additional discussion, refer to Item 1A. "Risk Factors."

#### The Saint George

The Saint George is a luxury wrap-style multi-family project under construction on approximately four acres in north central Austin, with approximately 316 units comprised of studio, one- and two- bedroom units and an attached parking garage. We purchased the land and entered into third-party equity financing for the project in December 2021. We entered into a construction loan for the project in July 2022 and began construction in third-quarter 2022. We currently expect to achieve substantial completion in the first half of 2025. Refer to Notes 2 and 6 for further discussion.

#### Circle C Community

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

#### Lakeway Multi-Family

After extensive negotiation with the City of Lakeway, utility suppliers and neighboring property owners, during 2023 we secured the right to develop a multi-family project on approximately 35 acres of undeveloped property in Lakeway, Texas located in the greater Austin area. The multi-family project is expected to utilize the road, drainage and utility infrastructure we are required to build, subject to certain conditions, which is secured by a \$2.3 million

letter of credit under our revolving credit facility. Refer to Note 6 and “Capital Resources and Liquidity – Revolving Credit Facility and Other Financing Arrangements” below for additional discussion.

### The Annie B

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

### Magnolia Place

In first-quarter 2024, we completed the sale of approximately 47 acres planned for a second phase of retail development, all remaining pad sites and up to 600 multi-family units, for \$14.5 million. In connection with the sale, the Magnolia construction loan with a balance of \$8.8 million was repaid. Following the sale, we retained potential development of approximately 11 acres planned for 275 multi-family units and approximately \$12 million of potential future reimbursement from the municipal utility district (MUD).

### Other Residential

We have advanced development plans for The Saint Julia, an approximately 210-unit multi-family project that is part of Lantana Place, a partially developed, mixed-use development project located south of Barton Creek in Austin. Our goal is to commence construction or sell the site, as soon as financing and/or market conditions warrant.

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

**Commercial.** As of December 31, 2024, the number of square feet of our commercial property developed, under development and our remaining entitlements for potential development are shown below:

	Commercial Property			Total
	Developed	Under Development	Potential Development <sup>a</sup>	
<b>Barton Creek:</b>				
Entry corner	—	—	5,000	5,000
Amarra retail/office	—	—	83,081	83,081
Holden Hills Phase 2 <sup>b</sup>	—	—	1,560,810	1,560,810
Circle C <sup>c</sup>	—	—	660,985	660,985
<b>Lantana:</b>				
Lantana Place	99,377	—	—	99,377
Tract G07	—	—	160,000	160,000
West Killeen Market	44,493	—	—	44,493
Jones Crossing	154,092	—	104,750	258,842
Kingwood Place	151,877	—	—	151,877
New Caney <sup>b</sup>	—	—	145,000	145,000
The Annie B <sup>b</sup>	—	—	8,325	8,325
Other Austin	—	—	7,285	7,285
<b>Total Square Feet</b>	<b>449,839</b>	<b>—</b>	<b>2,735,236</b>	<b>3,185,075</b>

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

- b. For a discussion of this project, refer to Items 1. and 2. "Business and Properties."
- c. We are pursuing rezoning of approximately 216 undeveloped acres planned for 660,985 square feet of commercial space from commercial use to multi-family use.

**Stabilized Retail Projects**

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

- *Lantana Place – Retail* is part of our mixed-use development project within the Lantana community south of Barton Creek in Austin, Texas. As of December 31, 2024, we had signed leases for substantially all of the 99,377-square-foot retail space, including the anchor tenant, Moviehouse & Eatery, and a ground lease for an AC Hotel by Marriott that opened in November 2021.
- *West Killeen Market* is our H-E-B shadow-anchored retail project in West Killeen, Texas, near Fort Cavazos. As of December 31, 2024, we had executed leases for approximately 74 percent of the 44,493-square-foot retail space.
- *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, 2024, we had signed leases for substantially all of the completed retail space, including the H-E-B grocery store, totaling 154,092 square feet. The Jones Crossing site has future development opportunities. As of December 31, 2024, we had approximately 22 undeveloped acres with estimated development potential of approximately 104,750 square feet of commercial space and four retail pad sites.
- *Kingwood Place* is our H-E-B-anchored, mixed-use development project in Kingwood, Texas (in the greater Houston area). We have constructed 151,877 square feet of retail space at Kingwood Place, including an H-E-B grocery store, and as of December 31, 2024, we had signed leases for substantially all of the retail space, including the H-E-B grocery store. We have also signed ground leases on four of the retail pad sites. One retail pad site remains available for lease.

As previously disclosed, we had been testing the market for potential sales of West Killeen Market, Magnolia Place – Retail, Lantana Place – Retail and Kingwood Place. In third-quarter 2024, we closed on the sale of Magnolia Place – Retail for \$8.9 million. The sale generated pre-tax net cash proceeds of approximately \$8.6 million and a pre-tax gain of \$1.6 million. In fourth-quarter 2024, we refinanced the construction loan for Kingwood Place and in first-quarter 2025, we refinanced the construction loan for Lantana Place and the Jones Crossing loan, all at lower rates. Refer to Part I, Items 1. and 2. "Business and Properties" and Note 6 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, refinancings 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.

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

	Years Ended December 31,	
	2024	2023
Operating (loss) income:		
Real Estate Operations <sup>a</sup>	\$ 4,727	\$ (7,219)
Leasing Operations <sup>b</sup>	8,070	5,440
General and administrative expenses <sup>c</sup>	(14,952)	(15,167)
Operating loss	\$ (2,155)	\$ (16,946)
Net loss	\$ (1,908)	\$ (16,493)
Net income (loss) attributable to common stockholders	\$ 1,956	\$ (14,807)

- a. Includes sales commissions and other revenues together with related expenses.
- b. Includes a pre-tax gain on the sale of Magnolia Place – Retail in third-quarter 2024 of \$1.6 million.
- c. Includes employee compensation and other costs.

We have two operating segments: Real Estate Operations and Leasing Operations (refer to Note 10). The following is a discussion of our operating results by segment.

We use operating income (loss) before general and administrative expenses to measure the performance of our business segments. 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.

### **Real Estate Operations**

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

	Years Ended December 31,	
	2024	2023
Revenues:		
Developed property sales	\$ 20,348	\$ 2,493
Undeveloped property sales	14,500	—
Commissions and other	39	58
Total revenues	34,887	2,551
Expenses:		
Cost of real estate sold	(23,894)	(2,159)
Property taxes and insurance	(1,145)	(1,267)
Lease expense	(1,140)	(1,140)
Professional fees	(2,134)	(1,967)
Allocated overhead costs	(977)	(1,731)
Other segment items	(689)	(1,352)
Depreciation and amortization	(181)	(154)
Operating income (loss)	\$ 4,727	\$ (7,219)

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

	Years Ended December 31,					
	2024			2023		
	Lots/Homes	Revenues	Average Cost per Lot/Home	Lots/Homes	Revenues	Average Cost per Lot/Home
<i>Barton Creek – Amarra Drive:</i>						
Amarra Villas homes	5	\$ 18,948	\$ 3,162	1	\$ 2,493	\$ 2,159
Phase III lot	1	1,400	389	—	—	—
Total Residential	6	\$ 20,348		1	\$ 2,493	

The increase in revenues from developed property sales for 2024, compared to 2023, reflects the sales of five Amarra Villas homes in 2024 compared to the sale of one Amarra Villas home in 2023, as well as an increase in average sales price by approximately 52 percent, from \$2.5 million per home in 2023 to \$3.8 million per home in 2024. No assurances can be given that future sale prices will be as high as sale prices in 2024. In fourth-quarter 2024, we also sold one Amarra Drive Phase III lot for \$1.4 million. As of December 31, 2024, one developed Phase III lot and three completed Amarra Villas homes remained unsold and the remaining two Amarra Villas homes were under construction.

*Undeveloped Property Sales.* In first-quarter 2024, we completed the sale of approximately 47 acres of undeveloped land at Magnolia Place that was planned for a second phase of retail development, all remaining pad sites and up to 600 multi-family units, for \$14.5 million. There were no undeveloped property sales in 2023.

*Real Estate Operations Expenses.* Real Estate Operations expenses include cost of real estate sold, property taxes and insurance, lease expense, professional fees, allocated overhead costs, other segment items and depreciation and amortization. Other segment items primarily include advertising, property owner association fees,

maintenance and utilities. Cost of real estate sold is directly related to property sales. Cost of real estate sold increased \$21.7 million in 2024, compared to 2023, primarily due to the sale of undeveloped property at Magnolia Place and the sales of five Amarra Villas homes in 2024 compared to no undeveloped property sales and the sale of one Amarra Villas home in 2023. In addition, the average cost of the Amarra Villas homes sold increased by approximately 46 percent in 2024 compared to 2023. Professional fees for 2024 included a \$721 thousand charge to write off previously capitalized costs related to a change in development plans for one of our properties. Allocated overhead costs decreased \$754 thousand in 2024, compared to 2023, primarily related to the impact of the formation of the Holden Hills Phase 1 partnership in 2023, which contributed to higher expenses in 2023. Other segment items decreased \$663 thousand in 2024, compared to 2023, primarily related to the forfeiture of \$1.0 million of earnest money in 2023 from a real estate acquisition that was not pursued.

### **Leasing Operations**

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

	Years Ended December 31,	
	2024	2023
Rental revenue	\$ 19,296	\$ 14,719
Expenses:		
Property taxes and insurance	(3,066)	(1,769)
Maintenance and repairs	(2,024)	(1,507)
Property management fees and payroll	(918)	(650)
Utilities	(478)	(463)
Other segment items	(984)	(787)
Depreciation	(5,382)	(4,103)
Gain on sales of assets	1,626	—
Operating income	<u>\$ 8,070</u>	<u>\$ 5,440</u>

**Rental Revenue.** In 2024 and 2023, rental revenue included revenue from our retail and mixed use properties Lantana Place – Retail, Kingwood Place, Jones Crossing – Retail, West Killeen Market and Magnolia Place – Retail and our multi-family property, The Saint June. The Saint June commenced operations in mid-2023 and was completed in fourth-quarter 2023. We sold Magnolia Place – Retail in third-quarter 2024. The increase in rental revenue in 2024, compared with 2023, primarily reflects revenue from The Saint June, which had minimal rental revenue in 2023 and was in lease-up during 2024. In addition, revenue increased at Lantana Place – Retail, Jones Crossing – Retail and Kingwood Place, primarily due to new leases.

**Leasing Operations Expenses.** Leasing Operations expenses include property taxes and insurance, maintenance and repairs, property management fees and payroll, utilities, other segment items and depreciation. Other segment items primarily includes amortization of leasing costs, property owner association fees, professional and consulting fees, and office and computer equipment. Property taxes and insurance increased \$1.3 million in 2024, compared to 2023, primarily as a result of The Saint June commencing operations in mid-2023. The increases in maintenance and repairs and depreciation in 2024, compared to 2023, are also primarily related to The Saint June commencing operations in mid-2023.

**Gain on Sales of Assets.** In third-quarter 2024, we closed on the sale of Magnolia Place – Retail for \$8.9 million. The sale generated pre-tax net cash proceeds of approximately \$8.6 million and a pre-tax gain of \$1.6 million.

### **Non-Operating Results**

**Interest Expense, Net.** Interest costs (before capitalized interest) totaled \$15.7 million in 2024 and \$12.5 million in 2023. Interest costs in 2024 were higher, compared to 2023, primarily reflecting increased average interest rates as well as an increase in average debt balances. As of December 31, 2024, all of our debt was variable-rate debt, and for all such debt, the interest rates have increased year-over-year, although interest rates on our loans have declined slightly in the second half of 2024 after the Federal Reserve lowered interest rates by a total of 100 basis points between September 2024 and December 2024. In addition, in fourth-quarter 2024, we amended The Saint June construction loan and refinanced the loan on the Kingwood Place project, resulting in lower rates. Refer to Note 6 and “Debt Maturities and Other Contractual Obligations” for additional information.

All of our interest costs were capitalized for both periods presented. Capitalized interest in 2024 was primarily related to development activities at our Barton Creek properties (primarily Amarra Villas and Holden Hills Phases 1 and 2) and The Saint George. Construction of the last two Amarra Villas homes, the road and utility infrastructure of Holden Hills Phase 1 and The Saint George is expected to be completed in the first half of 2025. Capitalized interest in 2023 was primarily related to development activities at Barton Creek (Holden Hills Phases 1 and 2 and The Saint June), The Saint George and The Annie B.

*Provision for Income Taxes.* We recorded provisions for income taxes of \$0.4 million in 2024 and \$1.5 million in 2023. We had deferred tax assets (net of deferred tax liabilities and valuation allowances) totaling \$153 thousand at December 31, 2024, and \$173 thousand at December 31, 2023. Refer to Note 7 for further discussion of income taxes.

*Total Comprehensive Loss Attributable to Noncontrolling Interests in Subsidiaries.* Our partners' share of losses totaled \$3.9 million and \$1.7 million in 2024 and 2023, respectively. The increase was primarily due to increased interest expense for Stratus Block 150, L.P. and The Saint June, L.P., and initial operating expenses for The Saint George Apartments, L.P., which is expected to be substantially completed in the first half of 2025.

## 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 \$5.8 million in 2024 and \$51.3 million in 2023. Expenditures for purchases and development of real estate properties totaled \$29.5 million in 2024 and \$44.5 million in 2023, both primarily related to development of our Barton Creek properties, particularly Holden Hills Phase 1 and Amarra Villas.

*Investing Activities.* Cash used in investing activities totaled \$21.5 million in 2024 and \$47.0 million in 2023. Capital expenditures totaled \$29.1 million for 2024, primarily related to The Saint George and to a lesser extent for tenant improvements at Lantana Place – Retail, and \$46.0 million for 2023, primarily for The Saint George and The Saint June.

*Financing Activities.* Cash provided by financing activities totaled \$16.1 million in 2024 and \$84.9 million in 2023. During 2024 and 2023, we had no net borrowings on the Comerica Bank revolving credit facility. Net borrowings on project loans totaled \$15.7 million in 2024, primarily reflecting borrowings on The Saint George and Holden Hills Phase 1 construction loans and the Amarra Villas credit facility and the refinancing of the Kingwood Place construction loan, partially offset by the payoff of the Magnolia Place construction loan and paydowns on the Amarra Villas credit facility and The Annie B land loan. Net borrowings of \$51.4 million in 2023 primarily reflected borrowings on The Saint George and The Saint June construction loans and Amarra Villas construction credit facility, partially offset by the payoff of the New Caney land loan. Refer to the table "Debt Maturities and Other Contractual Obligations" below for a presentation of our outstanding debt and principal maturities for the years ending December 31, 2025 through 2028 and thereafter.

During 2024, we contributed additional capital of \$400 thousand in cash, and the Class B limited partner contributed additional capital of \$3.6 million in cash, to The Saint George Apartments, L.P. to support the partnership's ability to pay its construction loan interest, which has exceeded the amount budgeted due to interest rate increases. During 2023, we received a contribution from a noncontrolling interest owner of \$40.0 million, related to the Holden Hills Phase 1 partnership. Also during 2023, we paid distributions of \$13 thousand to noncontrolling interest owners related to the dissolution of the limited partnership for The Saint Mary, which was sold in 2021. No distributions to noncontrolling interest owners were paid during 2024.

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

In November 2023, with written consent from Comerica Bank, our Board approved a new share repurchase program, which authorizes repurchases of up to \$5.0 million of our common stock. The repurchase program authorizes us, in management's and the Capital Committee of the Board's discretion, to repurchase shares from time to time, subject to market conditions and other factors. The timing, price and number of shares that may be repurchased under the program will be based on market conditions, applicable securities laws and other factors considered by management and the Capital Committee of the Board. Share repurchases under the program may be made from time to time through solicited or unsolicited transactions in the open market, in privately negotiated transactions or by other means in accordance with securities laws. The share repurchase program does not obligate us to repurchase any specific amount of shares, does not have an expiration date, and may be suspended, modified or discontinued at any time without prior notice. In 2024, we acquired 62,686 shares of our common stock under the share repurchase program for a total cost of \$1.6 million at an average price of \$25.37 per share. Through March 21, 2025, we acquired 83,380 shares of our common stock for a total cost of \$2.0 million at an average price of \$23.98 per share, and \$3.0 million remains available for repurchases under the program.

### **Revolving Credit Facility and Other Financing Arrangements**

As of December 31, 2024, we had \$20.2 million in cash and cash equivalents and restricted cash of \$1.0 million, and no amount was borrowed under our revolving credit facility. Of the \$20.2 million in consolidated cash and cash equivalents at December 31, 2024, \$11.1 million held at certain consolidated subsidiaries is subject to restrictions on distribution to the parent company pursuant to project loan agreements. In 2024 and 2023, development and asset management fees of \$2.2 million and \$2.4 million, respectively, were paid by the limited partnerships to Stratus. The payments of these intercompany fees resulted in increases in cash available to the parent company, and the income to Stratus and cost to the partnerships have been eliminated in the consolidated financial statements.

At December 31, 2024, we had total debt of \$196.7 million based on the principal amounts outstanding, compared with \$177.4 million at December 31, 2023. Debt increased primarily due to draws on project construction loans for The Saint George and Holden Hills Phase 1 and the refinancing or modification of the Kingwood Place and The Saint June construction loans, partially offset by the payoff of the Magnolia Place construction loan and paydowns on the Amarra Villas credit facility and The Annie B land loan. As of December 31, 2024, the maximum amount that could be borrowed under the Comerica Bank revolving credit facility was \$52.3 million, resulting in availability of \$39.0 million, net of letters of credit totaling \$13.3 million issued under the revolving credit facility, \$11.0 million of which secure our obligation to build certain roads and utilities facilities benefiting Holden Hills Phases 1 and 2. Refer to Note 6 for additional discussion. Refer to "Debt Maturities and Other Contractual Obligations" below for a table illustrating the timing of principal payments due on our outstanding debt as of December 31, 2024.

We have made operating loans to Stratus Block 150, L.P. to facilitate the partnership's ability to pay ongoing costs, including debt service, of The Annie B project during the pre-construction period. The loans are subordinate to The Annie B land loan and must be repaid before distributions may be made to the partners. In 2023, we made operating loans totaling \$2.3 million. In 2024, we made operating loans totaling \$3.5 million. In first-quarter 2025, we made an operating loan of \$1.5 million.

Stratus and the Class B Limited partner have made operating loans to The Saint June, L.P. to support the partnership's ability to pay its construction loan interest, which has exceeded the amount budgeted due to interest rate increases. In 2023, we made operating loans totaling \$1.0 million, and the Class B Limited Partner made an operating loan of \$250 thousand. In 2024, we made operating loans totaling \$424 thousand, and the Class B Limited Partner made operating loans totaling \$504 thousand. The loans are subordinate to The Saint June construction loan and must be repaid before distributions may be made to the partners. In October 2024, operating loan repayments of \$463 thousand and \$260 thousand were made to Stratus and the Class B Limited Partner, respectively, leaving outstanding balances of \$962 thousand and \$493 thousand payable to Stratus and the Class B Limited Partner, respectively.

In third-quarter 2024, we contributed additional capital of \$400 thousand in cash, and the Class B limited partner contributed additional capital of \$3.6 million in cash, to The Saint George Apartments, L.P. to support the partnership's ability to pay its construction loan interest, which has exceeded the amount budgeted due to interest rate increases. Refer to Note 2 for further discussion.

In February 2024, The Annie B land loan was modified to extend the maturity to September 1, 2025, and change the interest rate to one-month Term Secured Overnight Financing Rate (SOFR) plus 3.00 percent. Under The Annie B

land loan, Term SOFR is defined as one-month Term SOFR plus 0.10 percent and is subject to a floor of 0.50 percent. In connection with the modification, we made a \$1.4 million principal payment on the loan in February 2024 and made another principal payment of \$630 thousand in February 2025.

In June 2024, the Amarra Villas credit facility was modified to, among other things, extend the maturity date to June 19, 2026, change the interest rate to Term SOFR plus 3.00 percent (subject to a floor of 5.00 percent) and lower the commitment amount from \$18.0 million to \$10.5 million. Under the Amarra Villas credit facility, Term SOFR is defined as one-month Term SOFR plus 0.10 percent and is subject to a floor of 0.50 percent. Principal paydowns occur as homes are sold, and amounts are borrowed as homes are constructed. Paydowns made in connection with a sale of an Amarra Villas home reduce the commitment amount by the amount of the payment, and such amounts may not be re-borrowed.

In October 2024, The Saint June construction loan was modified to (i) extend the maturity date of the loan to October 2, 2025; (ii) increase the aggregate commitment under the loan by \$2.0 million to \$32.3 million; (iii) decrease the interest rate applicable margin from 2.85 percent to 2.35 percent; and (iv) require payment of an exit fee for prepayments and repayments of the loan of 1.00 percent of the principal amount of such amounts repaid, subject to certain exceptions. Accordingly, the loan bears interest at one-month Term SOFR plus 2.35 percent, subject to a 3.50 percent floor. The loan is payable in monthly installments of principal and interest of approximately \$40,000, with the outstanding principal due at maturity. The Saint June, L.P. has an option to extend the maturity of the loan for an additional 12-month term if certain conditions are met. After closing costs, The Saint June, L.P. used the remaining portion of the \$1.5 million proceeds of the loan primarily for property taxes and the partial repayment of operating loans to the partnership from Stratus and the Class B Limited Partner.

In November 2024, the Kingwood Place construction loan was refinanced. The new loan has a principal amount of \$33.0 million and matures December 1, 2027. The loan bears interest at one-month Term SOFR plus 1.80 percent, with Term SOFR subject to a 3.00 percent floor. As required by the loan, Stratus Kingwood Place, L.P. purchased an interest rate cap with a Term SOFR strike rate equal to 6.00 percent, a notional amount of \$33.0 million and an expiration date of December 1, 2026. Upon expiration, as required by the loan, Stratus Kingwood Place, L.P. will enter into a subsequent interest rate cap agreement with a term through the maturity date of the loan, a notional amount of the maximum loan amount and a strike price commensurate to the then current interest rate. Payments of interest only on the loan are due monthly with the outstanding principal due at maturity. Stratus Kingwood Place, L.P. may prepay all, but not a portion, of the loan; provided that a prepayment prior to December 1, 2025 is subject to a yield maintenance premium payment. After paying off the prior loan and closing costs, Stratus Kingwood Place, L.P. used the remaining approximately \$3.2 million proceeds of the loan to pay for certain partnership expenses and distributions to Stratus and the third-party equity investors. In January 2025, Stratus received approximately \$2.0 million in payments and distributions.

In January 2025, the Lantana Place construction loan was refinanced. The new loan has a principal amount of \$29.8 million and matures February 1, 2029. The loan bears interest at one-month Term SOFR plus 2.35 percent, with a floor of 0.00 percent. Payments of interest only on the loan are due monthly through January 31, 2026. Thereafter, principal and interest payments are due monthly based on a 30-year amortization with the remaining unpaid principal and interest due at maturity. After paying off the prior loan and paying property taxes and closing costs, Stratus received approximately \$3.0 million in net cash proceeds.

In March 2025, the Jones Crossing loan was refinanced. The new loan has a principal amount of \$24.0 million and matures April 1, 2028. The loan bears interest at one-month Term SOFR plus 1.95 percent, with a floor of 3.00 percent. As required by the loan, College Station 1892 Properties, L.L.C. purchased an interest rate cap with a Term SOFR strike rate equal to 5.00 percent, a notional amount of \$24.0 million and an expiration date of April 1, 2026. Upon expiration, as required by the loan, College Station 1892 Properties, L.L.C. will enter into two subsequent, consecutive interest rate cap agreements, each with a one-year term, a notional amount of the maximum loan amount and a strike price commensurate to the then-current interest rate. Payments of interest only on the loan are due monthly with the outstanding principal due at maturity. College Station 1892 Properties, L.L.C. may prepay all, but not a portion, of the loan; provided that a prepayment prior to April 1, 2026 is subject to a yield maintenance premium payment. After paying off the existing Jones Crossing loan and closing costs, Stratus received approximately \$1.2 million in net cash proceeds.

In January 2025, we entered into a modification of the Comerica Bank revolving credit facility to increase the aggregate amount of letters of credit that may be committed against the facility from \$13.3 million to \$15.6 million. In March 2025, we entered into an amendment to our revolving credit facility, which extended the maturity date to

March 27, 2027 and lowered the interest rate to one-month Term SOFR plus 0.10 percent (with a floor of 0.50 percent), plus 3.00 percent.

We expect that, if market rates continue to decline, interest on our outstanding debt, all of which is variable rate, will continue to decline.

Most of our debt agreements require compliance with specified financial covenants. The Saint June construction loan includes a requirement that we maintain liquid assets, as defined in the agreements, of not less than \$10 million. The Comerica Bank revolving credit facility, the Amarra Villas credit facility, the West Killeen Market construction loan, The Saint June construction loan, The Annie B land loan, The Saint George construction loan and the Holden Hills Phase 1 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 Annie B land loan, The Saint George construction loan and the Holden Hills Phase 1 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 and the Lantana Place 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, 2024, we were in compliance with all of our financial covenants.

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 equity holders; 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 and the Holden Hills Phase 1 construction loan require Comerica Bank's prior written consent for any common stock repurchases in excess of \$1.0 million or any dividend payments, which was obtained in connection with the special cash dividend and share repurchase programs. Any future declaration of dividends or decision to repurchase our common stock is at the discretion of our Board, subject to restrictions under our Comerica Bank debt agreements, and will depend on our financial results, cash requirements, projected compliance with covenants in our debt agreements, outlook and other factors deemed relevant by our Board. Our future debt agreements, future refinancings of or amendments to existing debt agreements or other future agreements may restrict our ability to declare dividends or repurchase shares.

Our project loans are generally secured by all or substantially all of the assets of the project, and our Comerica Bank revolving credit facility is secured by substantially all of our assets other than those encumbered by separate project level financing. In addition, we, as the parent company, are typically required to guarantee all or a significant portion of the payment of our project loans, in some cases until certain development milestones and/or financial conditions are met, in some cases on a full recourse basis and in other cases on a more limited recourse basis. As of December 31, 2024, we, as the parent company, guaranteed the payment of all of the project loans, except for the Kingwood Place loan, Jones Crossing loan, the Lantana Place loan and West Killeen Market loan. Our guarantees of the Kingwood Place loan, Jones Crossing loan and the Lantana Place loan are generally limited to non-recourse carve-out obligations. Our payment guarantee on The Saint June construction loan is limited to 50.0 percent and on The Saint George construction loan is limited to 25.0 percent, in each case until certain conditions are met. 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, 2024 (in thousands):

	2025	2026	2027	2028	2029	Thereafter	Total
Comerica Bank revolving credit facility <sup>s</sup>	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Kingwood Place loan <sup>b</sup>	—	—	33,000	—	—	—	33,000
Jones Crossing loan <sup>c</sup>	—	22,581	—	—	—	—	22,581
The Annie B land loan <sup>d</sup>	12,600	—	—	—	—	—	12,600
<b>Construction loans:</b>							
The Saint George	—	48,301	—	—	—	—	48,301
The Saint June <sup>e</sup>	32,200	—	—	—	—	—	32,200
Lantana Place <sup>f</sup>	185	198	25,183	—	—	—	25,566
Holden Hills Phase 1	—	15,590	—	—	—	—	15,590
West Killeen Market <sup>g</sup>	5,196	—	—	—	—	—	5,196
Amarra Villas credit facility	—	1,631	—	—	—	—	1,631
<b>Total</b>	<b>\$ 50,181</b>	<b>\$ 88,301</b>	<b>\$ 58,183</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 196,665</b>

- a. In March 2025, the Comerica Bank revolving credit facility was amended. The new maturity date is March 27, 2027.
- b. In November 2024, the Kingwood Place construction loan was refinanced with a three-year term loan.
- c. In March 2025, the Jones Crossing loan was refinanced with a three-year term loan. The new maturity date is April 1, 2028.
- d. The maturity date is September 1, 2025.
- e. Includes operating loans from our third-party partner of \$493 thousand. The maturity date of the construction loan is October 2, 2025.
- f. In January 2025, the Lantana Place construction loan was refinanced with a four-year term loan. The new maturity date is February 1, 2029. We have the option to extend the maturity for an additional 12-month term if certain conditions are met.
- g. The maturity date is July 31, 2025.

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

	December 31,	
	2024	2023
Comerica Bank revolving credit facility <sup>a</sup>	— %	— %
Kingwood Place loan <sup>b</sup>	6.37	7.74
Jones Crossing loan	7.57	7.27
The Annie B land loan	8.25	7.96
<b>Construction loans:</b>		
The Saint George <sup>c</sup>	7.53	7.68
The Saint June	7.90	7.87
Lantana Place	7.52	7.47
Holden Hills Phase 1 <sup>d</sup>	8.15	8.38
West Killeen Market	7.89	7.75
Amarra Villas credit facility	8.33	8.11
Magnolia Place <sup>e</sup>	—	8.38

- a. We did not have an outstanding balance during 2023 or 2024. At December 31, 2024, the interest rate for the revolving credit facility was 8.33 percent.
- b. In November 2024, the Kingwood Place construction loan was refinanced with a three-year term loan.
- c. We did not have an outstanding balance during first-quarter 2023.

- d. We did not have an outstanding balance during first-quarter and second-quarter 2023.
- e. In first-quarter 2024, this loan was repaid with proceeds from the sale of 47 acres of undeveloped land.

We estimate our interest payments during 2025 will total approximately \$12.9 million, based on interest rates in effect on our debt at December 31, 2024, no new debt agreements, and completed or scheduled principal payments as of March 21, 2025 on debt outstanding at December 31, 2024.

We had firm commitments totaling approximately \$10 million at December 31, 2024 primarily related to construction of Holden Hills Phase 1 and The Saint George and as of March 21, 2025, we have not started construction on any new projects. We have construction loans, as well as remaining equity capital contributed to the Holden Hills Phase 1 partnership, to fund over the next 12 months following this filing, these projected cash outlays for the projects and 60 percent of the costs of the Tecoma Improvements for which we have agreed to reimburse the Holden Hills Phase 1 partnership. As of December 31, 2024, the remaining costs to complete the Tecoma Improvements totaled \$3.5 million, of which our share totaled \$2.1 million. Refer to “Recent Development Activities – Current Residential Activities – Barton Creek – Holden Hills Phase 1” above for further discussion of the Tecoma Improvements. Also, we anticipate making future operating loans to Stratus Block 150, L.P. totaling up to \$1.7 million and a capital contribution to The Saint George partnership of \$125 thousand over the next 12 months to enable the partnerships to pay debt service and project costs. The operating loans would bear interest at one-month Term SOFR plus 5.00 percent, would be subordinate to The Annie B land loan and required to be repaid before distributions may be made to the partners. Refer to Note 9 for further discussion of future cash requirements.

We project that we will be able to meet our debt service and other cash obligations for at least the next 12 months. Our stabilized retail and multi-family properties (West Killeen Market, Jones Crossing – Retail, Lantana Place – Retail, Kingwood Place and The Saint June) are projected to generate sufficient cash flow to cover debt service over the next 12 months. We expect to sell additional Amarra Villas homes and may sell other properties. For other projected pre-development costs, much of which are discretionary, and for our costs of the Tecoma Improvements and projected general and administrative expenses, we had cash and cash equivalents of \$20.2 million at December 31, 2024 and availability under our revolving credit facility (which matures on March 27, 2027) of approximately \$39.0 million as of December 31, 2024 which is expected to be sufficient to fund these cash requirements for the next 12 months.

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

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

#### **RECENT ACCOUNTING STANDARDS**

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

#### **OFF-BALANCE SHEET ARRANGEMENTS**

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

## CAUTIONARY STATEMENT

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

Under our Comerica Bank debt agreements, we are not permitted to repurchase our common stock in excess of \$1.0 million or pay dividends on our common stock without Comerica Bank's prior written consent, which we obtained in connection with our current \$5.0 million 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, maintenance and insurance costs, and the cost of building materials and labor, elevated inflation and interest rates, the effect of tariffs or threatened tariffs, supply chain constraints, 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, availability of bank credit, defaults by contractors and subcontractors, declines in the market value of our assets, market conditions or corporate developments that could preclude, impair or delay any opportunities with respect to plans to sell, recapitalize or refinance properties, a decrease in the demand for real estate in select markets in Texas where we operate, particularly in Austin, changes in economic, market, tax, business and geopolitical conditions, potential U.S. or local economic downturn or recession, the availability and terms of financing for development projects and other corporate purposes, our ability to collect anticipated rental payments and close projected asset sales, loss of key personnel, our ability to enter into and maintain joint ventures, partnerships or other strategic relationships, including risks associated with such joint ventures, any major public health crisis, 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, including the timing and resolution of the ongoing litigation challenging the ETJ Law and our ability to implement revised development plans in light of the ETJ Law, the failure to attract buyers or tenants for our developments or such buyers' or tenants' failure to satisfy their purchase commitments or leasing obligations, cybersecurity incidents and other factors described in more detail under the heading "Risk Factors" in Part I, Item 1A. of this Form 10-K.

