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

FORM 10-Q

(Mark One)

[X] **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended September 30, 2016

or

[ ] **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to
Commission File Number: 001-37716

STRATUS®

Stratus Properties Inc.

(Exact name of registrant as specified in its charter)

Delaware	**72-1211572**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
212 Lavaca St., Suite 300 **Austin, Texas**	**78701**
(Address of principal executive offices)	(Zip Code)

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

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). ☑ Yes ☐ No

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

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

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

On October 31, 2016, there were issued and outstanding 8,098,140 shares of the registrant’s common stock, par value $0.01 per share.

STRATUS PROPERTIES INC.
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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

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

	September 30, 2016	December 31, 2015
ASSETS		
Cash and cash equivalents	$ 16,240	$ 17,036
Restricted cash	10,682	8,731
Real estate held for sale	21,526	25,944
Real estate under development	111,491	139,171
Land available for development	13,733	23,397
Real estate held for investment, net	240,614	186,626
Deferred tax assets	28,156	15,329
Other assets	15,407	13,871
Total assets	$ 457,849	$ 430,105
LIABILITIES AND EQUITY		
Liabilities:		
Accounts payable	$ 7,930	$ 14,182
Accrued liabilities, including taxes	23,088	10,356
Debt	285,358	260,592
Other liabilities	10,247	8,301
Total liabilities	326,623	293,431
Commitments and contingencies		
Equity:		
Stockholders' equity:		
Common stock	92	91
Capital in excess of par value of common stock	192,788	192,122
Accumulated deficit	(40,969)	(35,144)
Common stock held in treasury	(20,760)	(20,470)
Total stockholders' equity	131,151	136,599
Noncontrolling interests in subsidiaries	75	75
Total equity	131,226	136,674
Total liabilities and equity	$ 457,849	$ 430,105

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Revenues:				
Hotel	$ 8,268	$ 8,521	$ 29,501	$ 31,194
Entertainment	4,190	4,159	13,236	13,463
Commercial leasing	2,567	787	6,761	4,311
Real estate operations	6,155	6,210	9,858	10,920
Total revenues	21,180	19,677	59,356	59,888
Cost of sales:				
Hotel	6,891	6,782	22,248	23,159
Entertainment	3,713	3,423	10,532	10,514
Commercial leasing	1,390	516	3,295	2,216
Real estate operations	4,075	4,459	8,173	8,580
Depreciation	2,189	2,063	5,854	6,713
Total cost of sales	18,258	17,243	50,102	51,182
General and administrative expenses	2,497	2,187	9,718	6,308
Gain on sales of assets	—	(20,729)	—	(20,729)
Total	20,755	(1,299)	59,820	36,761
Operating income (loss)	425	20,976	(464)	23,127
Interest expense, net	(2,579)	(855)	(6,894)	(2,736)
Gain (loss) on interest rate derivative instruments	174	(918)	(301)	(986)
Loss on early extinguishment of debt	—	—	(837)	—
Other income, net	6	15	14	304
(Loss) income before income taxes and equity in unconsolidated affiliates' (loss) income	(1,974)	19,218	(8,482)	19,709
Equity in unconsolidated affiliates' (loss) income	(3)	(280)	70	(398)
Benefit from (provision for) income taxes	318	(5,197)	2,587	(5,244)
(Loss) income from continuing operations	(1,659)	13,741	(5,825)	14,067
Income from discontinued operations, net of taxes	—	—	—	3,218
Net (loss) income	(1,659)	13,741	(5,825)	17,285
Net income attributable to noncontrolling interests in subsidiaries	—	(3,493)	—	(5,414)
Net (loss) income attributable to common stockholders	$ (1,659)	$ 10,248	$ (5,825)	$ 11,871
Basic and diluted net (loss) income per share attributable to common stockholders:				
Continuing operations	$ (0.20)	$ 1.27	$ (0.72)	$ 1.07
Discontinued operations	—	—	—	0.40
	$ (0.20)	$ 1.27	$ (0.72)	$ 1.47
Weighted-average shares of common stock outstanding:				
Basic	8,094	8,063	8,086	8,055
Diluted	8,094	8,094	8,086	8,085

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

STRATUS PROPERTIES INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME (Unaudited)
(In Thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Net (loss) income	$ (1,659)	$ 13,741	$ (5,825)	$ 17,285
Other comprehensive income, net of taxes:				
Gain on interest rate swap agreement	—	438	—	457
Other comprehensive income	—	438	—	457
Total comprehensive (loss) income	(1,659)	14,179	(5,825)	17,742
Total comprehensive income attributable to noncontrolling interests	—	(3,666)	—	(5,592)
Total comprehensive (loss) income attributable to common stockholders	$ (1,659)	$ 10,513	$ (5,825)	$ 12,150

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

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

	Nine Months Ended September 30,	
	2016	2015
Cash flow from operating activities:		
Net (loss) income	$ (5,825)	$ 17,285
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation	5,854	6,713
Cost of real estate sold	4,546	4,935
Loss on early extinguishment of debt	837	—
Gain on sales of assets	—	(20,729)
Loss on interest rate derivative contracts	301	986
Debt issuance cost amortization and stock-based compensation	1,233	1,177
Gain on sale of 7500 Rialto, net of tax	—	(3,218)
Equity in unconsolidated affiliates' (income) loss	(70)	398
Deposits	1,054	1,267
Deferred income taxes	(12,827)	1,470
Purchases and development of real estate properties	(10,919)	(20,591)
Municipal utility district reimbursement	12,302	5,307
Increase in other assets	(2,675)	(3,519)
Increase in accounts payable, accrued liabilities and other	7,071	11,863
Net cash provided by operating activities	882	3,344
Cash flow from investing activities:		
Capital expenditures	(24,820)	(37,383)
Net proceeds from sales of assets	—	43,266
Other, net	(19)	6
Net cash (used in) provided by investing activities	(24,839)	5,889
Cash flow from financing activities:		
Borrowings from credit facility	24,000	55,826
Payments on credit facility	(19,120)	(20,857)
Borrowings from project loans	174,342	60,202
Payments on project and term loans	(154,584)	(36,081)
Purchase of noncontrolling interest	—	(61,991)
Stock-based awards net (payments) proceeds, including excess tax benefit	(146)	1,722
Noncontrolling interests distributions	—	(4,244)
Financing costs	(1,331)	(265)
Net cash provided by (used in) financing activities	23,161	(5,688)
Net (decrease) increase in cash and cash equivalents	(796)	3,545
Cash and cash equivalents at beginning of year	17,036	29,645
Cash and cash equivalents at end of period	$ 16,240	$ 33,190

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

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

	Stockholders' Equity									
	Common Stock				Accum-ulated Other	Common Stock Held in Treasury				
	Number of Shares	At Par Value	Capital in Excess of Par Value	Accum-ulated Deficit	Compre-hensive Loss	Number of Shares	At Cost	Total Stockholders' Equity	Noncontrolling Interests in Subsidiaries	Total Equity
Balance at December 31, 2015	9,160	$ 91	$192,122	$(35,144)	$ —	1,093	$(20,470)	$ 136,599	$ 75	$136,674
Exercised and issued stock-based awards	43	1	(1)	—	—	—	—	—	—	—
Stock-based compensation	—	—	523	—	—	—	—	523	—	523
Tax benefit for stock-based awards	—	—	144	—	—	—	—	144	—	144
Tender of shares for stock-based awards	—	—	—	—	—	12	(290)	(290)	—	(290)
Total comprehensive loss	—	—	—	(5,825)	—	—	—	(5,825)	—	(5,825)
Balance at September 30, 2016	9,203	$ 92	$192,788	$(40,969)	$ —	1,105	$(20,760)	$ 131,151	$ 75	$131,226
Balance at December 31, 2014	9,116	$ 91	$204,269	$(47,321)	$ (279)	1,081	$(20,317)	$ 136,443	$ 38,643	$175,086
Exercised and issued stock-based awards	42	—	—	—	—	—	—	—	—	—
Stock-based compensation	2	—	421	—	—	—	—	421	—	421
Tax benefit for stock-based awards	—	—	1,866	—	—	—	—	1,866	—	1,866
Tender of shares for stock-based awards	—	—	—	—	—	12	(153)	(153)	—	(153)
Noncontrolling interests distributions	—	—	—	—	—	—	—	—	(4,244)	(4,244)
Purchase of noncontrolling interest in consolidated subsidiary, net of taxes	—	—	(14,453)	—	—	—	—	(14,453)	(39,920)	(54,373)
Total comprehensive income	—	—	—	11,871	279	—	—	12,150	5,592	17,742
Balance at September 30, 2015	9,160	$ 91	$192,103	$(35,450)	$ —	1,093	$(20,470)	$ 136,274	$ 71	$136,345

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

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

1. GENERAL

The accompanying unaudited consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto for the year ended December 31, 2015, included in Stratus Properties Inc.'s (Stratus) Annual Report on Form 10-K (Stratus 2015 Form 10-K) filed with the United States Securities and Exchange Commission. In the opinion of management, the accompanying consolidated financial statements reflect all adjustments (consisting only of normal recurring items) considered necessary for a fair statement of the results for the interim periods reported. Operating results for the three-month and nine-month periods ended September 30, 2016, are not necessarily indicative of the results that may be expected for the year ending December 31, 2016.

2. EARNINGS PER SHARE

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Net (loss) income	$ (1,659)	$ 13,741	$ (5,825)	$ 17,285
Net income attributable to noncontrolling interests in subsidiaries	—	(3,493)	—	(5,414)
Net (loss) income attributable to Stratus common stockholders	$ (1,659)	$ 10,248	$ (5,825)	$ 11,871
Basic weighted-average shares of common stock outstanding	8,094	8,063	8,086	8,055
Add shares issuable upon exercise or vesting of dilutive stock options and restricted stock units (RSUs)	— [a]	31 [b]	— [a]	30 [b]
Diluted weighted-average shares of common stock outstanding	8,094	8,094	8,086	8,085
Basic and diluted net (loss) income per share attributable to common stockholders	$ (0.20)	$ 1.27	$ (0.72)	$ 1.47

a. Excludes approximately 124 thousand shares of common stock for both the third quarter and first nine months of 2016 associated with outstanding stock options with exercise prices less than the average market price of Stratus' common stock and RSUs that were anti-dilutive.

b. Excludes approximately 22 thousand shares of common stock for third-quarter 2015 and 28 thousand shares of common stock for the first nine months of 2015 associated with RSUs that were anti-dilutive.

3. FAIR VALUE MEASUREMENTS

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

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

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

	September 30, 2016		December 31, 2015	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Assets:				
Interest rate cap agreement	$ —	$ —	$ 1	$ 1
Liabilities:				
Interest rate swap agreement	946	946	646	646
Debt	285,358	288,059	260,592	263,303

Interest Rate Cap Agreement. On September 30, 2013, Stratus' joint venture with Canyon-Johnson Urban Fund II, L.P. (the Block 21 Joint Venture) paid $0.5 million to enter into an interest rate cap agreement that expired on September 29, 2016 (see Note 5 of the 2015 Form 10-K for further discussion).

Interest Rate Swap Agreement. On December 13, 2013, Stratus' joint venture with LCHM Holdings, LLC, formerly Moffett Holdings, LLC, for the development of Parkside Village (the Parkside Village Joint Venture), entered into a 10-year interest rate swap agreement with Comerica Bank that Stratus had designated as a cash flow hedge with changes in fair value of the instrument recorded in other comprehensive income (loss). The instrument effectively converted the variable rate portion of the Parkside Village Joint Venture's loan from Comerica Bank (the Parkside Village loan) from the one-month London Interbank Offered Rate (LIBOR) to a fixed rate of 2.3 percent. In connection with the sale of the Parkside Village property on July 2, 2015, Stratus fully repaid the amount outstanding under the Parkside Village loan. Stratus assumed the interest rate swap agreement and, as a result, the instrument no longer qualifies for hedge accounting. Accordingly, the accumulated other comprehensive loss balance of $0.6 million on July 2, 2015, was reclassified to the Consolidated Statement of Operations as a loss on interest rate derivative instruments, and changes in the fair value of the instrument are being recorded in the Consolidated Statement of Operations (including a gain of $0.2 million in third-quarter 2016 and a loss of $0.3 million for the first nine months of 2016). Stratus also evaluated the counterparty credit risk associated with the interest rate swap agreement, which is considered a Level 3 input, but did not consider such risk to be significant. Therefore, the interest rate swap agreement is classified within Level 2 of the fair value hierarchy.