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

forward-looking statements, which speak only as of the date made, notwithstanding any changes in our assumptions, business plans, actual experience or other changes.

**Item 8. Financial Statements and Supplementary Data**

**Index to Consolidated Financial Statements**

	<b>Page Reference</b>
Management's Annual Report on Internal Control Over Financial Reporting	<a href="#">48</a>
Report of Independent Registered Public Accounting Firm (PCAOB ID: 596)	<a href="#">49</a>
Consolidated Balance Sheets as of December 31, 2024 and 2023	<a href="#">51</a>
Consolidated Statements of Comprehensive Income (Loss) for each of the two years in the period ended December 31, 2024	<a href="#">52</a>
Consolidated Statements of Cash Flows for each of the two years in the period ended December 31, 2024	<a href="#">53</a>
Consolidated Statements of Equity for each of the two years in the period ended December 31, 2024	<a href="#">54</a>
Notes to the Consolidated Financial Statements	<a href="#">55</a>

## 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, 2024, the Company's internal control over financial reporting is effective based on the COSO criteria.

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

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

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

### ***Opinion on the Consolidated Financial Statements***

We have audited the accompanying consolidated balance sheets of Stratus Properties Inc. and subsidiaries (the "Company") as of December 31, 2024 and 2023, and the related consolidated statements of comprehensive income (loss), stockholders' equity, and cash flows the years then ended, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and 2023, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

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

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

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

### ***Critical Audit Matter***

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

#### *Impairment assessment on real estate assets - Refer to Notes 1 and 3 to the consolidated financial statements*

The Company's real estate assets at December 31, 2024 consist primarily of held for sale real estate assets of \$11,211,000, real estate under development of \$274,105,000, real estate held for investment, net of \$136,252,000 and land available for development of \$65,009,000. During 2024, the Company did not recognize any impairment charges.

The Company's evaluation of real estate assets for impairment involves an initial assessment of each property to determine whether events or changes in circumstances exist that may indicate that the carrying amount of a real estate asset is no longer recoverable. Management evaluates various qualitative factors during this assessment,

such as an accumulation of costs significantly in excess of the amount originally expected for the construction of real estate under development, significant decreases in market prices for similar real estate, or other adverse asset-specific or market conditions such as decreases in occupancy. If an indicator is identified for a real estate asset, management will evaluate the real estate asset for recoverability.

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

Significant judgment is exercised by management in evaluating the recoverability and fair value of the real estate assets noted above. Given these factors, the related audit effort in evaluating management's 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 Company's evaluation of real estate assets for impairment at December 31, 2024 included, among other things, the following:

- We obtained an understanding and evaluated the design of internal controls over management's identification of possible circumstances that may indicate impairment and management's evaluation of the recoverability of the carrying amount of real estate assets.
- We read and evaluated management's impairment assessment, including accounting policies and information obtained by management from outside sources such as comparable rental rates, comparable sales information, and appraisals.
- We developed an independent expectation of impairment indicators and compared such expectations to management's analysis.
- For properties with impairment indicators, our procedures over management's impairment analysis included the following:
  - We evaluated the reasonableness of significant assumptions in the undiscounted cash flow analyses, including estimates of real estate prices, market rental rates, estimates of operating expenses, and capitalization rates. In addition, we tested the mathematical accuracy of the undiscounted cash flow analyses.
  - We evaluated the reasonableness of management's undiscounted cash flow analyses by comparing management's projections to earlier projections for the same property, current year results of similar properties, and external market sources.
  - We evaluated whether the assumptions in any of the analyses above were consistent with evidence obtained in other areas of the audit.

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

/s/ CohnReznick LLP

Dallas, Texas  
March 28, 2025

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

	December 31,	
	2024	2023
<b>ASSETS</b>		
Cash and cash equivalents	\$ 20,178	\$ 31,397
Restricted cash	976	1,035
Real estate held for sale	11,211	7,382
Real estate under development	274,105	260,642
Land available for development	65,009	47,451
Real estate held for investment, net	136,252	144,112
Lease right-of-use assets	10,088	11,174
Deferred tax assets	153	173
Other assets	14,634	14,400
Total assets	<u>\$ 532,606</u>	<u>\$ 517,766</u>
<b>LIABILITIES AND EQUITY</b>		
Liabilities:		
Accounts payable	\$ 10,061	\$ 15,629
Accrued liabilities, including taxes	7,291	6,660
Debt	194,853	175,168
Lease liabilities	15,436	15,866
Deferred gain	1,810	2,721
Other liabilities	5,588	7,117
Total liabilities	<u>235,039</u>	<u>223,161</u>
Commitments and contingencies		
Equity:		
Stockholders' equity:		
Common stock, par value of \$0.01 per share, 150,000 shares authorized, 9,685 and 9,586 shares issued, respectively and 8,023 and 8,003 shares outstanding, respectively	97	96
Capital in excess of par value of common stock	200,972	197,735
Retained earnings	28,601	26,645
Common stock held in treasury, 1,662 shares and 1,583 shares at cost, respectively	(34,965)	(32,997)
Total stockholders' equity	194,705	191,479
Noncontrolling interests in subsidiaries	102,862	103,126
Total equity	297,567	294,605
Total liabilities and equity	<u>\$ 532,606</u>	<u>\$ 517,766</u>

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

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

	Years Ended December 31,	
	2024	2023
Revenues:		
Real Estate Operations	\$ 34,887	\$ 2,551
Leasing Operations	19,296	14,719
Total revenues	54,183	17,270
Cost of sales:		
Real Estate Operations	29,979	9,615
Leasing Operations	7,470	5,177
Depreciation and amortization	5,563	4,257
Total cost of sales	43,012	19,049
General and administrative expenses	14,952	15,167
Gain on sales of assets	(1,626)	—
Total	56,338	34,216
Operating loss	(2,155)	(16,946)
Loss on extinguishment of debt	(69)	—
Other income, net	758	1,912
Net loss before income taxes and equity in unconsolidated affiliate's income	(1,466)	(15,034)
Provision for income taxes	(442)	(1,524)
Equity in unconsolidated affiliate's income	—	65
Net loss and total comprehensive loss	(1,908)	(16,493)
Total comprehensive loss attributable to noncontrolling interests	3,864	1,686
Net income (loss) and total comprehensive income (loss) attributable to common stockholders	\$ 1,956	\$ (14,807)
Basic net income (loss) per share attributable to common stockholders	\$ 0.24	\$ (1.85)
Diluted net income (loss) per share attributable to common stockholders	\$ 0.24	\$ (1.85)
Weighted-average shares of common stock outstanding:		
Basic	8,059	7,996
Diluted	8,189	7,996

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,	
	2024	2023
Cash flow from operating activities:		
Net loss	\$ (1,908)	\$ (16,493)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	5,563	4,257
Cost of real estate sold	22,357	1,997
Loss on extinguishment of debt	69	—
Gain on sales of assets	(1,626)	—
Stock-based compensation	1,722	1,938
Debt issuance cost amortization	1,352	851
Equity in unconsolidated affiliates' income	—	(65)
Deferred income taxes	20	(135)
Purchases and development of real estate properties	(29,525)	(44,451)
Write-off of capitalized project costs	721	—
(Increase) decrease in other assets	(43)	1,661
Decrease in accounts payable, accrued liabilities and other	(4,542)	(814)
Net cash used in operating activities	<u>(5,840)</u>	<u>(51,254)</u>
Cash flow from investing activities:		
Capital expenditures	(29,136)	(45,962)
Proceeds from sale of assets, net of fees	8,586	—
Payments on master lease obligations	(990)	(977)
Other, net	—	(15)
Net cash used in investing activities	<u>(21,540)</u>	<u>(46,954)</u>
Cash flow from financing activities:		
Borrowings from project loans	73,648	60,692
Payments on project and term loans	(57,913)	(9,247)
Payment of dividends	(376)	(678)
Finance lease principal payments	(16)	(15)
Stock-based awards net payments	(376)	(789)
Purchases of treasury stock	(1,592)	(2,137)
Noncontrolling interests' distributions	—	(13)
Noncontrolling interests' contributions	3,600	40,000
Financing costs	(873)	(2,882)
Net cash provided by financing activities	<u>16,102</u>	<u>84,931</u>
Net decrease in cash, cash equivalents and restricted cash	(11,278)	(13,277)
Cash, cash equivalents and restricted cash at beginning of year	32,432	45,709
Cash, cash equivalents and restricted cash at end of year	<u>\$ 21,154</u>	<u>\$ 32,432</u>

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

**STRATUS PROPERTIES INC.**  
**CONSOLIDATED STATEMENTS OF EQUITY**

(In Thousands)

Stockholders' Equity

	Common Stock				Common Stock Held in Treasury			Noncontrolling Interests in Subsidiaries	Total Equity
	Number of Shares	At Par Value	Capital in Excess of Par Value	Retained Earnings	Number of Shares	At Cost	Total		
<b>Balance at December 31, 2022</b>	9,439	\$ 94	\$ 195,773	\$ 41,452	1,448	\$ (30,071)	\$ 207,248	\$ 64,825	\$ 272,073
Common stock repurchases	—	—	—	—	96	(2,137)	(2,137)	—	(2,137)
Vested stock-based awards	147	2	—	—	—	—	2	—	2
Director fees paid in shares of common stock	—	—	24	—	—	—	24	—	24
Stock-based compensation	—	—	1,938	—	—	—	1,938	—	1,938
Tender of shares for stock-based awards	—	—	—	—	39	(789)	(789)	—	(789)
Noncontrolling interests' distributions	—	—	—	—	—	—	—	(13)	(13)
Noncontrolling interests' contributions	—	—	—	—	—	—	—	40,000	40,000
Total comprehensive loss	—	—	—	(14,807)	—	—	(14,807)	(1,686)	(16,493)
<b>Balance at December 31, 2023</b>	9,586	96	197,735	26,645	1,583	(32,997)	191,479	103,126	294,605
Common stock repurchases	—	—	—	—	63	(1,592)	(1,592)	—	(1,592)
Vested stock-based awards	99	1	(1)	—	—	—	—	—	—
Director fees paid in shares of common stock	—	—	24	—	—	—	24	—	24
Stock-based compensation	—	—	1,722	—	—	—	1,722	—	1,722
Grant of restricted stock units (RSUs) under the Profit Participation Incentive Plan (PPIP)	—	—	1,492	—	—	—	1,492	—	1,492
Tender of shares for stock-based awards	—	—	—	—	16	(376)	(376)	—	(376)
Noncontrolling interests' contributions	—	—	—	—	—	—	—	3,600	3,600
Total comprehensive income (loss)	—	—	—	1,956	—	—	1,956	(3,864)	(1,908)
<b>Balance at December 31, 2024</b>	9,685	\$ 97	\$ 200,972	\$ 28,601	1,662	\$ (34,965)	\$ 194,705	\$ 102,862	\$ 297,567

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

**STRATUS PROPERTIES INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**Concentration of Risks.** Stratus conducts its operations in the Austin, Texas area and other select markets in Texas. Consequently, any significant economic downturn in the Texas market, and the Austin market specifically, could potentially have an adverse effect on Stratus' business, results of operations and financial condition. Stratus has taken steps to obtain Federal Deposit Insurance Corporation (FDIC) protection for much of its cash deposits; however it typically has some cash balances on deposit with banks in excess of FDIC-insured limits. Any loss of uninsured deposits could have an adverse effect on Stratus' future financial condition, liquidity and operations. To help address this risk, as of December 31, 2024, \$15.4 million was invested in a government securities mutual fund or an FDIC insured cash sweep platform.

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

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

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

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

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

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

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

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

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

**Accrued Property Taxes.** Stratus estimates its property taxes based on prior year property tax payments and other current events that may impact the amount. Upon receipt of the property tax bill, Stratus adjusts its accrued property tax balance at year-end to the actual amount of taxes due for such year. Accrued property taxes included in accrued liabilities totaled \$5.2 million at December 31, 2024 and \$4.2 million at December 31, 2023.

**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. A summary of Stratus' cost of sales follows (in thousands):

	Years Ended December 31,	
	2024	2023
Cost of developed property sales	\$ 15,812	\$ 2,159
Cost of undeveloped property sales	8,082	—
Leasing operations	7,470	5,177
Project expenses and allocation of overhead costs (see below)	5,644	6,718
Depreciation and amortization	5,563	4,257
Other, net	441	738
Total cost of sales	\$ 43,012	\$ 19,049

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

**Advertising Costs.** Advertising costs are charged to expense as incurred and are included as a component of cost of sales. Advertising costs totaled \$0.2 million in 2024 and in 2023.

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

	Years Ended December 31,	
	2024	2023
Net loss and total comprehensive loss	\$ (1,908)	\$ (16,493)
Total comprehensive loss attributable to noncontrolling interests	3,864	1,686
Net income (loss) and total comprehensive income (loss) attributable to common stockholders	\$ 1,956	\$ (14,807)
Basic weighted-average shares of common stock outstanding	8,059	7,996
Add shares issuable upon vesting of dilutive restricted stock units (RSUs) <sup>a</sup>	130	—
Diluted weighted-average shares of common stock outstanding	8,189	7,996
Basic net income (loss) per share attributable to common stockholders	\$ 0.24	\$ (1.85)
Diluted net income (loss) per share attributable to common stockholders	\$ 0.24	\$ (1.85)

a. Excludes approximately 14 thousand shares in 2024 of common stock associated with RSUs that were anti-dilutive. Excludes approximately 217 thousand shares in 2023 of common stock associated with RSUs that were anti-dilutive as a result of the net loss.

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

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

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

In April 2022, Stratus hired the son of Stratus' President and Chief Executive Officer as an employee at an annual salary of \$100 thousand. As an employee, he received the same health and retirement benefits provided to all

Stratus employees, annual incentive awards and two awards under the Profit Participation Incentive Plan (PPIP). In first-quarter 2023, he received \$22 thousand as an annual incentive award for 2022, and his annual salary was increased to \$120 thousand. In first-quarter 2024, he received \$22 thousand as an annual incentive award for 2023, and his annual salary was increased to \$124 thousand. In September 2024, the employee resigned from employment with Stratus, resulting in the forfeiture of his two outstanding awards under the PPIP. Refer to Note 8 for discussion of the PPIP and LTIP.

**Recently Issued Accounting Standards.** In November 2024, the Financial Accounting Standards Board (the FASB) issued Accounting Standards Update (ASU) No. 2024-03, "Income Statement – Reporting Comprehensive Income – Expense Disaggregation Disclosures: Disaggregation of Income Statement Expenses." This ASU requires disaggregated disclosure in the notes to the financial statements of certain costs and expenses presented on the face of the income statement, on an interim and annual basis. This ASU also requires additional footnote disclosure about selling expenses. The amendments are effective for fiscal years beginning after December 15, 2026 and interim periods beginning after December 15, 2027 and early adoption is permitted. Stratus is currently assessing adoption timing and the effect that the updated standard will have on its financial statement disclosures.

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

In November 2023, the FASB issued ASU No. 2023-07, "Segment Reporting – Improvements to Reportable Segments Disclosures," which enhances disclosures of significant segment expenses regularly provided to the chief operating decision maker, extends certain annual disclosures to interim periods and permits more than one measure of segment profit or loss to be reported under certain conditions. This ASU became effective for Stratus for the fiscal year ended December 31, 2024 and Stratus applied the amendments retrospectively to all prior periods presented in its consolidated financial statements. Refer to Note 10 for discussion of the business segments.

## **NOTE 2. LIMITED PARTNERSHIPS**

Stratus has entered into strategic partnerships for certain development projects. Stratus, through its subsidiaries, is a partner in the following limited partnerships; Holden Hills, L.P. (50.0 percent indirect equity interest), The Saint George Apartments, L.P. (10.0 percent indirect equity interest), Stratus Block 150, L.P. (31.0 percent indirect equity interest), The Saint June, L.P. (34.13 percent indirect equity interest) and Stratus Kingwood Place, L.P. (60.0 percent indirect equity interest).

**Holden Hills, L.P.** In first-quarter 2023, Holden Hills, L.P. (the Holden Hills Phase 1 partnership), a Texas limited partnership and subsidiary of Stratus, was formed for the development of Holden Hills Phase 1, Stratus' final large residential development within the Barton Creek community in Austin, Texas, consisting of 495 acres and designed to feature unique residences (Holden Hills Phase 1 Project). The Holden Hills Phase 1 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 Phase 1 partnership: (i) Stratus contributed the Holden Hills Phase 1 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 Phase 1 partnership to Stratus. Further, the Holden Hills Phase 1 partnership reimbursed Stratus for certain initial project costs and closing costs of approximately \$5.8 million. As a result of these transactions, Stratus holds, indirectly through its wholly owned subsidiaries, a 50.0 percent equity interest in the Holden Hills Phase 1 partnership, and the Class B limited partner holds the remaining 50.0 percent equity interest in the Holden Hills Phase 1 partnership. Stratus' potential returns on its equity investment in the Holden Hills Phase 1 partnership may increase above its relative equity interest as negotiated return hurdles are achieved. Refer to "Potential Returns" below for further discussion. Stratus consolidates the Holden Hills Phase 1 partnership; therefore, its contribution of the Holden Hills Phase 1 land and related personal property was recorded at historical cost and the contribution from the Class B limited partner was accounted for as a noncontrolling interest in subsidiary.

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

Stratus has the authority to manage the day-to-day operations of the Holden Hills Phase 1 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 Phase 1 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 Phase 1 partnership. The business plan includes rights of first refusal in favor of the Class B limited partner for sale of luxury residence sites to be developed in distinct communities or "pods" to a third party. A "deadlock" may be declared by any partner if any limited partner does not approve any two major decisions proposed by the general partner within any 12-month period. Prior to the third anniversary of the effective date of the limited partnership agreement, a buy-sell provision can be triggered only if there is a deadlock. On or after the third anniversary, any partner can initiate a buy-sell at any time by written notice to the other partner, specifying the buyout price.

Stratus has entered into a development agreement with the Holden Hills Phase 1 partnership pursuant to which the Holden Hills Phase 1 partnership will construct certain street, drainage, water, sidewalk, electric and gas improvements in order to extend the Tecoma Circle roadway on Holden Hills Phase 2 (formerly known as Section N) land owned by Stratus from its current terminus to Southwest Parkway, estimated to cost approximately \$15.6 million (the Tecoma Improvements), and Stratus will reimburse the partnership for 60 percent of the costs. The Tecoma Improvements will enable access and provide utilities necessary for the development of both Holden Hills Phases 1 and 2. As of December 31, 2024, the remaining costs to complete the Tecoma Improvements totaled \$3.5 million, of which Stratus' share totaled \$2.1 million.

The Holden Hills Phase 1 partnership has agreed to pay Stratus a development management fee of 4 percent of certain construction costs of the Holden Hills Phase 1 Project, and an asset management fee of \$150 thousand per year starting 15 months after the start of construction, which occurred in first-quarter 2023, payable from available cash flow after debt service.

In 2023, the Holden Hills Phase 1 partnership entered into a loan agreement with Comerica Bank to finance the road and utility infrastructure of the Holden Hills Phase 1 Project. The Holden Hills Phase 1 construction loan is secured by the Holden Hills Phase 1 Project and guaranteed by Stratus. Refer to Note 6 for discussion of the loan agreement.

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

The Saint George partnership is governed by a limited partnership agreement between Stratus and the equity investor, and a wholly owned subsidiary of Stratus serves as the general partner. The general partner has the authority to manage the day-to-day operations of the partnership, subject to approval rights of the limited partners for specified matters. The general partner manages The Saint George partnership in exchange for an asset management fee of \$300 thousand per year beginning two years after the commencement of construction of The Saint George, which occurred in third-quarter 2022, and earns a development management fee of 4 percent of certain construction costs for The Saint George. The limited partnership agreement contains a buy-sell option

pursuant to which at any time either party will have the right to initiate a buy-sell of the other party's interests. Transfers of interests in the partnership are subject to substantial restrictions.

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

In first-quarter 2022, pursuant to the limited partnership agreement, wholly owned subsidiaries of Stratus contributed an additional \$1.4 million in cash to Stratus Block 150, L.P. No additional capital contributions are required to be made by the partners. As of December 31, 2024, Stratus holds, in the aggregate, a 31.0 percent indirect equity interest in Stratus Block 150, L.P. No individual Class B limited partner has an equity interest greater than 25.0 percent. One of the participants in the private placement offering, JBM Trust, which purchased a limited partnership interest initially representing a 5.9 percent equity interest in Stratus Block 150, L.P., has a trustee who also serves as sole manager of LCHM.

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

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

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

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

**Stratus Kingwood Place, L.P.** In August 2018, Stratus Kingwood Place, L.P., a Texas limited partnership and a subsidiary of Stratus (the Kingwood, L.P.), completed a \$10.7 million private placement, approximately \$7 million of which, combined with a \$6.8 million loan from Comerica Bank, was used to purchase a 54-acre tract of land located in Kingwood, Texas for \$13.5 million, for the development of Kingwood Place, an H-E-B-anchored mixed-use

development project (Kingwood Place). Two of the participants in the Kingwood Offering, LCHM and JBM Trust, each purchased Kingwood Class B limited partnership interests initially representing an 8.8 percent equity interest in the Kingwood, L.P.

The 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 earned a development management fee of 4 percent of certain construction costs for Kingwood Place. Transfers of interests in the partnership are subject to substantial restrictions.

In December 2018, the Kingwood, L.P., entered into a construction loan agreement with Comerica Bank, which superseded and replaced the land acquisition loan agreement discussed above and provided for a loan totaling \$32.9 million to finance a portion of the costs associated with construction of Kingwood Place, which was subsequently modified and increased to \$35.4 million in January 2020. Approximately \$15 million was funded by borrower equity, contributed by Stratus and private equity investors. In November 2024, the Kingwood, L.P. entered into a loan agreement with Voya Investment Management LLC for \$33.0 million (the new Kingwood loan) to refinance the construction loan with Comerica Bank (refer to Note 6 for further discussion). The new Kingwood loan is secured by the Kingwood Place project. Stratus has provided a guaranty limited to customary non-recourse carve-out obligations and an environmental indemnification.

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

**Operating Loans/Additional Capital Contributions to Partnerships.** Stratus has made operating loans to Stratus Block 150, L.P. to facilitate the partnership's ability to pay ongoing costs, including debt service, of The Annie B project during the pre-construction period. The loans bear interest at the one-month Term Secured Overnight Financing Rate (SOFR) plus 5.00 percent, are subordinate to The Annie B land loan and must be repaid before distributions may be made to the partners. In 2023, Stratus made operating loans totaling \$2.3 million. In 2024, Stratus made operating loans of \$3.5 million. In first-quarter 2025, Stratus made an operating loan of \$1.5 million.

Stratus and the Class B Limited partner have made operating loans to The Saint June, L.P. to support the partnership's ability to pay its construction loan interest, which has exceeded the amount budgeted due to interest rate increases. The loans bear interest at one-month Term SOFR plus 5.00 percent, are subordinate to The Saint June construction loan and must be repaid before distributions may be made to the partners. In 2023, Stratus made operating loans totaling \$1.0 million, and the Class B Limited Partner made an operating loan of \$250 thousand. In 2024, Stratus made operating loans totaling \$424 thousand, and the Class B Limited Partner made operating loans totaling \$504 thousand. Operating loan repayments of \$463 thousand and \$260 thousand were made to Stratus and the Class B Limited Partner, respectively in October 2024, leaving outstanding balances of \$962 thousand and \$493 thousand payable to Stratus and the Class B Limited Partner, respectively.

In 2024, Stratus contributed additional capital of \$400 thousand in cash, and the Class B limited partner contributed additional capital of \$3.6 million in cash, each to The Saint George partnership to support the partnership's ability to pay its construction loan interest, which has exceeded the amount budgeted due to interest rate increases.

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

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

**Accounting for Limited Partnerships.** Stratus has performed evaluations and concluded that The Saint George Apartments, L.P., Stratus Block 150, L.P., The Saint June, L.P., Stratus Kingwood Place, L.P. and Holden Hills, L.P. are VIEs and that Stratus is the primary beneficiary of each VIE. Accordingly, the partnerships' financial statements are consolidated in Stratus' consolidated 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 partners, including Stratus, pursuant to the individual partnership loan agreements.

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

	December 31,	
	2024	2023
<b>Assets: <sup>a</sup></b>		
Cash and cash equivalents	\$ 11,096	\$ 5,531
Restricted cash	572	193
Real estate under development	143,743	140,347
Land available for development	36,509	1,911
Real estate held for investment, net	81,477	87,005
Lease right-of-use assets	148	420
Other assets	3,211	3,122
<b>Total assets</b>	<b>276,756</b>	<b>238,529</b>
<b>Liabilities: <sup>b</sup></b>		
Accounts payable	7,399	12,751
Accrued liabilities, including taxes	3,327	1,793
Debt	140,090	100,205
Lease liabilities	148	421
Other liabilities	469	391
<b>Total liabilities</b>	<b>151,433</b>	<b>115,561</b>
<b>Net assets</b>	<b>\$ 125,323</b>	<b>\$ 122,968</b>

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

b. All of the debt is guaranteed by Stratus until certain conditions are met as provided in the applicable loan agreements except for The Saint June construction loan, for which Stratus has a 50 percent repayment guaranty obligation, The Saint George construction loan, for which Stratus has a 25 percent repayment guaranty obligation, and the new Kingwood loan, for which Stratus has only customary non-recourse carve-out obligations and an environmental indemnification. Refer to Note 6 for further discussion. 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,	
	2024	2023
Real estate held for sale:		
Developed lots and completed homes	\$ 11,211	\$ 7,382
Real estate under development:		
Acreage, multi-family units, commercial square footage and homes	274,105	260,642
Land available for development:		
Undeveloped acreage	65,009	47,451
Real estate held for investment:		
The Saint June	50,974	50,827
Kingwood Place	37,426	37,166
Lantana Place	33,873	31,001
Jones Crossing	25,278	25,008
West Killeen Market	9,483	10,063
Magnolia Place	—	6,740
Furniture, fixtures and equipment	764	727
Total	157,798	161,532
Accumulated depreciation	(21,546)	(17,420)
Total real estate held for investment, net	136,252	144,112
Total real estate, net	\$ 486,577	\$ 459,587

**Real estate held for sale.** Real estate held for sale includes developed lots and completed homes. Developed lots include individual tracts of land that have been developed and permitted for residential use. As of December 31, 2024, Stratus owned one developed lot and three completed Amarra Villas homes.

**Real estate under development.** Acreage under development includes real estate for which infrastructure work over the entire property has been completed, is currently being completed or is able to be completed and for which necessary permits have been obtained. Real estate under development also includes commercial and residential properties under construction. Stratus' real estate under development as of December 31, 2024 increased from December 31, 2023, primarily as a result of the development costs for The Saint George and Barton Creek properties, particularly Holden Hills Phase 1 and Amarra Villas.

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 under development as of December 31, 2024, 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, 2024 included land permitted for residential and commercial development and vacant pad sites at Jones Crossing and Kingwood Place.

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

**Capitalized interest.** Stratus recorded capitalized interest of \$15.7 million in 2024 and \$12.5 million in 2023.

**NOTE 4. ASSET SALES**

**Amarra Drive.** In fourth-quarter 2024, Stratus sold one Amarra Drive Phase III lot for \$1.4 million.

**Amarra Villas.** In fourth-quarter 2024, Stratus sold one Amarra Villas home for \$3.8 million. In third-quarter 2024, Stratus sold one Amarra Villas home for \$4.0 million. In second-quarter 2024, Stratus sold one Amarra Villas home for \$3.6 million. In first-quarter 2024, Stratus sold two Amarra Villas homes for a total of \$7.6 million. In first-quarter 2023, Stratus sold one Amarra Villas home for \$2.5 million.

**Magnolia Place.** In third-quarter 2024, Stratus completed the sale of Magnolia Place – Retail for \$8.9 million, generating pre-tax net cash proceeds of approximately \$8.6 million and a pre-tax gain of \$1.6 million. In first-quarter 2024, Stratus completed the sale of approximately 47 acres of undeveloped land in Magnolia, Texas planned for a second phase of retail development, all remaining pad sites and up to 600 multi-family units, for \$14.5 million. In connection with this sale, the Magnolia Place construction loan, which had a balance of \$8.8 million, was repaid.

**NOTE 5. FAIR VALUE MEASUREMENTS**

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

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

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

	December 31, 2024		December 31, 2023	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<b>Assets</b>				
Interest Rate Cap	\$ 19	\$ 19	\$ —	\$ —

**Interest Rate Cap Agreement.** In November 2024, a Stratus subsidiary paid \$27,400 to enter into an interest rate cap agreement, with a Term SOFR strike rate equal to 6.00 percent, a notional amount of \$33.0 million (the principal amount of the Kingwood Place construction loan) and an expiration date of December 1, 2026.

The interest rate cap is a derivative instrument that does not qualify for hedge accounting treatment. Therefore, changes in the instrument's fair value are recorded in the consolidated statements of comprehensive loss. Stratus uses an interest rate pricing model that relies on market observable inputs such as Term SOFR to measure the fair value of the agreement. Stratus also evaluated the counterparty credit risk associated with the agreement, which is considered a Level 3 input, but did not consider such risk to be significant. Therefore, the interest rate cap is classified within Level 2 of the fair value hierarchy.

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

**NOTE 6. DEBT**

Stratus' debt follows (in thousands):

	December 31,	
	2024	2023
Comerica Bank revolving credit facility <sup>a</sup>	\$ —	\$ —
Kingwood Place loan, <sup>b</sup>		
average interest rate of 6.37% in 2024 and 7.74% in 2023	32,408	28,160
Jones Crossing loan,		
average interest rate of 7.57% in 2024 and 7.27% in 2023	22,428	22,340
The Annie B land loan,		
average interest rate of 8.25% in 2024 and 7.96% in 2023	12,568	13,983
Construction loans:		
The Saint George construction loan, <sup>c</sup>		
average interest rate of 7.53% in 2024 and 7.68% in 2023	47,741	24,657
The Saint June construction loan,		
average interest rate of 7.90% in 2024 and 7.87% in 2023	32,109	27,668
Lantana Place construction loan,		
average interest rate of 7.52% in 2024 and 7.47% in 2023	25,509	22,961
Holden Hills Phase 1 construction loan, <sup>d</sup>		
average interest rate of 8.15% in 2024 and 8.38% in 2023	15,265	5,736
West Killeen Market construction loan,		
average interest rate of 7.89% in 2024 and 7.75% in 2023	5,194	5,250
Amarra Villas credit facility,		
average interest rate of 8.33% in 2024 and 8.11% in 2023	1,631	15,682
Magnolia Place construction loan, <sup>e</sup>		
average interest rate of —% in 2024 and 8.38% in 2023	—	8,731
Total debt <sup>e</sup>	<u>\$ 194,853</u>	<u>\$ 175,168</u>

- a. Stratus did not have an outstanding balance during 2024 or 2023. At December 31, 2024, the interest rate for the revolving credit facility was 8.33 percent.
- b. In November 2024, the Kingwood Place construction loan was refinanced with a three-year term loan.
- c. There was no outstanding balance during first-quarter 2023.
- d. There was no outstanding balance during first-quarter and second-quarter 2023.
- e. In February 2024, Stratus repaid this loan.
- f. Includes net reductions for unamortized debt issuance costs of \$1.8 million at December 31, 2024, and \$2.2 million at December 31, 2023.

**Comerica Bank revolving credit facility.** As of December 31, 2024, the maximum amount that could be borrowed under the Comerica Bank revolving credit facility was \$52.3 million, resulting in availability of \$39.0 million, net of letters of credit. As of December 31, 2024, letters of credit, totaling \$13.3 million, had been issued under the revolving credit facility, \$11.0 million of which secure Stratus' obligation to build certain roads and utilities facilities benefiting both Holden Hills Phases 1 and 2 and \$2.3 million of which secure Stratus' obligations, which are subject to certain conditions, to construct and pay for certain utility infrastructure in Lakeway, Texas, which is expected to be utilized by the planned multi-family project on Stratus' remaining land in Lakeway. The loan is secured by substantially all assets that do not serve as security for project loans. In March 2023, Stratus entered into a modification of the revolving credit facility, which extended the maturity date to March 27, 2025, and increased the floor of one-month Bloomberg Short-Term Bank Yield Index (BSBY) Rate. As amended, advances under the revolving credit facility bore interest at one-month BSBY Rate (with a floor of 0.50 percent) plus 4.00 percent. In May 2023, Stratus entered into a modification of the revolving credit facility to increase the maximum amount of letters of credit that may be issued under the revolving credit facility from \$11.5 million to \$13.3 million. In July 2023, Stratus entered into the \$2.3 million letter of credit described above. The loan agreement requires Stratus to maintain a net

asset value, as defined in the loan agreement, of \$125 million and an aggregate debt-to-gross asset value of not more than 50.0 percent. Comerica Bank's prior written consent is required for any common stock repurchases in excess of \$1.0 million and any dividend payments.

From November 2024 through March 2025, in connection with the discontinuance of the BSBY benchmark rate, Comerica Bank changed the benchmark rate applicable to advances under the revolving credit facility to one-month Term SOFR plus 0.50 percent (with a floor of 0.00 percent), plus 4.00 percent. In January 2025, the Comerica Bank revolving credit facility was modified to increase the aggregate amount of letters of credit that may be committed against the facility to \$15.6 million. In February 2025, Stratus entered into an additional \$2.3 million letter of credit to secure Stratus' obligation to complete certain infrastructure associated with the Holden Hills Phase 1 Project. In March 2025, Stratus entered into an amendment to its revolving credit facility, which (i) extended the maturity date to March 27, 2027, (ii) lowered the interest rate to one-month Term SOFR plus 0.10 percent (with a floor of 0.50 percent), plus 3.00 percent and (iii) lowered the maximum loan amount to the lesser of \$55.0 million or the borrowing base limit.

**Kingwood Place loan.** In 2018, the Kingwood, L.P. entered into a construction loan agreement with Comerica Bank (the original Kingwood Place construction loan), which provided financing for a portion of the costs associated with construction of Kingwood Place. Project costs totaling approximately \$15.0 million were funded by borrower equity, contributed by Stratus and private equity investors. In January 2020, the original Kingwood Place construction loan was modified to increase the loan amount by \$2.5 million to a total of \$35.4 million. The increase was used to fund the construction of a retail building on an existing Kingwood Place retail pad. In December 2022, the loan was amended to extend the maturity date to December 6, 2023. The amendment also converted the benchmark rate from the London Interbank Offered Rate to one-month BSBY Rate (with a floor of 0.50 percent) plus 2.75 percent. In December 2023, the loan was amended to extend the maturity date to December 6, 2024 and change the interest rate to Term SOFR plus 2.75 percent. Under the original Kingwood Place construction loan, Term SOFR is defined as one-month Term SOFR plus 0.11 percent and is subject to a floor of 0.50 percent.

In November 2024, the Kingwood, L.P. entered into the new Kingwood loan. The new Kingwood loan amount is \$33.0 million. The new Kingwood loan matures December 1, 2027 and bears interest at one-month Term SOFR plus 1.80 percent, with Term SOFR subject to a 3.00 percent floor. Payments of interest only on the new Kingwood loan are due monthly with the outstanding principal due at maturity. The Kingwood, L.P. may prepay all, but not a portion, of the new Kingwood loan; provided that a prepayment prior to December 1, 2025 is subject to a yield maintenance premium payment. The loan is secured by the Kingwood Place project. Stratus has provided a guaranty limited to customary non-recourse carve-out obligations and an environmental indemnification. After paying off the original Kingwood Place construction loan and closing costs, the Kingwood, L.P. used the remaining approximately \$3.2 million proceeds of the new Kingwood loan to pay for certain partnership expenses and distributions to Stratus and the third-party equity investors. Stratus received approximately \$2.0 million in payments and distributions in January 2025.

**Jones Crossing loan.** In June 2021, College Station 1892 Properties, L.L.C., a Stratus wholly-owned subsidiary, entered into a \$24.5 million loan with Regions Bank (the existing Jones Crossing loan) to refinance the construction loan. The existing Jones Crossing loan had a maturity date of June 17, 2026, and an interest rate of one-month Term SOFR plus 2.25 percent, with a one-month Term SOFR floor of 0.15 percent. Payments of interest only on the existing Jones Crossing loan were due monthly through the term of the loan with the outstanding principal due at maturity. Principal payments totaling \$1.9 million and \$13 thousand were made in 2023 and 2024, respectively, to maintain a debt service coverage ratio requirement.

In March 2025, College Station 1892 Properties, L.L.C. entered into a loan with Brighthouse Life Insurance Company to refinance the existing Jones Crossing loan (the new Jones Crossing loan). The new Jones Crossing loan has a principal amount of \$24.0 million and matures April 1, 2028. The new Jones Crossing loan bears interest at one-month Term SOFR plus 1.95 percent, with a floor of 3.00 percent. Payments of interest only on the new Jones Crossing loan are due monthly with the outstanding principal due at maturity. College Station 1892 Properties, L.L.C. may prepay all, but not a portion, of the new Jones Crossing loan; provided that a prepayment prior to April 1, 2026 is subject to a yield maintenance premium payment. The new Jones Crossing loan is secured by the Jones Crossing retail project. Stratus has provided a guaranty limited to certain non-recourse carve-out obligations and an environmental indemnification. After paying off the existing Jones Crossing loan and closing costs, Stratus received approximately \$1.2 million in net cash proceeds.

**The Annie B land loan.** In September 2021, Stratus Block 150, L.P. entered into an 18-month, \$14.0 million land loan with Comerica Bank to acquire the land for The Annie B project (The Annie B land loan). In February 2023, Stratus Block 150, L.P. entered into a modification agreement that extended the maturity date of the loan to March 1, 2024, and changed the interest rate to one-month BSBY Rate (with a floor of 0.50 percent) plus 3.00 percent. In connection with the modification agreement, Stratus Block 150, LP, escrowed an interest reserve of \$0.6 million with the lender. The Annie B land loan is guaranteed by Stratus and secured by The Annie B project. The loan agreement contains financial covenants, including a requirement that Stratus maintain a net asset value, as defined in the agreement, of \$125.0 million and an aggregate debt-to-gross asset value of not more than 50.0 percent and places certain restrictions on distributions from the partnership to its partners, including Stratus. The Annie B land loan requires Comerica Banks' prior written consent for any Stratus common stock repurchases in excess of \$1.0 million or any dividend payments. In February 2024, The Annie B land loan was modified to extend the maturity to September 1, 2025, and change the interest rate to Term SOFR plus 3.00 percent. Under the Annie B land loan, Term SOFR is defined as one-month Term SOFR plus 0.10 percent and is subject to a floor of 0.50 percent. In connection with the modification, Stratus made a \$1.4 million principal payment on the loan and made another principal payment of \$630 thousand in February 2025.

**The Saint George construction loan.** In July 2022, The Saint George partnership 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 bore interest at one-month BSBY Rate (with a floor of 0.00 percent) plus 2.35 percent. In November 2024, in connection with the discontinuance of the BSBY benchmark rate, the benchmark rate applicable to advances under the construction loan was changed to one-month Term SOFR plus 0.10 percent (with a floor of 0.00 percent), plus 2.35 percent.

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

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

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

In October 2024, The Saint June construction loan was modified to (i) extend the maturity date of the loan to October 2, 2025, (ii) increase the aggregate commitment under the loan by \$2.0 million to \$32.3 million, (iii) decrease the interest rate applicable margin from 2.85 percent to 2.35 percent and (iv) require payment of an exit fee for prepayments and repayments of the loan of 1.00 percent of the principal amount of such amounts repaid, subject to certain exceptions. Accordingly, the loan bears interest at one-month Term SOFR plus 2.35 percent, subject to a 3.50 percent floor. The loan is payable in monthly installments of principal of approximately \$40,000, with the outstanding principal due at maturity. The Saint June, L.P. has an option to extend the maturity of the loan for an additional 12-month term if certain conditions are met.

The loan is secured by The Saint June project and was fully guaranteed by Stratus. However, the guaranty converted to a 50.0 percent repayment guaranty upon completion of construction of The Saint June. Further, once The Saint June, L.P. is able to maintain a debt service coverage ratio of 1.25 to 1.00, the repayment guaranty will be eliminated. Notwithstanding the foregoing, Stratus will remain liable for customary carve-out obligations and environmental indemnity. Stratus is also required to maintain a net asset value, as defined by the guaranty, of \$125.0 million and liquid assets of at least \$10.0 million. The Saint June, L.P. is not permitted to make distributions

to its partners, including Stratus, until completion of The Saint June project, payment of construction costs and the project continues to satisfy an assumed debt service coverage ratio of not less than 1.00 to 1.00 for three consecutive months. The project must comply with a specified loan-to-value ratio covenant.

**Lantana Place construction loan.** In 2017, Lantana Place, L.L.C., a Stratus wholly-owned subsidiary, entered into a \$26.3 million construction loan with Southside Bank (the existing Lantana Place construction loan) to finance the initial phase of Lantana Place. Payments of interest only on the construction loan were due monthly through July 1, 2023. Beginning August 1, 2023, monthly payments of principal and interest based on a 30-year amortization were due, with the outstanding principal due at maturity.

In January 2025, Lantana Place, L.L.C. entered into a loan with Broadway National Bank to refinance the existing Lantana Place construction loan (the new Lantana Place loan). The new Lantana Place loan amount is \$29.8 million and the loan matures February 1, 2029, with an option to extend the maturity for an additional 12 months, subject to satisfying certain conditions. The new Lantana Place loan bears interest at one-month Term SOFR plus 2.35 percent, with a floor of 0.00 percent. Payments of interest only on the new Lantana Place loan are due monthly through January 31, 2026. Thereafter, principal and interest payments are due monthly based on a 30-year amortization with the remaining unpaid principal and interest due at maturity. The new Lantana Place loan is secured by the Lantana Place – Retail project. Stratus has provided a guaranty limited to certain non-recourse carve-out obligations. The new Lantana Place loan agreement contains a financial covenant that the Lantana Place project maintain a debt service coverage ratio of at least 1.30 to 1.00 measured by reference to a trailing 12-month period for each fiscal year beginning with the year ending December 31, 2025. After paying off the existing Lantana Place construction loan and paying property taxes and closing costs, Stratus received approximately \$3.0 million in net cash proceeds.

**Holden Hills Phase 1 construction loan.** In February 2023, the Holden Hills Phase 1 partnership entered into a loan agreement with Comerica Bank to finance the development of road and utility infrastructure of the Holden Hills Phase 1 Project.

The loan agreement provides for a senior secured construction loan in the aggregate principal amount of the least of (i) \$26.1 million, (ii) 23.0 percent of the total development costs for the road and utility infrastructure of the Holden Hills Phase 1 Project or (iii) the amount that would result in a maximum loan-to-value ratio of 28.0 percent. The loan has a maturity date of February 8, 2026. Advances under the loan bore interest at one-month BSBY Rate (with a floor of 0.50 percent), plus 3.00 percent. Payments of interest only on the loan are due monthly until the maturity date with the outstanding principal due at maturity. Amounts repaid under the loan may not be reborrowed. Commencing in November 2024, in connection with the discontinuance of the BSBY benchmark rate, the benchmark rate applicable to advances was changed to one-month Term SOFR plus 0.10 percent (with a floor of 0.50 percent), plus 3.00 percent.

The loan is secured by the Holden Hills Phase 1 Project. After completion of construction of the road and utility infrastructure of the Holden Hills Phase 1 Project, the Holden Hills Phase 1 partnership may sell and obtain releases of the parcels of land, subject to specified conditions, and upon payment to the lender of specified amounts related to the parcel to be released. The Holden Hills Phase 1 partnership is not permitted to make distributions to its partners, including Stratus, while the loan is outstanding. The Holden Hills Phase 1 partnership must apply all Municipal Utility District (MUD) reimbursements it receives and is entitled to retain as payments of principal on the loan.

Stratus entered into a guaranty for the benefit of the lender pursuant to which Stratus guaranteed the payment of the loan and the completion of the road and utility infrastructure of the Holden Hills Phase 1 Project, including the Tecoma Improvements (which benefit both the Holden Hills Phases 1 and 2). Stratus is also liable for customary carve-out obligations and an environmental indemnity. Stratus must maintain a net asset value, as defined in the agreement, of not less than \$125.0 million, and a debt-to-gross-asset value of not more than 50.0 percent.

**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 was guaranteed by Stratus until Stratus' West Killeen Market subsidiary was able to maintain a debt service ratio of 1.50 to 1.00 as of the end of each fiscal quarter after completion of construction on the project, measured by reference to the trailing six-month period ending on the last day of such quarter. In June 2022, Stratus and Southside Bank amended the West Killeen Market construction loan. Pursuant to the agreement, the principal amount of the loan is

fully advanced and funded at an amount of \$6.0 million, the interest rate for the loan was changed to one-month Term SOFR plus 2.75 percent, subject to a 3.00 percent floor, and the maturity date of the loan was extended three years to July 31, 2025. Principal and interest payments based on a 30-year amortization are due monthly and the remaining balance is payable at maturity.

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

**Amarra Villas credit facility.** In March 2019, two Stratus wholly-owned subsidiaries entered into an amended and restated loan agreement with Comerica Bank relating to the construction of the Amarra Villas project. The amended and restated loan agreement provided for an increase in the credit facility commitment to \$15.0 million and an extension of the maturity date to March 19, 2022. In March 2022, the Stratus subsidiaries and Comerica Bank agreed to an extension of the maturity date to June 19, 2022, while they negotiated a modification of this facility. In June 2022, Stratus subsidiaries and Comerica Bank entered into a modification agreement pursuant to which the commitment amount of the Amarra Villas credit facility was increased to \$18.0 million, the interest rate was changed to one-month BSBY Rate (with a floor of 0.00 percent) plus 3.00 percent, and the maturity date was extended to June 19, 2024. In June 2024, the Amarra Villas credit facility was modified to, among other things, extend the maturity to June 19, 2026, change the interest rate to Term SOFR plus 3.00 percent (subject to a floor of 5.00 percent) and lower the commitment amount to \$10.5 million. Under the Amarra Villas credit facility, Term SOFR is defined as one-month Term SOFR plus 0.10 percent and is subject to a floor of 0.50 percent.

The Amarra Villas credit facility contains financial covenants, including a requirement that Stratus maintain a net asset value, as defined in the agreement, of \$125.0 million and an aggregate debt-to-gross asset value of not more than 50.0 percent. At December 31, 2024, Stratus had \$1.7 million available under its \$10.5 million Amarra Villas credit facility. Principal paydowns occur as homes are sold, and additional amounts are borrowed as additional homes are constructed. Paydowns made in connection with a sale of an Amarra Villas home reduce the commitment amount by the amount of the payment, and such amounts may not be re-borrowed. 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 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. During 2024, Stratus made principal payments totaling \$17.9 million on the credit facility upon the closing of the sales of five of the Amarra Villas homes.

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

**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 equity holders; 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, 2024, Stratus and its subsidiaries were in compliance with the financial covenants contained in the financing agreements discussed above.

**Interest Payments.** Interest paid on debt totaled \$14.3 million in 2024 and \$11.4 million in 2023, including \$3.5 million and \$2.1 million, respectively, funded by construction loans.

**Maturities.** Maturities of debt based on the principal amounts and terms outstanding at December 31, 2024 total \$50.2 million in 2025, \$88.3 million in 2026, \$58.2 million in 2027, none in 2028 or thereafter.

**NOTE 7. INCOME TAXES**

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

	Years Ended December 31,	
	2024	2023
Current	\$ 422	\$ 1,659
Deferred	20	(135)
Provision for income taxes	\$ 442	\$ 1,524

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

	December 31,	
	2024	2023
Deferred tax assets and liabilities:		
Real estate, commercial leasing assets and facilities	\$ 8,427	\$ 8,548
Employee benefit accruals	821	923
Other assets	4,132	4,012
Charitable Contributions	2	—
Net operating loss credit carryforwards	2	2
Other liabilities	(3,924)	(3,553)
Valuation allowance	(9,307)	(9,759)
Deferred tax assets, net	\$ 153	\$ 173

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 United States (U.S.) federal statutory tax rate to Stratus' effective income tax rate follow (dollars in thousands):

	Years Ended December 31,			
	2024		2023	
	Amount	Percent	Amount	Percent
Income tax benefit computed at the federal statutory income tax rate	\$ (308)	21 %	\$ (3,144)	21 %
Adjustments attributable to:				
(Decrease) increase in valuation allowance	(813)	56	3,574	(24)
Noncontrolling interests	810	(55)	355	(2)
Executive compensation limitation	362	(25)	197	(1)
State taxes	228	(16)	(45)	—
Net, other	163	(11)	587	(4)
Provision for income taxes	\$ 442	(30)%	\$ 1,524	(10)%

Stratus paid state margin taxes totaling \$205 thousand in 2024 and federal income taxes and state margin taxes of \$1.5 million in 2023. Stratus received a \$68 thousand and \$40 thousand state margin tax refunds in 2024 and 2023, respectively. During 2023, Stratus incurred U.S. federal current income taxes and state income taxes primarily due to taxable income generated from cash received in the Holden Hills Phase 1 transaction discussed in Note 2.

**Uncertain Tax Positions.** As of December 31, 2024 and December 31, 2023, Stratus had no unrecognized tax benefits.

Stratus records liabilities offsetting the tax provision benefits of uncertain tax positions to the extent it estimates that a tax position is more likely than not to be sustained upon examination by the taxing authorities. Stratus has elected to classify any interest and penalties related to income taxes within income tax expense in its consolidated statements of comprehensive income (loss). As of December 31, 2024, no such interest costs have been accrued.

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

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

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

### **Equity**

The Comerica Bank revolving credit facility, Amarra Villas credit facility, The Annie B land loan, The Saint George construction loan, and Holden Hills Phase 1 construction loan require Comerica Bank's prior written consent for any common stock repurchases in excess of \$1.0 million or any dividend payments, which was obtained in 2022 in connection with the special cash dividend and completed \$10.0 million share repurchase program, and in November 2023 in connection with the new \$5.0 million share repurchase program.

**Dividends.** On September 1, 2022, after receiving written consent from Comerica Bank, Stratus' Board declared a special cash dividend of \$4.67 per share (totaling \$40.0 million) on Stratus' common stock, which was paid on September 29, 2022 to stockholders of record as of September 19, 2022. Accrued liabilities as of December 31, 2024, included \$0.3 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, as they vest.

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

In November 2023, with written consent from Comerica Bank, Stratus' Board approved a new share repurchase program, which authorizes repurchases of up to \$5.0 million of Stratus' common stock. The repurchase program authorizes Stratus, in management's and the Capital Committee of the Board's discretion, to repurchase shares from time to time, subject to market conditions and other factors. In 2024, Stratus acquired 62,686 shares of its common stock under the share repurchase program for a total cost of \$1.6 million at an average price of \$25.37 per share. Through March 21, 2025, Stratus has acquired 83,380 shares of its common stock for a total cost of \$2.0 million at an average price of \$23.98 per share, and \$3.0 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 192,894 shares available for new grants as of December 31, 2024.

**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 2024 and \$1.9 million for 2023. Stock-based compensation costs are capitalized when appropriate. Based on Stratus' history, turnover among RSU recipients is rare. Therefore, Stratus does not currently apply a forfeiture rate when estimating stock-based compensation costs for RSUs.

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

A summary of outstanding unvested RSUs as of December 31, 2024, and activity during the year ended December 31, 2024, follow (dollars in thousands):

	Number of RSUs	Aggregate Intrinsic Value
Balance at January 1	161,837	
Granted	97,335	
Vested	(98,589)	
Balance at December 31	160,583	\$ 3,334

The total fair value of RSUs granted was \$2.3 million for 2024 and \$0.6 million for 2023. The total intrinsic value of RSUs vested was \$2.1 million during 2024 and \$3.0 million during 2023. As of December 31, 2024, Stratus had \$0.8 million of total unrecognized compensation cost related to unvested RSUs expected to be recognized over a weighted-average period of 1.0 year.

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

	Years Ended December 31,	
	2024	2023
Stratus shares tendered to pay the minimum required taxes <sup>a</sup>	16,557	39,424
Amounts Stratus paid for employee taxes	\$ 376	\$ 789

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 lesser of the participant's annual salary or the maximum compensation on which 401(k) contributions may be made in accordance with Internal Revenue Service rules. Stratus' policy is to make an additional safe harbor contribution equal to 3 percent of each participant's total compensation. The 401(k) plan also provides for discretionary contributions. Stratus' contributions to the 401(k) plan totaled \$0.7 million in both 2024 and 2023.

### **Development Incentive Plans**

**Profit Participation Incentive Plan and Long-Term Incentive Plan.** In 2018, the Stratus Compensation Committee of the Board (the Committee) unanimously adopted the PPIP, which provides participants with economic incentives tied to the success of the development projects designated by the Committee as approved projects under the PPIP. In February 2023, the Committee approved the LTIP, which amends and restates the PPIP, and is effective for participation interests awarded under development projects on or after its effective date. Outstanding participation interests granted under the PPIP will continue to be governed by the terms of the prior PPIP. The PPIP and LTIP provide participants with economic incentives tied to the success of the development projects designated

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

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

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

Stratus estimated the profit pool of each approved project by projecting the cash flow from operations, the net sales price, the timing of a capital transaction or valuation event and Stratus' equity and preferred return including costs to complete for projects under development. The primary fair value assumptions used at December 31, 2024, were projected cash flows, estimated capitalization rates ranging from 4.50 percent to 7.22 percent, projected remaining service periods for each project ranging from 0.3 years to 3.1 years, and estimated transaction costs of approximately 1.25 percent to 7.46 percent.

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

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

	Years Ended December 31,	
	2024	2023
Charged (credited) to general and administrative expense	\$ 570	\$ (41)
(Credited) capitalized to project development costs	(296)	201
Total PPIP and LTIP costs	\$ 274	\$ 160

At December 31, 2024, outstanding awards under the PPIP included Amarra Villas, Jones Crossing – Retail, Magnolia Place and The Saint June, and outstanding awards under the LTIP included The Saint George. The accrued liability for the PPIP and the LTIP totaled \$1.9 million at December 31, 2024, and \$3.1 million at December 31, 2023 (included in other liabilities).

#### NOTE 9. COMMITMENTS AND CONTINGENCIES

**Construction Contracts.** Stratus had firm commitments totaling approximately \$10 million at December 31, 2024 primarily related to construction of Holden Hills Phase 1 and The Saint George. We have construction loans, as well as remaining equity capital contributed to the Holden Hills Phase 1 partnership, to fund over the next 12 months these projected cash outlays for the projects and 60 percent of the costs of the Tecoma Improvements for which we have agreed to reimburse the Holden Hills Phase 1 partnership. As of December 31, 2024, the remaining costs to complete the Tecoma Improvements totaled \$3.5 million, of which Stratus' share totaled \$2.1 million. Also, Stratus anticipates making future operating loans to Stratus Block 150, L.P. totaling up to \$1.7 million and a capital contribution to The Saint George partnership of \$125 thousand over the next 12 months to enable the partnerships to pay debt service and project costs. The estimates of future operating loans are based on estimates of future costs of the partnership. The operating loans would bear interest at one-month Term SOFR plus 5.00 percent and would be subordinate to The Annie B land loan and required to be repaid before distributions may be made to the partners.

**Letters of Credit.** As of December 31, 2024, Stratus had letters of credit totaling \$13.3 million issued under the revolving credit facility, of which \$11.0 million secure our obligation to build certain roads and utilities facilities benefiting Holden Hills Phases 1 and 2 and \$2.3 million secure Stratus' obligations, which are subject to certain conditions, to construct and pay for certain utility infrastructure in Lakeway, Texas, which is expected to be utilized by the planned multi-family project on Stratus' remaining land in Lakeway (refer to Note 6 for further discussion). In January 2025, the revolving credit facility was modified to increase the aggregate amount of letters of credit that may be committed against the facility to \$15.6 million. In February 2025, an additional \$2.3 million letter of credit was issued to secure Stratus' obligation to complete certain infrastructure associated with the Holden Hills Phase 1 Project.

**Rental Income.** As of December 31, 2024, Stratus' minimum rental income, including scheduled rent increases under noncancelable long-term leases of developed retail space and ground leases, totaled \$10.8 million in 2025, \$11.0 million in 2026, \$10.8 million in 2027, \$10.2 million in 2028, \$8.4 million in 2029 and \$76.0 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, 2024, the remaining term of the finance lease is approximately three years with a weighted-average discount rate of 6.4 percent used to determine the lease liability.

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

	Classification on the Consolidated Balance Sheet	December 31,	
		2024	2023
<b>Assets</b>			
Operating right-of-use assets	Lease right-of-use assets	\$ 10,088	\$ 11,174
Finance right-of-use assets	Other assets	46	62
<b>Liabilities</b>			
Operating lease liability	Lease liabilities	\$ 15,436	\$ 15,866
Finance lease liability	Other liabilities	49	65

Operating lease costs were \$2.1 million in both 2024 and 2023. Stratus paid \$1.4 million during 2024 and \$1.6 million in 2023 for operating lease liabilities recorded in the consolidated balance sheet (included in operating cash flows in the consolidated statements of cash flows). As of December 31, 2024 and 2023, the weighted-average discount rate used to determine the lease liabilities was 6.1 percent and 6.2 percent, respectively. As of December 31, 2024, the weighted-average remaining lease term was approximately 88 years (84 years as of December 31, 2023).

The future minimum payments for operating leases recorded on the consolidated balance sheet at December 31, 2024 follow (in thousands):

Years ending December 31,		
2025		\$ 1,387
2026		701
2027		711
2028		744
2029		744
Thereafter		106,361
Total payments		110,648
Present value adjustment		(95,212)
Present value of net minimum lease payments		\$ 15,436

**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, 2024, Stratus had permanently used \$12.9 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 \$0.3 million in credit bank capacity in use as temporary fiscal deposits as of December 31, 2024. Available credit bank capacity was \$2.3 million at December 31, 2024.

**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 one pad site with a 15-year term, reducing the monthly rent payment net of rent collections for this pad site to approximately \$2,500. Stratus may assign this lease to the purchaser and terminate the obligation under the Pad Site Master Lease for this pad site with a payment of \$560 thousand to the purchaser. The lease for the remaining three unleased pad sites under the Pad Site Master Lease expires in February 2027. To the extent leases are executed for the remaining three unleased pad sites, tenants open for business, and the leases are then assigned to the purchaser, the master lease obligation could be reduced further.

In first-quarter 2022, Stratus reassessed its plans with respect to construction of the remaining buildings on the three remaining unleased pad sites and determined that, rather than execute leases and build the buildings, it is less costly to continue to pay the monthly rent (approximately \$73 thousand per month) pursuant to the Pad Site Master Lease until the lease expires in February 2027. In connection with this determination, Stratus reversed an accrual of costs to lease and construct these buildings, resulting in recognition of an additional \$4.8 million of pre-tax gain during 2022. A contract liability of \$1.8 million is presented as a deferred gain in the consolidated balance sheets at December 31, 2024, compared with \$2.7 million at December 31, 2023. 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**

Stratus is engaged primarily in the entitlement, development, management, leasing and sale of multi-family and single-family residential and commercial real estate properties in the Austin, Texas area and other select markets in Texas. Stratus generates revenues primarily from the sale of developed lots or homes and undeveloped land and the lease of developed retail, mixed-use and multi-family properties. Stratus has two operating segments, which are also its two reportable segments: Real Estate Operations and Leasing Operations. The Real Estate Operations segment includes properties under various stages of development: developed for sale, under development and available for development. In this segment, Stratus entitles, develops and sells properties. Properties that Stratus develops and then holds for investment become part of the Leasing Operations segment. Decisions about whether to continue to hold a property for investment or to sell it depend on various factors, including conditions in the real estate markets in which Status operates and the estimated fair value of the property, and are primarily driven by the objective of maximizing overall asset value.

The Real Estate Operations segment is comprised of Stratus' real estate assets, which consists of its properties in Austin, Texas (including the Barton Creek Community, which includes Holden Hills Phases 1 and 2 (formerly known as Holden Hills and Section N, respectively), Amarra multi-family and commercial land, Amarra Villas, Amarra Drive lots and other vacant land; the Circle C community; the Lantana community, which includes a portion of Lantana Place planned for a multi-family phase known as The Saint Julia; The Saint George; and the land for The Annie B); in Lakeway, Texas, located in the greater Austin area (Lakeway); in College Station, Texas (land for future phases of retail and multi-family development and retail pad sites at Jones Crossing); and in Magnolia, Texas (potential development of approximately 11 acres planned for future multi-family use), Kingwood, Texas (a retail pad site) and New Caney, Texas (New Caney), each located in the greater Houston area.

The Leasing Operations segment is comprised of Stratus' real estate assets held for investment that are leased or available for lease and includes The Saint June, West Killeen Market, Kingwood Place, the retail portion of Lantana Place, the completed retail portion of Jones Crossing, retail pad sites subject to ground leases at Lantana Place, Kingwood Place and Jones Crossing, and, prior to its sale in third-quarter 2024, the retail portion of Magnolia Place.

Stratus' chief operating decision maker (CODM) is the chief executive officer. The CODM primarily uses segment profit (loss), which is operating income (loss) excluding general and administrative expenses, determined consistent with the measurement principles of U.S. GAAP, to measure the performance of Stratus' reportable segments. The segment measure of profit (loss) provides a comprehensive view of the segments' financial performance. The CODM makes decisions about the allocation of operating and capital resources to each segment based on assessment of the performance of the two segments and considering the capital needs for new and existing projects and the objectives of Stratus' overall business strategy. 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,	
	2024	2023
Real Estate Operations:		
Developed property sales	\$ 20,348	\$ 2,493
Undeveloped property sales	14,500	—
Commissions and other	39	58
	<u>34,887</u>	<u>2,551</u>
Leasing Operations:		
Rental revenue	19,296	14,719
	<u>19,296</u>	<u>14,719</u>
Total revenues from contracts with customers	<u>\$ 54,183</u>	<u>\$ 17,270</u>

**Financial Information by Reportable Segment.** Summarized financial information by reportable segment for the year ended December 31, 2024, follows (in thousands):

	Real Estate Operations <sup>a</sup>	Leasing Operations	Total
Revenue from unaffiliated customers	\$ 34,887	\$ 19,296	\$ 54,183
Segment expenses:			
Cost of real estate sold	(23,894)		(23,894)
Property taxes and insurance	(1,145)	(3,066)	(4,211)
Lease expense	(1,140)		(1,140)
Professional fees	(2,134)		(2,134)
Maintenance and repairs		(2,024)	(2,024)
Allocated overhead costs	(977)		(977)
Property management fees and payroll		(918)	(918)
Utilities		(478)	(478)
Other segment items <sup>b</sup>	(689)	(984)	(1,673)
Depreciation and amortization	(181)	(5,382)	(5,563)
Gain on sale of assets <sup>c</sup>	—	1,626	1,626
Segment profit	<u>4,727</u>	<u>8,070</u>	12,797
General and administrative expenses			<u>(14,952)</u>
Operating income (loss)			<u>(2,155)</u>
Loss on extinguishment of debt			(69)
Other income			758
Net loss before income taxes and equity in unconsolidated affiliate's income			<u>\$ (1,466)</u>
Capital expenditures and purchases and development of real estate properties	\$ 29,525	\$ 29,136	\$ 58,661

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

b. For Real Estate Operations, primarily includes advertising, property owner association fees, maintenance and utilities. For Leasing Operations, primarily includes amortization of leasing costs, property owner association fees, professional fees and office and computer equipment.

c. Represents a pre-tax gain on the sale of Magnolia Place – Retail in third-quarter 2024 of \$1.6 million.

Summarized financial information by reportable segment for the year ended December 31, 2023, follows (in thousands):

	Real Estate Operations <sup>a</sup>	Leasing Operations	Total
Revenue from unaffiliated customers	\$ 2,551	\$ 14,719	\$ 17,270
Segment expenses			
Cost of real estate sold	(2,159)		(2,159)
Property taxes and insurance	(1,267)	(1,769)	(3,036)
Lease expense	(1,140)		(1,140)
Professional fees	(1,967)		(1,967)
Maintenance and repairs		(1,507)	(1,507)
Allocated overhead costs	(1,731)		(1,731)
Property management fees and payroll		(650)	(650)
Utilities		(463)	(463)
Other segment items <sup>b</sup>	(1,352)	(787)	(2,139)
Depreciation and amortization	(154)	(4,103)	(4,257)
Segment (loss) profit	<u>(7,219)</u>	<u>5,440</u>	<u>(1,779)</u>
General and administrative expenses			<u>(15,167)</u>
Operating (loss) income			<u>(16,946)</u>
Other income			<u>1,912</u>
Net loss before income taxes and equity in unconsolidated affiliate's income			<u>(15,034)</u>
Capital expenditures and purchases and development of real estate properties	\$ 44,451	\$ 45,962	\$ 90,413

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

b. For Real Estate Operations, primarily includes advertising, property owner association fees, maintenance and utilities. For Leasing Operations, primarily includes amortization of leasing costs, property owner association fees, professional fees and office and computer equipment.