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. 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.

4. DEBT

The components of Stratus' debt are as follows:

	September 30, 2016	December 31, 2015
Goldman Sachs loan	$ 147,490	$ —
Bank of America loan (BoA loan)	—	128,230
Lakeway construction loan	53,556	45,931
Comerica credit facility	38,029	53,149
Santal construction loan	30,012	15,874
Diversified Real Asset Income Fund (DRAIF) term loan	7,998	7,993
Barton Creek Village term loan	5,590	5,689
Amarra Drive credit facility	2,683	—
Magnolia loan	— [a]	3,726
Total debt[b]	$ 285,358	$ 260,592

a. The term loan with Holliday Fenoglio Fowler, L.P. was paid during third-quarter 2016.

b. Includes net reductions for unamortized debt issuance costs of $2.4 million at September 30, 2016, and $2.5 million at December 31, 2015. See Note 7 for a discussion of a change in presentation of debt issuance costs.

On January 5, 2016, Stratus completed the refinancing of the W Austin Hotel & Residences. Goldman Sachs Mortgage Company provided a $150.0 million, ten-year, non-recourse term loan (the Goldman Sachs loan) with a fixed interest rate of 5.58 percent per annum and payable monthly based on a 30-year amortization. Stratus used the proceeds from the Goldman Sachs loan to fully repay its existing obligations under the BoA loan and the $20.0 million Comerica term loan included as part of the Comerica credit facility. In connection with prepayment of the BoA loan, Stratus recorded a loss on early extinguishment of debt totaling $0.8 million.

The obligations of Stratus Block 21, LLC (Block 21), a wholly-owned subsidiary of Stratus and borrower under the Goldman Sachs loan, are secured by all assets owned from time to time by Block 21. Additionally, certain obligations of Block 21 under the Goldman Sachs loan are guaranteed by Stratus, including environmental indemnification and other customary carve-out obligations. In connection with any acceleration of the Goldman Sachs loan, Block 21 must pay a yield maintenance premium in the amount of at least three percent of the amount of indebtedness prepaid. Prepayment of the Goldman Sachs loan is not permitted except (1) for certain prepayments resulting from casualty or condemnation and (2) in whole within 90 days of the maturity date.

On July 12, 2016, a Stratus subsidiary entered into an $8.0 million stand-alone revolving credit facility with Comerica Bank (the Amarra Drive credit facility). The proceeds of the Amarra Drive credit facility will be used for the construction of single family townhomes and related improvements at the Amarra Villas. Interest on the loan is variable at LIBOR plus 3.0 percent. The Amarra Drive credit facility matures on July 12, 2019, and is secured by assets at Stratus' 20-unit Villas at Amarra Drive townhome project (the Amarra Villas), which had a net book value of $8.2 million at September 30, 2016. The Amarra Drive credit facility is guaranteed by Stratus and contains financial covenants including a requirement that Stratus maintain a minimum total stockholders' equity balance of $110.0 million. Principal paydowns will be made as townhomes sell, and additional amounts will be borrowed as additional townhomes are constructed. As of October 31, 2016, Stratus had $2.9 million outstanding under the Amarra Drive credit facility.

On August 5, 2016, a Stratus subsidiary entered into a $9.9 million construction loan agreement with Southside Bank (the West Killeen Market loan). The proceeds of the West Killeen Market loan will be used for the construction of the West Killeen Market project. Stratus will make an initial draw on the West Killeen Market loan after certain site improvements have been completed. Interest on the loan will be variable at one-month LIBOR plus 2.75 percent, with a minimum interest rate of 3.0 percent. Payments of interest only will be made monthly during the initial 42 months of the 72-month term, followed by 30 months of monthly principal and interest payments based on a 30-year amortization. Borrowings on the West Killeen Market loan will be secured by assets at Stratus' West Killeen Market retail project in Killeen, Texas, which had a net book value of $4.1 million at September 30, 2016, and will be guaranteed by Stratus until construction is completed and certain debt service coverage ratios are met.

On August 12, 2016, the Comerica credit facility was amended to allow Stratus and certain of its wholly owned subsidiaries to use the $7.5 million letters of credit tranche to fund Stratus' working capital needs, including land acquisitions; however, without prior approval from Comerica, individual land acquisitions may not exceed $3.0 million. All amounts borrowed under the letters of credit tranche to fund working capital needs pursuant to the amendment must be repaid in full by March 31, 2017, at which point the amendment will terminate.

For a description of Stratus' other loans, refer to Note 7 in the Stratus 2015 Form 10-K.

Interest Expense and Capitalization. Interest expense (before capitalized interest) totaled $4.1 million for third-quarter 2016, $2.2 million for third-quarter 2015, $11.7 million for the first nine months of 2016 and $6.8 million for the first nine months of 2015. Stratus' capitalized interest costs totaled $1.5 million for third-quarter 2016, $1.4 million for third-quarter 2015, $4.8 million for the first nine months of 2016 and $4.1 million for the first nine months of 2015. Capitalized interest costs for the 2016 and 2015 periods primarily related to development activities at Barton Creek and The Oaks at Lakeway.

5. INCOME TAXES

Stratus' accounting policy for and other information regarding its income taxes is further described in Notes 1 and 8 in the Stratus 2015 Form 10-K.

Stratus had deferred tax assets (net of deferred tax liabilities) totaling $28.2 million at September 30, 2016, and $15.3 million at December 31, 2015. The increase in deferred tax assets of $12.8 million in 2016 is primarily associated with the anticipated closing of the sale of The Oaks at Lakeway in fourth-quarter 2016, which is expected to result in a current taxable gain which would be deferred under generally accepted accounting principles in the United States. Stratus' income tax benefit for the third quarter of 2016 includes current income tax expense of $12.5 million offset by a deferred tax benefit of $12.8 million. 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.

The difference between Stratus' consolidated effective income tax rate for the first nine months of 2016, and the U.S. Federal statutory income tax rate of 35 percent, was primarily attributable to the state margin tax. The difference between Stratus' consolidated effective income tax rate for the first nine months of 2015, and the U.S. Federal statutory income tax rate of 35 percent, was primarily attributable to the state margin tax partially offset by the tax effect of income attributable to noncontrolling interests.

6. BUSINESS SEGMENTS

Stratus currently has four operating segments: Hotel, Entertainment, Commercial Leasing and Real Estate Operations.

The Hotel segment includes the W Austin Hotel located at the W Austin Hotel & Residences.

The Entertainment segment includes ACL Live, a live music and entertainment venue and production studio at the W Austin Hotel & Residences. In addition to hosting concerts and private events, this venue is the home of Austin City Limits, a television program showcasing popular music legends. The Entertainment segment also includes revenues and costs associated with events hosted at other venues, including the recently opened 3TEN ACL Live, which opened in March 2016 on the site of the W Austin Hotel & Residences, and the results of the Stageside Productions joint venture with Pedernales Entertainment LLC (see Note 2 in the Stratus 2015 Form 10-K for further discussion).

The Commercial Leasing segment includes the office and retail space at the W Austin Hotel & Residences, a retail building and a bank building in Barton Creek Village, a retail property at The Oaks at Lakeway and the Santal multi-family project. On July 2, 2015, Stratus completed the sales of the Parkside Village and 5700 Slaughter properties, which were included in the Commercial Leasing segment.

The Real Estate Operations segment is comprised of Stratus' real estate assets (developed, under development and available for development), which consists of its properties in Austin, Texas (the Barton Creek community, the Circle C community, Lantana and the condominium units at the W Austin Hotel & Residences); in Lakeway, Texas (The Oaks at Lakeway) located in the greater Austin area; in Magnolia, Texas located in the greater Houston area; and in Killeen, Texas (The West Killeen Market).

Stratus uses operating income or loss to measure the performance of each segment. General and administrative expenses primarily consist of employee salaries, wages and other costs, and beginning January 1, 2016, are managed on a consolidated basis and are not allocated to Stratus' operating segments. The segment disclosures for the 2015 periods have been recast to be consistent with the presentation of general and administrative expenses in the 2016 periods. 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.

Segment data presented below were prepared on the same basis as Stratus' consolidated financial statements (in thousands).

	Hotel	Entertainment	Commercial Leasing[a]	Real Estate Operations[b]	Corporate, Eliminations and Other[c]	Total
Three Months Ended September 30, 2016:						
Revenues:						
Unaffiliated customers	$ 8,268	$ 4,190	$ 2,567	$ 6,155	$ —	$ 21,180
Intersegment	60	6	203	8	(277)	—
Cost of sales, excluding depreciation	6,893	3,837	1,398	4,076	(135)	16,069
Depreciation	873	378	920	55	(37)	2,189
General and administrative expenses	—	—	—	—	2,497 [d]	2,497
Operating income (loss)	$ 562	$ (19)	$ 452	$ 2,032	$ (2,602)	$ 425
Capital expenditures[e]	$ 16	$ (16)	$ 2,385	$ 3,290	$ —	$ 5,675
Municipal utility district (MUD) reimbursements	—	—	—	12,302	—	12,302
Total assets at September 30, 2016	104,674	38,240	119,968	171,465	23,502	457,849
Three Months Ended September 30, 2015:						
Revenues:						
Unaffiliated customers	$ 8,521	$ 4,159	$ 787	$ 6,210	$ —	$ 19,677
Intersegment	76	22	134	8	(240)	—
Cost of sales, excluding depreciation	6,792	3,493	524	4,458	(87)	15,180
Depreciation	1,494	323	222	58	(34)	2,063
General and administrative expenses	—	—	—	—	2,187	2,187
Gain on sales of assets	—	—	(20,729)	—	—	(20,729)
Operating income (loss)	$ 311	$ 365	$ 20,904	$ 1,702	$ (2,306)	$ 20,976
Capital expenditures[e]	$ 241	$ 52	$ 20,350	$ 4,888	$ —	$ 25,531
MUD reimbursements	—	—	—	5,307	—	5,307
Total assets at September 30, 2015	108,877	49,039	26,522	231,228	11,704	427,370

	Hotel	Entertainment	Commercial Leasing[a]	Real Estate Operations[b]	Eliminations and Other[c]	Total
Nine Months Ended September 30, 2016:						
Revenues:						
Unaffiliated customers	$ 29,501	$ 13,236	$ 6,761	$ 9,858	$ —	$ 59,356
Intersegment	220	90	564	24	(898)	—
Cost of sales, excluding depreciation	22,322	10,869	3,319	8,174	(436)	44,248
Depreciation	2,570	1,084	2,162	169	(131)	5,854
General and administrative expenses	—	—	—	—	9,718 [d]	9,718
Operating income (loss)	$ 4,829	$ 1,373	$ 1,844	$ 1,539	$ (10,049)	$ (464)
Capital expenditures[e]	$ 277	$ 263	$ 24,280	$ 10,919	$ —	$ 35,739
MUD reimbursements	—	—	—	12,302	—	12,302
Nine Months Ended September 30, 2015:						
Revenues:						
Unaffiliated customers	$ 31,194	$ 13,463	$ 4,311	$ 10,920	$ —	$ 59,888
Intersegment	217	124	386	58	(785)	—
Cost of sales, excluding depreciation	23,247	10,666	2,274	8,580	(298)	44,469
Depreciation	4,484	965	1,190	183	(109)	6,713
General and administrative expenses	—	—	—	—	6,308	6,308
Gain on sales of assets	—	—	(20,729)	—	—	(20,729)
Operating income (loss)	$ 3,680	$ 1,956	$ 21,962	$ 2,215	$ (6,686)	$ 23,127
Income from discontinued operations[f]	$ —	$ —	$ 3,218	$ —	$ —	$ 3,218
Capital expenditures[e]	689	121	36,573	20,591	—	57,974
MUD reimbursements	—	—	—	5,307	—	5,307

a. Includes the results of the Parkside Village and 5700 Slaughter commercial properties through July 2, 2015.