Total assets by segment were as follows (in thousands):

	December 31,	
	2024	2023
Real Estate Operations	\$ 359,296	\$ 324,659
Leasing Operations	154,370	162,322
Corporate and other <sup>a</sup>	18,940	30,785
Total assets	<u>\$ 532,606</u>	<u>\$ 517,766</u>

a. Corporate and other includes cash and cash equivalents and restricted cash of \$18.9 million and \$29.9 million at December 31, 2024 and 2023, respectively. The remaining cash and cash equivalents and restricted cash is reflected in the operating segments' assets.

#### **NOTE 11. SUBSEQUENT EVENTS**

Stratus evaluated events after December 31, 2024, and through the date the financial statements were issued, and determined any events or transactions occurring during this period that would require recognition or disclosure are appropriately addressed in these financial statements.

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

Not applicable.

## **Item 9A. Controls and Procedures**

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

(b) **Changes in internal control over financial reporting.** There has been no change in our internal control over financial reporting that occurred during the fiscal quarter ended December 31, 2024, 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**

### ***Director and Officer Trading Arrangements***

During the quarter ended December 31, 2024, no director or officer of Stratus adopted or terminated any “Rule 10b5-1 trading arrangement” or “non-Rule 10b5-1 trading arrangement,” as such terms are defined in Item 408(a) of Regulation S-K.

### ***Amendments to Comerica Bank Revolving Credit Facility***

Effective March 25, 2025, Stratus and certain of its wholly-owned subsidiaries named below (the Subsidiary Borrowers, and collectively with Stratus, the Borrowers), as borrowers, and Comerica Bank, as lender, entered into the Eighth Modification Agreement (the Eighth Modification) and Second Amended and Restated Revolving Promissory Note (the Amended Note and collectively with the Eighth Modification, the Modification Documents), which amend that certain Loan Agreement dated June 29, 2018 by and between the Borrowers and Comerica Bank (the Loan Agreement), and that certain Amended and Restated Revolving Promissory Note dated May 13, 2022 by and between the Borrowers and Comerica Bank (the Note), each as previously amended. The Subsidiary Borrowers are Stratus Properties Operating Co., L.P., a Delaware limited partnership, Circle C Land, L.P., a Texas limited partnership, The Villas at Amarra Drive, L.L.C., a Texas limited liability company, and Stratus Lakeway Center, L.L.C., a Texas limited liability company.

The Loan Agreement and Note provide for a secured revolving credit facility. The Modification Documents amend the Loan Agreement and Note to (i) extend the maturity date to March 27, 2027, (ii) lower the applicable interest rate to one-month Term SOFR plus 0.10 percent (with a floor of 0.50 percent), plus 3.00 percent and (iii) lower the maximum loan amount to the lesser of \$55.0 million or the borrowing base limit.

At March 25, 2025, the borrowing base limit was \$54.1 million, and the Borrowers had \$38.5 million available under the facility, net of letters of credit totaling \$15.6 million that have been issued under the facility.

The foregoing description of the Modification Documents does not purport to be complete and is qualified in its entirety by reference to the full text of the Amended Note and the Eighth Modification, respectively, copies of which are attached hereto as Exhibits 10.4 and 10.12, and are incorporated herein by reference.

### ***New Severance and Change of Control Agreements***

On March 26, 2025, Stratus entered into new Severance and Change of Control Agreements (the Agreements) with each of William H. Armstrong III, Chairman of the Board, President and Chief Executive Officer, and Erin D. Pickens, Senior Vice President and Chief Financial Officer (collectively, the Executives), effective as of April 1, 2025. The current severance and change of control agreements entered into between Stratus and the Executives dated April 1, 2022 expire on March 31, 2025. The Agreements shall continue in effect through March 31, 2028 and entitle the Executives to receive benefits in the event of a termination of employment under certain circumstances prior to or following a change of control of Stratus during the term of the Agreements.

Under each Agreement, if Stratus terminates the Executive without cause or the Executive voluntarily terminates his or her employment for good reason (as such terms are defined in the Agreements) during the term of the Agreements and prior to a change of control, the Executive will receive a pro-rata bonus for the year in which he or she was terminated plus a lump-sum cash payment equal to two times the sum of (i) the Executive's base salary in effect at the time of termination and (ii) the average of the annual bonuses received by the Executive for the three most recently completed fiscal years prior to the termination date (the Average Bonus). In addition, Stratus shall continue to provide insurance and welfare benefits to the Executive until the earlier of (i) December 31 of the first calendar year following the calendar year of the termination or (ii) the date the Executive accepts new employment (the Continued Benefits).

Additionally, if Stratus or its successor terminates the Executive during the three-year period following a change of control, other than by reason of death, disability or cause, or the Executive voluntarily terminates his or her employment for good reason (as such terms are defined in the Agreements), the Executive will receive a pro-rata bonus for the year in which he or she was terminated plus a lump-sum cash payment equal to 2.99 times the sum of (i) the Executive's base salary in effect at the time of termination, or if higher, immediately preceding the change of control (with such base salary being determined without regard to any reduction that would provide the Executive a basis to terminate employment for good reason) and (ii) the Average Bonus. In addition, Stratus shall continue to provide the Continued Benefits. If any part of the payments or benefits received by the Executive in connection with a termination following a change of control constitutes an excess parachute payment under Section 4999 of the Internal Revenue Code, the Executive will receive the greater of (i) the amount of such payments and benefits reduced so that none of the amount constitutes an excess parachute payment, net of income taxes or (ii) the amount of such payments and benefits, net of income taxes and net of excise taxes under Section 4999 of the Internal Revenue Code.

The Agreements provide that for purposes of the Average Bonus, each annual bonus amount shall include amounts paid in cash or in restricted stock units, if applicable, in accordance with the terms of Stratus' Executive Annual Incentive Plan (the AIP), and if the Executive receives a Long-Term Incentive Plan award in lieu of an annual bonus under the AIP for a given fiscal year (pursuant to the terms of the AIP requiring the payment of only the greater of the two awards), the Executive's annual bonus for such fiscal year shall be the calculated annual bonus the Executive would have received for such fiscal year.

The foregoing description of the Agreements does not purport to be complete and is qualified in its entirety by reference to the full text of the Agreements, copies of which are attached hereto as Exhibits 10.46 and 10.47, and are incorporated herein by reference.

**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 2025 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 2025 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 2025 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 2025 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) will be contained in our definitive proxy statement to be filed with the SEC pursuant to Regulation 14A relating to our 2025 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
<a href="#">2.1</a>	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
<a href="#">2.2</a>	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
<a href="#">2.3</a>	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
<a href="#">3.1</a>	Composite Certificate of Incorporation of Stratus Properties Inc.		10-Q	001-37716	5/15/2023
<a href="#">3.2</a>	Second Amended and Restated By-Laws of Stratus Properties Inc., as amended effective August 3, 2017.		10-Q	001-37716	8/9/2017
<a href="#">4.1</a>	Description of Common Stock of Stratus Properties Inc.		10-K	001-37716	3/28/2024
<a href="#">4.2</a>	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
<a href="#">4.3</a>	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
<a href="#">4.4</a>	Specimen Common Stock Certificate.		8-A/A	000-19989	8/26/2010
<a href="#">10.1</a>	Development Agreement effective as of August 15, 2002, between Circle C Land Corp. and City of Austin.		10-Q	000-19989	11/14/2002
<a href="#">10.2</a>	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
<a href="#">10.3</a>	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
<a href="#">10.4</a>	Second Amended and Restated Revolving Promissory Note by and between Stratus Properties Inc., certain of its subsidiaries and Comerica Bank, dated as of March 25, 2025.	X			
<a href="#">10.5</a>	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
<a href="#">10.6</a>	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
<a href="#">10.7</a>	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
<a href="#">10.8</a>	Fourth Modification Agreement by and between Stratus Properties Inc., certain of its subsidiaries and Comerica Bank, effective as of November 8, 2022.		10-K	001-37716	3/31/2023
<a href="#">10.9</a>	Fifth Modification Agreement by and between Stratus Properties Inc., certain of its subsidiaries and Comerica Bank, effective as of March 10, 2023.		10-K	001-37716	3/31/2023

Exhibit Number	Exhibit Title	Filed with this Form 10-K	Incorporated by Reference		
			Form	File No.	Date Filed
<a href="#">10.10</a>	Sixth Modification Agreement by and between Stratus Properties Inc., certain of its subsidiaries and Comerica Bank, effective as of May 31, 2023.		10-Q	001-37716	8/14/2023
<a href="#">10.11</a>	Seventh Modification Agreement by and between Stratus Properties Inc., certain of its subsidiaries and Comerica Bank, effective as of January 21, 2025.	X			
<a href="#">10.12</a>	Eighth Modification Agreement by and between Stratus Properties Inc., certain of its subsidiaries and Comerica Bank, effective as of March 25, 2025.	X			
<a href="#">10.13</a>	Loan Agreement by and among College Station 1892 Properties, L.L.C., as borrower, Voya Investment Management LLC, as administrative agent, and Brighthouse Life Insurance Company, as lender, dated March 7, 2025.		8-K	001-37716	3/13/2025
<a href="#">10.14</a>	Promissory Note by and between College Station 1892 Properties, L.L.C. and Brighthouse Life Insurance Company dated March 7, 2025.		8-K	001-37716	3/13/2025
<a href="#">10.15</a>	Guaranty of Non-Recourse Carveouts by Stratus Properties Inc. for the benefit of Voya Investment Management LLC, as administrative agent, dated March 7, 2025 with respect to the Loan Agreement by and College Station 1892 Properties, L.L.C., as borrower, Voya Investment Management LLC, as administrative agent, and Brighthouse Life Insurance Company, as lender, dated March 7, 2025.		8-K	001-37716	3/13/2025
<a href="#">10.16</a>	Commercial Loan Agreement by and among Lantana Place, L.L.C., as borrower, Broadway National Bank, as lender, and Stratus Properties Inc., as guarantor, effective January 22, 2025.		8-K	001-37716	1/27/2025
<a href="#">10.17</a>	Promissory Note by and between Lantana Place, L.L.C. and Broadway National Bank dated January 22, 2025.		8-K	001-37716	1/27/2025
<a href="#">10.18</a>	Limited Guaranty by Stratus Properties Inc. for the benefit of Broadway National Bank, as lender, dated January 22, 2025 with respect to the Commercial Loan Agreement by and among Lantana Place, L.L.C., as borrower, Broadway National Bank, as lender, and Stratus Properties Inc., as guarantor, effective January 22, 2025.		8-K	001-37716	1/27/2025
<a href="#">10.19</a>	Loan Agreement by and among Stratus Kingwood Place, L.P., as borrower, Voya Investment Management LLC, as administrative agent, and Voya Retirement Insurance and Annuity Company, as lender, dated November 22, 2024.		8-K	001-37716	11/26/2024
<a href="#">10.20</a>	Promissory Note by and between Stratus Kingwood Place, L.P. and Voya Retirement Insurance and Annuity Company dated November 22, 2024.		8-K	001-37716	11/26/2024
<a href="#">10.21</a>	Guaranty of Non-Recourse Carveouts by Stratus Properties Inc. for the benefit of Voya Investment Management LLC, as administrative agent, dated November 22, 2024 with respect to the Loan Agreement by and among Stratus Kingwood Place, L.P., as borrower, Voya Investment Management LLC, as administrative agent, and Voya Retirement Insurance and Annuity Company, as lender, dated November 22, 2024.		8-K	001-37716	11/26/2024
<a href="#">10.22</a>	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

Exhibit Number	Exhibit Title	Filed with this Form 10-K	Incorporated by Reference		
			Form	File No.	Date Filed
<a href="#">10.23</a>	Amended and Restated Note by and between The Saint June, L.P. and Texas Capital Bank, National Association dated August 13, 2021.		10-Q	001-37716	11/13/2024
<a href="#">10.24</a>	Note by and between The Saint June, L.P. and TexasBank dated August 13, 2021.		10-Q	001-37716	11/13/2024
<a href="#">10.25</a>	Note by and between The Saint June, L.P. and Texas Capital Bank effective October 2, 2024.		10-Q	001-37716	11/13/2024
<a href="#">10.26</a>	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
<a href="#">10.27</a>	Interest Rate Index Replacement Agreement dated January 3, 2023 with respect to the Loan Agreement by and among The Saint June, L.P., as borrower, Texas Capital Bank, National Association, as administrative agent, and each of the lenders party thereto, dated June 2, 2021.		10-K	001-37716	3/31/2023
<a href="#">10.28</a>	Amendment to Loan Agreement by and among The Saint June, L.P., as borrower, Stratus Properties Inc., as guarantor, Texas Capital Bank, as administrative agent, and each of the lenders party thereto, effective October 2, 2024.		10-Q	001-37716	11/13/2024
<a href="#">10.29</a>	Extension Agreement by and among The Saint June, L.P., as borrower, Stratus Properties Inc., as guarantor, Texas Capital Bank, as administrative agent, and each of the lenders party thereto, effective October 2, 2024.		10-Q	001-37716	11/13/2024
<a href="#">10.30</a>	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
<a href="#">10.31</a>	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
<a href="#">10.32</a>	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
<a href="#">10.33</a>	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
<a href="#">10.34</a>	Installment Note by and between Holden Hills, L.P. and Comerica Bank dated February 8, 2023.		8-K	001-37716	2/14/2023
<a href="#">10.35</a>	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
<a href="#">10.36</a>	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

Exhibit Number	Exhibit Title	Filed with this Form 10-K	Incorporated by Reference		
			Form	File No.	Date Filed
<a href="#">10.37</a>	First Amendment to the Amended and Restated Limited Partnership Agreement of Stratus Kingwood Place, L.P.		10-K	001-37716	3/18/2019
<a href="#">10.38</a>	Second Amendment to the Amended and Restated Limited Partnership Agreement of Stratus Kingwood Place, L.P.		10-K	001-37716	3/15/2021
<a href="#">10.39†</a>	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
<a href="#">10.40†</a>	First Amendment to the Amended and Restated Limited Partnership Agreement of Stratus Block 150, L.P.		10-Q	001-37716	5/16/2022
<a href="#">10.41†</a>	Amended and Restated Limited Partnership Agreement of Holden Hills, L.P. entered into by and among Holden Hills GP, L.L.C., Stratus Properties Operating Co., L.P., and Bartoni, LLC.		10-K	001-37716	3/31/2023
<a href="#">10.42†</a>	Development Agreement effective as of January 31, 2023, between Stratus Properties Operating Co., L.P. and Holden Hills, L.P.		10-K	001-37716	3/31/2023
<a href="#">10.43*</a>	Stratus Properties Inc. 2017 Stock Incentive Plan.		8-K	001-37716	5/18/2017
<a href="#">10.44*</a>	Stratus Properties Inc. 2022 Stock Incentive Plan.		8-K	001-37716	5/13/2022
<a href="#">10.45*</a>	Stratus Properties Inc. Director Compensation.		10-K	001-37716	3/28/2024
<a href="#">10.46*</a>	Severance and Change of Control Agreement between Stratus Properties Inc. and William H. Armstrong III, effective April 1, 2025.	X			
<a href="#">10.47*</a>	Severance and Change of Control Agreement between Stratus Properties Inc. and Erin D. Pickens, effective April 1, 2025.	X			
<a href="#">10.48*</a>	Stratus Properties Inc. Profit Participation Incentive Plan and Form of Award Notice.		10-K	001-37716	3/18/2019
<a href="#">10.49*</a>	Stratus Properties Inc. Long-Term Incentive Plan and Form of Award Notice.		10-Q	001-37716	5/15/2023
<a href="#">10.50*</a>	Stratus Properties Inc. Executive Annual Incentive Plan (effective January 2023).		10-Q	001-37716	5/15/2023
<a href="#">10.51*</a>	Form of Notice of Grant of Restricted Stock Units for Non-Employee Director Grants under the Stratus Properties Inc. 2017 Stock Incentive Plan (adopted May 2019).		10-Q	000-19989	5/10/2019
<a href="#">10.52*</a>	Form of Notice of Grant of Restricted Stock Units for Non-Employee Director Grants under the Stratus Properties Inc. 2022 Stock Incentive Plan (adopted July 2022).		10-K	001-37716	3/31/2023
<a href="#">10.53*</a>	Form of Notice of Grant of Restricted Stock Units (adopted 2021).		10-Q	001-37716	8/16/2021
<a href="#">10.54*</a>	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
<a href="#">10.55*</a>	Form of Restricted Stock Unit Agreement for Awards under the Executive Annual Incentive Plan (adopted 2024).		10-K	001-37716	3/28/2024

Exhibit Number	Exhibit Title	Filed with this Form 10-K	Incorporated by Reference		
			Form	File No.	Date Filed
<a href="#">10.56*</a>	Form of Restricted Stock Unit Agreement for Awards under the Profit Participation Incentive Plan and Long-Term Incentive Plan (adopted 2024).		10-K	001-37716	3/28/2024
<a href="#">10.57*</a>	Form of Restricted Stock Unit Agreement (adopted 2024).		10-K	001-37716	3/28/2024
<a href="#">19.1</a>	Stratus Properties Inc. Insider Trading Policy.	X			
<a href="#">21.1</a>	List of subsidiaries.	X			
<a href="#">23.1</a>	Consent of CohnReznick LLP.	X			
<a href="#">24.1</a>	Power of Attorney (included on signature page).	X			
<a href="#">31.1</a>	Certification of Principal Executive Officer pursuant to Rule 13a-14(a)/15d-14(a).	X			
<a href="#">31.2</a>	Certification of Principal Financial Officer pursuant to Rule 13a-14(a)/15d-14(a).	X			
<a href="#">32.1</a>	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350.	X			
<a href="#">32.2</a>	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350.	X			
<a href="#">97.1</a>	Stratus Properties Inc. Incentive-Based Compensation Recovery Policy, effective as of October 2, 2023.		10-K	001-37716	3/28/2024
101.INS	XBRL Instance Document – the XBRL Instance Document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.	X			
101.SCH	Inline XBRL Taxonomy Extension Schema.	X			
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase.	X			
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase.	X			
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase.	X			
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase.	X			
104	The cover page from this Annual Report on Form 10-K, formatted in Inline XBRL and contained in Exhibit 101.	X			

\* Indicates management contract or compensatory plan or arrangement.

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

**Item 16. Form 10-K Summary**

Not applicable.

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on March 28, 2025.

**STRATUS PROPERTIES INC.**

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

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

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

Name	Capacity	Date
<u>/s/ William H. Armstrong III</u> William H. Armstrong III	Chairman of the Board, President and Chief Executive Officer (Principal Executive Officer)	March 28, 2025
<u>/s/ Erin D. Pickens</u> Erin D. Pickens	Senior Vice President and Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	March 28, 2025
<u>/s/ Laurie L. Dotter</u> Laurie L. Dotter	Director	March 28, 2025
<u>/s/ Kate B. Henriksen</u> Kate B. Henriksen	Director	March 28, 2025
<u>/s/ James E. Joseph</u> James E. Joseph	Director	March 28, 2025
<u>/s/ Michael D. Madden</u> Michael D. Madden	Director	March 28, 2025
<u>/s/ Charles W. Porter</u> Charles W. Porter	Director	March 28, 2025
<u>/s/ Neville L. Rhone Jr.</u> Neville L. Rhone Jr.	Director	March 28, 2025



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

AMOUNT	NOTE DATE	MATURITY DATE
\$55,000,000.00	March 25, 2025	March 27, 2027

1. Promise to Pay. ON OR BEFORE THE MATURITY DATE, as stated above, FOR VALUE RECEIVED, the undersigned promise(s) to pay to the order of COMERICA BANK (herein called "Bank"), at any office of Bank in the State of Texas, the principal sum of Fifty-Five Million and No/100<sup>ths</sup> Dollars (U.S.) (\$55,000,000.00), or so much of said sum as has been advanced and is then outstanding under this Second Amended and Restated Revolving Promissory Note (this "Note"), together with all accrued and unpaid interest thereon and all other amounts due to Bank hereunder. Capitalized terms used but not defined in this Note shall have the meaning given to such capitalized terms in the Loan Agreement.

2. Payments; Interest.

2.1. Payment Amount; Payment Date; Computation Period. Unless sooner demanded, accrued and unpaid interest on the unpaid principal balance of each outstanding Advance hereunder shall be payable monthly, in arrears, on the first Business Day of each month from the date made until the same is paid in full (whether in accordance with the terms hereof, by acceleration, or otherwise). Interest accruing hereunder shall be computed on the basis of a 360-day year and shall be assessed for the actual number of days elapsed, and in such computation, effect shall be given to any change in the Applicable Interest Rate as a result of any change in the interest rate on the date of each such change.

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

2.2. Interest Rate. Subject to the terms and conditions of this Note, the unpaid principal balance of all Indebtedness outstanding under this Note from time to time shall bear interest at the Applicable Interest Rate. The Term SOFR Rate shall be the initial basis for the Applicable Interest Rate under this Note and effective as of the Interest Period commencing on the date of this Note and continuing for each succeeding Interest Period ending thereafter, the unpaid principal balance of all Indebtedness outstanding under this Note shall bear interest at the Applicable Interest Rate based upon the Term SOFR Rate for the Interest Period applicable thereto. The foregoing shall not in any way whatsoever limit or otherwise affect any of Bank's rights or remedies under this Note upon the occurrence of any Default, or any condition or event which, with the giving of notice or the running of time, or both, would constitute a Default. No interest shall accrue under this Note until the date of the first Advance made by Bank; after that, interest on all Advances shall accrue and be computed on the principal balance outstanding from time to time under this Note in accordance with the terms hereof until the same is paid in full.

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

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

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

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

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

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

2.9. Rate Contracts. To the extent that Bank, at the undersigned's request, issues or causes to be issued Rate Contracts in connection with Rate Contract Loans, the undersigned hereby acknowledges and agrees that such Rate Contracts shall be issued only in connection with the maximum principal amount of the Rate Contract Loans that may be available or outstanding from time to time. Bank shall have no obligation to provide any Rate Contract which does not correspond to the Rate Contract Loans. Notwithstanding anything contained in this Note or in any Rate Contracts entered into by the undersigned from time to time to the contrary, in the event that the outstanding principal amount of the Rate Contract Loans is less than the Notional Amount of any applicable corresponding Rate Contract for any reason, including, without limitation, (i) the undersigned prepaid or repaid all or part of any outstanding Rate Contract Loans (whether voluntarily or involuntarily) in full or in part prior to maturity, or (ii) the applicable Rate Contract is entered into with the assumption that if the undersigned requests advances under this Note (if applicable), the applicable outstanding principal amount of the Rate Contract Loans will be greater than or equal to the Notional Amount, and that assumption proves to be incorrect, the undersigned shall, promptly upon demand by Bank and at the undersigned's sole cost and expense, close out and terminate all or part of any such Rate Contract in an amount necessary to eliminate the Rate Contract Differential.

The obligation of the undersigned to immediately reimburse Bank for the termination values due under all such Rate Contracts shall be absolute, unconditional and irrevocable in accordance with the terms of this Note and of the standard application, agreement and/or contract with respect to each such Rate Contract. The undersigned shall indemnify, defend, protect and hold Bank harmless from any loss, cost, expense, or liability, including, without limitation, reasonable attorney's fees incurred by Bank, whether in-house or outside counsel is used, arising out of or in connection with any Rate Contracts. The undersigned hereby acknowledges and agrees that the Applicable Interest Rate under this Note may not match the benchmark interest rate under a Rate Contract (e.g., the Applicable Interest Rate may be a forward-looking interest rate while the benchmark interest rate under a Rate Contract may be backward-looking).

For the avoidance of doubt, the undersigned has no obligation to enter into any Rate Contract.

### 3. Advances.

3.1. Generally. This Note is a note under which Advances, repayments and re-Advances in an aggregate principal amount not to exceed the Maximum Loan Amount may be made from time to time commencing on the date hereof, subject to the terms and conditions of this Note and the terms of the Loan Agreement. The principal amount under this Note shall be the sum of all Advances made by Bank to or at the request of the undersigned, less principal payments actually received in cash by Bank. Under no circumstances shall Bank be required to disburse any proceeds of the Loan that would cause the aggregate outstanding balance of the Loan plus the Letter of Credit Liabilities at any one time to exceed the Maximum Loan Amount.

3.2. Committed Advances. **AT NO TIME SHALL BANK BE UNDER ANY OBLIGATION TO MAKE ANY ADVANCES TO THE UNDERSIGNED PURSUANT TO THIS NOTE (NOTWITHSTANDING ANYTHING EXPRESSED OR IMPLIED IN THIS NOTE OR ELSEWHERE TO THE CONTRARY, INCLUDING, WITHOUT LIMITATION, IF BANK SUPPLIES THE UNDERSIGNED WITH A BORROWING FORMULA) IN THE EVENT THAT ANY DEFAULT, OR ANY CONDITION OR EVENT WHICH, WITH THE GIVING OF NOTICE OR THE RUNNING OF TIME, OR BOTH, WOULD CONSTITUTE A DEFAULT, SHALL HAVE OCCURRED AND BE CONTINUING OR EXIST, IN WHICH EVENT, BANK, AT ANY TIME AND FROM TIME TO TIME, WITHOUT NOTICE, AND IN ITS SOLE DISCRETION, MAY REFUSE TO MAKE ADVANCES TO THE UNDERSIGNED WITHOUT INCURRING ANY LIABILITY DUE TO THIS REFUSAL AND WITHOUT AFFECTING THE UNDERSIGNED'S LIABILITY UNDER THIS NOTE FOR ANY AND ALL AMOUNTS ADVANCED.**

3.3. Revolving Advances. When the aggregate unpaid principal amount of all Advances made at any time under this Note plus the Letter of Credit Liabilities equals the Maximum Loan Amount, no further Advances shall be available under this Note unless and until the outstanding principal balance is paid down pursuant to the terms and conditions of this Note or the Letter of Credit Liabilities are reduced. Amounts advanced under this Note may be reborrowed, repaid and re-advanced from time to time subject to the terms and conditions of this Note and the Loan Documents.

3.4. Evidence of Advances. The amount and funding date of each Advance, the Applicable Interest Rate thereon and the amount and date of any repayment thereof shall be noted on Bank's records, which records shall be conclusive evidence of the foregoing, absent manifest error; provided, however, any failure by Bank to make, or any delay in making, any such notation, or any error

in any such notation, shall not relieve the undersigned of its/their obligations to repay Bank all amounts payable by the undersigned to Bank under or pursuant to this Note, when due in accordance with the terms hereof.

**3.5. Requests for Advances.** Subject to Section 3.2 and the terms of the Loan Agreement, the undersigned may make a Request hereunder, subject to the following: (a) no Default, or any condition or event which, with the giving of notice or the running of time, or both, would constitute a Default, shall have occurred and be continuing or will exist upon the making of the requested Advance; (b) the undersigned shall deliver to Bank each such Request duly completed and executed by the undersigned setting forth the information required pursuant to the Loan Agreement, three (3) Business Days prior to the proposed effective date of the requested Advance (or a shorter period if agreed to by Bank in its sole discretion), which date must be a Business Day; (c) after giving effect to the requested Advance, the aggregate unpaid principal amount of Advances outstanding under this Note plus the Letter of Credit Liabilities shall not exceed the Maximum Loan Amount; and (d) a Request, once delivered or submitted to Bank, shall not be revocable by the undersigned.

**3.6. Alternate Requests for Advances.** In the event that the undersigned is unable to request Advances hereunder through Bank's loan management system, Advances hereunder may be requested by delivery or submission to Bank by hand delivery, first class mail, overnight courier, facsimile, email or other means of delivery acceptable to Bank, of a written Request duly completed and executed by the undersigned. Advances hereunder may be requested in the undersigned's discretion by telephonic notice to Bank. Any Advance requested by telephonic notice shall be confirmed by the undersigned that same day by submission to Bank of a written Request, as provided herein. The undersigned acknowledge(s) that if Bank makes an Advance based on a request made by telephone, facsimile, email or other means of delivery (other than by hand delivery, first class mail or overnight courier), it shall be for the undersigned's convenience and all risks involved in the use of any such procedure shall be borne by the undersigned, and the undersigned expressly agree(s) to indemnify and hold Bank harmless therefor. Bank shall have no duty to confirm the authority of anyone requesting an Advance by telephone, facsimile, email or any such other means of delivery. In the event that the undersigned elect(s) to request Advances by telephonic notice, facsimile, email or other means of delivery acceptable to Bank, the undersigned acknowledge(s) and agree(s) that Bank may impose or require such verification, authentication and other procedures as Bank may require from time to time.

**4. Prepayments.** In the event that the Term SOFR Rate is the basis for the Applicable Interest Rate for the principal Indebtedness outstanding under this Note, and any payment or prepayment of any such Indebtedness shall occur on any day other than the last day of the Interest Period applicable thereto (whether voluntarily, by acceleration, required payment or otherwise), or if the undersigned shall fail to make any payment of principal or interest hereunder at any time that the Term SOFR Rate is the basis for the Applicable Interest Rate hereunder in respect of such Indebtedness, the undersigned shall reimburse Bank, on demand, for any resulting loss, cost or expense incurred by Bank as a result thereof, including, without limitation, any such loss, cost or expense incurred in obtaining, liquidating, employing or redeploying deposits from third parties whether or not Bank shall have funded or committed to fund such Advance. Such amount payable by the undersigned to Bank may include, without limitation, an amount equal to the excess, if any, of (a) the amount of interest which would have accrued on the amount so prepaid or not so borrowed, for the period from the date of such prepayment or of such failure to borrow, through the last day of the relevant Interest Period, at the applicable rate of interest for such Advance provided under this Note, over (b) the amount of interest (as reasonably determined by Bank) which would have accrued to Bank on such amount by placing such amount on deposit for a comparable period with leading banks in the interbank market. Calculation of any amounts payable to Bank under this paragraph shall be made as though Bank shall have actually funded or committed to fund the relevant Advance at the Term SOFR Rate through the purchase of an underlying deposit in an amount equal to the amount of such Advance and having a maturity comparable to the relevant Interest Period; provided, however, that Bank may fund any Term SOFR Rate-based Advance in any manner it deems fit and the foregoing assumptions shall be utilized only for the purpose of the calculation of amounts payable under this paragraph. Upon the written request of the undersigned, Bank shall deliver to the undersigned a certificate setting forth the basis for determining such losses, costs and expenses, which certificate shall be conclusively presumed correct, absent manifest error. The undersigned may prepay all or any part of the outstanding balance of any Indebtedness hereunder at any such time without premium or penalty except as set forth in this Section 4. 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.

#### **5. Unavailability of Applicable Interest Rate; Change of Law.**

**5.1. Generally.** If, at any time, Bank's obligation to maintain any of the Indebtedness hereunder at an Applicable Interest Rate based on the Term SOFR Rate is suspended in accordance with the terms of this Note, then (a) the Prime Referenced Rate at such time will replace the Term SOFR Rate for all purposes hereunder, (b) the Applicable Interest Rate hereunder in respect of such Indebtedness will be the Applicable Interest Rate based upon the Prime Referenced Rate, and (c) Bank shall have the right to make Rate Conforming Changes as provided in Section 2.8, in each case, without any further action or consent of the undersigned.

**5.2. Bank Unable to Determine the Applicable Interest Rate.** If, at any time, Bank determines (which determination shall be conclusive and binding for all purposes) that (a) Bank is unable to determine or ascertain the Term SOFR Rate, or (b) the Term SOFR Rate will not adequately and fairly cover or reflect the cost to Bank of maintaining any of the Indebtedness under this Note (including, without limitation, as a result of the alteration of the methods of calculation or availability of the Term SOFR Rate), Bank shall promptly give notice thereof to the undersigned. Thereafter, until Bank notifies the undersigned that the foregoing conditions or circumstances no longer exist, the right of the undersigned to request a Term SOFR Rate-based Advance and any obligation of Bank to maintain any of the Indebtedness hereunder at an Applicable Interest Rate based on the Term SOFR Rate, shall be suspended, and the Prime Referenced Rate will replace the Term SOFR Rate in accordance with Section 5.1.