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

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

d. General and administrative costs were higher in the third quarter and first nine months of 2016, compared with the third quarter and first nine months of 2015, primarily reflecting higher legal and consulting fees mainly due to $0.3 million in third-quarter 2016 and $2.8 million for the first nine months of 2016 associated with Stratus' successful proxy contest.

e. Also includes purchases and development of residential real estate held for sale.

f. Represents a deferred gain, net of taxes, associated with the 2012 sale of 7500 Rialto that was recognized in first-quarter 2015.

7. NEW ACCOUNTING STANDARDS

In May 2014, the Financial Accounting Standards Board (FASB) issued an Accounting Standard Update (ASU) that provides a single comprehensive revenue recognition model, which will replace most existing revenue recognition guidance, and also requires expanded disclosures. The core principle of the model is that revenue is recognized when control of goods or services has been transferred to customers at an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. For public entities, this ASU is effective for annual reporting periods beginning after December 15, 2017 (following the FASB's August 2015 ASU providing for a one-year deferral of the effective date), and interim reporting periods within that reporting period. Early adoption is permitted for annual reporting periods beginning after December 15, 2016, and interim reporting periods within that reporting period. This ASU may be applied either retrospectively to each period presented or prospectively as a cumulative-effect adjustment as of the date of adoption. Stratus is currently evaluating the impact of the new guidance on its financial reporting and disclosures, but at this time does not expect the adoption of this ASU to have a material impact on its financial statements.

In April and August 2015, the FASB issued ASUs to simplify the presentation of debt issuance costs. These ASUs require that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. Stratus adopted these ASUs on January 1, 2016, and retrospectively adjusted its previously issued financial statements. Upon adoption, Stratus adjusted its December 31, 2015, balance sheet by decreasing other assets and long-term debt by $2.5 million for debt issuance costs related to corresponding debt balances. Stratus elected to continue presenting debt issuance

costs for its revolving credit facility as a deferred charge (asset) because of the volatility of its borrowings and repayments under the facility.

In January 2016, the FASB issued an ASU that amends the current guidance on the classification and measurement of financial instruments. This ASU makes limited changes to existing guidance and amends certain disclosure requirements. For public entities, this ASU is effective for interim and annual periods beginning after December 15, 2017. Early adoption is not permitted, except for the provision on recording fair value changes for financial liabilities under the fair value option. Stratus is currently evaluating the impact this ASU will have on its financial reporting and disclosures, but at this time does not expect the adoption of this ASU will have a material impact on its financial statements.

In February 2016, the FASB issued an ASU that will require lessees to recognize most leases on the balance sheet. This ASU allows lessees to make an accounting policy election to not recognize a lease asset and liability for leases with a term of 12 months or less and that do not have a purchase option that is expected to be exercised. For public entities, this ASU is effective for interim and annual reporting periods beginning after December 15, 2018, with early adoption permitted. This ASU must be applied using the modified retrospective approach for leases that exist or are entered into after the beginning of the earliest comparative period in the financial statements. Stratus is currently evaluating the impact this guidance will have on its financial statements.

In March 2016, the FASB issued an ASU that simplifies various aspects of the accounting for share-based payment transactions, including the income tax consequences, statutory tax withholding requirements, an accounting policy election for forfeitures and the classification on the statement of cash flows. For public entities, this ASU is effective for interim and annual periods beginning after December 15, 2016, with early adoption permitted. Each of the amendments in this ASU provides specific transition requirements. Stratus is currently evaluating the impact this guidance will have on its financial statements.

8. SUBSEQUENT EVENTS

On October 4, 2016, Stratus entered into an agreement to sell The Oaks at Lakeway to TA Realty, LLC (TA Realty) for $114.0 million in cash. The sales agreement provides for a closing in fourth-quarter 2016, subject to the satisfaction or waiver of a number of significant conditions, in addition to customary closing conditions. As a condition to closing, the parties are required to enter into three master lease agreements: (1) one covering unleased in-line retail space, with a five-year term, (2) one covering four unleased pad sites, three of which have 10-year terms, and one of which has a 15-year term, and (3) one covering the hotel pad with a 99-year term. Stratus projects that, as of the closing, its master lease rent obligation will approximate $190,000 per month and will decline over time until leasing is complete and all leases are assigned to the purchaser, which is projected to occur by December 2018. Stratus expects pre-tax net cash proceeds at closing to approximate $50.0 million and expects to use these projected net cash proceeds to pay indebtedness outstanding under its revolving line of credit and its term loan with DRAIF, which would result in Stratus having substantially no debt outstanding except for other project-specific debt. Stratus has agreed to guarantee the obligations of its selling subsidiary under the purchase agreement, up to a liability cap of two percent of the purchase price. This cap does not apply to Stratus' obligation to satisfy the selling subsidiary's indemnity obligations for its broker commissions or similar compensation or Stratus' liability in guaranteeing the selling subsidiary's obligations under the master leases to be entered into with TA Realty at closing. To secure its obligations under the master leases, Stratus is required to provide a $1.5 million irrevocable letter of credit with a three-year term.

The accompanying unaudited consolidated balance sheets include the following balances associated with The Oaks at Lakeway (in thousands):

	September 30, 2016	December 31, 2015
Real estate under development	$ 19,953	$ 28,839
Real estate held for investment, net	51,996	35,866
Other assets	3,671	1,782
Accrued liabilities, including taxes	5,644	549
Debt	53,556	45,931
Other liabilities	748	442

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

OVERVIEW

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 financial statements, the related Management's Discussion and Analysis of Financial Condition and Results of Operations and the discussion of our business and properties included in our Annual Report on Form 10-K for the year ended December 31, 2015 (2015 Form 10-K) filed with the United States Securities and Exchange Commission (SEC). 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" for further discussion). All subsequent references to "Notes" refer to Notes to Consolidated Financial Statements (Unaudited) located in Part I, Item 1. "Financial Statements" of this Form 10-Q, unless otherwise stated.

We are a diversified real estate company engaged primarily in the acquisition, entitlement, development, management, operation and sale of commercial, hotel, entertainment, and multi- and single-family residential real estate properties, primarily located in the Austin, Texas area, but including projects in certain other select markets in Texas. We generate revenues from sales of developed properties, from our hotel and entertainment operations and from rental income from our commercial properties. See Note 6 for further discussion of our operating segments.

Sale of The Oaks at Lakeway. In October 2016, we entered into a sales agreement with TA Realty, LLC (TA Realty) to sell The Oaks at Lakeway for $114.0 million in cash. The sale is in accordance with our five-year plan, and we believe it provides strong evidence of the value created by our five-year plan strategy, including our grocery-anchored retail development program. While we have a number of steps to complete before closing, we believe the sale remains on track to close in December 2016.

The Oaks at Lakeway is a HEB Grocery Company, L.P. (HEB)-anchored retail project planned for 236,739 square feet of commercial space and is located in Lakeway, Texas in the Lake Travis community. The project, the tracts for which we acquired between May 2013 and September 2014, is 100 percent owned by Stratus. The sale does not include approximately 34.7 acres of undeveloped property in the back portion of the development, which is zoned for residential, hotel and civic uses.

We expect pre-tax net cash proceeds at closing to approximate $50.0 million, after payment of estimated transaction expenses, a net profits participation payment due to HEB, and payoff of the projected balance of the related construction loan. We expect to use these projected net cash proceeds to pay indebtedness outstanding under our Comerica credit facility and Diversified Real Asset Income Fund (DRAIF) term loan, which would result in Stratus having substantially no debt outstanding except for other project-specific debt.

We have agreed to guarantee the obligations of our selling subsidiary under the purchase agreement, up to a liability cap of two percent of the purchase price. This cap does not apply to our obligation to satisfy the selling subsidiary's indemnity obligations for its broker commissions or similar compensation or our liability in guaranteeing the selling subsidiary's obligations under master leases to be entered into with TA Realty at closing, which are described below.

The transaction is expected to close on December 15, 2016, subject to the satisfaction or waiver of closing conditions. The purchase agreement is subject to a 45-day inspection period (which expires on November 18, 2016) during which TA Realty can terminate the purchase agreement in its sole discretion, and is conditioned on HEB agreeing to a specified amendment to its lease, which HEB may grant in its sole discretion. The purchase agreement also contains representations, warranties, covenants, closing conditions, and termination provisions customary for transactions of this type.

Additionally, as a condition to closing, our selling subsidiary is required to enter into three master lease agreements with TA Realty: (1) one covering unleased in-line retail space, with a five-year term, (2) one covering four unleased pad sites, three of which have 10-year terms, and one of which has a 15-year term, and (3) one covering the hotel pad with a 99-year term. The hotel pad is currently leased and the master hotel lease will become effective only if the current hotel lessee defaults prior to completion of the hotel. As specified conditions are met, primarily consisting of the tenant executing a lease, commencing payment of rent and taking occupancy, leases will be assigned to TA Realty and the corresponding property will be removed from the master lease, reducing our selling

subsidiary's master lease payment obligation. We project that, as of the closing, our master lease payment obligation will approximate $190,000 per month and will decline over time until leasing is complete and all leases are assigned to TA Realty, which is projected to occur by December 2018. To secure our obligations under the master leases, we are required to provide a $1.5 million irrevocable letter of credit with a three-year term.

With respect to the master leases, if we are not successful in leasing unleased space as projected, or tenants currently paying rent default prior to their leases being assigned to TA Realty, our selling subsidiary would be responsible for the attributable lease payments to TA Realty through the earlier of (1) the time alternative lease arrangements can be made and the lease is assigned to TA Realty and (2) the end of the term of the applicable master lease.

In the event of a default by TA Realty after the 45-day inspection period, earnest money of $5.0 million would be delivered to us as liquidated damages in full satisfaction of our claims against TA Realty for the default.

General. Developed property sales can include an individual tract of land that has been developed and permitted for residential use, a developed lot with a home already built on it or condominium units at the W Austin Hotel & Residences. We may sell properties under development, undeveloped properties or commercial properties, if opportunities arise that we believe will maximize overall asset values as part of our business plan. See "Business Strategy and Related Risks" below.

The number of developed lots/units, acreage under development and undeveloped acreage as of September 30, 2016, that comprise our real estate development operations are presented in the following table.

		Acreage							
		Under Development			Undeveloped				
	Developed Lots/Units	Multi-family	Commercial	Total	Single family	Multi-family	Commercial	Total	Total Acreage
Austin:									
Barton Creek	298	38	—	38	512	289	398	1,199	1,237
Circle C	13	—	—	—	—	36	216	252	252
Lantana	—	—	—	—	—	—	56	56	56
W Austin Residences	2	—	—	—	—	—	—	—	—
The Oaks at Lakeway	—	—	87	87	—	—	—	—	87
Magnolia	—	—	—	—	—	—	124	124	124
West Killeen Market	—	—	9	9	—	—	—	—	9
San Antonio:									
Camino Real	—	—	—	—	—	—	2	2	2
Total	313	38	96	134	512	325	796	1,633	1,767

Our residential holdings at September 30, 2016, are principally in southwest Austin, Texas, and include developed lots at Barton Creek and the Circle C community, and condominium units at the W Austin Hotel & Residences. See "Development Activities - Residential" for further discussion. Our commercial holdings at September 30, 2016, consist of the office and retail space at the W Austin Hotel & Residences, the first phase of Barton Creek Village, The Oaks at Lakeway and the first phase of the Santal multi-family project. See "Sale of The Oaks at Lakeway" above, and "Development Activities - Commercial" for further discussion.

The W Austin Hotel & Residences is located on a two-acre city block in downtown Austin and contains a 251-room luxury hotel, 159 residential condominium units (of which the remaining two unsold units were being marketed as of September 30, 2016), and office, retail and entertainment space. The hotel is managed by Starwood Hotels & Resorts Worldwide, Inc. The entertainment space, occupied by Austin City Limits Live at the Moody Theater (ACL Live), includes a live music and entertainment venue and production studio. Our 3TEN ACL Live venue, which is located on the site of the W Austin Hotel & Residences, opened in March 2016. The 3TEN ACL Live venue has a capacity of approximately 350 people and is designed to be more intimate than ACL Live, which can accommodate approximately 3,000 people.

For third-quarter 2016, our revenues increased to $21.2 million and our net loss attributable to common stockholders totaled $1.7 million, compared with revenues of $19.7 million and net income attributable to common stockholders of $10.2 million for third-quarter 2015. The increase in revenues in third-quarter 2016 primarily reflects

increased commercial leasing revenue relating to The Oaks at Lakeway and Santal, partially offset by lower room revenues from the W Austin Hotel. For the first nine months of 2016, our revenues were $59.4 million and our net loss attributable to common stockholders totaled $5.8 million, compared with revenues of $59.9 million and net income attributable to common stockholders of $11.9 million for the first nine months of 2015. The slight decrease in revenues for the first nine months of 2016, compared with the first nine months of 2015, primarily reflects decreased revenue from the W Austin Hotel and lower lot sales, partially offset by increased commercial leasing revenue relating to The Oaks at Lakeway and Santal. The results for the first nine months of 2016 also reflect an increase in general and administrative expenses primarily due to costs of $2.8 million associated with our successful proxy contest, and higher interest expense. Higher interest expense reflects increased borrowings and higher interest rates associated with our refinancing of the W Austin Hotel & Residences and construction loans to support our development projects. In January 2016, we refinanced debt associated with our wholly owned W Austin Hotel & Residences with longer-term, fixed-rate debt, and reported a loss on early extinguishment of debt totaling $0.8 million ($0.5 million to net loss attributable to common stockholders) for the first nine months of 2016.

The results for the third quarter and first nine months of 2015 included a gain of $20.7 million ($10.8 million to net income attributable to common stockholders) on the sales of Parkside Village and 5700 Slaughter, and reductions of $3.5 million and $5.4 million, respectively, for net income attributable to noncontrolling interests in subsidiaries relating to our former joint venture partner's interest in the W Austin Hotel & Residences. The first nine months of 2015 also included the recognition of a deferred gain associated with the 2012 sale of 7500 Rialto totaling $5.0 million ($3.2 million to net income attributable to common stockholders).

For discussion of operating cash flows and debt transactions, including our refinancing of the W Austin Hotel & Residences, see "Capital Resources and Liquidity" below.

BUSINESS STRATEGY AND RELATED RISKS

Our overall strategy has been to enhance the value of our properties by securing and maintaining development entitlements and developing and building real estate projects on these properties for sale or investment. We have also pursued opportunities for new projects that offer the possibility of acceptable returns and risks.

In March 2015, we announced that our board of directors had unanimously approved a five-year plan to create value for stockholders by methodically developing certain existing assets and strategically marketing other assets for sale at appropriate values. Under the plan, any future new projects will be complementary to existing operations and will be projected to be developed and sold within a five-year time frame. Consistent with our five-year plan, on July 2, 2015, we completed the sales of our Austin-area Parkside Village and 5700 Slaughter commercial properties, both located in the Circle C community, for $32.5 million and $12.5 million, respectively. As discussed above in "Overview - Sale of The Oaks at Lakeway," we have entered into an agreement to sell The Oaks at Lakeway for $114.0 million in cash. In addition, we continue to market our completed single-family homesites, have more than 55 percent of the first phase of our Santal multi-family units leased, have secured permits for the second phase of the Santal multi-family project, and continue to progress our development projects and plans, including additional HEB-anchored projects.

In April 2016, we announced that our board of directors authorized management to explore a full range of strategic alternatives to enhance value for our stockholders, including, but not limited to, a sale of Stratus, a sale of certain of our core assets, a share repurchase program, and continuing our long-term plans to develop the value of our properties. After conducting a thorough process of evaluating several financial advisors, we engaged Hentschel & Company, a premier boutique investment banking advisory firm focused on the real estate industry, as financial advisor in connection with the review of strategic alternatives. The board of directors has not set a definitive timeline for completion of this review process and has not determined to enter into any transaction. There can be no assurance that this process will result in any change to the previously announced five-year plan, a sale transaction or any other transaction. We do not intend to comment further or to disclose developments regarding the process until such time as our board of directors has determined the outcome of the process or otherwise determines that further disclosure is appropriate.

We believe that the Austin and surrounding sub-markets continue to be desirable. Many of our developments are in locations where development approvals have historically been subject to regulatory constraints, which has made it difficult to obtain entitlements. Our Austin assets, which are located in desirable areas with significant regulatory constraints, are highly entitled and now have utility capacity for full buildout. As a result, we believe that through strategic planning, development and marketing, as provided in our five-year plan, we can maximize and fully realize

their value. Our development plans require significant additional capital, and may be pursued through joint ventures or other means. In addition, our strategy is subject to continued review by our board of directors and may change as a result of the outcome of our recently-announced review of strategic alternatives, market conditions or other factors deemed relevant by our board of directors.

In years past, economic conditions, including the constrained capital and credit markets, negatively affected the execution of our business plan, primarily by decreasing our pace of development to match economic and market conditions. We responded to these conditions by successfully restructuring our existing debt, including reducing interest rates and extending maturities, which enabled us to preserve our development opportunities until market conditions improved. Economic conditions have improved, and we believe we have the financial flexibility to fully exploit our development opportunities and resources in accordance with our five-year plan. During the first nine months of 2016, our operating cash flows reflect purchases and development of real estate properties totaling $10.9 million, funded primarily from construction and term loans, to invest in new development opportunities to be executed over the next 24 months. As of September 30, 2016, we had $12.2 million of availability under our credit facility with Comerica Bank, which matures in August 2017.

Although as of September 30, 2016, we have scheduled debt maturities of $8.7 million occurring in fourth-quarter 2016 and $40.6 million in 2017, and significant recurring costs, including property taxes, maintenance and marketing, we believe we will have sufficient sources of debt financing and cash from operations to address our cash requirements. See "Capital Resources and Liquidity" below regarding recent debt repayments and refinancing and “Risk Factors” included in Part 1, Item 1A. of our 2015 Form 10-K for further discussion.

DEVELOPMENT ACTIVITIES

Residential. As of September 30, 2016, the number of our residential developed lots/units, lots under development and lots for potential development by area are shown below:

	Residential Lots/Units			
	Developed	Under Development	Potential Development[a]	Total
Barton Creek:				
Amarra Drive:				
Phase II Lots	13	—	—	13
Phase III Lots	49	—	—	49
Townhomes	—	20	170	190
Section N Multi-family				
Santal Multi-family	236	—	—	236
Other Section N	—	—	1,624	1,624
Other Barton Creek sections	—	—	156	156
Circle C:				
Meridian	13	—	—	13
Tract 101 Multi-family	—	—	240	240
Tract 102 Multi-family	—	—	56	56
Flores Street	—	—	6	6
W Austin Residences:				
Condominium units	2	—	—	2
Total Residential Lots/Units	313	20	2,252	2,585

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 (the City). 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 on some of these properties, they are not considered to be “under development” for disclosure in this table unless other development activities necessary to fully realize the properties’ intended final use are in progress or scheduled to commence in the near term.

Amarra Drive. Amarra Drive Phase II, which consists of 35 lots on 51 acres, was substantially completed in October 2008. During the first nine months of 2016, we sold one Phase II lot for $0.6 million and as of September 30, 2016, 13 Phase II lots remained available for sale.

In first-quarter 2015, we substantially completed the development of Amarra Drive Phase III, which consists of 64 lots on 166 acres. During the first nine months of 2016, we sold five Phase III lots for $3.9 million and as of September 30, 2016, 49 Phase III lots remained available for sale. As of October 31, 2016, four Phase III lots were under contract.

The Villas at Amarra Drive townhome project is a 20-unit development for which we completed site work in late 2015. Construction of the first five of 20 townhomes commenced in March 2016 and is expected to be completed in early 2017. As of October 31, 2016, we are marketing these townhomes for sale. The townhomes average approximately 4,400 square feet and are being marketed as “lock and leave” properties, with golf course access and cart garages.

Section N. The Santal multi-family project, a garden-style apartment complex, was substantially completed in August 2016 and includes 236 apartment units. We began recognizing rental revenue, which is included in the Commercial Leasing segment, in January 2016. As of October 31, 2016, 131 units were leased. Permits for the second 212-unit phase have been secured.

Circle C. We are developing the Circle C community based on the entitlements secured in our Circle C settlement with the City. Our 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. Meridian is an 800-lot residential development at the Circle C community. Development of the final phase of Meridian, which consisted of 57 one-acre lots, was completed in first-quarter 2014. During the first nine months of 2016, we sold 18 Meridian lots for $5.0 million and as of September 30, 2016, 13 lots remained available for sale. During October 2016, we sold one additional Meridian lot and as of October 31, 2016, one Meridian lot was under contract.

W Austin Residences. As of September 30, 2016, two condominium units remained available for sale and are being marketed.

Commercial. As of September 30, 2016, the number of square feet of our commercial property developed, under development and our remaining entitlements for potential development (excluding property associated with our unconsolidated joint venture with Tramell Crow Central Texas Development, Inc. relating to Crestview Station in Austin (the Crestview Station Joint Venture)) are shown below:

	Commercial Property			
	Developed	Under Development	Potential Development[a]	Total
Barton Creek:				
Treaty Oak Bank	3,085	—	—	3,085
Barton Creek Village Phase I	22,366	—	—	22,366
Barton Creek Village Phase II	—	—	16,000	16,000
Entry corner	—	—	5,000	5,000
Amarra retail/office	—	—	83,081	83,081
Section N	—	—	1,500,000	1,500,000
Circle C:				
Tract 110	—	—	614,500	614,500
Tract 114	—	—	78,357	78,357
Lantana:				
Tract GR1	—	—	325,000	325,000
Tract G07	—	—	160,000	160,000
W Austin Hotel & Residences:				
Office	38,316	—	—	38,316
Retail	18,327	—	—	18,327
The Oaks at Lakeway	217,736	19,003	—	236,739
Magnolia	—	—	351,000	351,000
West Killeen Market	—	44,000	—	44,000
Total Square Feet	299,830	63,003	3,132,938	3,495,771

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. 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 on some of these properties, they are not considered to be “under development” for disclosure in this table unless other development activities necessary to fully realize the properties’ intended final use are in progress or scheduled to commence in the near term.

Barton Creek. The first phase of Barton Creek Village consists of a 22,366-square-foot retail complex and a 3,085-square-foot bank building. As of September 30, 2016, occupancy was 100 percent for the retail complex, and the bank building is leased through January 2023.

Lantana. Lantana is a partially developed, mixed-use real-estate development project. As of September 30, 2016, we had entitlements for approximately 485,000 square feet of office and retail space on the remaining 56 acres. Regional utility and road infrastructure is in place with capacity to serve Lantana at full build-out as permitted under our existing entitlements. We received final approval from the City in August 2015 for a mixed-use development of approximately 320,000 square feet, and we expect to be in position to move forward with development in 2017.

W Austin Hotel & Residences. The W Austin Hotel & Residences has 38,316 square feet of leasable office space, including 9,000 square feet occupied by our corporate office, and 18,327 square feet of retail space. As of September 30, 2016, both the office and retail space were substantially occupied.

The Oaks at Lakeway. As further discussed in Note 8 and "Overview - Sale of The Oaks at Lakeway," in October 2016, we entered into an agreement to sell The Oaks at Lakeway. The Oaks at Lakeway is a HEB-anchored retail project planned for 236,739 square feet of commercial space. As of September 30, 2016, leases for approximately 90 percent of the space, including the HEB lease, have been executed and leasing for the remaining space is under way. The HEB store opened in October 2015, and 19 retail tenants opened as of September 30, 2016. Construction of 217,736 square feet is substantially complete, and construction of the remaining space will be started once leases have been executed.

Magnolia. The Magnolia project is a HEB-anchored retail project planned for 351,000 square feet of commercial space. Planning and infrastructure work by the city of Magnolia is complete and road expansion by the Texas Department of Transportation is in progress and expected to be completed in 2017. The HEB store is presently expected to open in late 2018 or early 2019.