5.3. Legal Impossibility. If, at any time, Bank determines (which determination shall be conclusive and binding for all purposes) that any Change in Law shall make it unlawful or impossible, or that any Governmental Authority has asserted that it is unlawful, for Bank to make or maintain any of the Indebtedness under this Note with interest based upon the Term SOFR Rate, Bank shall promptly give notice thereof to the undersigned. Thereafter, until Bank notifies the undersigned that such conditions or circumstances no longer exist, the right of the undersigned to request a Term SOFR Rate-based Advance and any obligation of Bank to maintain any of the Indebtedness hereunder at an Applicable Interest Rate based on the Term SOFR Rate shall be suspended and the Prime Referenced Rate will replace the Term SOFR Rate in accordance with Section 5.1.

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

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

6. Indebtedness; Collateral. The Indebtedness is secured by and Bank is granted a security interest in and lien upon the Collateral. Notwithstanding the above, (i) to the extent that any portion of the Indebtedness is a consumer loan, that portion shall not be secured by any deed of trust or mortgage on or other security interest in any of the undersigned's principal dwelling or in any of the undersigned's real property which is not a purchase money security interest as to that portion, unless expressly provided to the contrary in another place, or (ii) if the undersigned (or any of them) has (have) given or give(s) Bank a deed of trust or mortgage covering California real property, that deed of trust or mortgage shall not secure this Note or any other indebtedness of the undersigned (or any of them), unless expressly provided to the contrary in another place, or (iii) if the undersigned (or any of them) has (have) given or give(s) Bank a deed of trust or mortgage covering real property which, under Texas law, constitutes the homestead of such person, that deed of trust or mortgage shall not secure this Note or any other indebtedness of the undersigned (or any of them) unless expressly provided to the contrary in another place.

7. Default; Remedies. If a Default occurs and is continuing, then the Bank may, at its option and without prior notice to the undersigned (or any of them), cease advancing money or extending credit to or for the benefit of the undersigned under this Note or any other agreement between the undersigned and Bank, terminate this Note as to any future liability or obligation of Bank, but without affecting Bank's rights and security interests in any Collateral and the Indebtedness of the undersigned to Bank, declare any or all of the Indebtedness to be immediately due and payable (notwithstanding any provisions contained in the evidence of it to the contrary), sell or liquidate all or any portion of the Collateral, set off against the Indebtedness any amounts owing by the Bank to the undersigned (or any of them), charge interest at the Default Rate and exercise any one or more of the rights and remedies granted to the Bank by any Loan Document or given to it under applicable law.

## 8. Miscellaneous.

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

8.2. Joint and Several Liability. If this Note is signed by two or more parties (whether by all as makers or by one or more as an accommodation party or otherwise), the obligations and undertakings under this Note shall be that of all and any two or more jointly and also of each severally.

8.3. Waiver. Except for notices expressly required under any of the Loan Documents, the undersigned waive(s) presentment, demand, protest, notice of dishonor, notice of demand or intent to demand, notice of acceleration or intent to accelerate, and all other notices, and agree(s) that no extension or indulgence to the undersigned (or any of them) or release, substitution or nonenforcement of any security, or release or substitution of any of the undersigned, any Guarantor or any other party, whether with or without notice, shall affect the obligations of any of the undersigned. The undersigned waive(s) all defenses or right to discharge available under the Uniform Commercial Code of the Applicable State and waive(s) all other suretyship defenses, impairment of collateral defenses or right to discharge. The undersigned agree(s) that Bank has the right to sell, assign, or grant participations or any interest in, any or all of the Indebtedness, and that, in connection with this right, but without limiting its ability to make other disclosures to the full extent allowable, Bank may disclose all documents and information which Bank now or later has relating to the undersigned or the Indebtedness. The undersigned acknowledges that in the event one or more guaranty agreements which guarantee a portion of all Indebtedness have been entered into concurrently with the execution of this Note, upon partial satisfaction of the Indebtedness, the undersigned expressly waives any right to designate the portion of the Indebtedness that is satisfied by such payment.

8.4. Successors and Assigns. This Note shall bind the undersigned, and the undersigned's respective heirs, personal representatives, successors and assigns; provided, that the undersigned may not assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of Bank (and any attempted assignment or transfer by the undersigned without such consent shall be null and void). The undersigned agree(s) that Bank has the right to sell, assign, and grant participations or any interest in, any or all of the Indebtedness, and that, in connection with this right, but without limiting its ability to make other disclosures to the full extent allowable, Bank may disclose all documents and information which Bank now or later has relating to the undersigned or the Indebtedness. The undersigned agree(s) that Bank may provide information relating to this Note or relating to the undersigned to Bank's parent, affiliates, subsidiaries and service providers.

8.5. Collection Costs. The undersigned agree(s) to pay or reimburse to Bank, or any other holder or owner of this Note, on demand, any and all costs and expenses of Bank (including, without limit, court costs, legal expenses and reasonable attorneys' fees, whether inside or outside counsel is used, whether or not suit is instituted, and, if suit is instituted, whether at the trial court level, appellate level, in a bankruptcy, probate or administrative proceeding or otherwise) incurred in connection with the preparation, execution, delivery, amendment, administration, and performance of this Note and the other Loan Documents, or incurred in collecting or attempting to collect, or enforcing, this Note, the other Loan Documents, or the Indebtedness, or incurred in any other matter or proceeding relating to this Note, the other Loan Documents, or the Indebtedness.

8.6. Entire Agreement; Amendments. **THIS WRITTEN LOAN AGREEMENT (AS DEFINED BY SECTION 26.02 OF THE TEXAS BUSINESS AND COMMERCE CODE) REPRESENTS THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.** As used in this Note, the word "undersigned" means, individually and collectively, each maker, accommodation party, endorser and other party signing this Note in a similar capacity. The terms and conditions of this Note may not be amended, waived or modified except in a writing signed by an officer of Bank expressly stating that the writing constitutes an amendment, waiver or modification of the terms of this Note.

8.7. Severability. If any provision of this Note is unenforceable in whole or part for any reason, the remaining provisions shall continue to be effective.

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

8.9. Governing Law. **THIS NOTE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS OF THE APPLICABLE STATE, WITHOUT REGARD TO CONFLICT OF LAWS PRINCIPLES.** Chapter 346 of the Texas Finance Code (and as the same may be incorporated by reference in other Texas statutes) shall not apply to the Indebtedness evidenced by this Note. **THIS NOTE INCORPORATES SECTION 8.2 OF THE LOAN AGREEMENT BY THIS REFERENCE AS IF THE SAME WERE INCLUDED HEREIN IN ITS ENTIRETY.**

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

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

8.12. Venue. THE UNDERSIGNED HEREBY IRREVOCABLY AND UNCONDITIONALLY (I) SUBMITS TO THE NON-EXCLUSIVE JURISDICTION OF ANY UNITED STATES FEDERAL COURT OR STATE COURT SITTING IN THE APPLICABLE CITY OF THE APPLICABLE STATE (AND ANY APPELLATE COURT THEREOF) IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS NOTE OR ANY OTHER LOAN DOCUMENT, (II) AGREES THAT ALL CLAIMS IN RESPECT OF SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN ANY SUCH COURT, (III) WAIVES ANY OBJECTION TO THE LAYING OF VENUE OF ANY SUCH SUIT OR PROCEEDING IN ANY SUCH COURT, AND (IV) CONSENTS TO THE SERVICE OF ANY AND ALL PROCESS IN ANY SUCH ACTION OR PROCEEDING BROUGHT IN ANY COURT IN OR OF THE APPLICABLE STATE BY THE DELIVERY OF COPIES OF SUCH PROCESS TO THE UNDERSIGNED AT ITS ADDRESS SPECIFIED ON THE SIGNATURE PAGE HERETO OR BY CERTIFIED MAIL DIRECTED TO SUCH ADDRESS (OR, IN ANY CASE, ANY OTHER ADDRESS DESIGNATED BY THE UNDERSIGNED IN A NOTICE TO BANK). NOTHING IN THIS PARAGRAPH SHALL LIMIT OR OTHERWISE AFFECT THE RIGHT OF BANK TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY LAW OR TO BRING ANY SUCH ACTION OR PROCEEDING AGAINST THE UNDERSIGNED OR ANY GUARANTOR OR ANY OF THEIR PROPERTY IN ANY COURT OF ANY OTHER JURISDICTION.

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

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

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

8.16. State Specific Provisions. None.

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

"Advance" means a borrowing requested by the undersigned and made by Bank under this Note and the other Loan Documents and shall include a Term SOFR Rate-based Advance and (subject to the terms of this Note) a Prime Rate-based Advance.

"Applicable City" means Dallas.

"Applicable Interest Rate" means the Term SOFR Rate plus the Applicable Margin, or (subject to the terms of this Note) the Prime Referenced Rate plus the Applicable Margin, as otherwise determined in accordance with the terms and conditions of this Note. In no event shall the Applicable Interest Rate be less than 3.5%.

"Applicable Margin" means, (i) with respect to the Term SOFR Rate, three percent 3.0% per annum, and (ii) with respect to the Prime Referenced Rate, the greater of (x) the Applicable Margin for the Term SOFR Rate minus one percent (1%) per annum, or (y) zero percent (0%) per annum.

"Applicable State" means the State of Texas.

"Applicable Time" means 11:00 a.m. (Detroit, Michigan time).

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

"Change in Law" means the occurrence, after the date hereof, of any of the following: (i) the adoption or introduction of, or any change in any applicable law, treaty, rule or regulation (whether domestic or foreign) now or hereafter in effect and whether or not applicable to Bank on such date, or (ii) any change in interpretation, administration, application or implementation of any such law, treaty, rule or regulation by any Governmental Authority, or (iii) the issuance, making or implementation by any Governmental Authority

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

"Collateral" means, collectively, all items deposited in any account of any of the undersigned with Bank and all proceeds of such items (cash or otherwise), all account balances of any of the undersigned from time to time with Bank, all property of any of the undersigned from time to time in the possession of Bank and any other collateral, rights and properties described in each and every deed of trust, mortgage, security agreement, pledge, assignment and other security or collateral agreement which has been, or will at any time(s) later be, executed by any (or all) of the undersigned or any other loan party in connection with this Note to or for the benefit of Bank.

"Default" has the meaning set forth in Section 2.3.

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

"Guarantor" means any Person(s) (other than the undersigned) who shall, at any time, guarantee or otherwise be or become obligated for the repayment of all or any part of the Indebtedness.

"Indebtedness" means, collectively, the indebtedness and liabilities under this Note and any other indebtedness and liabilities of any kind of the undersigned (or any of them) to Bank, and any and all modifications, renewals or extensions of it, whether joint or several, contingent or absolute, now existing or later arising, and however evidenced and whether incurred voluntarily or involuntarily, known or unknown, or originally payable to Bank or to a third party and subsequently acquired by Bank including, without limitation, any late charges; loan fees or charges; overdraft indebtedness; any interest and fees that accrue after the commencement by or against the undersigned in any bankruptcy proceeding regardless of whether such interest and fees are allowed claims in such proceeding; costs incurred by Bank in establishing, determining, continuing or defending the validity or priority of any security interest, pledge or other lien or in pursuing any of its rights or remedies under any Loan Document (or otherwise) or in connection with any proceeding involving Bank as a result of any financial accommodation to the undersigned (or any of them); and reasonable costs and expenses of attorneys and paralegals, whether inside or outside counsel is used, and whether any suit or other action is instituted, and to court costs if suit or action is instituted, and whether any such fees, costs or expenses are incurred at the trial court level or on appeal, in bankruptcy, in administrative proceedings, in probate proceedings or otherwise.

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

"Loan Agreement" means that certain Loan Agreement dated June 29, 2018 by and between Bank, the undersigned, Magnolia East 149, L.L.C., a Texas limited liability company ("Magnolia"), 210 Lavaca Holdings, L.L.C., a Texas limited liability company ("Lavaca") and Austin 290 Properties, Inc., a Texas corporation ("Austin"), and modified by (i) that certain Modification Agreement dated April 14, 2020, executed by the undersigned, Magnolia, Lavaca, Austin and Bank, (ii) that certain Second Modification Agreement dated June 12, 2020, executed by the undersigned, Magnolia, Lavaca, Austin and Bank, 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, (iii) that certain Third Modification Agreement dated May 13, 2022, executed by the undersigned, Austin and Bank, recorded under Clerk's File No. 2022087674 of the Official Public Records of Travis County, Texas, (iv) that certain Fourth Modification Agreement dated November 8, 2022, executed by the undersigned, Austin and Bank, (v) that certain Fifth Modification Agreement dated March 10, 2023, executed by the undersigned, Austin and Bank, (vi) that certain Sixth Modification Agreement dated May 31, 2023, executed by the undersigned, Austin and Bank, (vii) that certain Seventh Modification Agreement dated January 21, 2025, executed by the undersigned, Austin and Bank, and (viii) that certain Eighth Modification Agreement dated of even date herewith, executed by the undersigned and Bank (and as may be further amended from time to time).

"Loan Documents" means collectively, this Note and all other documents, instruments and agreements evidencing, governing, securing, guaranteeing or otherwise relating to or executed pursuant to or in connection with this Note or the Indebtedness

evidenced hereby (whether executed and delivered prior to, concurrently with or subsequent to this Note), as such documents, instruments or agreements may have been or may hereafter be amended from time to time.

“Maturity Date” means the maturity date of this Note as set forth at the top of Page 1 hereof.

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

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

“Notional Amount” means the nominal or face amount that is used to calculate payments made on an instrument.

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

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

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

“Prime Referenced Rate” means, for any day, a per annum interest rate which is equal to the Prime Rate in effect on such day, but in no event and at no time shall the Prime Referenced Rate be less than two and one-half percent (2.50%) per annum.

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

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

“Rate Contracts” means interest rate swaps, caps, floors and collars, currency swaps, or other similar financial products designed to provide protection against fluctuations in interest, currency or exchange rates and other obligations, and that require the person or entity party to any such agreement to make payments under such agreement, whether periodically or upon the happening of a contingency.

“Rate Contract Differential” means the difference between the outstanding principal amount of the Rate Contract Loans and the Notional Amount of any applicable corresponding Rate Contract.

“Rate Contract Loans” means, collectively, (i) the maximum principal amount of Indebtedness that may be available or outstanding from time to time under this Note in connection with a Rate Contract, and (ii) if applicable, any other Indebtedness available or outstanding from time to time under other promissory notes executed by the undersigned, payable to the order of Bank and subject to the same Rate Contracts.

“Request” means a request for an Advance hereunder pursuant to the terms of this Note and the Loan Agreement.

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

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

“Term SOFR Rate” means, for any Interest Period, the rate per annum equal to the Term SOFR Screen Rate at or about 8:00 a.m. (Detroit, Michigan time) (or as soon thereafter as practical) as determined for each Interest Period, two (2) Business Days prior to the beginning of such Interest Period with a term of one (1) month, plus one-tenth of one percent (0.1%); provided that, except for a determination by Bank pursuant to Section 5.2 or Section 5.3 herein, if such rate is not published on such determination date then the Term SOFR Rate will be the Term SOFR Screen Rate on the first Business Day immediately prior thereto; provided, however, and notwithstanding anything to the contrary set forth in this Note, if at any time the Term SOFR Rate would otherwise be less than one-half of one percent (.50%) per annum, then the Term SOFR Rate shall be deemed to be one-half of one percent (.50%) per annum for all purposes of this Note.

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

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

10. Amendment and Restatement. This Note amends, restates, supersedes and replaces that certain Amended and Restated Revolving Promissory Note dated as of May 13, 2022, in the principal amount of Sixty Million and 00/100 Dollars (\$60,000,000.00) executed by the undersigned and Austin and payable to the order of Bank (as amended, the “Prior Note”); provided, however, (i) the execution and delivery by the undersigned of this Note shall not, in any manner or circumstance, be deemed to be a payment of, a novation of or to have terminated, extinguished or discharged any of the undersigned’s indebtedness evidenced by the Prior Note, all of which indebtedness shall continue under and shall hereinafter be evidenced and governed by this Note, and (ii) all Collateral and guaranties securing or supporting the Prior Note shall continue to secure and support this Note.

*[The remainder of this page was intentionally left blank.]*

This Note is dated and shall be effective as of the date set forth above.

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

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

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

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

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

**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

212 Lavaca Street, Suite 300 Austin Texas 78701

STREET ADDRESS CITY STATE ZIP CODE

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

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: Monica Hart

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

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### **SEVENTH MODIFICATION AGREEMENT**

This SEVENTH MODIFICATION AGREEMENT (this "**Agreement**") is dated effective as of January 21, 2025 (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**");

#### WITNESSETH:

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**”), that certain Fourth Modification Agreement dated November 8, 2022, executed by Borrower and Lender (the “**Fourth Modification**”), that certain Fifth Modification Agreement dated March 10, 2023, executed by Borrower and Lender (the “**Fifth Modification**”), and that certain Sixth Modification Agreement dated May 31, 2023, executed by Borrower and Lender (the “**Sixth Modification**”); and together with the First Modification, the Second Modification, the Third Modification, the Fourth Modification, and the Fifth 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. The parties desire to modify certain terms in 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. **Modification of Loan Agreement.**

- (a) Section 2 of the Loan Agreement is hereby deleted in its entirety and replaced with the following:

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

The Loan is a \$60,000,000 revolving credit facility that is evidenced by the Note and the other Loan Documents, and which is subject to the Letter of Credit Sublimit. At no time shall the Letter of Credit Liabilities exceed \$15,600,000.00 and Borrower shall not have the right to request Bank issue a new Letter of Credit at any time the Letter of Credit Liabilities equals or exceeds \$15,600,000.00.

- (b) The following definition in Section 1.1 of Addendum 1 to the Loan Agreement is hereby deleted in its entirety and replaced with the following:

“**Letter of Credit Sublimit**” shall mean a maximum of \$15,600,000.00 of the Loan that may be allocated for Letter of Credit Liabilities, subject to the terms and conditions of this Agreement.

3. **Letters of Credit.** As of the date hereof, five (5) Letters of Credit in the aggregate face amount of \$15,585,331.97 have been issued under and are outstanding pursuant to the Loan Agreement.

4. **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.

5. **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.

6. **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.

7. **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.

8. **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.

9. **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.

10. **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.

11. **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.

12. **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.

13. **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.

14. **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.

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

16. **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.

17. **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.

18. **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.

19. **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 15<sup>th</sup> day of January, 2025, 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: 02/23/2027  
Printed Name of Notary: Leticia L. Silva

**STATE OF TEXAS** §  
§  
**COUNTY OF TRAVIS** §

This instrument was acknowledged before me on the 15<sup>th</sup> day of January, 2025, 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: 02/23/2027  
Printed Name of Notary: Leticia L. Silva

**STATE OF TEXAS** §  
§  
**COUNTY OF TRAVIS** §

This instrument was acknowledged before me on the 15<sup>th</sup> day of January, 2025, 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.

[SEAL] /s/ Leticia L. Silva  
Notary Public, State of Texas  
My Commission Expires: 02/23/2027  
Printed Name of Notary: Leticia L. Silva

[Signature Page – Seventh Modification Agreement]

**STATE OF TEXAS** §  
§  
**COUNTY OF TRAVIS** §

This instrument was acknowledged before me on the 15<sup>th</sup> day of January, 2025, 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: 02/23/2027  
Printed Name of Notary: Leticia L. Silva

**STATE OF TEXAS** §  
§  
**COUNTY OF TRAVIS** §

This instrument was acknowledged before me on the 15<sup>th</sup> day of January, 2025, 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: 02/23/2027  
Printed Name of Notary: Leticia L. Silva

**STATE OF TEXAS** §  
§  
**COUNTY OF TRAVIS** §

This instrument was acknowledged before me on the 15<sup>th</sup> day of January, 2025, 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: 02/23/2027  
Printed Name of Notary: Leticia L. Silva

[Signature Page – Seventh Modification Agreement]

**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 16<sup>th</sup> day of January, 2025, by Elaine K. Houston, Vice President of Comerica Bank, on behalf of said bank.

[SEAL] /s/ Laura Deleon

Notary Public, State of Texas

My Commission Expires: 06-08-27

Printed Name of Notary: Laura Deleon

[Signature Page – Seventh Modification Agreement]

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

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**EIGHTH MODIFICATION AGREEMENT**

This EIGHTH MODIFICATION AGREEMENT (this "**Agreement**") is dated effective as of March 25, 2025 (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**"), **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, 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**"), 210 Lavaca Holdings, L.L.C., a Texas limited liability company ("**Lavaca**") and Austin 290 Properties, Inc., a Texas corporation ("**Austin**"), to Lender, *inter alia*, relating to a loan (the "**Original 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 Original 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 Original 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 Original 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 Original 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 Original 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**" and together with the Circle C Deed of Trust, the SPOC Deed of Trust, and the Amarra 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 "**Existing Deed of Trust**");

viii. 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**");

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

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

The instruments described above, the Prior Modifications, this Agreement, the Second Amended and Restated Note (defined below) and all other documents evidencing,

securing or otherwise executed in connection with the Loan (defined below), being herein collectively called the “**Loan Documents**”;

B. Borrower and Austin previously executed and delivered to Lender that certain Amended and Restated Revolving Promissory Note (the “**Existing 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;

C. The Loan Documents were previously modified by that certain Modification Agreement dated April 14, 2020, executed by Borrower, Magnolia, Lavaca, Austin and Lender (the “**First Modification**”), that certain Second Modification Agreement dated June 12, 2020, executed by Borrower, Magnolia, Lavaca, Austin 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, Austin and Lender, recorded under Clerk's File No. 2022087674 of the Official Public Records of Travis County, Texas (the “**Third Modification**”), that certain Fourth Modification Agreement dated November 8, 2022, executed by Borrower, Austin and Lender (the “**Fourth Modification**”), that certain Fifth Modification Agreement dated March 10, 2023, executed by Borrower, Austin and Lender (the “**Fifth Modification**”), that certain Sixth Modification Agreement dated May 31, 2023, executed by Borrower, Austin and Lender (the “**Sixth Modification**”), and that certain Seventh Modification Agreement dated January 21, 2025, executed by Borrower, Austin and Lender (the “**Seventh Modification**”); and together with the First Modification, the Second Modification, the Third Modification, the Fourth Modification, the Fifth Modification, and the Sixth Modification, collectively, the “**Prior Modifications**”;

D. Borrower has requested that Lender extend the term of the Loan to March 27, 2027, decrease the amount of the Original Loan to \$55,000,000.00, and make certain modifications to the Loan Documents, and Lender is willing to do so on the terms and conditions set forth below. Contemporaneously herewith, Borrower has executed and delivered to Lender that certain Second 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 “**Second Amended and Restated Note**” or the “**Note**”) dated of even date with this Agreement, in the stated principal amount of Fifty-Five Million and No/100 Dollars (\$55,000,000.00), in substitution of the Existing Note;

E. SPOC previously purchased certain real property in Travis County, Texas, the preliminary legal description for which is set forth on **Exhibit B** attached to this Agreement (as may be modified in connection with the Post-Closing Club House Deliverables (defined below) and as approved by Lender in its reasonable discretion, the “**Club House Property**”). In connection with SPOC’s acquisition of the Club House Property, Borrower and Lender desire to add the Club House Property as Primary Collateral for the Loan; and

F. Lender is the owner and holder of the Existing Note and the Second Amended and Restated 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 (as modified by this Agreement).

2. **Extension of Maturity Date.** The maturity date of the Loan is hereby extended to March 27, 2027 (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, 2027” (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 Loan.

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 \$275,000.00 in immediately available funds, which shall be fully earned by Lender as of the date of this Agreement.

4. **Maximum Loan Amount Decrease.** Effective as of the date hereof, the Original Loan is decreased by the amount of \$5,000,000.00 to \$55,000,000.00 (the “**Loan**”). All references to the loan amount, \$60,000,000.00, “sixty million dollars” or any similar reference in the Loan Documents shall hereafter mean \$55,000,000.00. All references to the “Maximum Loan Amount” in the Loan Documents shall hereafter mean the lesser of (a) \$55,000,000.00 or (b) the Borrowing Base Limitation.

5. **Substitution of Promissory Note.** Lender acknowledges receipt of the Second Amended and Restated Note and confirms that the Second Amended and Restated Note is in substitution for (and not in addition to) the Existing Note. From and after the date hereof, all references in the Loan Documents to the “Note” (or similar reference) shall mean the Second Amended and Restated Note.

6. **Modification of Loan Documents.** From and after the date hereof, the Second Amended and Restated Note constitutes a Loan Document. All references in the Loan Documents to the defined term “Loan Documents” are hereby amended to include the Second Amended and Restated Note.

7. **Club House Property.**

(a) **Post-Closing Deliverables.** On or before the date that is 120 days following the date of this Agreement, Borrower shall deliver each of the below listed items (collectively, the “**Post-Closing Club House Deliverables**”) to Lender in connection with adding the Club House Property as Primary Collateral for the Loan. Failure to deliver any or all of the Post-Closing Club House Deliverables within the stated timeframe shall result in an immediate Event of Default.

- i. That certain Deed of Trust, Security Agreement, Fixture Filing and Assignment of Rents executed by SPOC in favor of the trustee named therein for the benefit of Lender (in form and content agreed to by Borrower and Lender prior to the date of this Agreement) recorded in the Real Property Records of Travis County, Texas (the “**Club House Deed of Trust**”); and together with the Existing Deed of Trust, collectively, the “**Deed of Trust**”);
- ii. A mortgagee policy of title insurance issued by the Title Company and insuring that the Club House Deed of Trust covering the collateral described therein constitutes a valid lien covering such collateral subject only to those exceptions which Lender may approve and containing such endorsements as Lender may require;
- iii. A Survey of the Club House Property in form and substance acceptable to Lender in its reasonable discretion; and
- iv. Payment of all reasonable expenses of Lender, including, reasonable out-of-pocket attorneys’ fees and expenses, title insurance premiums, recording costs, and similar costs in connection with Post-Closing Club House Deliverables.

(b) **Modification of Loan Documents.** From and after the date that Borrower delivers to Lender all Post-Closing Club House Deliverables:

- i. The Club House Deed of Trust shall constitute a Loan Document and all references in the Loan Documents to the defined term “Loan Documents” shall be amended to include the Club House Deed of Trust; and
- ii. Exhibit A to the Loan Agreement shall be deleted in its entirety and replaced with **Exhibit A** attached to this Agreement.

8. **Release of Stratus Deed of Trust.** The Stratus Deed of Trust has been released and is of no further force and effect except for those provisions in the Stratus Deed of Trust that

expressly survive the release of the Stratus Deed of Trust.

9. **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.

10. **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.

11. **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 Loan Agreement 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.

12. **Endorsement to 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 Existing 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.

13. **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.

14. **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.

15. **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.

16. **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.

17. **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.

18. **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.

19. **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.

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

21. **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.

22. **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.

23. **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.

24. **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

**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 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

**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

**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

[Signature Page – Eighth Modification Agreement]



STATE OF TEXAS §  
§  
COUNTY OF TRAVIS §

This instrument was acknowledged before me on the 19<sup>th</sup> day of March, 2025, 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. Such person is personally known to me or produced a state issued driver's license as identification, and did take an oath.

[SEAL] /s/ Leticia L. Silva  
Notary Public, State of Texas  
My Commission Expires: 02-23-2027  
Printed Name of Notary: Leticia L. Silva

STATE OF TEXAS §  
§  
COUNTY OF TRAVIS §

This instrument was acknowledged before me on the 19<sup>th</sup> day of March, 2025, 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. Such person is personally known to me or produced a state issued driver's license as identification, and did take an oath.

[SEAL] /s/ Leticia L. Silva  
Notary Public, State of Texas  
My Commission Expires: 02-23-2027  
Printed Name of Notary: Leticia L. Silva

[Signature Page – Eighth Modification Agreement]

STATE OF TEXAS     §  
  §  
COUNTY OF TRAVIS §

This instrument was acknowledged before me on the 19<sup>th</sup> day of March, 2025, 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. Such person is personally known to me or produced a state issued driver’s license as identification, and did take an oath.

[SEAL] /s/ Leticia L. Silva  
Notary Public, State of Texas  
My Commission Expires: 02-23-2027  
Printed Name of Notary: Leticia L. Silva

[Signature Page – Eighth Modification Agreement]

**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 20<sup>th</sup> day of March, 2025, by Elaine K. Houston, Vice President of Comerica Bank, on behalf of said bank. Such person is personally known to me or produced a state issued driver's license as identification, and did take an oath.

[SEAL] /s/ Laura Deleon

Notary Public, State of Texas

My Commission Expires: 06/08/2027

Printed Name of Notary: Laura Deleon

[Signature Page – Eighth Modification Agreement]

**LIST OF EXHIBITS**  
**TO**  
**Eighth 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 – Primary Collateral – Legal Description

Exhibit B – Club House Property

## Severance and Change of Control Agreement

This Severance and Change of Control Agreement (the “Agreement”) between Stratus Properties Inc., a Delaware corporation, and William H. Armstrong III (the “Executive”) entered into on March 26, 2025, is dated effective as of April 1, 2025 (the “Agreement Date”).

### ARTICLE I Definitions

Capitalized terms used in this Agreement but not otherwise defined shall have the meanings set forth in this Article I.

**1.1 AIP.** “AIP” shall mean the Company’s Executive Annual Incentive Plan, or any subsequent annual incentive plan applicable to the Executive.

**1.2 Average Bonus.** “Average Bonus” shall mean the average of the annual bonuses received by the Executive for the three most recently completed fiscal years prior to the Termination Date, provided that for purposes of this calculation (a) each such annual bonus amount shall include amounts paid in cash or in restricted stock units if applicable in accordance with the terms of the AIP, and (b) if the Executive receives an LTIP award in lieu of an annual bonus for a given fiscal year pursuant to the terms of the AIP requiring the payment of only the “greater” of the two awards, the Executive’s “annual bonus” for such fiscal year shall be the calculated annual bonus the Executive would have received for such fiscal year based on performance absent such provision.

**1.3 Board.** “Board” shall mean the Board of Directors of the Company.

**1.4 Cause.** “Cause” shall mean:

(a) The Executive’s willful and continued failure to perform substantially the Executive’s duties with the Company or its Affiliates (other than any such failure resulting from incapacity due to physical or mental illness), after a written demand for substantial performance is delivered to the Executive by the Board, which specifically identifies the manner in which the Board believes that the Executive has not substantially performed the Executive’s duties;

(b) The willful engaging by the Executive in conduct that is demonstrably and materially injurious to the Company or any of its Affiliates, monetarily or otherwise; or

(c) The final conviction of the Executive or an entering of a guilty plea or a plea of no contest by the Executive to a felony.

For purposes of this provision, no act or failure to act, on the part of the Executive, will be considered “willful” unless it is done, or omitted to be done, by the Executive in bad faith or without a reasonable belief that the act or omission was in the best interest of the Company or its Affiliates. Any act, or failure to act, based on authority given pursuant to a resolution duly adopted by the Board or the advice of counsel to the Company or its Affiliates will be conclusively presumed to be done, or omitted to be done, by the Executive in good faith and in the best interests of the Company or its Affiliates. The termination of employment of the

Executive will not be deemed to be for Cause unless and until there has been delivered to the Executive a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters of the entire membership of the Board at a meeting of the Board called and held for such purpose (after reasonable notice is provided to the Executive and the Executive is given an opportunity, together with counsel, to be heard before the Board), finding that, in the good faith opinion of the Board, the Executive has engaged in the conduct described in subparagraph (a), (b) or (c) above, and specifying the particulars of such conduct.

**1.5 Change of Control.** (a) “Change of Control” means (capitalized terms not otherwise defined will have the meanings ascribed to them in paragraph (b) below):

(i) the acquisition by any Person together with all Affiliates of such Person, of Beneficial Ownership of the Threshold Percentage or more; provided, however, that for purposes of this Section 1.5(a)(i), the following will not constitute a Change of Control:

(A) any acquisition (other than a “Business Combination,” as defined below, that constitutes a Change of Control under Section 1.5(a)(iii) hereof) of Common Stock directly from the Company,

(B) any acquisition of Common Stock by the Company or its subsidiaries,

(C) any acquisition of Common Stock by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation or other entity controlled by the Company, or

(D) any acquisition of Common Stock pursuant to a Business Combination that does not constitute a Change of Control under Section 1.5(a)(iii) hereof; or

(ii) individuals who, as of the Agreement Date, constitute the Board (the “Incumbent Board”) cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the Agreement Date whose election, or nomination for election by the Company’s stockholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board will be considered a member of the Incumbent Board, unless such individual’s initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or any other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Incumbent Board; or

(iii) the consummation of a reorganization, merger or consolidation (including a merger or consolidation of the Company or any direct or indirect subsidiary of the Company), or sale or other disposition of all or substantially all of the assets of the Company (a “Business Combination”), in each case, unless, immediately following such Business Combination:

(A) the individuals and entities who were the Beneficial Owners of the Company Voting Stock immediately prior to such Business Combination have direct or indirect Beneficial Ownership of more than 50% of the then outstanding shares of

Common Stock, and more than 50% of the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors of the Company, and

(B) no Person together with all Affiliates of such Person (excluding the Company and any employee benefit plan or related trust of the Company or any of its subsidiaries) Beneficially Owns 30% or more of the then outstanding shares of Common Stock or 30% or more of the combined voting power of the then outstanding voting securities of the Company, and

(C) at least a majority of the members of the board of directors of the Company were members of the Incumbent Board at the time of the execution of the initial agreement, and of the action of the Board, providing for such Business Combination; or

(iv) approval by the stockholders of the Company of a complete liquidation or dissolution of the Company.