West Killeen Market. In 2015, we acquired approximately 21 acres in Killeen, Texas, to develop the West Killeen Market project, a HEB-anchored retail project planned for 44,000 square feet of commercial space and three pad sites adjacent to a 90,000 square-foot HEB grocery store. Construction began in August 2016, and the HEB store is scheduled to open in March 2017.

UNCONSOLIDATED AFFILIATE

Crestview Station. Crestview Station is a single-family, multi-family, retail and office development, located on the site of a commuter rail line. As of September 30, 2016, the Crestview Station Joint Venture has sold all of its properties except for one commercial site (see Note 6 in our 2015 Form 10-K). We account for our 50 percent interest in the Crestview Station Joint Venture under the equity method.

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. As a result, and because of numerous other 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 results (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Operating income (loss):				
Hotel	$ 562	$ 311	$ 4,829	$ 3,680
Entertainment	(19)	365	1,373	1,956
Commercial leasing	452	20,904	1,844	21,962
Real estate operations	2,032	1,702	1,539	2,215
Corporate, eliminations and other	(2,602)	(2,306)	(10,049)	(6,686)
Operating income (loss)	$ 425	$ 20,976	$ (464)	$ 23,127
Interest expense, net	$ (2,579)	$ (855)	$ (6,894)	$ (2,736)
Income from discontinued operations, net of taxes	$ —	$ —	$ —	$ 3,218
Net (loss) income	$ (1,659)	$ 13,741	$ (5,825)	$ 17,285
Net income attributable to noncontrolling interests in subsidiaries	$ —	$ (3,493)	$ —	$ (5,414)
Net (loss) income attributable to common stockholders	$ (1,659)	$ 10,248	$ (5,825)	$ 11,871

We have four operating segments: Hotel, Entertainment, Commercial Leasing and Real Estate Operations (see Note 6 for further discussion). The following is a discussion of our operating results by segment.

Hotel

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Hotel revenue	$ 8,328	$ 8,597	$ 29,721	$ 31,411
Hotel cost of sales, excluding depreciation	6,893	6,792	22,322	23,247
Depreciation	873	1,494	2,570	4,484
Operating income	$ 562	$ 311	$ 4,829	$ 3,680

Hotel Operating Income. Operating income for the Hotel segment increased during the 2016 periods, primarily reflecting lower depreciation expense.

Hotel Revenue. Hotel revenue primarily includes revenue from W Austin Hotel room reservations and food and beverage sales. Revenue per available room, which is calculated by dividing total room revenue by the average total rooms available, averaged $227 for third-quarter 2016 and $265 for the first nine months of 2016, compared with $241 for third-quarter 2015 and $282 for the first nine months of 2015. Lower Hotel revenues in the 2016 periods primarily reflect lower room revenue resulting from decreased occupancy rates, partly attributable to increased hotel capacity in the Austin area.

Hotel Cost of Sales. Hotel operating costs (excluding depreciation) were $6.9 million in third-quarter 2016, compared with $6.8 million in third-quarter 2015, and decreased slightly to $22.3 million for the first nine months of 2016, compared with $23.2 million for the first nine months of 2015.

Hotel Depreciation. Hotel depreciation decreased to $0.9 million in third-quarter 2016 and $2.6 million for the first nine months of 2016, compared with $1.5 million in third-quarter 2015 and $4.5 million for the first nine months of 2015, primarily reflecting certain furniture and equipment being fully depreciated as of December 31, 2015.

Entertainment

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Entertainment revenue	$ 4,196	$ 4,181	$ 13,326	$ 13,587
Entertainment cost of sales, excluding depreciation	3,837	3,493	10,869	10,666
Depreciation	378	323	1,084	965
Operating (loss) income	$ (19)	$ 365	$ 1,373	$ 1,956

Entertainment Operating (Loss) Income. Operating (loss) income for the Entertainment segment decreased in third-quarter 2016, compared with third-quarter 2015, primarily as a result of a decrease in events hosted at ACL Live. Operating (loss) income for the Entertainment segment decreased during the first nine months of 2016, compared with the first nine months of 2015, as a result of a decrease in production engagements at Stageside Productions and increases in lower margin events at 3TEN ACL Live and events hosted at other venues.

Certain key operating statistics specific to the concert and event hosting industry are included below to provide additional information regarding our ACL Live operating performance.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Events:				
Events hosted	42	49	152	152
Estimated attendance	41,763	55,200	154,819	174,400
Ancillary net revenue per attendee	$ 41.53	$ 35.35	$ 48.51	$ 44.56
Ticketing:				
Number of tickets sold	32,500	45,400	108,400	123,100
Gross value of tickets sold (in thousands)	$ 1,688	$ 2,806	$ 5,733	$ 7,596

Entertainment Revenue. Entertainment revenue primarily reflects the results of operations for ACL Live, including ticket sales, revenue from private events, sponsorships, personal seat license sales and suite sales, and sales of concessions and merchandise. Entertainment revenue also reflects revenues associated with events hosted at venues other than ACL Live, including 3TEN ACL Live, and production of recorded content for artists performing at ACL Live or 3TEN ACL Live, as well as the results of the Stageside Productions joint venture with Pedernales Entertainment LLC. Revenues from the Entertainment segment will vary from period to period as a result of factors such as the price of tickets and number of tickets sold, as well as the number and type of events.

Entertainment Cost of Sales. Entertainment operating costs (excluding depreciation) totaled $3.8 million in third-quarter 2016 and $10.9 million for the first nine months of 2016, compared with $3.5 million in third-quarter 2015 and $10.7 million for the first nine months of 2015. Costs from the Entertainment segment will vary from period to period as a result of the number and types of events hosted.

Commercial Leasing

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Rental revenue	$ 2,770	$ 921	$ 7,325	$ 4,697
Rental cost of sales, excluding depreciation	1,398	524	3,319	2,274
Depreciation	920	222	2,162	1,190
Gain on sales of assets	—	(20,729)	—	(20,729)
Operating income	$ 452	$ 20,904	$ 1,844	$ 21,962

Commercial Leasing Operating Income. Operating income from the Commercial Leasing segment decreased in the 2016 periods, compared to the 2015 periods, primarily as a result of the gain on the sales of Parkside Village and 5700 Slaughter in third-quarter 2015. Depreciation expense increased during the 2016 periods as a result of the addition of The Oaks at Lakeway and Santal, and their respective assets, to our Commercial Leasing segment.

Rental Revenue. Rental revenue for 2016 primarily includes revenue from The Oaks at Lakeway, office and retail space at the W Austin Hotel & Residences, Barton Creek Village and the Santal multi-family project. Rental revenue for the first nine months of 2015 included revenue from Parkside Village and 5700 Slaughter, which were both sold on July 2, 2015. The increase in rental revenue in the 2016 periods reflects rental revenues from The Oaks at Lakeway and the Santal multi-family project, partially offset by a decrease related to the sales of Parkside Village and 5700 Slaughter.

Rental Cost of Sales. Rental operating costs totaled $1.4 million in third-quarter 2016 and $3.3 million for the first nine months of 2016, compared with $0.5 million in third-quarter 2015 and $2.3 million for the first nine months of 2015. The increase in rental costs in the 2016 periods primarily reflects increased operating costs relating to The Oaks at Lakeway and Santal, partially offset by a decrease in operating expenses related to the sales of Parkside Village and 5700 Slaughter.

Real Estate Operations

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Revenues:				
Developed property sales	$ 6,063	$ 5,900	$ 9,428	$ 10,150
Undeveloped property sales	—	—	73	—
Commissions and other	100	318	381	828
Total revenues	6,163	6,218	9,882	10,978
Cost of sales, including depreciation	4,131	4,516	8,343	8,763
Operating income	$ 2,032	$ 1,702	$ 1,539	$ 2,215

Real Estate Operations Operating Income. Operating income from the Real Estate Operations segment increased in third-quarter 2016, compared to third-quarter 2015, primarily reflecting lower cost of sales. Operating income decreased during the first nine months of 2016, compared to the first nine months of 2015, primarily reflecting lower revenues from developed property sales and lower commissions.

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

	Three Months Ended September 30,					
	2016			2015		
	Lots	Revenues	Average Cost Per Lot	Lots	Revenues	Average Cost Per Lot
Barton Creek						
Amarra Drive:						
Phase III Lots	5	$ 3,913	$ 363	4	$ 3,340	$ 401
Circle C						
Meridian	8	2,150	151	9	2,560	161
Total Residential	13	$ 6,063		13	$ 5,900	

	Nine Months Ended September 30,					
	2016			2015		
	Lots	Revenues	Average Cost Per Lot	Lots	Revenues	Average Cost Per Lot
Barton Creek						
Amarra Drive:						
Phase II Lots	1	$ 550	$ 190	—	$ —	$ —
Phase III Lots	5	3,913	363	7	5,110	351
Circle C						
Meridian	18	4,965	155	18	5,040	159
Total Residential	24	$ 9,428		25	$ 10,150	

The decrease in developed property sales revenues for the first nine months of 2016, compared to the first nine months of 2015, primarily resulted from a decrease in Amarra Drive Phase III lot sales, partially offset by an increase in Amarra Drive Phase II lot sales. In recent periods, sales of our higher priced Amarra Drive lots have been slower than sales of our Circle C Meridian lots, which we believe reflects national sales trends, and we continue to have significant inventory in developed Amarra Drive lots.

Commissions and Other. Commissions and other totaled $0.1 million for third-quarter 2016 and $0.4 million for the first nine months of 2016, compared with $0.3 million for third-quarter 2015 and $0.8 million for the first nine months of 2015.

Cost of Sales. Cost of sales includes cost of property sold, project operating and marketing expenses and allocated overhead costs, partly offset by reductions for certain municipal utility district (MUD) reimbursements. Cost of sales totaled $4.1 million for third-quarter 2016 and $8.3 million for the first nine months of 2016, compared with $4.5 million for third-quarter 2015 and $8.8 million for the first nine months of 2015. Cost of sales for both the 2016 and 2015 periods were partly offset by Barton Creek MUD reimbursements totaling less than $0.1 million.

Corporate, Eliminations and Other

Corporate, eliminations and other includes consolidated general and administrative expenses, which primarily consist of employee salaries, benefits, professional fees and other costs and totaled $2.6 million in third-quarter 2016 and $10.0 million for the first nine months of 2016, compared with $2.3 million in third-quarter 2015 and $6.7 million for the first nine months of 2015. Beginning January 1, 2016, general and administrative expenses are managed on a consolidated basis and are not allocated to our operating segments. The segment disclosures for the third quarter and first nine months of 2015 have been recast to be consistent with the third quarter and first nine months of 2016. Costs were higher for the 2016 periods, primarily reflecting higher legal and consulting fees mainly due to $0.3 million in third-quarter 2016 and $2.8 million for the first nine months of 2016 associated with Stratus' successful proxy contest. Corporate, eliminations and other also includes eliminations of intersegment amounts incurred by the four operating segments.

Non-Operating Results

Interest Expense, Net. Interest expense (before capitalized interest) increased to $4.1 million for third-quarter 2016 and $11.7 million for the first nine months of 2016, compared with $2.2 million for third-quarter 2015 and $6.8 million for the first nine months of 2015, primarily reflecting higher loan balances and interest rates primarily as a result of our refinancing of the W Austin Hotel & Residences, and construction loans to support development of The Oaks at Lakeway and the Santal multi-family project.

Capitalized interest totaled $1.5 million for third-quarter 2016 and $4.8 million for the first nine months of 2016, compared with $1.4 million for third-quarter 2015 and $4.1 million for the first nine months of 2015, and is primarily related to development activities at Barton Creek and The Oaks at Lakeway.

Loss on Interest Rate Derivative Instruments. We recorded gains (losses) of $0.2 million for third-quarter 2016 and $(0.3) million for the first nine months of 2016, compared with $(0.9) million in third-quarter 2015 and $(1.0) million for the first nine months of 2015, associated with changes in the fair values of our interest rate derivative instruments.

Loss on Early Extinguishment of Debt. We recorded a loss on early extinguishment of debt of $0.8 million for the first nine months of 2016 associated with the full repayment of our existing obligations under the Bank of America loan with the proceeds from the Goldman Sachs loan.

Benefit from (Provision for) Income Taxes. We recorded a tax benefit from (provision for) income taxes of $0.3 million for third-quarter 2016 and $2.6 million for the first nine months of 2016, compared with $(5.2) million for third-quarter 2015 and the first nine months of 2015. Both the 2016 and 2015 periods also include the Texas state margin tax. The difference between Stratus' consolidated effective income tax rate and the U.S. Federal statutory income tax rate of 35 percent is primarily attributable to the state margin tax. Additionally, the state margin tax in the 2015 periods was partially offset by the tax effect of income attributable to noncontrolling interests. We had deferred tax assets (net of deferred tax liabilities) totaling $28.2 million at September 30, 2016, and $15.3 million at December 31, 2015. The increase in deferred tax assets of $12.9 million in 2016 is primarily associated with the anticipated closing of the sale of The Oaks at Lakeway in fourth-quarter 2016, which is expected to result in a current taxable gain which would be deferred under generally accepted accounting principles in the United States. Our income tax benefit for the third quarter of 2016 includes current income tax expense of $12.5 million offset by a deferred tax benefit of $12.8 million.

Net Income Attributable to Noncontrolling Interests in Subsidiaries. Net income attributable to noncontrolling interests in subsidiaries totaled $3.5 million for third-quarter 2015 and $5.4 million for the first nine months of 2015. Stratus did not have net income attributable to noncontrolling interests in subsidiaries in the 2016 periods, primarily because of Stratus' purchase of Canyon-Johnson's approximate 58 percent interest in the Block 21 Joint Venture (which owns the W Austin Hotel & Residences) in September 2015, resulting in Stratus owning 100 percent of the entity.

DISCONTINUED OPERATIONS

In 2012, we sold 7500 Rialto, an office building in Lantana. In connection with the sale, we recognized a gain of $5.1 million and deferred a gain of $5.0 million because of a guaranty provided to the lender in connection with the buyer's assumption of the loan related to 7500 Rialto. The guaranty was released in January 2015, and we recognized the deferred gain totaling $5.0 million ($3.2 million to net income attributable to common stockholders) in first-quarter 2015.

CAPITAL RESOURCES AND LIQUIDITY

Volatility in the real estate market, including the markets in which we operate, can impact sales of our properties from period to period. However, we believe that the unique nature and location of our assets will provide us positive cash flows over time. See "Business Strategy and Related Risks" for further discussion of our liquidity.

Comparison of Cash Flows for the Nine Months Ended September 30, 2016 and 2015

Operating Activities. Cash provided by operating activities totaled $0.9 million during the first nine months of 2016, compared with $3.3 million during the first nine months of 2015. Expenditures for purchases and development of real estate properties totaled $10.9 million during the first nine months of 2016 and $20.6 million during the first nine months of 2015, and primarily included development costs for our Barton Creek properties. The first nine months of 2016 and 2015 included MUD reimbursements of $12.3 million and $5.3 million, respectively. The increase in deferred income taxes for the first nine months of 2016, compared to the first nine months of 2015, relates to the anticipated closing of the sale of The Oaks at Lakeway in fourth-quarter 2016 and is offset by an increase in current tax liabilities (included in accounts payable, accrued liabilities and other).

Approximately $29.5 million has been reimbursed or is eligible for reimbursement by MUDs for infrastructure costs incurred in our development of Section N in Barton Creek. As of September 30, 2016, we have received MUD reimbursements of $17.0 million, $12.3 million of which was received in September 2016. We expect to receive the remaining $12.5 million in MUD reimbursements in future periods.

Investing Activities. Cash (used in) provided by investing activities totaled $(24.8) million during the first nine months of 2016, compared with $5.9 million during the first nine months of 2015. Development of commercial leasing properties totaled $24.3 million during the first nine months of 2016 and $36.6 million during the first nine months of 2015, and primarily related to development of the Santal multi-family and The Oaks at Lakeway projects. The first nine months of 2015 also included $43.3 million in proceeds from the sales of the Parkside Village and 5700 Slaughter commercial properties.

Financing Activities. Cash provided by (used in) financing activities totaled $23.2 million during the first nine months of 2016, compared with $(5.7) million during the first nine months of 2015. During the first nine months of 2016, net borrowings on the Comerica credit facility totaled $4.9 million, compared with $35.0 million for the first nine months of 2015. Net borrowings on other project and term loans totaled $19.8 million for the first nine months of 2016, compared with $24.1 million for the first nine months of 2015. Noncontrolling interest distributions for the Parkside Village Joint Venture and the Block 21 Joint Venture totaled $4.2 million for the first nine months of 2015. During September 2015 we completed the purchase of Canyon-Johnson's approximate 58 percent interest in the Block 21 Joint Venture for approximately $62.0 million. See also "Credit Facility and Other Financing Arrangements" for a discussion of our outstanding debt at September 30, 2016.

Credit Facility and Other Financing Arrangements

A t September 30, 2016, we had total debt based on the principal amounts outstanding of $287.8 million, compared with $263.1 million at December 31, 2015. The principal amount of our debt at September 30, 2016, consisted of the following:

- $148.8 million under the Goldman Sachs loan, the proceeds of which were used to refinance the W Austin Hotel & Residences in January 2016.
- $54.2 million under the construction loan agreement to fund the construction, development and leasing of The Oaks at Lakeway in Lakeway, Texas (the Lakeway construction loan).
- $38.0 million under the $52.5 million Comerica credit facility, which is comprised of a $45.0 million revolving line of credit, $7.0 million of which was available at September 30, 2016, and a $7.5 million letters of credit tranche, against which $2.3 million was committed and $5.2 million was available at September 30, 2016. The Comerica credit facility is secured by substantially all of our assets except for properties that are encumbered by separate loan financing. See Note 4 for further discussion.
- $30.2 million under the construction loan agreement to fund the development and construction of the first phase of a multi-family development in Section N of Barton Creek (the Santal construction loan).
- $8.0 million under an unsecured term loan with Diversified Real Asset Income Fund (DRAIF), formerly American Strategic Income Portfolio or ASIP.
- $5.7 million under the term loan agreement with PlainsCapital Bank secured by assets at Barton Creek Village (the Barton Creek Village term loan).
- $2.9 million under the stand-alone revolving credit facility with Comerica Bank to fund the construction and development of the Amarra Villas (the Amarra Drive credit facility).

The Comerica credit facility, the Amarra Drive credit facility and our DRAIF unsecured term loan include a requirement that we maintain a minimum total stockholders' equity balance of $110.0 million. As of September 30, 2016, Stratus' total stockholders' equity was $131.2 million. See Note 7 in our 2015 Form 10-K and Note 4 of this Form 10-Q for further discussion of our outstanding debt.

The following table summarizes our debt maturities based on the principal amounts outstanding as of September 30, 2016 (in thousands):

	2016	2017	2018	2019	2020	Thereafter	Total
Goldman Sachs loan	$ 617	$ 2,096	$ 2,215	$ 2,342	$ 2,477	$ 139,049	$ 148,796
Lakeway construction loan	—	315	1,284	52,565		—	54,164
Comerica credit facility	—	38,029 [a]	—	—	—	—	38,029
Santal construction loan	—	—	30,223	—	—	—	30,223
DRAIF term loan	8,000 [b]	—	—	—	—	—	8,000
Barton Creek Village term loan	38	153	160	167	173	4,992	5,683
Amarra Drive credit facility	—	—	—	2,857	—	—	2,857
Total	$ 8,655	$ 40,593	$ 33,882	$ 57,931	$ 2,650	$ 144,041	$ 287,752

a. Matures August 31, 2017.
b. Matures December 31, 2016.

We expect to repay or refinance our near-term debt maturities in the normal course of business and believe we have the ability to do so.

CONTRACTUAL OBLIGATIONS

There have been no material changes in our contractual obligations since December 31, 2015, other than our debt obligations described above. Refer to Part II, Items 7. and 7A. in our 2015 Form 10-K, for further information regarding our contractual obligations.

NEW ACCOUNTING STANDARDS

Refer to Note 7 for discussion of recently issued accounting standards and their impact on our future financial statements and disclosures.

OFF-BALANCE SHEET ARRANGEMENTS

There have been no material changes in our off-balance sheet arrangements since December 31, 2015. See Note 10 in our 2015 Form 10-K for further information.

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 facts, such as statements regarding the implementation and potential results of our five-year plan, projections or expectations related to operational and financial performance or liquidity, reimbursements for infrastructure costs, financing and regulatory matters, development plans and sales of properties, including expectations related to completion of the pending sale of The Oaks at Lakeway (Lakeway), projected net cash proceeds from the sale, projected debt balances after application of the net proceeds and our projections with respect to our obligations under the master lease agreements, commercial leasing activities, timeframes for development, construction and completion of our projects, capital expenditures, liquidity and capital resources, and other plans and objectives of management for future operations and activities. The words "anticipates," "may," "can," "plans," "believes," "potential," "estimates," "expects," "projects," "intends," "likely," "will," "should," "to be" and any similar expressions and/or statements that are not historical facts are intended to identify those assertions as forward-looking statements.

We caution readers that forward-looking statements are not guarantees of future performance and actual results may differ materially from those anticipated, 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, the outcome of the strategic review process, our ability to refinance and service our debt and the availability of financing for development projects and other corporate purposes, our ability to sell properties at prices our board of directors considers acceptable, a decrease in the demand for real estate in the Austin, Texas market, changes in economic and business conditions, reductions in discretionary spending by consumers and corporations, competition from other real estate developers, hotel operators and/or entertainment venue operators and promoters, business opportunities that may be presented to and/or pursued by us, the failure of third parties to satisfy debt service obligations, the failure to complete agreements with strategic partners and/or appropriately manage relationships with strategic partners, the termination of sales contracts or letters of intent due to, among other factors, the failure of one or more closing conditions or market changes, other factors related to the pending Lakeway transaction including our ability to secure qualifying tenants for the space subject to the master lease agreements and to assign such leases to the purchaser and remove the corresponding property from the master leases, the failure to attract customers for our developments or such customers' failure to satisfy their purchase commitments, increases in interest rates, declines in the market value of our assets, increases in operating costs, including real estate taxes and the cost of construction materials, changes in external perception of the W Austin Hotel, changes in consumer preferences, changes in laws, regulations or the regulatory environment affecting the development of real estate, opposition from special interest groups with respect to development projects, weather-related risks and other factors described in more detail under the heading "Risk Factors" in Part I, Item 1A. in our 2015 Form 10-K filed with the SEC, as updated by our subsequent filings with the SEC.

Investors are cautioned that many of the assumptions upon which our forward-looking statements are based are likely to change after the forward-looking statements are made. Further, we may make changes to our business plans that could affect our results. We caution investors that we do not intend to update our forward-looking statements notwithstanding any changes in our assumptions, business plans, actual experience, or other changes, and we undertake no obligation to update any forward-looking statements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

In January 2016 we fully repaid our existing obligations under the BoA loan. See Note 4 for additional information.

At September 30, 2016, $125.3 million face value of our total outstanding debt of $287.8 million bears interest at variable rates. An increase of 100 basis points in annual interest rates for this variable-rate debt would increase our annual interest costs by $1.3 million.

There have been no material changes in our market risks since December 31, 2015. For additional information on our market risks, refer to "Disclosures About Market Risks" included in Part II, Items 7. and 7A. of our 2015 Form 10-K.

Item 4. Controls and Procedures.

(a) Evaluation of disclosure controls and procedures. Our Chief Executive Officer and Chief Financial Officer, with the participation of management, have evaluated the effectiveness of our "disclosure controls and procedures" (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934). Based on this 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 was no change in our internal control over financial reporting that occurred during the quarter ended September 30, 2016, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

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

The following table sets forth information with respect to shares of our common stock that we repurchased under the board-approved open market share purchase program during the three months ended September 30, 2016.