(b) As used in this Section 1.5 and elsewhere in this Agreement, the following terms have the meanings indicated:

(i) Affiliate: "Affiliate" means a Person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, another specified Person.

(ii) Beneficial Owner: "Beneficial Owner" (and variants thereof), with respect to a security, means a Person who, directly or indirectly (through any contract, understanding, relationship or otherwise), has or shares (A) the power to vote, or direct the voting of, the security, and/or (B) the power to dispose of, or to direct the disposition of, the security.

(iii) Company Voting Stock: "Company Voting Stock" means any capital stock of the Company that is then entitled to vote for the election of directors.

(iv) Majority Shares: "Majority Shares" means the number of shares of Company Voting Stock that could elect a majority of the directors of the Company if all directors were to be elected at a single meeting.

(v) Person: "Person" means a natural person or entity, and will also mean the group or syndicate created when two or more Persons act as a syndicate or other group (including without limitation a partnership, limited partnership, joint venture or other joint undertaking) for the purpose of acquiring, holding, or disposing of a security, except that "Person" will not include an underwriter temporarily holding a security pursuant to an offering of the security.

(vi) Post-Transaction Corporation: Unless a Change of Control includes a Business Combination, "Post-Transaction Corporation" means the Company after the Change of Control. If a Change of Control includes a Business Combination, "Post-Transaction Corporation" will mean the corporation or other entity resulting from the Business Combination unless, as a result of such Business Combination, an ultimate parent entity controls the

Company or all or substantially all of the Company's assets either directly or indirectly, in which case, "Post-Transaction Corporation" will mean such ultimate parent entity.

(vii) **Threshold Percentage:** "Threshold Percentage" means 30% of all then outstanding Company Voting Stock.

**1.6 Code.** "Code" shall mean the Internal Revenue Code of 1986, as amended from time to time.

**1.7 Common Stock:** "Common Stock" shall mean the common stock, \$0.01 par value per share, of the Company.

**1.8 Company.** As used in this Agreement, "Company" shall mean the Company as defined above and any successor to or assignee of (whether direct or indirect, by purchase, merger, consolidation or otherwise) all or substantially all of the assets of the Company. Following a Change of Control, "Company" shall refer to the Post-Transaction Corporation.

**1.9 Disability.** "Disability" shall mean:

(a) A disability entitling the Executive to receive benefits under a long-term disability insurance policy maintained by the Company or an Affiliate in effect at the time either because he is totally disabled or partially disabled, as such terms are defined in such policy in effect as of the Agreement Date or as similar terms are defined in any successor policy.

(b) If there is no long-term disability plan in effect covering the Executive, and if (i) a physical or mental illness renders the Executive incapable of satisfactorily discharging his duties and responsibilities to the Company or an Affiliate for a period of 90 consecutive days, and (ii) such incapacity is certified in writing by a duly qualified physician chosen by the Company or an Affiliate and reasonably acceptable to the Executive or his legal representatives, then the Board will have the power to determine that the Executive has become disabled. If the Board makes such a determination, the Company or its Affiliate will have the continuing right and option, during the period that such disability continues, and by notice given in the manner provided in this Agreement, to terminate the status of the Executive as an officer and employee. Any such termination will become effective 60 days after such notice of termination is given, unless within such 60-day period, the Executive becomes capable of rendering services of the character contemplated hereby (and a physician chosen by the Company or an Affiliate and reasonably acceptable to the Executive or his legal representatives so certifies in writing) and the Executive in fact resumes such services.

(c) The "Disability Effective Date" will mean the date on which termination of the Executive's status as an officer and employee becomes effective due to Disability.

**1.10 Good Reason.** "Good Reason" shall mean:

(a) Any material breach by the Company of any of the provisions of this Agreement; or

(a) The assignment to the Executive of any duties inconsistent in any material respect with Executive's position (including status, offices, titles and reporting requirements), authority, duties or responsibilities as of the Agreement Date, or any other action that results in a material diminution in such position, authority, duties or responsibilities; provided that prior to a Change of Control the Company ceasing to have a class of common equity securities registered pursuant to the Securities Exchange Act of 1934, as amended, shall not constitute "Good Reason."

(b) Following a Change of Control, as defined in Section 1.3 hereof, "Good Reason" will also include:

(i) Any failure of the Company to provide the Executive with the position, authority, duties and responsibilities at least commensurate in all material respects with the most significant of those held, exercised and assigned at any time during the 120-day period immediately preceding the Change of Control. For the avoidance of doubt, Executive's position, authority, duties and responsibilities after a Change of Control shall not be considered commensurate in all material respects with Executive's position, authority, duties and responsibilities prior to a Change of Control unless after the Change of Control the Executive holds an equivalent position in the Company and the Company has a class of common equity securities registered pursuant to the Securities Exchange Act of 1934, as amended, if such was the case prior to the Change of Control;

(i) The Company requiring the Executive to be based at any office or location more than 35 miles from the office or location where Executive was employed immediately preceding the Change of Control, or requiring the Executive to travel on business to a substantially greater extent than required immediately prior to a Change of Control; or

(ii) Any failure by the Company to comply with and satisfy Sections 4.1(c) and (d) of this Agreement.

Notwithstanding the foregoing, the Executive shall not have the right to terminate the Executive's employment hereunder for Good Reason unless (1) within 30 days of the initial existence of the condition or conditions giving rise to such right the Executive provides written notice to the Company of the existence of such condition or conditions, and (2) the Company fails to remedy such condition or conditions within 30 days following the receipt of such written notice (the "Cure Period"). If any such condition is not remedied within the Cure Period, the Executive must terminate the Executive's employment with the Company within a reasonable period of time, not to exceed 30 days, following the end of the Cure Period.

**1.11 LTIP.** "LTIP" means the Company's Long-Term Incentive Plan.

**1.12 Section 409A.** "Section 409A" shall mean Section 409A of the Code and the regulations and guidance issued thereunder.

**1.13 Termination Date.** "Termination Date" shall mean, if the Executive's status as an officer and employee is terminated (i) by reason of the Executive's death, the date of the Executive's death, (ii) by reason of Disability, the Disability Effective Date, (iii) by the

Company other than by reason of death or Disability, the date of delivery of the notice of termination or any later date specified in the notice of termination, which date will not be more than 30 days after the giving of the notice, or (iv) by the Executive other than by reason of death, the date of delivery of the notice of termination or any later date specified in the notice of termination, which date will not be more than 30 days after the giving of the notice.

## ARTICLE II Severance and Change of Control Benefits

### 2.1 Term and Capacity after Change of Control.

(a) This Agreement shall commence on the Agreement Date and continue in effect through March 31, 2028 (the “Initial Term”). If the Executive continues to serve as an officer of the Company and a Change of Control occurs during the Initial Term, then the Executive’s employment term (the “Employment Term”) shall continue through the third anniversary of the Change of Control, subject to any earlier termination of the Executive’s employment pursuant to this Agreement.

(b) After a Change of Control and during the Employment Term, (i) the Executive’s position (including status, offices, titles and reporting requirements), authority, duties and responsibilities shall be at least commensurate in all material respects with the most significant of those held, exercised and assigned at any time during the 120-day period immediately preceding the Change of Control and (ii) the Executive’s services shall be performed at the location where the Executive was employed immediately preceding the Change of Control or any office or location less than 35 miles from such location. The Executive’s position, authority, duties and responsibilities after a Change of Control shall not be considered commensurate in all material respects with the Executive’s position, authority, duties and responsibilities prior to a Change of Control unless after the Change of Control the Executive holds an equivalent position in the Company.

**2.2 Compensation and Benefits.** During the Employment Term, the Executive shall be entitled to the following compensation and benefits:

(a) Salary. An annual salary (“Base Salary”) at the highest rate in effect for the Executive at any time during the 120-day period immediately preceding the Change of Control, payable to the Executive at such intervals no less frequent than the most frequent intervals in effect at any time during the 120-day period immediately preceding the Change of Control or, if more favorable to the Executive, the intervals in effect at any time after the Change of Control for other most senior executives of the Company and its Affiliates.

(b) Bonus. The Executive shall be entitled to participate in the Company’s AIP or any annual incentive bonus program applicable to other most senior executives of the Company and its Affiliates but in no event shall such program provide the Executive with incentive opportunities less favorable than the most favorable of those provided by the Company and its Affiliates for the Executive under the Company’s annual cash plan as in effect for the Executive at any time during the 120-day period immediately preceding the Change of Control or, if more favorable to the Executive, those provided generally at any time after the Change of

Control to other most senior executives of the Company and its Affiliates. Any such bonus shall be paid in cash no later than two and a half months following the close of the fiscal year for which it is earned.

(c) Fringe Benefits. The Executive shall be entitled to fringe benefits (including, but not limited to, automobile allowance, air travel, and reimbursement for club membership dues) in accordance with the most favorable agreements, plans, practices, programs and policies of the Company and its Affiliates in effect for the Executive at any time during the 120-day period immediately preceding the Change of Control or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other most senior executives of the Company and its Affiliates.

(d) Expenses. The Executive shall be entitled to receive prompt reimbursement for all reasonable business expenses (including food and lodging) incurred by the Executive in accordance with the most favorable agreements, policies, practices and procedures of the Company and its Affiliates in effect for the Executive at any time during the 120-day period immediately preceding the Change of Control or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other most senior executives of the Company and its Affiliates.

(e) Incentive, Savings and Retirement Plans. The Executive shall be entitled to participate in all incentive, savings and retirement plans, practices, policies and programs applicable generally to other most senior executives of the Company and its Affiliates, but in no event shall such plans, practices, policies and programs provide the Executive with incentive opportunities (measured with respect to both regular and special incentive opportunities, to the extent, if any, that such distinction is applicable), savings opportunities and retirement benefit opportunities, in each case, less favorable than the most favorable of those provided by the Company and its Affiliates for the Executive under any agreements, plans, practices, policies and programs as in effect at any time during the 120-day period immediately preceding the Change of Control.

(f) Welfare Benefit Plans. The Executive and the Executive's family shall be eligible for participation in and shall receive all benefits under welfare benefit plans, practices, policies and programs provided by the Company and its Affiliates (including, without limitation, medical, prescription, dental, disability, employee life, group life, accidental death and travel accident insurance plans and programs) to the extent applicable generally to other most senior executives of the Company and its Affiliates, but in no event shall such plans, practices, policies and programs provide the Executive with benefits, in each case, less favorable than the most favorable of any agreements, plans, practices, policies and programs of the Company and its Affiliates in effect for the Executive at any time during the 120-day period immediately preceding the Change of Control.

(g) Indemnification and Insurance. The Company shall indemnify the Executive, to the fullest extent permitted by applicable law, for any and all claims brought against him arising out his services during or prior to the Employment Term. In addition, the Company shall maintain a directors' and officers' insurance policy covering the Executive substantially in the form of the policy maintained by the Company and its Affiliates at any time

during the 120-day period immediately preceding the Change of Control or, if more favorable to the Executive, as provided generally at any time thereafter with respect to other most senior executives of the Company and its Affiliates.

(h) Office and Support Staff. The Executive shall be entitled to an office or offices of a size and with furnishings and other appointments, and to exclusive personal secretarial and other assistance, at least equal to the most favorable of the foregoing provided to the Executive by the Company and its Affiliates at any time during the 120-day period immediately preceding the Change of Control or, if more favorable to the Executive, as provided generally at any time thereafter with respect to other most senior executives of the Company and its Affiliates.

(i) Vacation. The Executive shall be entitled to paid vacation in accordance with the most favorable agreements, plans, policies, programs and practices of the Company and its Affiliates as in effect for the Executive at any time during the 120-day period immediately preceding the Change of Control or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other most senior executives of the Company and its Affiliates.

### **2.3 Obligations upon Termination prior to a Change of Control.**

(a) Termination by the Company without Cause or by the Executive for Good Reason. If during the Initial Term, and prior to a Change of Control, the Company terminates the Executive's employment without Cause, or the Executive terminates his employment for Good Reason, then, subject to Section 2.6 and, if applicable, the six-month delay set forth in Section 2.10:

(i) The Company will pay to the Executive the Executive's Base Salary earned through the Termination Date to the extent not previously paid (the "Accrued Salary");

(ii) The Company will pay to the Executive in a lump sum in cash an amount equal to the sum of (A) a pro rata bonus in an amount determined by multiplying the Executive's Average Bonus amount by the fraction obtained by dividing the number of days in the year through the Termination Date by 365 (the "Pro Rata Bonus"), and (B) an amount equal to two (2) times the sum of (x) the Executive's Base Salary in effect at the Termination Date and (y) the Average Bonus;

(iii) For the period commencing on the Termination Date and ending on the earlier of (A) December 31<sup>st</sup> of the first calendar year following the calendar year in which the Termination Date occurs, or (B) the date that the Executive accepts new employment (the "Continuation Period"), the Company will at its expense provide, either as part of a group policy or as such policy may be converted to an individual policy, health, dental, vision and life insurance (the "benefit plans") in which the Executive was entitled to participate as an employee as of the Termination Date; provided that the Executive's continued participation is possible under the general terms and provisions of each such plan and all applicable laws. If the Executive is a "specified employee" governed by Section 2.10 hereof, to the extent that any

benefits provided to the Executive under this Section 2.3(a)(iii) are taxable to the Executive, then, with the exception of nontaxable medical insurance benefits, the value of the aggregate amount of such taxable benefits provided to the Executive pursuant to this Section 2.3(a)(iii) during the six month period following the Termination Date shall be limited to the amount specified by Section 402(g)(1)(B) of Code for the year in which the termination occurred. The Executive shall pay the cost of any benefits that exceed the amount specified in the previous sentence during the six-month period following the date of termination, and shall be reimbursed in full by the Company during the seventh month after the Termination Date. The coverage and benefits (including deductibles and costs) provided under any such benefit plan in accordance with this paragraph during the Continuation Period will be no less favorable to the Executive than the most favorable of such coverages and benefits provided to active employees of the Company during the Continuation Period. If the Executive's participation in any such benefit plan is barred or any such benefit plan is terminated, the Company will use its best efforts to provide the Executive with benefits substantially similar or comparable in value to those the Executive would otherwise have been entitled to receive under such plans. At the end of the Continuation Period, the Executive will have the option to have assigned to him, at no cost and with no apportionment of prepaid premiums, any assignable insurance owned by the Company that relates specifically to the Executive. To the maximum extent permitted by law, the Executive will be eligible for medical coverage under COBRA. Notwithstanding the above, if the payment of health insurance premiums for the Executive is not permitted by the Patient Protection and Affordable Care Act, then in lieu of the health benefits provided for herein, the lump sum cash payment described in Section 2.3(a)(ii) will be increased by an amount equal to the first monthly COBRA premium multiplied by the maximum number of months in the Continuation Period;

(iv) All benefits that the Executive is entitled to receive pursuant to benefit plans maintained by the Company under which benefits are calculated based upon years of service or age will be calculated by treating the Executive as having attained two additional years of age and as having provided two additional years of service as of the Termination Date; and

(v) The Company will pay or deliver, as appropriate, all other benefits earned by the Executive or accrued for his benefit pursuant to any employee benefit plans maintained by the Company with respect to services rendered by the Executive prior to the Termination Date.

(b) Termination for Other Reasons. If during the Initial Term and prior to a Change of Control, the Executive's employment is terminated by the Company for Cause, by the Executive without Good Reason, or for any other reason (other than as set forth in Section 2.3(a)), the Company will pay to the Executive the Accrued Salary without further obligation to the Executive other than for obligations by law and obligations for any benefits earned by the Executive or accrued for his benefit pursuant to any employee benefit plans maintained by the Company with respect to services rendered by the Executive prior to the Termination Date.

## 2.4 Obligations upon Termination after a Change of Control.

(a) Termination as a Result of Death, Disability or Retirement. If, after a Change of Control and during the Employment Term, (1) the Executive's employment is terminated by reason of the Executive's death, (2) the Company terminates the Executive's employment by reason of the Executive's Disability, or (3) the Executive retires and terminates his employment, then, subject to Section 2.6 and, if applicable, the six-month delay set forth in Section 2.10:

Accrued Salary; (i) The Company or an Affiliate will pay to the Executive or his legal representatives the Executive's

Bonus; and (ii) The Company or an Affiliate will pay to the Executive or his legal representatives the Pro Rata

(iii) The Company or an Affiliate will pay or deliver, as appropriate, all other benefits earned by the Executive or accrued for his benefit pursuant to any employee benefit plans maintained by the Company or its Affiliates with respect to services rendered by the Executive prior to the Termination Date.

(b) Termination by the Company for Cause; by the Executive for other than Good Reason. If, after a Change of Control and during the Employment Term, the Executive's employment is terminated by the Company or an Affiliate for Cause, or by the Executive for other than Good Reason, the Company or Affiliate will pay to the Executive the Accrued Salary without further obligation to the Executive other than for obligations by law and obligations for any benefits earned by the Executive or accrued for his benefit pursuant to any employee benefit plans maintained by the Company or Affiliate with respect to services rendered by the Executive prior to the Termination Date.

(c) Termination by the Company for Reasons other than Death, Disability or Cause; by the Executive for Good Reason. If, after a Change of Control and during the Employment Term, (1) the Company or an Affiliate terminates the Executive's employment other than for Cause, death or Disability, or (2) the Executive terminates his employment for Good Reason, then, subject to Section 2.6, and, if applicable, the six-month delay set forth in Section 2.10:

(i) The Company or an Affiliate will pay to the Executive the Accrued Salary;

(ii) The Company or an Affiliate will pay to the Executive in a lump sum in cash (A) the Pro Rata Bonus, and (B) an amount equal to 2.99 times the sum of (x) the Executive's Base Salary in effect at the Termination Date or if higher, immediately preceding the Change of Control (with such Base Salary being determined without regard to any reduction that would provide the Executive a basis to terminate employment for Good Reason) and (y) the Average Bonus;

(iii) For the Continuation Period, the Company or its Affiliate will at its expense provide, either as part of a group policy or as such policy may be converted to an

individual policy, health, dental, vision and life insurance (the “benefit plans”) in which the Executive was entitled to participate as an employee as of the Termination Date; provided that the Executive’s continued participation is possible under the general terms and provisions of each such plan and all applicable laws. If the Executive is a “specified employee” governed by Section 2.10 hereof, to the extent that any benefits provided to the Executive under this Section 2.4(c)(iii) are taxable to the Executive, then, with the exception of nontaxable medical insurance benefits, the value of the aggregate amount of such taxable benefits provided to the Executive pursuant to this Section 2.4(c)(iii) during the six month period following the Termination Date shall be limited to the amount specified by Section 402(g)(1)(B) of Code for the year in which the termination occurred. The Executive shall pay the cost of any benefits that exceed the amount specified in the previous sentence during the six-month period following the date of termination, and shall be reimbursed in full by the Company during the seventh month after the Termination Date. The coverage and benefits (including deductibles and costs) provided under any such benefit plan in accordance with this paragraph during the Continuation Period will be no less favorable to the Executive than the most favorable of such coverages and benefits provided to active employees of the Company or its Affiliate during the Continuation Period. If the Executive’s participation in any such benefit plan is barred or any such benefit plan is terminated, the Company or its Affiliate will use its best efforts to provide the Executive with benefits substantially similar or comparable in value to those the Executive would otherwise have been entitled to receive under such plans. At the end of the Continuation Period, the Executive will have the option to have assigned to him, at no cost and with no apportionment of prepaid premiums, any assignable insurance owned by the Company or its Affiliate that relates specifically to the Executive. To the maximum extent permitted by law, the Executive will be eligible for medical coverage under COBRA. Notwithstanding the above, if the payment of health insurance premiums for the Executive is not permitted by the Patient Protection and Affordable Care Act, then in lieu of the health benefits provided for herein, the lump sum cash payment described in Section 2.4(c)(ii) will be increased by an amount equal to the first monthly COBRA premium multiplied by the maximum number of months in the Continuation Period;

(iv) All benefits that the Executive is entitled to receive pursuant to benefit plans maintained by the Company or an Affiliate under which benefits are calculated based upon years of service or age will be calculated by treating the Executive as having attained two additional years of age and as having provided two additional years of service as of the Termination Date; and

(v) The Company or an Affiliate will pay or deliver, as appropriate, all other benefits earned by the Executive or accrued for his benefit pursuant to any employee benefit plans maintained by the Company or Affiliate with respect to services rendered by the Executive prior to the Termination Date.

**2.5 Nondisclosure and Proprietary Rights.** The rights and obligations of the Company and the Executive contained in Article III hereof will continue to apply notwithstanding a termination triggering obligations of the Company pursuant to Section 2.3 or 2.4.

**2.6 Most Favorable Benefits.** It is the intention of the parties that the terms of this Agreement provide payments and benefits to the Executive that are equivalent or more beneficial to the Executive than are otherwise available to the Executive under the terms of any applicable benefit plan or related compensation agreement. To that end, the terms of the Agreement shall govern the payments and benefits to which the Executive shall be entitled upon the termination of the Executive's employment as provided herein, except that if the terms of any applicable benefit plan or related compensation agreement provide more favorable benefits to the Executive than are provided hereunder, the terms of such plan or agreement shall control.

**2.7 Excise Tax Provision.**

(a) Notwithstanding any other provisions of this Agreement, if a Change of Control occurs during the original or extended term of this Agreement, in the event that any payment or benefit received or to be received by the Executive in connection with the Change of Control of the Company or the termination of the Executive's employment under this Agreement or any other agreement between the Company and the Executive (all such payments and benefits, including the payments and benefits under Section 2.4(c) hereof, being hereinafter called "Total Payments") would be subject (in whole or in part), to an excise tax imposed by section 4999 of the Code (the "Excise Tax"), then the cash payments under Section 2.4(c) hereof shall first be reduced, and the noncash payments and benefits under the other sections hereof shall thereafter be reduced, to the extent necessary so that no portion of the Total Payments is subject to the Excise Tax but only if (A) the net amount of such Total Payments, as so reduced (and after subtracting the net amount of federal, state and local income and employment taxes on such reduced Total Payments) is greater than or equal to (B) the net amount of such Total Payments without such reduction (but after subtracting the net amount of federal, state and local income and employment taxes on such Total Payments and the amount of Excise Tax to which the Executive would be subject in respect of such unreduced Total Payments); provided, however, that the Executive may elect to have the noncash payments and benefits hereof reduced (or eliminated) prior to any reduction of the cash payments under Section 2.4(c) hereof.

(b) For purposes of determining whether and the extent to which the Total Payments will be subject to the Excise Tax, (i) no portion of the Total Payments the receipt or enjoyment of which the Executive shall have waived at such time and in such manner as not to constitute a "payment" within the meaning of section 280G(b) of the Code shall be taken into account, (ii) no portion of the Total Payments shall be taken into account which, in the opinion of tax counsel ("Tax Counsel") reasonably acceptable to the Executive and selected by the accounting firm (the "Auditor") which was, immediately prior to a Change of Control or other event giving rise to a potential Excise Tax, the Company's independent auditor, does not constitute a "parachute payment" within the meaning of section 280G(b)(2) of the Code (including by reason of section 280G(b)(4)(A) of the Code) and, in calculating the Excise Tax, no portion of such Total Payments shall be taken into account which, in the opinion of Tax Counsel, constitutes reasonable compensation for services actually rendered, within the meaning

of section 280G(b)(4)(B) of the Code, in excess of the "Base Amount" (within the meaning set forth in section 280G(b)(3) of the Code) allocable to such reasonable compensation, and (iii) the value of any non-cash benefit or any deferred payment or benefit included in the Total Payments shall be determined by the Auditor in accordance with the principles of sections 280G(d)(3) and (4) of the Code.

(c) At the time that payments are made under this Agreement, the Company shall provide the Executive with a written statement setting forth the manner in which such payments were calculated and the basis for such calculations including, without limitation, any opinions or other advice the Company has received from Tax Counsel, the Auditor or other advisors or consultants (and any such opinions or advice which are in writing shall be attached to the statement).

**2.8 Incentive Awards.** The foregoing benefits are intended to be in addition to the value of any other equity or incentive awards that may be due or that will remain outstanding pursuant to their terms in connection with a termination of employment, including but not limited to, equity-based incentive awards such as options to acquire Common Stock and restricted stock units granted under the Company's stock incentive plans, participation interests under the Company's Profit Participation Incentive Plan or LTIP, and any other incentive or similar plan heretofore or hereafter adopted by the Company.

**2.9 Resignation from Board of Directors.** If the Executive is a director of the Company and his employment is terminated for any reason other than death, the Executive will, if requested by the Company, immediately resign as a director of the Company and its Affiliates. If such resignation is not received within 20 business days after the Executive actually receives written notice from the Company requesting the resignation, the Executive will forfeit any right to receive any payments pursuant to this Agreement.

**2.10 Legal Fees.** The Company agrees to pay as incurred all legal fees and expenses that the Executive may reasonably incur as a result of any contest (regardless of the outcome thereof) by the Company, the Executive or others of the validity or enforceability of, or liability under, any provision of this Agreement (including as a result of any contest by the Executive about the amount or timing of any payment pursuant to this Agreement).

#### **2.11 Section 409A of the Internal Revenue Code.**

(a) This Agreement is intended to comply with Section 409A or an exemption thereunder and shall be construed and administered in accordance with Section 409A. Notwithstanding any other provision of this Agreement, payments provided under this Agreement may only be made upon an event and in a manner that complies with Section 409A or an applicable exemption. Any payments under this Agreement that may be excluded from Section 409A as separation pay due to an involuntary separation from service, as a short-term deferral, or under any other provision of Section 409A, shall be excluded from Section 409A to the maximum extent possible. For purposes of Section 409A, each installment payment provided under this Agreement shall be treated as a separate payment. Any payments to be made under this Agreement upon a termination of employment shall only be made upon a "separation from service" under Section 409A. Notwithstanding the foregoing, the Company makes no

representations that the payments and benefits provided under this Agreement comply with Section 409A and in no event shall the Company be liable for all or any portion of any taxes, penalties, interest or other expenses that may be incurred by the Executive on account of non-compliance with Section 409A.

(b) Notwithstanding any other provision of this Agreement, if any payment or benefit provided to the Executive in connection with his termination of employment is determined to constitute "nonqualified deferred compensation" within the meaning of Section 409A and the Executive is determined to be a "specified employee" as defined in Section 409A(a)(2)(b)(i), then such payment or benefit shall not be paid until the first payroll date to occur following the six-month anniversary of the Termination Date or, if earlier, on the Executive's death (the "Specified Employee Payment Date"). The aggregate of any payments that would otherwise have been paid before the Specified Employee Payment Date shall be paid to the Executive in a lump sum on the Specified Employee Payment Date and thereafter, any remaining payments shall be paid without delay in accordance with their original schedule.

(c) No acceleration of payments and benefits provided for in this Agreement shall be permitted, except that the Company may accelerate payment, if permitted by Section 409A, as necessary to allow the Executive to pay FICA taxes on amounts payable hereunder and additional taxes resulting from the payment of such FICA amount, or as necessary to pay taxes and penalties arising as a result of the payments provided for in this Agreement failing to meet the requirements of Section 409A. In no event shall the Executive, directly or indirectly, designate the calendar year of payment.

(d) To the extent required by Section 409A, each reimbursement or in-kind benefit provided under this Agreement shall be provided in accordance with the following:

(i) the amount of expenses eligible for reimbursement, or in-kind benefits provided, during each calendar year cannot affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other calendar year;

(ii) any reimbursement of an eligible expense shall be paid to the Executive on or before the last day of the calendar year following the calendar year in which the expense was incurred; and

(iii) any right to reimbursements or in-kind benefits under this Agreement shall not be subject to liquidation or exchange for another benefit.

### ARTICLE III

#### Nondisclosure and Proprietary Rights

**3.1 Confidential Information.** For purposes of this Agreement, the term "Confidential Information" means any information, knowledge or data of any nature and in any form (including information that is electronically transmitted or stored on any form of magnetic or electronic storage media) relating to the past, current or prospective business or operations of the Company and its Affiliates, that at the time or times concerned is not generally known to persons engaged in businesses similar to those conducted or contemplated by the Company and its Affiliates (other than information known by such persons through a violation of an obligation

of confidentiality to the Company), whether produced by the Company and its Affiliates or any of their consultants, agents or independent contractors or by the Executive, and whether or not marked confidential, including without limitation information relating to the Company's or its Affiliates' products and services, business plans, business acquisitions, processes, product or service research and development ideas, methods or techniques, training methods and materials, and other operational methods or techniques, quality assurance procedures or standards, operating procedures, files, plans, specifications, proposals, drawings, charts, graphs, support data, trade secrets, supplier lists, supplier information, purchasing methods or practices, distribution and selling activities, consultants' reports, marketing and engineering or other technical studies, maintenance records, employment or personnel data, marketing data, strategies or techniques, financial reports, budgets, projections, cost analyses, price lists, formulae and analyses, employee lists, customer records, customer lists, customer source lists, proprietary computer software, and internal notes and memoranda relating to any of the foregoing.

**3.2 Nondisclosure of Confidential Information.** The Executive will hold in a fiduciary capacity for the benefit of the Company all Confidential Information obtained by the Executive during the Executive's employment (whether prior to or after the Agreement Date) and will use such Confidential Information solely within the scope of his employment with and for the exclusive benefit of the Company. For a period of five years after the Termination Date, the Executive agrees (a) not to communicate, divulge or make available to any person or entity (other than the Company) any such Confidential Information, except upon the prior written authorization of the Company or as may be required by law or legal process, and (b) to deliver promptly to the Company any Confidential Information in his possession, including any duplicates thereof and any notes or other records the Executive has prepared with respect thereto. In the event that the provisions of any applicable law or the order of any court would require the Executive to disclose or otherwise make available any Confidential Information, the Executive will give the Company prompt prior written notice of such required disclosure and an opportunity to contest the requirement of such disclosure or apply for a protective order with respect to such Confidential Information by appropriate proceedings.

**3.3 Injunctive Relief; Other Remedies.** The Executive acknowledges that a breach by the Executive of Section 3.2 would cause immediate and irreparable harm to the Company for which an adequate monetary remedy does not exist; hence, the Executive agrees that, in the event of a breach or threatened breach by the Executive of the provisions of Section 3.2, the Company will be entitled to injunctive relief restraining the Executive from such violation without the necessity of proof of actual damage or the posting of any bond, except as required by non waivable, applicable law. Nothing herein, however, will be construed as prohibiting the Company from pursuing any other remedy at law or in equity to which the Company may be entitled under applicable law in the event of a breach or threatened breach of this Agreement by the Executive, including without limitation the recovery of damages and/or costs and expenses, such as reasonable attorneys' fees, incurred by the Company as a result of any such breach or threatened breach. In addition to the exercise of the foregoing remedies, the Company will have the right upon the occurrence of any such breach to offset the damages of such breach as determined by the Company, against any unpaid salary, bonus, commissions or reimbursements otherwise owed to the Executive. In particular, the Executive acknowledges that the payments provided under Article II are conditioned upon the Executive fulfilling the nondisclosure agreements contained in this Article III. If the Executive at any time materially breaches

nondisclosure agreements contained in this Article III, then the Company may offset the damages of such breach, as determined solely by the Company, against payments otherwise due to the Executive under Article II or, at the Company's option, suspend payments otherwise due to the Executive under Article II during the period of such breach. The Executive acknowledges that any such offset or suspension of payments would be an exercise of the Company's right to offset or suspend its performance hereunder upon the Executive's breach of this Agreement; such offset or suspension of payments would not constitute, and shall not be characterized as, the imposition of liquidated damages.