Period	(a) Total Number of Shares Purchased	(b) Average Price Paid Per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs[a]	(d) Maximum Number of Shares That May Yet Be Purchased Under the Plans or Programs[a]
July 1 to 31, 2016	—	$ —	—	991,695
August 1 to 31, 2016	—	—	—	991,695
September 1 to 30, 2016	—	—	—	991,695
Total	—	—	—	

a. In November 2013, the board of directors approved an increase in our open-market share purchase program, initially authorized in 2001, for up to 1.7 million shares of our common stock. The program does not have an expiration date.

Stratus' loan agreements with Comerica Bank and Diversified Real Asset Income Fund require lender approval of any common stock repurchases.

Item 6. Exhibits.

The exhibits to this report are listed in the Exhibit Index beginning on page E-1 hereof.

SIGNATURE

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

STRATUS PROPERTIES INC.

By: /s/ Erin D. Pickens

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

Date: November 9, 2016

STRATUS PROPERTIES INC.
EXHIBIT INDEX

Exhibit Number	Exhibit Title	Filed with this Form 10-Q	Incorporated by Reference		
			Form	File No.	Date Filed
2.1	Agreement of Sale and Purchase, dated October 4, 2016, between Stratus Lakeway Center, LLC and TA Realty, LLC.	X			
3.1	Composite Certificate of Incorporation of Stratus Properties Inc.		8-A/A	000-19989	8/26/2010
3.2	Amended and Restated By-Laws of Stratus Properties Inc., as amended effective March 9, 2016.		10-K	001-37716	3/15/2016
4.1	Second Amended and Restated Rights Agreement dated as of March 9, 2016 between Stratus Properties Inc. and Computershare Inc. as Rights Agent.		8-K	000-19989	3/10/2016
4.2	Investor Rights Agreement by and between Stratus Properties Inc. and Moffett Holdings, LLC dated as of March 15, 2012.		8-K	000-19989	3/20/2012
4.3	Assignment and Assumption Agreement by and among Moffett Holdings, LLC, LCHM Holdings, LLC and Stratus Properties Inc., dated as of March 3, 2014.		13D	000-19989	3/5/2014
10.1	Sixth Modification Agreement between Stratus Properties Inc., Stratus Properties Operating Co., L.P., Circle C Land, L.P., Austin 290 Properties, Inc., The Villas at Amarra Drive, L.L.C., and Comerica Bank, dated as of August 12, 2016.	X			
10.2*	Form of Performance-Based Restricted Stock Unit Agreement under the Stratus Properties Inc. 2013 Stock Incentive Plan (adopted March 2016).	X			
10.3*	Form of Notice of Grant of Restricted Stock Units under the Stratus Properties Inc. 2013 Stock Incentive Plan (adopted March 2016).	X			
31.1	Certification of Principal Executive Officer pursuant to Rule 13a-14(a)/15d-14(a).	X			
31.2	Certification of Principal Financial Officer pursuant to Rule 13a-14(a)/15d-14(a).	X			
32.1	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350.	X			
32.2	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350.	X			
101.INS	XBRL Instance Document.	X			
101.SCH	XBRL Taxonomy Extension Schema.	X			
101.CAL	XBRL Taxonomy Extension Calculation Linkbase.	X			
101.DEF	XBRL Taxonomy Extension Definition Linkbase.	X			
101.LAB	XBRL Taxonomy Extension Label Linkbase.	X			
101.PRE	XBRL Taxonomy Extension Presentation Linkbase.	X			

* Indicates management contract or compensatory plan or arrangement.

AGREEMENT OF SALE AND PURCHASE

THE STATE OF TEXAS §
§
COUNTY OF TRAVIS §

THIS AGREEMENT OF SALE AND PURCHASE ("Agreement") is made by and between STRATUS LAKEWAY CENTER, LLC, a Texas limited liability company ("Seller") and TA REALTY, LLC, a Massachusetts limited liability company ("Purchaser"). Seller and Purchaser are sometimes referred to in this Agreement individually as a "Party" and collectively as the "Parties".

W I T N E S S E T H:

I.
Sale and Purchase

1.01 The Property. Seller hereby agrees to sell and convey unto Purchaser, and Purchaser hereby agrees to purchase from Seller, for the price and subject to the terms, covenants, conditions and provisions herein set forth: (a) the land described on **Exhibit "A"** attached to this Agreement and incorporated herein by reference (the "Land"), together with all improvements thereon (the "Improvements") and all of Seller's right, title and interest in and to all appurtenances to the Land (the "Appurtenances") (the Land, the Improvements and the Appurtenances are referred to in this Agreement collectively as the "Real Property"); and (b) all of Seller's right, title, and interest in and to all of the items described and defined on **Exhibit "B"** attached hereto and incorporated herein by reference, being the Tenant Leases, Property Agreements, Deposits, Plans and Reports, Warranties, Governmental Approvals and Permits, Utility Service Permits, Utility Service Rights, Street and Drainage Rights, Tangible Personal Property and Intangible Property described and defined therein (all of the foregoing being referred to herein individually by the names set out above, and collectively as the "Personal Property"). The Real Property and the Personal Property are referred to in this Agreement collectively as the "Property". The term "Pad Sites" mean Lots 3, 4, 5, and 6, Block B, Oaks at Lakeway Subdivision, a subdivision in Travis County, Texas according to the map or plat thereof recorded under Document No. 201400156 of the Official Public Records of Travis County, Texas, the term "Pad Site N" means Lot 6, Block B, Oaks at Lakeway Subdivision, a subdivision in Travis County, Texas according to the map or plat thereof recorded under Document No. 201400156 of the Official Public Records of Travis County, Texas, and the term "Pad Site M" means Lot 5, Block B, Oaks at Lakeway Subdivision, a subdivision in Travis County, Texas according to the map or plat thereof recorded under Document No. 201400156 of the Official Public Records of Travis County, Texas. The Property, as it is being developed in accordance with the "Site Plan" being delivered as part of the Property Information (defined below), is sometimes referred to herein as the "Shopping Center."

1.02 HEB ROFR. HEB Grocery Company, LP ("HEB") has been granted a right of first refusal (the "HEB ROFR") over the sale of all or any portion of the Shopping Center under Paragraph 9(e) of its Lease (the "HEB Lease"). Seller agrees, within one (1) business day following

the Effective Date, to provide HEB with the Offer (as defined in the HEB Lease). If HEB properly exercises the HEB ROFR, then (a) this Agreement shall be automatically terminated as of the date of such exercise; (b) the Initial Earnest Money (as hereinafter defined) shall be returned to Purchaser; (c) Seller shall, within five (5) business days following the date of Purchaser's written request, reimburse Purchaser for all reasonably documented third (3rd) party costs actually incurred by Purchaser before the termination of this Agreement in connection with this transaction (whether before or after the Effective Date) up to, but not in excess of, $50,000 in the aggregate; and (d) Purchaser and Seller shall have no further obligations and liabilities to each other under this Agreement, except those obligations that expressly survive any termination of this Agreement. If, after delivery of the Offer and HEB's failure to exercise the HEB ROFR, Seller is required to re-offer the Shopping Center to HEB pursuant to the HEB Lease, Seller agrees to deliver a further Offer to HEB and, if HEB then properly exercises the HEB ROFR, Seller and Purchaser agree that such exercise will be treated in the same manner as set forth above if HEB had exercised the HEB ROFR following receipt of the original Offer, except that, in such event, Seller shall also, within five (5) business days following the date of Purchaser's written request, reimburse Purchaser for all reasonably documented third (3rd) party costs actually incurred by Purchaser before the termination of this Agreement in connection with this transaction (whether before or after the Effective Date) up to, but not in excess of, $100,000 in the aggregate. Seller's reimbursement obligations under this Section 1.02 shall survive any termination of this Agreement.

II.
Consideration

2.01 Purchase Price. The purchase price ("Purchase Price") to be paid by Purchaser to Seller for the sale and conveyance of the Property is One Hundred Fourteen Million and No/100 U.S. Dollars ($114,000,000.00).

2.02 Payment of the Purchase Price. The Purchase Price will be payable in full in immediately available funds at Closing.

2.03. Earnest Money. In order to secure Purchaser's performance of this Agreement, Purchaser shall, within two (2) business days after the later of the Effective Date of this Agreement or the date HEB waives or is deemed to have waived the HEB ROFR, deposit TWO MILLION FIVE HUNDRED THOUSAND AND NO/100 DOLLARS ($2,500,000.00) in cash or other readily available funds (the "Initial Earnest Money") with Heritage Title Company of Austin, Inc. (the "Title Company") at its offices at 401 Congress Avenue, Suite 1500, Austin, Texas 78701, Attn: Amy Fisher. In addition, if Purchaser delivers a Waiver Notice (defined below) on or before the expiration of the Inspection Period (defined below), Purchaser shall deposit on or before the expiration of the Inspection Period additional earnest money in the amount of TWO MILLION FIVE HUNDRED THOUSAND AND NO/100 DOLLARS ($2,500,000.00) (the "Additional Earnest Money"). If Purchaser does not deliver the Additional Earnest Money on or before the expiration of the Inspection Period, then this Agreement shall terminate, in which event the Initial Earnest Money will be refunded to Purchaser and neither party shall have any further rights, remedies or obligations under this Agreement except obligations and rights that expressly survive any termination of this Agreement. All cash or other readily available funds deposited with the Title Company pursuant to the terms hereof is referred to herein collectively as the "Earnest Money." The Earnest Money will

be placed in an interest bearing account at one or more state or federally chartered banks while under the control of the Title Company, and all interest earned thereon will become part of the Earnest Money hereunder. Purchaser will promptly execute and deliver to the Title Company all documents and certificates as are required by Title Company to invest the Earnest Money in an interest bearing account. The disposition of the Earnest Money under this Agreement by the Title Company is governed by Section 9.05 below.

2.04 Independent Contract Consideration. Purchaser has paid to Seller independent contract consideration in the amount of ONE HUNDRED AND NO/100 DOLLARS ($100.00) (the "Independent Contract Consideration"). The Independent Contract Consideration: (a) is delivered by Purchaser to Seller as consideration for Purchaser's exclusive right and option to purchase the Property pursuant to this Agreement; (b) is in addition to and independent of any other consideration or payment provided in this Agreement; (c) is nonrefundable to Purchaser and shall be retained by Seller notwithstanding any other provision of this Agreement to the contrary; and (d) shall be credited against and applied in reduction of the Purchase Price at the Closing (hereinafter defined).

III.
Purchaser's Inspection Rights

3.01 Inspection Period. The period of time following the Effective Date of this Agreement until the date which is forty-five (45) days after the Effective Date of this Agreement is referred to in this Agreement as the "Inspection Period". Notwithstanding any provision hereof to the contrary, should Purchaser determine, in Purchaser's sole and absolute discretion, that the Property is not satisfactory to Purchaser for any reason, Purchaser may terminate this Agreement. If Purchaser fails, for any or no reason, to waive such termination right by delivering written notice of such waiver (the "Waiver Notice") to Seller prior to the expiration of the Inspection Period, then this Agreement shall automatically terminate as of the end of the Inspection Period. If Purchaser delivers the Waiver Notice to Seller prior to the expiration of the Inspection Period, then Purchaser's right of termination under this Section 3.01 will be deemed waived, but not otherwise.

3.02 Property Information.

(a) Seller will furnish to Purchaser, within five (5) business days after the Effective Date of this Agreement, copies of the items set forth on **Exhibit "C"** attached hereto and incorporated herein if and to the extent the same exist, are in Seller's possession or control, and concern the Property. Seller may furnish this information to Purchaser by providing Purchaser copies electronically or by access to a website with the materials available for download.

(b) In addition to providing the items referenced in Section 3.02(a) above, Seller will, upon receipt of a written request by Purchaser, allow Purchaser to review and copy any third party reports and other information which are in Seller's files and which relate to the physical condition of the Real Property or the status of the governmental approvals or utility commitments for the Real Property (collectively, the "Property Condition"). In no event, however, will Seller be required to furnish to Purchaser any internal reports, memoranda or other items prepared by Seller's own employees,

any proprietary information of Seller, any communications from Seller's attorneys, or any third party reports dealing with matters other than the Property Condition (including without limitation any property appraisals, financial analyses, market analyses and other similar items).