**3.4 Governing Law of this Article III; Consent to Jurisdiction.** Any dispute regarding the reasonableness of the covenants and agreements set forth in this Article III or duration thereof, or the remedies available to the Company upon any breach of such covenants and agreements, will be governed by and interpreted in accordance with the laws of the State of the United States or other jurisdiction in which the alleged prohibited disclosure occurs, and, with respect to each such dispute, the Company and the Executive each hereby consent to the jurisdiction of the state and federal courts sitting in the relevant State (or, in the case of any jurisdiction outside the United States, the relevant courts of such jurisdiction) for resolution of such dispute, and agree that service of process may be made upon him or it in any legal proceeding relating to this Article III by any means allowed under the laws of such jurisdiction.

**3.5 Executive's Understanding of this Article.** The Executive hereby represents to the Company that he has read and understands, and agrees to be bound by, the terms of this Article III. The Executive acknowledges that the duration of the covenants contained in Article III are the result of arm's length bargaining and are fair and reasonable in light of (a) the importance of the functions performed by the Executive and the length of time it would take the Company to find and train a suitable replacement, and (b) the Executive's level of control over and contact with the business and operations of the Company and its Affiliates in various jurisdictions where same are conducted. It is the desire and intent of the parties that the provisions of this Agreement be enforced to the fullest extent permitted under applicable law, whether now or hereafter in effect and, therefore, to the extent permitted by applicable law, the parties hereto waive any provision of applicable law that would render any provision of this Article III invalid or unenforceable.

#### **ARTICLE IV Miscellaneous**

##### **4.1 Binding Effect; Successors.**

(a) This Agreement shall be binding upon and inure to the benefit of the Company and any of its successors or assigns.

(b) This Agreement is personal to the Executive and shall not be assignable by the Executive without the consent of the Company (there being no obligation to give such consent) other than such rights or benefits as are transferred by will or the laws of descent and distribution.

(c) The Company shall require any successor to or assignee of (whether direct or indirect, by purchase, merger, consolidation or otherwise) all or substantially all of the assets or businesses of the Company (i) to assume unconditionally and expressly this Agreement and (ii) to agree to perform or to cause to be performed all of the obligations under this Agreement in the same manner and to the same extent as would have been required of the Company had no assignment or succession occurred, such assumption to be set forth in a writing reasonably satisfactory to the Executive.

(d) The Company shall also require all entities that control or that after the transaction will control (directly or indirectly) the Company or any such successor or assignee to agree to cause to be performed all of the obligations under this Agreement, such agreement to be set forth in a writing reasonably satisfactory to the Executive.

**4.2 Notices.** All notices hereunder must be in writing and, unless otherwise specifically provided herein, will be deemed to have been given upon receipt of delivery by: (a) hand (against a receipt therefor), (b) certified or registered mail, postage prepaid, return receipt requested, (c) a nationally recognized overnight courier service (against a receipt therefor) or (d) telecopy transmission with confirmation of receipt. All such notices must be addressed as follows:

If to the Company, to:

Stratus Properties Inc.  
212 Lavaca St.  
Suite 300  
Austin, Texas 78701  
Attention: Chairman of Compensation Committee

If to the Executive, to:

[intentionally omitted]  
[intentionally omitted]

or such other address as to which any party hereto may have notified the other in writing.

**4.3 Governing Law.** Except as provided in Article III hereof, this Agreement shall be construed and enforced in accordance with and governed by the internal laws of the State of Delaware without regard to principles of conflict of laws.

**4.4 Withholding.** The Executive agrees that the Company has the right to withhold, from the amounts payable pursuant to this Agreement, all amounts required to be withheld under applicable income and/or employment tax laws, or as otherwise stated in documents granting rights that are affected by this Agreement.

**4.5 Amendment, Waiver.** No provision of this Agreement may be modified, amended or waived except by an instrument in writing signed by both parties.

**4.6 Severability.** If any term or provision of this Agreement, or the application thereof to any person or circumstance, shall at any time or to any extent be invalid, illegal or unenforceable in any respect as written, the Executive and the Company intend for any court construing this Agreement to modify or limit such provision so as to render it valid and enforceable to the fullest extent allowed by law. Any such provision that is not susceptible of such reformation shall be ignored so as to not affect any other term or provision hereof, and the remainder of this Agreement, or the application of such term or provision to persons or circumstances other than those as to which it is held invalid, illegal or unenforceable, shall not be affected thereby and each term and provision of this Agreement shall be valid and enforced to the fullest extent permitted by law.

**4.7 Waiver of Breach.** The waiver by either party of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any subsequent breach thereof.

**4.8 Remedies Not Exclusive.** No remedy specified herein shall be deemed to be such party's exclusive remedy, and accordingly, in addition to all of the rights and remedies provided for in this Agreement, the parties shall have all other rights and remedies provided to them by applicable law, rule or regulation.

**4.9 Company's Reservation of Rights.** The Executive acknowledges and understands that the Executive serves at the pleasure of the Board and that the Company has the right at any time to terminate the Executive's status as an employee of the Company or any of its Affiliates, or to change or diminish his status during the Employment Term, subject to the rights of the Executive to claim the benefits conferred by this Agreement.

**4.10 Prior Change of Control Agreement.** Effective as of the Agreement Date, this Agreement supersedes any prior change of control or nondisclosure agreement between the Executive and the Company.

**4.11 Counterparts.** This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the Company and the Executive have caused this Agreement to be executed as of the Agreement Date.

**Stratus Properties Inc.**

By /s/ James E. Joseph

James E. Joseph  
Director and Chairman of the  
Compensation Committee of the  
Board of Directors

**Executive**

/s/ William H. Armstrong III

William H. Armstrong III

**Signature Page of Severance and Change of Control Agreement  
between Stratus Properties Inc. and William H. Armstrong III**

## Severance and Change of Control Agreement

This Severance and Change of Control Agreement (the “Agreement”) between Stratus Properties Inc., a Delaware corporation, and Erin D. Pickens (the “Executive”) entered into on March 26, 2025, is dated effective as of April 1, 2025 (the “Agreement Date”).

### ARTICLE I Definitions

#### Definitions

Capitalized terms used in this Agreement but not otherwise defined shall have the meanings set forth in this Article I.

**1.1 AIP.** “AIP” shall mean the Company’s Executive Annual Incentive Plan, or any subsequent annual incentive plan applicable to the Executive.

**1.2 Average Bonus.** “Average Bonus” shall mean the average of the annual bonuses received by the Executive for the three most recently completed fiscal years prior to the Termination Date, provided that for purposes of this calculation (a) each such annual bonus amount shall include amounts paid in cash or in restricted stock units if applicable in accordance with the terms of the AIP, and (b) if the Executive receives an LTIP award in lieu of an annual bonus for a given fiscal year pursuant to the terms of the AIP requiring the payment of only the “greater” of the two awards, the Executive’s “annual bonus” for such fiscal year shall be the calculated annual bonus the Executive would have received for such fiscal year based on performance absent such provision.

**1.3 Board.** “Board” shall mean the Board of Directors of the Company.

**1.4 Cause.** “Cause” shall mean:

(a) The Executive’s willful and continued failure to perform substantially the Executive’s duties with the Company or its Affiliates (other than any such failure resulting from incapacity due to physical or mental illness), after a written demand for substantial performance is delivered to the Executive by the Board, which specifically identifies the manner in which the Board believes that the Executive has not substantially performed the Executive’s duties;

(b) The willful engaging by the Executive in conduct that is demonstrably and materially injurious to the Company or any of its Affiliates, monetarily or otherwise; or

(c) The final conviction of the Executive or an entering of a guilty plea or a plea of no contest by the Executive to a felony.

For purposes of this provision, no act or failure to act, on the part of the Executive, will be considered “willful” unless it is done, or omitted to be done, by the Executive in bad faith or without a reasonable belief that the act or omission was in the best interest of the Company or its Affiliates. Any act, or failure to act, based on authority given pursuant to a resolution duly adopted by the Board or the advice of counsel to the Company or its Affiliates will be conclusively presumed to be done, or omitted to be done, by the Executive in good faith and in the best interests of the Company or its Affiliates. The termination of employment of the

Executive will not be deemed to be for Cause unless and until there has been delivered to the Executive a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters of the entire membership of the Board at a meeting of the Board called and held for such purpose (after reasonable notice is provided to the Executive and the Executive is given an opportunity, together with counsel, to be heard before the Board), finding that, in the good faith opinion of the Board, the Executive has engaged in the conduct described in subparagraph (a), (b) or (c) above, and specifying the particulars of such conduct.

**1.5 Change of Control.** (a) “Change of Control” means (capitalized terms not otherwise defined will have the meanings ascribed to them in paragraph (b) below):

(i) the acquisition by any Person together with all Affiliates of such Person, of Beneficial Ownership of the Threshold Percentage or more; provided, however, that for purposes of this Section 1.5(a)(i), the following will not constitute a Change of Control:

(A) any acquisition (other than a “Business Combination,” as defined below, that constitutes a Change of Control under Section 1.5(a)(iii) hereof) of Common Stock directly from the Company,

(B) any acquisition of Common Stock by the Company or its subsidiaries,

(C) any acquisition of Common Stock by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation or other entity controlled by the Company, or

(D) any acquisition of Common Stock pursuant to a Business Combination that does not constitute a Change of Control under Section 1.5(a)(iii) hereof; or

(ii) individuals who, as of the Agreement Date, constitute the Board (the “Incumbent Board”) cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the Agreement Date whose election, or nomination for election by the Company’s stockholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board will be considered a member of the Incumbent Board, unless such individual’s initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or any other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Incumbent Board; or

(iii) the consummation of a reorganization, merger or consolidation (including a merger or consolidation of the Company or any direct or indirect subsidiary of the Company), or sale or other disposition of all or substantially all of the assets of the Company (a “Business Combination”), in each case, unless, immediately following such Business Combination:

(A) the individuals and entities who were the Beneficial Owners of the Company Voting Stock immediately prior to such Business Combination have direct or indirect Beneficial Ownership of more than 50% of the then outstanding shares of

Common Stock, and more than 50% of the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors of the Company, and

(B) no Person together with all Affiliates of such Person (excluding the Company and any employee benefit plan or related trust of the Company or any of its subsidiaries) Beneficially Owns 30% or more of the then outstanding shares of Common Stock or 30% or more of the combined voting power of the then outstanding voting securities of the Company, and

(C) at least a majority of the members of the board of directors of the Company were members of the Incumbent Board at the time of the execution of the initial agreement, and of the action of the Board, providing for such Business Combination; or

(iv) approval by the stockholders of the Company of a complete liquidation or dissolution of the Company.

(b) As used in this Section 1.5 and elsewhere in this Agreement, the following terms have the meanings indicated:

(i) Affiliate: "Affiliate" means a Person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, another specified Person.

(ii) Beneficial Owner: "Beneficial Owner" (and variants thereof), with respect to a security, means a Person who, directly or indirectly (through any contract, understanding, relationship or otherwise), has or shares (A) the power to vote, or direct the voting of, the security, and/or (B) the power to dispose of, or to direct the disposition of, the security.

(iii) Company Voting Stock: "Company Voting Stock" means any capital stock of the Company that is then entitled to vote for the election of directors.

(iv) Majority Shares: "Majority Shares" means the number of shares of Company Voting Stock that could elect a majority of the directors of the Company if all directors were to be elected at a single meeting.

(v) Person: "Person" means a natural person or entity, and will also mean the group or syndicate created when two or more Persons act as a syndicate or other group (including without limitation a partnership, limited partnership, joint venture or other joint undertaking) for the purpose of acquiring, holding, or disposing of a security, except that "Person" will not include an underwriter temporarily holding a security pursuant to an offering of the security.

(vi) Post-Transaction Corporation: Unless a Change of Control includes a Business Combination, "Post-Transaction Corporation" means the Company after the Change of Control. If a Change of Control includes a Business Combination, "Post-Transaction Corporation" will mean the corporation or other entity resulting from the Business Combination unless, as a result of such Business Combination, an ultimate parent entity controls the

Company or all or substantially all of the Company's assets either directly or indirectly, in which case, "Post-Transaction Corporation" will mean such ultimate parent entity.

(vii) **Threshold Percentage:** "Threshold Percentage" means 30% of all then outstanding Company Voting Stock.

**1.6 Code.** "Code" shall mean the Internal Revenue Code of 1986, as amended from time to time.

**1.7 Common Stock:** "Common Stock" shall mean the common stock, \$0.01 par value per share, of the Company.

**1.8 Company.** As used in this Agreement, "Company" shall mean the Company as defined above and any successor to or assignee of (whether direct or indirect, by purchase, merger, consolidation or otherwise) all or substantially all of the assets of the Company. Following a Change of Control, "Company" shall refer to the Post-Transaction Corporation.

**1.9 Disability.** "Disability" shall mean:

(a) A disability entitling the Executive to receive benefits under a long-term disability insurance policy maintained by the Company or an Affiliate in effect at the time either because she is totally disabled or partially disabled, as such terms are defined in such policy in effect as of the Agreement Date or as similar terms are defined in any successor policy.

(b) If there is no long-term disability plan in effect covering the Executive, and if (i) a physical or mental illness renders the Executive incapable of satisfactorily discharging her duties and responsibilities to the Company or an Affiliate for a period of 90 consecutive days, and (ii) such incapacity is certified in writing by a duly qualified physician chosen by the Company or an Affiliate and reasonably acceptable to the Executive or her legal representatives, then the Board will have the power to determine that the Executive has become disabled. If the Board makes such a determination, the Company or its Affiliate will have the continuing right and option, during the period that such disability continues, and by notice given in the manner provided in this Agreement, to terminate the status of the Executive as an officer and employee. Any such termination will become effective 60 days after such notice of termination is given, unless within such 60-day period, the Executive becomes capable of rendering services of the character contemplated hereby (and a physician chosen by the Company or an Affiliate and reasonably acceptable to the Executive or her legal representatives so certifies in writing) and the Executive in fact resumes such services.

(c) The "Disability Effective Date" will mean the date on which termination of the Executive's status as an officer and employee becomes effective due to Disability.

**1.10 Good Reason.** "Good Reason" shall mean:

(a) Any material breach by the Company of any of the provisions of this Agreement; or

(a) The assignment to the Executive of any duties inconsistent in any material respect with Executive's position (including status, offices, titles and reporting requirements), authority, duties or responsibilities as of the Agreement Date, or any other action that results in a material diminution in such position, authority, duties or responsibilities; provided that prior to a Change of Control, the Company ceasing to have a class of common equity securities registered pursuant to the Securities Exchange Act of 1934, as amended, shall not constitute "Good Reason."

(b) Following a Change of Control, as defined in Section 1.3 hereof, "Good Reason" will also include:

(i) Any failure of the Company to provide the Executive with the position, authority, duties and responsibilities at least commensurate in all material respects with the most significant of those held, exercised and assigned at any time during the 120-day period immediately preceding the Change of Control. For the avoidance of doubt, Executive's position, authority, duties and responsibilities after a Change of Control shall not be considered commensurate in all material respects with Executive's position, authority, duties and responsibilities prior to a Change of Control unless after the Change of Control the Executive holds an equivalent position in the Company and the Company has a class of common equity securities registered pursuant to the Securities Exchange Act of 1934, as amended, if such was the case prior to the Change of Control;

(i) The Company requiring the Executive to be based at any office or location more than 35 miles from the office or location where Executive was employed immediately preceding the Change of Control, or requiring the Executive to travel on business to a substantially greater extent than required immediately prior to a Change of Control; or

(ii) Any failure by the Company to comply with and satisfy Sections 4.1(c) and (d) of this Agreement.

Notwithstanding the foregoing, the Executive shall not have the right to terminate the Executive's employment hereunder for Good Reason unless (1) within 30 days of the initial existence of the condition or conditions giving rise to such right the Executive provides written notice to the Company of the existence of such condition or conditions, and (2) the Company fails to remedy such condition or conditions within 30 days following the receipt of such written notice (the "Cure Period"). If any such condition is not remedied within the Cure Period, the Executive must terminate the Executive's employment with the Company within a reasonable period of time, not to exceed 30 days, following the end of the Cure Period.

**1.11 LTIP.** "LTIP" means the Company's Long-Term Incentive Plan.

**1.12 Section 409A.** "Section 409A" shall mean Section 409A of the Code and the regulations and guidance issued thereunder.

**1.13 Termination Date.** "Termination Date" shall mean, if the Executive's status as an officer and employee is terminated (i) by reason of the Executive's death, the date of the Executive's death, (ii) by reason of Disability, the Disability Effective Date, (iii) by the

Company other than by reason of death or Disability, the date of delivery of the notice of termination or any later date specified in the notice of termination, which date will not be more than 30 days after the giving of the notice, or (iv) by the Executive other than by reason of death, the date of delivery of the notice of termination or any later date specified in the notice of termination, which date will not be more than 30 days after the giving of the notice.

## **ARTICLE II Severance and Change of Control Benefits**

### **2.1 Term and Capacity after Change of Control.**

(a) This Agreement shall commence on the Agreement Date and continue in effect through March 31, 2028 (the "Initial Term"). If the Executive continues to serve as an officer of the Company and a Change of Control occurs during the Initial Term, then the Executive's employment term (the "Employment Term") shall continue through the third anniversary of the Change of Control, subject to any earlier termination of the Executive's employment pursuant to this Agreement.

(b) After a Change of Control and during the Employment Term, (i) the Executive's position (including status, offices, titles and reporting requirements), authority, duties and responsibilities shall be at least commensurate in all material respects with the most significant of those held, exercised and assigned at any time during the 120-day period immediately preceding the Change of Control and (ii) the Executive's services shall be performed at the location where the Executive was employed immediately preceding the Change of Control or any office or location less than 35 miles from such location. The Executive's position, authority, duties and responsibilities after a Change of Control shall not be considered commensurate in all material respects with the Executive's position, authority, duties and responsibilities prior to a Change of Control unless after the Change of Control the Executive holds an equivalent position in the Company.

**2.2 Compensation and Benefits.** During the Employment Term, the Executive shall be entitled to the following compensation and benefits:

(a) **Salary.** An annual salary ("Base Salary") at the highest rate in effect for the Executive at any time during the 120-day period immediately preceding the Change of Control, payable to the Executive at such intervals no less frequent than the most frequent intervals in effect at any time during the 120-day period immediately preceding the Change of Control or, if more favorable to the Executive, the intervals in effect at any time after the Change of Control for other most senior executives of the Company and its Affiliates.

(b) **Bonus.** The Executive shall be entitled to participate in the Company's AIP or any annual incentive bonus program applicable to other most senior executives of the Company and its Affiliates but in no event shall such program provide the Executive with incentive opportunities less favorable than the most favorable of those provided by the Company and its Affiliates for the Executive under the Company's annual cash plan as in effect for the Executive at any time during the 120-day period immediately preceding the Change of Control or, if more favorable to the Executive, those provided generally at any time after the Change of

Control to other most senior executives of the Company and its Affiliates. Any such bonus shall be paid in cash no later than two and a half months following the close of the fiscal year for which it is earned.

(c) Fringe Benefits. The Executive shall be entitled to fringe benefits (including, but not limited to, automobile allowance, air travel, and reimbursement for club membership dues) in accordance with the most favorable agreements, plans, practices, programs and policies of the Company and its Affiliates in effect for the Executive at any time during the 120-day period immediately preceding the Change of Control or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other most senior executives of the Company and its Affiliates.

(d) Expenses. The Executive shall be entitled to receive prompt reimbursement for all reasonable business expenses (including food and lodging) incurred by the Executive in accordance with the most favorable agreements, policies, practices and procedures of the Company and its Affiliates in effect for the Executive at any time during the 120-day period immediately preceding the Change of Control or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other most senior executives of the Company and its Affiliates.

(e) Incentive, Savings and Retirement Plans. The Executive shall be entitled to participate in all incentive, savings and retirement plans, practices, policies and programs applicable generally to other most senior executives of the Company and its Affiliates, but in no event shall such plans, practices, policies and programs provide the Executive with incentive opportunities (measured with respect to both regular and special incentive opportunities, to the extent, if any, that such distinction is applicable), savings opportunities and retirement benefit opportunities, in each case, less favorable than the most favorable of those provided by the Company and its Affiliates for the Executive under any agreements, plans, practices, policies and programs as in effect at any time during the 120-day period immediately preceding the Change of Control.

(f) Welfare Benefit Plans. The Executive and the Executive's family shall be eligible for participation in and shall receive all benefits under welfare benefit plans, practices, policies and programs provided by the Company and its Affiliates (including, without limitation, medical, prescription, dental, disability, employee life, group life, accidental death and travel accident insurance plans and programs) to the extent applicable generally to other most senior executives of the Company and its Affiliates, but in no event shall such plans, practices, policies and programs provide the Executive with benefits, in each case, less favorable than the most favorable of any agreements, plans, practices, policies and programs of the Company and its Affiliates in effect for the Executive at any time during the 120-day period immediately preceding the Change of Control.

(g) Indemnification and Insurance. The Company shall indemnify the Executive, to the fullest extent permitted by applicable law, for any and all claims brought against her arising out her services during or prior to the Employment Term. In addition, the Company shall maintain a directors' and officers' insurance policy covering the Executive substantially in the form of the policy maintained by the Company and its Affiliates at any time

during the 120-day period immediately preceding the Change of Control or, if more favorable to the Executive, as provided generally at any time thereafter with respect to other most senior executives of the Company and its Affiliates.

(h) Office and Support Staff. The Executive shall be entitled to an office or offices of a size and with furnishings and other appointments, and to exclusive personal secretarial and other assistance, at least equal to the most favorable of the foregoing provided to the Executive by the Company and its Affiliates at any time during the 120-day period immediately preceding the Change of Control or, if more favorable to the Executive, as provided generally at any time thereafter with respect to other most senior executives of the Company and its Affiliates.

(i) Vacation. The Executive shall be entitled to paid vacation in accordance with the most favorable agreements, plans, policies, programs and practices of the Company and its Affiliates as in effect for the Executive at any time during the 120-day period immediately preceding the Change of Control or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other most senior executives of the Company and its Affiliates.

### **2.3 Obligations upon Termination prior to a Change of Control.**

(a) Termination by the Company without Cause or by the Executive for Good Reason. If during the Initial Term, and prior to a Change of Control, the Company terminates the Executive's employment without Cause, or the Executive terminates her employment for Good Reason, then, subject to Section 2.6 and, if applicable, the six-month delay set forth in Section 2.10:

(i) The Company will pay to the Executive the Executive's Base Salary earned through the Termination Date to the extent not previously paid (the "Accrued Salary");

(ii) The Company will pay to the Executive in a lump sum in cash an amount equal to the sum of (A) a pro rata bonus in an amount determined by multiplying the Executive's Average Bonus amount by the fraction obtained by dividing the number of days in the year through the Termination Date by 365 (the "Pro Rata Bonus"), and (B) an amount equal to two (2) times the sum of (x) the Executive's Base Salary in effect at the Termination Date and (y) the Average Bonus;

(iii) For the period commencing on the Termination Date and ending on the earlier of (A) December 31<sup>st</sup> of the first calendar year following the calendar year in which the Termination Date occurs, or (B) the date that the Executive accepts new employment (the "Continuation Period"), the Company will at its expense provide, either as part of a group policy or as such policy may be converted to an individual policy, health, dental, vision and life insurance (the "benefit plans") in which the Executive was entitled to participate as an employee as of the Termination Date; provided that the Executive's continued participation is possible under the general terms and provisions of each such plan and all applicable laws. If the Executive is a "specified employee" governed by Section 2.10 hereof, to the extent that any

benefits provided to the Executive under this Section 2.3(a)(iii) are taxable to the Executive, then, with the exception of nontaxable medical insurance benefits, the value of the aggregate amount of such taxable benefits provided to the Executive pursuant to this Section 2.3(a)(iii) during the six month period following the Termination Date shall be limited to the amount specified by Section 402(g)(1)(B) of Code for the year in which the termination occurred. The Executive shall pay the cost of any benefits that exceed the amount specified in the previous sentence during the six-month period following the date of termination, and shall be reimbursed in full by the Company during the seventh month after the Termination Date. The coverage and benefits (including deductibles and costs) provided under any such benefit plan in accordance with this paragraph during the Continuation Period will be no less favorable to the Executive than the most favorable of such coverages and benefits provided to active employees of the Company during the Continuation Period. If the Executive's participation in any such benefit plan is barred or any such benefit plan is terminated, the Company will use its best efforts to provide the Executive with benefits substantially similar or comparable in value to those the Executive would otherwise have been entitled to receive under such plans. At the end of the Continuation Period, the Executive will have the option to have assigned to him, at no cost and with no apportionment of prepaid premiums, any assignable insurance owned by the Company that relates specifically to the Executive. To the maximum extent permitted by law, the Executive will be eligible for medical coverage under COBRA. Notwithstanding the above, if the payment of health insurance premiums for the Executive is not permitted by the Patient Protection and Affordable Care Act, then in lieu of the health benefits provided for herein, the lump sum cash payment described in Section 2.3(a)(ii) will be increased by an amount equal to the first monthly COBRA premium multiplied by the maximum number of months in the Continuation Period;

(iv) All benefits that the Executive is entitled to receive pursuant to benefit plans maintained by the Company under which benefits are calculated based upon years of service or age will be calculated by treating the Executive as having attained two additional years of age and as having provided two additional years of service as of the Termination Date; and

(v) The Company will pay or deliver, as appropriate, all other benefits earned by the Executive or accrued for her benefit pursuant to any employee benefit plans maintained by the Company with respect to services rendered by the Executive prior to the Termination Date.

(b) Termination for Other Reasons. If during the Initial Term and prior to a Change of Control, the Executive's employment is terminated by the Company for Cause, by the Executive without Good Reason, or for any other reason (other than as set forth in Section 2.3(a)), the Company will pay to the Executive the Accrued Salary without further obligation to the Executive other than for obligations by law and obligations for any benefits earned by the Executive or accrued for her benefit pursuant to any employee benefit plans maintained by the Company with respect to services rendered by the Executive prior to the Termination Date.

## 2.4 Obligations upon Termination after a Change of Control.

(a) Termination as a Result of Death, Disability or Retirement. If, after a Change of Control and during the Employment Term, (1) the Executive's employment is terminated by reason of the Executive's death, (2) the Company terminates the Executive's employment by reason of the Executive's Disability, or (3) the Executive retires and terminates her employment, then, subject to Section 2.6 and, if applicable, the six-month delay set forth in Section 2.10:

- Accrued Salary;
- (i) The Company or an Affiliate will pay to the Executive or her legal representatives the Executive's
- Bonus; and
- (ii) The Company or an Affiliate will pay to the Executive or her legal representatives the Pro Rata
- (iii) The Company or an Affiliate will pay or deliver, as appropriate, all other benefits earned by the Executive or accrued for her benefit pursuant to any employee benefit plans maintained by the Company or its Affiliates with respect to services rendered by the Executive prior to the Termination Date.

(b) Termination by the Company for Cause; by the Executive for other than Good Reason. If, after a Change of Control and during the Employment Term, the Executive's employment is terminated by the Company or an Affiliate for Cause, or by the Executive for other than Good Reason, the Company or Affiliate will pay to the Executive the Accrued Salary without further obligation to the Executive other than for obligations by law and obligations for any benefits earned by the Executive or accrued for her benefit pursuant to any employee benefit plans maintained by the Company or Affiliate with respect to services rendered by the Executive prior to the Termination Date.

(c) Termination by the Company for Reasons other than Death, Disability or Cause; by the Executive for Good Reason. If, after a Change of Control and during the Employment Term, (1) the Company or an Affiliate terminates the Executive's employment other than for Cause, death or Disability, or (2) the Executive terminates her employment for Good Reason, then, subject to Section 2.6, and, if applicable, the six-month delay set forth in Section 2.10:

- (i) The Company or an Affiliate will pay to the Executive the Accrued Salary;
- (ii) The Company or an Affiliate will pay to the Executive in a lump sum in cash (A) the Pro Rata Bonus, and (B) an amount equal to 2.99 times the sum of (x) the Executive's Base Salary in effect at the Termination Date or if higher, immediately preceding the Change of Control (with such Base Salary being determined without regard to any reduction that would provide the Executive a basis to terminate employment for Good Reason) and (y) the Average Bonus;
- (iii) For the Continuation Period, the Company or its Affiliate will at its expense provide, either as part of a group policy or as such policy may be converted to an

individual policy, health, dental, vision and life insurance (the “benefit plans”) in which the Executive was entitled to participate as an employee as of the Termination Date; provided that the Executive’s continued participation is possible under the general terms and provisions of each such plan and all applicable laws. If the Executive is a “specified employee” governed by Section 2.10 hereof, to the extent that any benefits provided to the Executive under this Section 2.4(c)(iii) are taxable to the Executive, then, with the exception of nontaxable medical insurance benefits, the value of the aggregate amount of such taxable benefits provided to the Executive pursuant to this Section 2.4(c)(iii) during the six month period following the Termination Date shall be limited to the amount specified by Section 402(g)(1)(B) of Code for the year in which the termination occurred. The Executive shall pay the cost of any benefits that exceed the amount specified in the previous sentence during the six-month period following the date of termination, and shall be reimbursed in full by the Company during the seventh month after the Termination Date. The coverage and benefits (including deductibles and costs) provided under any such benefit plan in accordance with this paragraph during the Continuation Period will be no less favorable to the Executive than the most favorable of such coverages and benefits provided to active employees of the Company or its Affiliate during the Continuation Period. If the Executive’s participation in any such benefit plan is barred or any such benefit plan is terminated, the Company or its Affiliate will use its best efforts to provide the Executive with benefits substantially similar or comparable in value to those the Executive would otherwise have been entitled to receive under such plans. At the end of the Continuation Period, the Executive will have the option to have assigned to him, at no cost and with no apportionment of prepaid premiums, any assignable insurance owned by the Company or its Affiliate that relates specifically to the Executive. To the maximum extent permitted by law, the Executive will be eligible for medical coverage under COBRA. Notwithstanding the above, if the payment of health insurance premiums for the Executive is not permitted by the Patient Protection and Affordable Care Act, then in lieu of the health benefits provided for herein, the lump sum cash payment described in Section 2.4(c)(ii) will be increased by an amount equal to the first monthly COBRA premium multiplied by the maximum number of months in the Continuation Period;

(iv) All benefits that the Executive is entitled to receive pursuant to benefit plans maintained by the Company or an Affiliate under which benefits are calculated based upon years of service or age will be calculated by treating the Executive as having attained two additional years of age and as having provided two additional years of service as of the Termination Date; and

(v) The Company or an Affiliate will pay or deliver, as appropriate, all other benefits earned by the Executive or accrued for her benefit pursuant to any employee benefit plans maintained by the Company or Affiliate with respect to services rendered by the Executive prior to the Termination Date.

**2.5 Nondisclosure and Proprietary Rights.** The rights and obligations of the Company and the Executive contained in Article III hereof will continue to apply

notwithstanding a termination triggering obligations of the Company pursuant to Section 2.3 or 2.4.

**2.6 Most Favorable Benefits.** It is the intention of the parties that the terms of this Agreement provide payments and benefits to the Executive that are equivalent or more beneficial to the Executive than are otherwise available to the Executive under the terms of any applicable benefit plan or related compensation agreement. To that end, the terms of the Agreement shall govern the payments and benefits to which the Executive shall be entitled upon the termination of the Executive's employment as provided herein, except that if the terms of any applicable benefit plan or related compensation agreement provide more favorable benefits to the Executive than are provided hereunder, the terms of such plan or agreement shall control.

**2.7 Excise Tax Provision.**

(a) Notwithstanding any other provisions of this Agreement, if a Change of Control occurs during the original or extended term of this Agreement, in the event that any payment or benefit received or to be received by the Executive in connection with the Change of Control of the Company or the termination of the Executive's employment under this Agreement or any other agreement between the Company and the Executive (all such payments and benefits, including the payments and benefits under Section 2.4(c) hereof, being hereinafter called "Total Payments") would be subject (in whole or in part), to an excise tax imposed by section 4999 of the Code (the "Excise Tax"), then the cash payments under Section 2.4(c) hereof shall first be reduced, and the noncash payments and benefits under the other sections hereof shall thereafter be reduced, to the extent necessary so that no portion of the Total Payments is subject to the Excise Tax but only if (A) the net amount of such Total Payments, as so reduced (and after subtracting the net amount of federal, state and local income and employment taxes on such reduced Total Payments) is greater than or equal to (B) the net amount of such Total Payments without such reduction (but after subtracting the net amount of federal, state and local income and employment taxes on such Total Payments and the amount of Excise Tax to which the Executive would be subject in respect of such unreduced Total Payments); provided, however, that the Executive may elect to have the noncash payments and benefits hereof reduced (or eliminated) prior to any reduction of the cash payments under Section 2.4(c) hereof.

(b) For purposes of determining whether and the extent to which the Total Payments will be subject to the Excise Tax, (i) no portion of the Total Payments the receipt or enjoyment of which the Executive shall have waived at such time and in such manner as not to constitute a "payment" within the meaning of section 280G(b) of the Code shall be taken into account, (ii) no portion of the Total Payments shall be taken into account which, in the opinion of tax counsel ("Tax Counsel") reasonably acceptable to the Executive and selected by the accounting firm (the "Auditor") which was, immediately prior to a Change of Control or other event giving rise to a potential Excise Tax, the Company's independent auditor, does not constitute a "parachute payment" within the meaning of section 280G(b)(2) of the Code (including by reason of section 280G(b)(4)(A) of the Code) and, in calculating the Excise Tax, no portion of such Total Payments shall be taken into account which, in the opinion of Tax Counsel, constitutes reasonable compensation for services actually rendered, within the meaning of section 280G(b)(4)(B) of the Code, in excess of the "Base Amount" (within the meaning set forth in section 280G(b)(3) of the Code) allocable to such reasonable compensation, and (iii) the

value of any non-cash benefit or any deferred payment or benefit included in the Total Payments shall be determined by the Auditor in accordance with the principles of sections 280G(d)(3) and (4) of the Code.

(c) At the time that payments are made under this Agreement, the Company shall provide the Executive with a written statement setting forth the manner in which such payments were calculated and the basis for such calculations including, without limitation, any opinions or other advice the Company has received from Tax Counsel, the Auditor or other advisors or consultants (and any such opinions or advice which are in writing shall be attached to the statement).

**2.8 Incentive Awards.** The foregoing benefits are intended to be in addition to the value of any other equity or incentive awards that may be due or that will remain outstanding pursuant to their terms in connection with a termination of employment, including but not limited to, equity-based incentive awards such as options to acquire Common Stock and restricted stock units granted under the Company's stock incentive plans, participation interests under the Company's Profit Participation Incentive Plan or LTIP, and any other incentive or similar plan heretofore or hereafter adopted by the Company.

**2.9 Resignation from Board of Directors.** If the Executive is a director of the Company and her employment is terminated for any reason other than death, the Executive will, if requested by the Company, immediately resign as a director of the Company and its Affiliates. If such resignation is not received within 20 business days after the Executive actually receives written notice from the Company requesting the resignation, the Executive will forfeit any right to receive any payments pursuant to this Agreement.

**2.10 Legal Fees.** The Company agrees to pay as incurred all legal fees and expenses that the Executive may reasonably incur as a result of any contest (regardless of the outcome thereof) by the Company, the Executive or others of the validity or enforceability of, or liability under, any provision of this Agreement (including as a result of any contest by the Executive about the amount or timing of any payment pursuant to this Agreement).

**2.11 Section 409A of the Internal Revenue Code.**

(a) This Agreement is intended to comply with Section 409A or an exemption thereunder and shall be construed and administered in accordance with Section 409A. Notwithstanding any other provision of this Agreement, payments provided under this Agreement may only be made upon an event and in a manner that complies with Section 409A or an applicable exemption. Any payments under this Agreement that may be excluded from Section 409A as separation pay due to an involuntary separation from service, as a short-term deferral, or under any other provision of Section 409A, shall be excluded from Section 409A to the maximum extent possible. For purposes of Section 409A, each installment payment provided under this Agreement shall be treated as a separate payment. Any payments to be made under this Agreement upon a termination of employment shall only be made upon a "separation from service" under Section 409A. Notwithstanding the foregoing, the Company makes no representations that the payments and benefits provided under this Agreement comply with Section 409A and in no event shall the Company be liable for all or any portion of any taxes,

penalties, interest or other expenses that may be incurred by the Executive on account of non-compliance with Section 409A.

(b) Notwithstanding any other provision of this Agreement, if any payment or benefit provided to the Executive in connection with her termination of employment is determined to constitute "nonqualified deferred compensation" within the meaning of Section 409A and the Executive is determined to be a "specified employee" as defined in Section 409A(a)(2)(b)(i), then such payment or benefit shall not be paid until the first payroll date to occur following the six-month anniversary of the Termination Date or, if earlier, on the Executive's death (the "Specified Employee Payment Date"). The aggregate of any payments that would otherwise have been paid before the Specified Employee Payment Date shall be paid to the Executive in a lump sum on the Specified Employee Payment Date and thereafter, any remaining payments shall be paid without delay in accordance with their original schedule.

(c) No acceleration of payments and benefits provided for in this Agreement shall be permitted, except that the Company may accelerate payment, if permitted by Section 409A, as necessary to allow the Executive to pay FICA taxes on amounts payable hereunder and additional taxes resulting from the payment of such FICA amount, or as necessary to pay taxes and penalties arising as a result of the payments provided for in this Agreement failing to meet the requirements of Section 409A. In no event shall the Executive, directly or indirectly, designate the calendar year of payment.

(d) To the extent required by Section 409A, each reimbursement or in-kind benefit provided under this Agreement shall be provided in accordance with the following:

(i) the amount of expenses eligible for reimbursement, or in-kind benefits provided, during each calendar year cannot affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other calendar year;

(ii) any reimbursement of an eligible expense shall be paid to the Executive on or before the last day of the calendar year following the calendar year in which the expense was incurred; and

(iii) any right to reimbursements or in-kind benefits under this Agreement shall not be subject to liquidation or exchange for another benefit.

### ARTICLE III

#### Nondisclosure and Proprietary Rights

**3.1 Confidential Information.** For purposes of this Agreement, the term "Confidential Information" means any information, knowledge or data of any nature and in any form (including information that is electronically transmitted or stored on any form of magnetic or electronic storage media) relating to the past, current or prospective business or operations of the Company and its Affiliates, that at the time or times concerned is not generally known to persons engaged in businesses similar to those conducted or contemplated by the Company and its Affiliates (other than information known by such persons through a violation of an obligation of confidentiality to the Company), whether produced by the Company and its Affiliates or any of their consultants, agents or independent contractors or by the Executive, and whether or not

marked confidential, including without limitation information relating to the Company's or its Affiliates' products and services, business plans, business acquisitions, processes, product or service research and development ideas, methods or techniques, training methods and materials, and other operational methods or techniques, quality assurance procedures or standards, operating procedures, files, plans, specifications, proposals, drawings, charts, graphs, support data, trade secrets, supplier lists, supplier information, purchasing methods or practices, distribution and selling activities, consultants' reports, marketing and engineering or other technical studies, maintenance records, employment or personnel data, marketing data, strategies or techniques, financial reports, budgets, projections, cost analyses, price lists, formulae and analyses, employee lists, customer records, customer lists, customer source lists, proprietary computer software, and internal notes and memoranda relating to any of the foregoing.

**3.2 Nondisclosure of Confidential Information.** The Executive will hold in a fiduciary capacity for the benefit of the Company all Confidential Information obtained by the Executive during the Executive's employment (whether prior to or after the Agreement Date) and will use such Confidential Information solely within the scope of her employment with and for the exclusive benefit of the Company. For a period of five years after the Termination Date, the Executive agrees (a) not to communicate, divulge or make available to any person or entity (other than the Company) any such Confidential Information, except upon the prior written authorization of the Company or as may be required by law or legal process, and (b) to deliver promptly to the Company any Confidential Information in her possession, including any duplicates thereof and any notes or other records the Executive has prepared with respect thereto. In the event that the provisions of any applicable law or the order of any court would require the Executive to disclose or otherwise make available any Confidential Information, the Executive will give the Company prompt prior written notice of such required disclosure and an opportunity to contest the requirement of such disclosure or apply for a protective order with respect to such Confidential Information by appropriate proceedings.

**3.3 Injunctive Relief; Other Remedies.** The Executive acknowledges that a breach by the Executive of Section 3.2 would cause immediate and irreparable harm to the Company for which an adequate monetary remedy does not exist; hence, the Executive agrees that, in the event of a breach or threatened breach by the Executive of the provisions of Section 3.2, the Company will be entitled to injunctive relief restraining the Executive from such violation without the necessity of proof of actual damage or the posting of any bond, except as required by non waivable, applicable law. Nothing herein, however, will be construed as prohibiting the Company from pursuing any other remedy at law or in equity to which the Company may be entitled under applicable law in the event of a breach or threatened breach of this Agreement by the Executive, including without limitation the recovery of damages and/or costs and expenses, such as reasonable attorneys' fees, incurred by the Company as a result of any such breach or threatened breach. In addition to the exercise of the foregoing remedies, the Company will have the right upon the occurrence of any such breach to offset the damages of such breach as determined by the Company, against any unpaid salary, bonus, commissions or reimbursements otherwise owed to the Executive. In particular, the Executive acknowledges that the payments provided under Article II are conditioned upon the Executive fulfilling the nondisclosure agreements contained in this Article III. If the Executive at any time materially breaches nondisclosure agreements contained in this Article III, then the Company may offset the damages of such breach, as determined solely by the Company, against payments otherwise due

to the Executive under Article II or, at the Company's option, suspend payments otherwise due to the Executive under Article II during the period of such breach. The Executive acknowledges that any such offset or suspension of payments would be an exercise of the Company's right to offset or suspend its performance hereunder upon the Executive's breach of this Agreement; such offset or suspension of payments would not constitute, and shall not be characterized as, the imposition of liquidated damages.

**3.4 Governing Law of this Article III; Consent to Jurisdiction.** Any dispute regarding the reasonableness of the covenants and agreements set forth in this Article III or duration thereof, or the remedies available to the Company upon any breach of such covenants and agreements, will be governed by and interpreted in accordance with the laws of the State of the United States or other jurisdiction in which the alleged prohibited disclosure occurs, and, with respect to each such dispute, the Company and the Executive each hereby consent to the jurisdiction of the state and federal courts sitting in the relevant State (or, in the case of any jurisdiction outside the United States, the relevant courts of such jurisdiction) for resolution of such dispute, and agree that service of process may be made upon her or it in any legal proceeding relating to this Article III by any means allowed under the laws of such jurisdiction.

**3.5 Executive's Understanding of this Article.** The Executive hereby represents to the Company that she has read and understands, and agrees to be bound by, the terms of this Article III. The Executive acknowledges that the duration of the covenants contained in Article III are the result of arm's length bargaining and are fair and reasonable in light of (a) the importance of the functions performed by the Executive and the length of time it would take the Company to find and train a suitable replacement, and (b) the Executive's level of control over and contact with the business and operations of the Company and its Affiliates in various jurisdictions where same are conducted. It is the desire and intent of the parties that the provisions of this Agreement be enforced to the fullest extent permitted under applicable law, whether now or hereafter in effect and, therefore, to the extent permitted by applicable law, the parties hereto waive any provision of applicable law that would render any provision of this Article III invalid or unenforceable.

#### **ARTICLE IV Miscellaneous**

##### **4.1 Binding Effect; Successors.**

(a) This Agreement shall be binding upon and inure to the benefit of the Company and any of its successors or assigns.

(b) This Agreement is personal to the Executive and shall not be assignable by the Executive without the consent of the Company (there being no obligation to give such consent) other than such rights or benefits as are transferred by will or the laws of descent and distribution.

(c) The Company shall require any successor to or assignee of (whether direct or indirect, by purchase, merger, consolidation or otherwise) all or substantially all of the assets or businesses of the Company (i) to assume unconditionally and expressly this Agreement and

(ii) to agree to perform or to cause to be performed all of the obligations under this Agreement in the same manner and to the same extent as would have been required of the Company had no assignment or succession occurred, such assumption to be set forth in a writing reasonably satisfactory to the Executive.

(d) The Company shall also require all entities that control or that after the transaction will control (directly or indirectly) the Company or any such successor or assignee to agree to cause to be performed all of the obligations under this Agreement, such agreement to be set forth in a writing reasonably satisfactory to the Executive.

**4.2 Notices.** All notices hereunder must be in writing and, unless otherwise specifically provided herein, will be deemed to have been given upon receipt of delivery by: (a) hand (against a receipt therefor), (b) certified or registered mail, postage prepaid, return receipt requested, (c) a nationally recognized overnight courier service (against a receipt therefor) or (d) teletype transmission with confirmation of receipt. All such notices must be addressed as follows:

If to the Company, to:

Stratus Properties Inc.  
212 Lavaca St.  
Suite 300  
Austin, Texas 78701  
Attention: Chairman of Compensation Committee

If to the Executive, to:

[intentionally omitted]  
[intentionally omitted]

or such other address as to which any party hereto may have notified the other in writing.

**4.3 Governing Law.** Except as provided in Article III hereof, this Agreement shall be construed and enforced in accordance with and governed by the internal laws of the State of Delaware without regard to principles of conflict of laws.

**4.4 Withholding.** The Executive agrees that the Company has the right to withhold, from the amounts payable pursuant to this Agreement, all amounts required to be withheld under applicable income and/or employment tax laws, or as otherwise stated in documents granting rights that are affected by this Agreement.

**4.5 Amendment, Waiver.** No provision of this Agreement may be modified, amended or waived except by an instrument in writing signed by both parties.

**4.6 Severability.** If any term or provision of this Agreement, or the application thereof to any person or circumstance, shall at any time or to any extent be invalid, illegal or unenforceable in any respect as written, the Executive and the Company intend for any court

construing this Agreement to modify or limit such provision so as to render it valid and enforceable to the fullest extent allowed by law. Any such provision that is not susceptible of such reformation shall be ignored so as to not affect any other term or provision hereof, and the remainder of this Agreement, or the application of such term or provision to persons or circumstances other than those as to which it is held invalid, illegal or unenforceable, shall not be affected thereby and each term and provision of this Agreement shall be valid and enforced to the fullest extent permitted by law.

**4.7 Waiver of Breach.** The waiver by either party of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any subsequent breach thereof.

**4.8 Remedies Not Exclusive.** No remedy specified herein shall be deemed to be such party's exclusive remedy, and accordingly, in addition to all of the rights and remedies provided for in this Agreement, the parties shall have all other rights and remedies provided to them by applicable law, rule or regulation.

**4.9 Company's Reservation of Rights.** The Executive acknowledges and understands that the Executive serves at the pleasure of the Board and that the Company has the right at any time to terminate the Executive's status as an employee of the Company or any of its Affiliates, or to change or diminish her status during the Employment Term, subject to the rights of the Executive to claim the benefits conferred by this Agreement.

**4.10 Prior Change of Control Agreement.** Effective as of the Agreement Date, this Agreement supersedes any prior change of control or nondisclosure agreement between the Executive and the Company.

**4.11 Counterparts.** This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the Company and the Executive have caused this Agreement to be executed as of the Agreement Date.

**Stratus Properties Inc.**

By /s/ James E. Joseph

James E. Joseph  
Director and Chairman of the  
Compensation Committee of the  
Board of Directors

**Executive**

/s/ Erin D. Pickens

Erin D. Pickens

**Signature Page of Severance and Change of Control Agreement  
between Stratus Properties Inc. and Erin D. Pickens**

## Stratus Properties Inc. Insider Trading Policy

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This Insider Trading Policy (“Policy”) of Stratus Properties Inc. (“Stratus”) and its subsidiaries and its affiliates (collectively, the “Company”) sets forth the general standards for the Company and for all employees, consultants, contractors, officers and directors with respect to engaging in transactions in Stratus’ securities and securities of other publicly traded companies. This Policy explains the prohibitions against “insider trading” based on federal securities laws and establishes Stratus’ policies and procedures to promote and monitor compliance with those laws.

Violations of insider trading laws can, and often do, result in criminal investigations, prosecutions, disgorgement of ill-gotten trading profits, fines and prison sentences. Accordingly, your compliance with this Policy is of the utmost importance for both you and Stratus.

This Policy describes the prohibition on insider trading applicable to all persons subject to the Policy, and also additional restrictions on individuals who have been informed in writing that they have been designated as “insiders” by the General Counsel (see Section 10 “Additional Restrictions Applicable to Insiders”). Insiders include members of Stratus’ Board of Directors and its executive officers, as well as certain Stratus officers, employees, consultants and contractors who are likely to be in possession of material nonpublic information due to the nature of their work.

This Policy supersedes any previous version of the Policy.

### 1. Scope of this Policy

1.1 *Persons Covered.* As an employee, consultant, contractor, officer or director of the Company, this Policy applies to you. The same restrictions that apply to you also apply to members of your family who reside with you, anyone else who lives in your household, and any family members who do not live in your household but whose transactions in Stratus’ securities are directed by you or are subject to your influence or control, such as parents or children who consult with you before they trade in Stratus’ securities (those persons are referred to as “related persons”). This Policy also applies to entities that you influence or control, including corporations, partnerships or trusts.

1.2 *Individual Responsibility.* Persons subject to this Policy have ethical and legal obligations to maintain the confidentiality of information about the Company and not to engage in transactions in Stratus’ securities while in possession of material nonpublic information (see Section 4 “What is Material Nonpublic Information?”). You are responsible for complying with this Policy and ensuring that any of your related persons or any entities you control also comply with this Policy. In all cases, the responsibility for determining whether you possess material nonpublic information rests with you. While the Company provides policies, procedures and training on insider trading, no action on the part of the Company, or any employee, consultant,

contractor, officer or director pursuant to this Policy, constitutes legal advice or insulates you from liability under applicable securities laws. You could be subject to severe legal penalties and disciplinary action by the Company for any conduct prohibited by this Policy or applicable securities laws (see Section 11 “Consequences of Non-Compliance”).

1.3 *Transactions Covered.* Except as otherwise provided, this Policy applies to all transactions in Stratus’ securities, including common stock, options for common stock and any other securities Stratus may issue from time to time, including, but not limited to, preferred stock, warrants and convertible notes and debentures, as well as to derivative securities relating to Stratus’ stock, whether or not issued by Stratus, such as exchange-traded options. Transactions subject to this Policy include purchases, sales and gifts of Stratus’ securities. This Policy also applies to transactions that occur after you cease to be an employee, consultant, contractor, officer or director of the Company for as long as you are in possession of material nonpublic information.

## **2. Statement of Policy**

No person subject to this Policy who is aware of material nonpublic information may directly or indirectly:

- Engage in transactions in Stratus’ securities, except as otherwise specified in this Policy (see Section 3 “Transactions Excluded from this Policy”);
- Recommend that others engage in transactions in any of Stratus’ securities;
- Disclose material nonpublic information to persons (a) within the Company whose jobs do not require them to have that information, or (b) outside of the Company, including family, friends, business associates, investors and consulting firms, unless any such disclosure is made in accordance with Stratus’ disclosure and external communications policies; or
- Assist anyone engaged in the above activities.

It makes no difference whether or not you relied upon or used material nonpublic information in deciding to transact; if you are aware of material nonpublic information about Stratus, the prohibition applies. You should avoid even the appearance of an improper transaction to preserve Stratus’ and your own reputation and to avoid investigations of your and Stratus’ conduct. In addition, no person subject to this Policy who, in the course of working for the Company learns of material nonpublic information about a company with which the Company does business, may trade in that company’s securities, including common stock, options for common stock and any other securities that company may issue from time to time, including, but not limited to, preferred stock, warrants and convertible notes and debentures, as well as to derivative securities relating to that company’s stock, until the information becomes public or is no longer material. Such companies include current or prospective customers or suppliers of the Company, companies with which the Company may be negotiating a major

transaction and companies that may be a party to potential corporate transactions, such as an acquisition, investment or sale.

It is also the policy of the Company that it will not engage in transactions in Stratus' securities in violation of federal securities laws.

Transactions that may seem necessary or justifiable to you for independent reasons (such as the need to raise money for an emergency expenditure), or small transactions, are not exceptions to this Policy. The securities laws do not recognize any mitigating circumstances.

### **3. Transactions Excluded from this Policy**

This Policy does not apply to the following transactions, except as specifically noted:

3.1 Stock Option Exercises. This Policy does not apply to the exercise of an employee or director stock option if the exercise price is paid in cash or to an award recipient's use of shares delivered or withheld from the exercise to cover the cost of the option exercise or the satisfaction of tax withholding obligations. However, this Policy does apply to any sale of the underlying stock or to a cashless option exercise through a broker (which entails the sale of a portion of the underlying stock on the market to cover the costs of exercise or the resulting taxes), or any other market sale for the purpose of generating cash to pay the exercise price.

3.2 Restricted Stock Unit Awards. This Policy does not apply to the vesting of restricted stock units, or the exercise of a tax withholding right pursuant to which you elect to have Stratus withhold shares of stock to satisfy tax withholding obligations upon the vesting of any restricted stock unit. However, this Policy does apply to any sale of common stock received by you as a result of the vesting, including to satisfy tax liabilities.

3.3 Transactions with Stratus. Any other purchase of Stratus' securities from Stratus or sale of Stratus' securities to Stratus are not subject to this Policy.

3.4 Transactions Pursuant to Rule 10b5-1 Plans. Transactions involving Stratus' securities pursuant to an effective Rule 10b5-1 plan pre-cleared by Stratus as described below may be made notwithstanding this Policy. (See Section 8 "Rule 10b5-1 Plans" and Section 10.3 "Rule 10b5-1 Plans and Similar Plans Adopted by Insiders" for more information.)

### **4. What is Material Nonpublic Information?**

Information is "material" if there is a substantial likelihood that a reasonable investor would consider the information important in deciding whether to purchase, sell or hold a security, or if there is a substantial likelihood that the information would be viewed by a reasonable investor as significantly altering the total mix of publicly available information about the Company. Any information that could reasonably be expected to affect the market price of a security is likely to be considered material. This determination is made based on the facts and circumstances of each particular situation and is often evaluated by enforcement personnel with the benefit of hindsight. Material information can be positive or negative and can relate to any aspect of the Company's business or to any type of Stratus' securities, whether debt, equity or a

hybrid. Information that could be considered material includes, but is not limited to, information regarding:

- Revenues, expenses or earnings, including anticipated results or projections;
- News of a pending or proposed transaction;
- A major change in strategy or corporate objectives;
- Plans to purchase, sell or develop a property;
- Financing transactions outside of the ordinary course or liquidity problems;
- Changes in dividends;
- Establishing a new stock repurchase program or changes with respect to such a program;
- Changes in management;
- Developments in significant legal proceedings;
- A significant disruption in the Company's operations;
- A loss, or potential loss, of significant property or assets; and
- A significant cyber security incident.

The above list is not exclusive and many other types of information may be considered material, depending on the circumstances. The probability of whether an event will or will not occur, along with the magnitude of the potential event, affects the determination of whether it is material. If you have any questions concerning the materiality of particular information, you should consult with the Company's General Counsel.

"*Nonpublic*" information is information that is not available to the general public. In order for information to be considered public, it must be widely disseminated in a manner making it generally available to investors, including through the issuance of a press release or a filing with the Securities and Exchange Commission ("SEC"). In addition, even after a public announcement of material information, a reasonable period of time must elapse in order for the market to absorb and react to the information. Generally, 48 hours after the public release of material information should elapse (and no less than one full trading day) before transactions in Stratus' securities. If you have any questions concerning whether information is considered public, you should consult with the Company's General Counsel.

## **5. Prohibition of Short Sales, Hedging and Other Derivative Transactions**

Short sales of Stratus' securities (*i.e.*, the sale of a security that the seller does not own) may evidence an expectation on the part of the seller that the securities will decline in value, and

therefore have the potential to signal to the market that the seller lacks confidence in the Company's prospects. In addition, short sales may reduce a seller's incentive to seek to improve the Company's performance. For these reasons, short sales of Stratus' securities are prohibited for persons subject to this Policy.

Transactions in publicly traded options are generally short-term in nature and may give the public the perception that persons subject to this Policy are not focused on the long-term performance of the Company. Hedging transactions are often complex, may be perceived negatively by the public and can present unique insider trading risks. Accordingly, persons subject to this Policy are prohibited from engaging in hedging or derivative transactions.

#### **6. Margin Accounts and Pledging**

Persons subject to this Policy may not purchase Stratus' securities on margin, borrow against any account in which Stratus' securities are held, or, effective March 3, 2016, enter into a new pledge of Stratus' securities as collateral for a loan.

#### **7. Standing and Limit Orders**

Standing and limit orders, except under Rule 10b5-1 plans, create heightened risks for insider trading violations. There is no control over timing of purchases or sales that result from standing instructions to a broker, and as a result the broker could execute a transaction when the customer is in possession of material nonpublic information or otherwise prohibited from trading. Stratus therefore discourages persons subject to this Policy from placing standing or limit orders on Stratus' securities other than for short durations.

#### **8. Rule 10b5-1 Plans**

Rule 10b5-1 under the Securities Exchange Act of 1934, as amended, provides an affirmative defense from insider trading liability to a person who enters into a trading plan for transactions in Stratus' securities that meets the conditions specified in Rule 10b5-1. A Rule 10b5-1 plan must, among other things, be entered into at a time when the person is not aware of material nonpublic information, and there is a specified cooling off period before trades under the plan can begin. It is your responsibility to ensure that your trading plan, and trades made pursuant to such plan, meet all the conditions of Rule 10b5-1. A standing or limit order does not, by itself, qualify as a Rule 10b5-1 plan. For additional information on Rule 10b5-1 plans, including the required pre-clearance procedures, contact the Company's General Counsel. Rule 10b5-1 plans or similar plans adopted by insiders are subject to additional requirements. (See Section 10.3 "Rule 10b5-1 Plans and Similar Plans Adopted by Insiders.")

#### **9. Transactions in Connection with a Company Stock Repurchase Program**

Any person subject to this Policy who is aware that Stratus is considering adopting a share repurchase program, increasing the amount of shares subject to the program, or making other modifications to the program, whether or not such event is material, may not engage in transactions in Stratus' securities within four business days before or after such program or modification is implemented or (if it is to be announced) announced, whichever is later.

## 10. Additional Restrictions Applicable to Insiders

In addition to the provisions above that apply to all persons subject to this Policy, insiders and their related persons are subject to additional restrictions on trading. The provisions below will govern to the extent that any such requirement is more restrictive than the requirements set forth above.

10.1 Window Period Requirement. Stratus requires that insiders trade in Stratus' securities only during the period beginning after 48 hours have elapsed (and no less than one full trading day) after the time of the filing of Stratus' quarterly and annual reports on Forms 10-Q and 10-K, respectively, with the SEC and ending at 5:00 p.m. Austin, Texas time on the 20th business day following the date on which the window opens ("window period"). Stratus will periodically issue detailed guidance and procedures to insiders subject to the window period for trading in Stratus' securities. Trading during a window period minimizes the potential violation of insider trading laws because material financial information has just been released to the public. It should be noted that even during the window period, any person possessing material nonpublic information may not engage in any transactions in Stratus' securities until the information is no longer nonpublic or is no longer material, as discussed in Section 4. From time to time, insiders may also be advised that no trading, except pursuant to a Rule 10b5-1 plan previously approved by Stratus, will be permitted until further notice (generally known as a "black-out period"). Any person made aware a black-out period should not disclose the existence of the black-out period to anyone else.

10.2 Section 16 and Rule 144 Restrictions and Reporting. The federal securities laws, including Section 16 of the Securities Exchange Act of 1934, as amended ("Section 16"), and Rule 144 under the Securities Act of 1933, as amended, impose additional trading restrictions and reporting obligations on executive officers, directors and holders of more than 10% of any class of equity security of Stratus. Stratus will notify you if you are subject to these additional restrictions and reporting requirements.

10.3 Rule 10b5-1 Plans and Similar Plans Adopted by Insiders. All Rule 10b5-1 plans, or plans similar to Rule 10b5-1 plans, adopted by an insider must be adopted during a window period and cleared in advance by the Company's General Counsel. Transactions executed pursuant to a pre-cleared Rule 10b5-1 plan do not require further approval and are not subject to the Company's window period or black-out period, as Rule 10b5-1 provides an affirmative defense from insider trading liability under the federal securities laws for transactions made pursuant to the plan and in accordance with Rule 10b5-1. Any modification to a Rule 10b5-1 plan or similar plan of an insider must also be cleared in advance by the Company's General Counsel. Any termination of such a plan must be reported promptly to the Company's General Counsel.

The Company is required to disclose in its quarterly and annual reports on Forms 10-Q and 10-K, respectively, filed with the SEC whether during its last fiscal quarter any director or officer subject to Section 16 adopted (which includes certain modifications) or terminated a Rule 10b5-1 plan or similar plan, and is also required to disclose specified information about the plan. Therefore, it is important that you promptly report to the Company's General Counsel such

adoptions, modifications and terminations as noted above. For additional information, contact the Company's General Counsel.

## **11. Consequences of Non-Compliance**

Federal and state securities laws prohibit the purchase or sale of securities while aware of material nonpublic information as well as the disclosure of material nonpublic information to others who then trade in a company's securities (sometimes called "tipping"). Insider trading violations are pursued vigorously by the SEC, U.S. Attorneys and state enforcement authorities as well as the laws of foreign jurisdictions. Punishment for insider trading violations is severe and may include significant fines and imprisonment.

Failure to comply with this Policy may also subject you to Company-imposed sanctions, including disciplinary action up to and including termination of employment, whether or not the failure to comply with this Policy results in a violation of law. A violation of law, or even questionable conduct leading to federal investigation that does not result in prosecution, can tarnish an individual's reputation and irreparably damage a career.

Violations of insider trading laws can, and often do, result in criminal investigations, prosecutions, disgorgement of ill-gotten trading profits, fines and prison sentences. Accordingly, your compliance with this Policy is of the utmost importance for both you and the Company.

## **12. Asking Questions and Reporting Concerns**

It is your obligation to understand and comply with this Policy. If you are concerned that a policy has been violated, or have any questions about this Policy, you should discuss it with Stratus' General Counsel, Kenneth N. Jones.

The Company will not tolerate retaliation against any employee who reasonably and in good faith raises a question or concern about the Company's business practices, this Policy, or compliance with applicable laws or regulations.

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This Insider Trading Policy was approved by the Audit Committee and adopted by the Board of Directors effective November 9, 2023, and supersedes any previous policy of Stratus concerning insider trading.

**List of Subsidiaries of  
Stratus Properties Inc.\***  
(as of December 31, 2024)

Entity	Organized	Name Under Which It Does Business
Stratus Investments LLC	Delaware	Same
Stratus Properties Operating Co., L.P.	Delaware	Same
Circle C Land, L.P.	Texas	Same
College Station 1892 Properties, L.L.C.	Texas	Same
Holden Hills, L.P.	Texas	Same
Killeen FM 440, L.L.C.	Texas	Same
Lantana Place, L.L.C.	Texas	Same
Magnolia East 149, L.L.C.	Texas	Same
New Caney 242 Investments, L.P.	Texas	Same
Stratus Block 150, L.P.	Texas	Same
Stratus Kingwood Place, L.P.	Texas	Same
The Saint George Apartments, L.P.	Texas	Same
The Saint June, L.P.	Texas	Same
The Villas at Amarra Drive, L.L.C.	Texas	Same

\* Pursuant to Item 601(b)(21)(ii) of Regulation S-K, the names of certain other subsidiaries of Stratus Properties Inc. are omitted because, considered in the aggregate as a single subsidiary, they would not constitute a "significant subsidiary" as that term is defined in Rule 1-02(w) of Regulation S-X under the Securities Exchange Act of 1934, as amended.

**Consent of Independent Registered Public Accounting Firm**

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 333-219823 and 333-264997) of Stratus Properties Inc. of our report dated March 28, 2025 with respect to the consolidated financial statements of Stratus Properties Inc. for the year ended December 31, 2024, included in this Annual Report on Form 10-K of Stratus Properties Inc. for the year ended December 31, 2024.

/s/ CohnReznick LLP

Dallas, Texas  
March 28, 2025

I, William H. Armstrong III, certify that:

1. I have reviewed this annual report on Form 10-K of Stratus Properties Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: March 28, 2025

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

I, Erin D. Pickens, certify that:

1. I have reviewed this annual report on Form 10-K of Stratus Properties Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: March 28, 2025

By: /s/ Erin D. Pickens

Erin D. Pickens

Senior Vice President and

Chief Financial Officer

Certification Pursuant to 18 U.S.C. Section 1350  
(Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002)

In connection with the Annual Report on Form 10-K of Stratus Properties Inc. (the "Company") for the year ended December 31, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), William H. Armstrong III, as Chairman of the Board, President and Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: March 28, 2025

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

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

This certification shall not be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

Certification Pursuant to 18 U.S.C. Section 1350  
(Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002)

In connection with the Annual Report on Form 10-K of Stratus Properties Inc. (the "Company") for the year ended December 31, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Erin D. Pickens, as Senior Vice President and Chief Financial Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of her knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: March 28, 2025

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.