(c) The items referenced in Sections 3.02(a) and 3.02(b) above, together with all other information provided by Seller to Purchaser are referred to in this Agreement collectively as the "Property Information". Notwithstanding any provision in this Agreement to the contrary, Purchaser agrees and acknowledges that: (i) Purchaser will not disclose the Property Information or any of the provisions, terms or conditions thereof, or any information disclosed therein or thereby, to any party outside of Purchaser's organization, other than (A) Purchaser's lenders, proposed lenders, consultants, attorneys, engineers and agents involved with Purchaser in the acquisition of the Property, (B) Purchaser's investors, and (C) as required to be disclosed by law or by regulatory or judicial process; (ii) within Purchaser's organization, the Property Information will be disclosed and exhibited only to those persons who are responsible for determining the feasibility of Purchaser's acquisition of the Property; (iii) the Property Information is delivered to Purchaser solely as an accommodation to Purchaser; (iv) Seller has not undertaken any independent investigation as to the truth, accuracy or completeness of any matters set out in or disclosed by the Property Information, except as otherwise specifically provided in this Agreement or the closing documents executed by Seller pursuant to this Agreement; (v) the Property Information is delivered to Purchaser in its **"AS IS"** and **"WITH ALL FAULTS"** condition and Seller has not made and does not make any warranties or representations of any kind or nature regarding the truth, accuracy or completeness of the information set out in or disclosed by the Property Information, except as otherwise specifically provided in this Agreement or in the closing documents executed by Seller pursuant to this Agreement; and (vi) Seller shall have no liability or culpability of any kind or nature as a result of providing the Property Information to Purchaser or as a result of Purchaser's reliance on any of the Property Information or any information set forth or referred to therein or disclosed thereby; (vii) the Inspection Period will not be extended in the event of any failure by Seller to furnish any Property Information which may be required under this Agreement; and (viii) Purchaser's sole and exclusive remedy for any failure by Seller to furnish any Property Information which may be required under this Agreement will be Purchaser's right to terminate this Agreement on or before the final day of the Inspection Period pursuant to the terms and provisions of Section 3.01 of this Agreement.

3.03 Purchaser Access Rights. Purchaser and Purchaser's employees, agents, contractors, subcontractors, consultants and other parties operating by, through or under Purchaser (collectively, the "Purchaser Parties") may enter upon the Real Property and conduct such on-site testing and inspections as Purchaser reasonably desires; provided, however, that: (a) at least 48 hours prior to any entry upon the Real Property by Purchaser or by any of the Purchaser Parties, Purchaser must, in each instance, furnish to Seller written notice of such proposed entry; (b) the right of entry

hereunder will terminate automatically upon any termination of this Agreement; (c) any entry of Purchaser and/or the Purchaser Parties onto the Real Property is at the sole risk of Purchaser and the Purchaser Parties; (d) Purchaser hereby releases Seller from all liabilities, obligations and claims of any kind or nature arising out of or in connection with the entry of Purchaser and/or the Purchaser Parties onto the Real Property, **INCLUDING WITHOUT LIMITATION ALL LIABILITIES, OBLIGATIONS AND CLAIMS ARISING OUT OF ANY NEGLIGENCE ON THE PART OF SELLER, IT BEING EXPRESSLY AGREED AND UNDERSTOOD THAT THIS PROVISION SHALL BE EFFECTIVE TO RELEASE SELLER FROM CLAIMS ARISING OUT OF SELLER'S OWN SIMPLE (BUT NOT GROSS) NEGLIGENCE**; (e) Purchaser agrees to indemnify and save and hold Seller harmless from and against all liabilities, obligations, claims and costs of any kind or nature (including court costs and reasonable attorneys' fees) to the extent arising out of or in connection with any activities of the Purchaser and/or the Purchaser Parties upon or within the Real Property **INCLUDING WITHOUT LIMITATION ALL LIABILITIES, OBLIGATIONS, CLAIMS AND COSTS ARISING OUT OF ANY NEGLIGENCE ON THE PART OF SELLER, IT BEING EXPRESSLY AGREED AND UNDERSTOOD THAT PURCHASER IS AGREEING TO INDEMNIFY SELLER FROM CLAIMS ARISING OUT OF SELLER'S OWN SIMPLE (BUT NOT GROSS) NEGLIGENCE**; (f) neither the Purchaser nor any of the Purchaser Parties will unreasonably disturb, interrupt or interfere with any activities of Seller or Seller's employees, agents, contractors, subcontractors, consultants, tenants, invitees, licensees or other parties operating by, through or under Seller; (g) except in connection with customary Phase I environmental site assessments, neither the Purchaser nor any of the Purchaser Parties will conduct any drilling or boring activities within the Real Property or engage in any invasive or destructive testing of any kind or nature within the Real Property without the prior written consent of Seller, which consent may be withheld or conditioned by Seller in Seller's sole and absolute discretion; (h) Purchaser and all of the Purchaser Parties will comply with any additional requirements which may be reasonably imposed by Seller with respect to their activities upon or within the Real Property; (i) Purchaser shall pay when due all costs and expenses related to the activities of Purchaser and/or the Purchaser Parties upon, within or with respect to the Real Property and Purchaser agrees to indemnify and hold and save Seller harmless from and against all such costs and expenses and all obligations, liabilities, claims and costs to the extent arising in connection therewith, including without limitation court costs and reasonable attorneys' fees; (j) Purchaser shall not permit any liens to attach to the Property by reason of any activities of Purchaser or the Purchaser Parties; and (k) prior to any entry upon the Real Property by Purchaser or by any of the Purchaser Parties, Purchaser must furnish to Seller a certificate of insurance and evidence of payment of all required insurance premiums for insurance coverage insuring Seller from and against any and all claims, demands and actions arising out of any activities of Purchaser and/or any of the Purchaser Parties. Such insurance must: (i) provide coverage for injury to or death of any person or persons and damage to or destruction of any property, in an amount not less than $2,000,000.00, combined single limit; (ii) provide coverage for broad contractual liability in an amount not less than $2,000,000.00; (iii) include a waiver of subrogation in favor of Seller; (iv) not be subject to change or cancellation, except after thirty (30) days prior written notice to Seller; and (v) be underwritten by a company or companies reasonably satisfactory to Seller which are fully authorized to do business in the state where the Real Property is located.

3.04 Purchaser Due Diligence Materials. All studies, reports, analyses, market information, engineering work product, and other data, materials and/or information of any kind or nature which Purchaser or any employee, agent, representative or consultant of Purchaser generates or acquires in connection with the Property and/or the transaction evidenced by this Agreement are referred to herein collectively as the "Purchaser Due Diligence Materials." Purchaser shall pay all expenses incurred in connection with the Purchaser Due Diligence Materials and Seller will have no obligation to pay any such expenses.

IV.
Title and Survey

4.01 Title Commitment. Seller shall, within three (3) business days after the Effective Date of this Agreement, obtain and cause to be delivered to both Seller and Purchaser: (a) a title commitment (the "Title Commitment") pursuant to which the Title Company through First American Title Insurance Company (the "Underwriter") commits to issue to Purchaser an owner's policy of title insurance, on the standard form promulgated by the Department of Insurance of the State of Texas, providing title insurance coverage with respect to the Real Property in the amount of the Purchase Price, with such endorsements as Purchaser requests during the Inspection Period and are available for the Property (the "Title Policy"); and (b) copies of all title exception documents which are referenced in the Title Commitment (the "Title Review Documents"). All items which are reflected or disclosed on or within the Title Commitment and/or the Title Review Documents are referred to in this Agreement collectively as the "Title Review Items".

4.02 Survey. Seller shall, within five (5) business days after the Effective Date, obtain and cause to be furnished to both Seller and Purchaser, an on-the-ground survey of the Land, including the Pad Sites, and the Improvements (the "Survey") prepared in compliance with the current standards and specifications for "Minimum Standard Detail Requirements" for ALTA/NSPS Land Title Surveys jointly established and adopted by ALTA and NSPS in 2016, include all items set out on Table A thereof, and be prepared in accordance with the Accuracy Standards (as adopted by ALTA and NSPS) of an ALTA/NSPS Land Title Survey. All items which are reflected or disclosed on the Survey are referred to in this Agreement collectively as the "Survey Review Items". The cost and expense of the Survey shall be paid for by Seller.

4.03 Title Objections. Purchaser shall, within ten (10) days after the latest of the Title Commitment, the Title Review Documents and the Survey Review Items have been delivered to Purchaser (the "Title Objection Period") deliver to Seller written notice of any objections which Purchaser has to any of the Title Review Items and/or the Survey Review Items (the "Title Objections"). If Seller does not receive from Purchaser a written notice specifying those items which are Title Objections within the Title Objection Period, then all of the Title Review Items and all of the Survey Review Items shall be considered to be "Permitted Exceptions". Seller shall not be obligated to cure any of the Title Objections or to incur any costs, fees or expenses or initiate any action to cure or attempt to cure any of the Title Objections except as specifically set forth below. In the event that Seller fails to cause all of the Title Objections to be cured or removed as exceptions to title within ten (10) days after receipt of the Title Objections or one (1) business day prior to the expiration of the Inspection Period, whichever is earlier (the "Title Curative Period"),

or in the event Seller gives notice that it will not cure any one or more of the Title Objections (the "Refusal Notice"), then Purchaser may, as Purchaser's sole and exclusive remedy, terminate this Agreement by delivering to Seller a written notice of termination on or before the expiration of the Inspection Period. Alternatively, Purchaser may elect to purchase the Real Property subject to all matters related to the Title Objections which have not been cured or removed. If Purchaser delivers a Waiver Notice on or before the expiration of the Inspection Period, then Purchaser will be deemed to have waived the Title Objections (other than those which Seller has cured or agrees to cure prior to Closing) and to have waived Purchaser's right of termination under this Section 4.03, and in such event all Title Objections (other than those which Seller has cured or agrees to cure prior to Closing) shall be deemed to be Permitted Exceptions under this Agreement. The foregoing notwithstanding, Seller agrees to cause all liens against the Property referred to on Schedule C of the Title Commitment, together with the HEB Profit Participation Agreement (as hereinafter defined), to be released at or prior to Closing, and to otherwise satisfy all requirements of the Title Company with respect to those items which are set forth on Schedule C of the Title Commitment as applicable to Seller and which do not require action on the part of Purchaser and such items will not be Permitted Exceptions. Purchaser agrees to execute the waiver of inspection required in connection therewith and to otherwise cooperate fully with Seller, at no cost or liability to Purchaser, in order to satisfy all such requirements.

V.
Closing

5.01 Closing Date. This transaction shall close at the Title Company's offices or other location acceptable to the Parties on Thursday, December 15, 2016. The closing of the transaction evidenced by this Agreement is referred to in this Agreement as the "Closing"; and the actual date upon which the Closing occurs is referred to in this Agreement as the "Closing Date". Seller and Purchaser acknowledge and agree that Gregg Krumme of Armbrust & Brown PLLC will serve as the closing agent for the Title Company provided that all funds at Closing will be paid through the Title Company's escrow account and all closing documents shall be delivered to the attention of Amy Fisher at Heritage Title Company of Austin, Inc.

5.02 Seller's Closing Obligations. At the Closing, Seller shall, at Seller's sole cost and expense:

(a) execute and deliver to Purchaser a special warranty deed in the form of **Exhibit "E"** attached to this Agreement and incorporated herein by reference, with all blanks therein completed as necessary and with a description of the Land attached thereto as Exhibit "A" and a list of the Permitted Exceptions attached thereto as Exhibit "B" (the "Deed");

(b) execute and deliver to Purchaser a bill of sale and assignment in the form of **Exhibit "F"** attached to this Agreement and incorporated herein by reference (the "Bill of Sale and Assignment") and, if required to transfer any warranty to Purchaser, obtain and deliver to Purchaser the Warranty Consents (as hereinafter defined);

(c) execute and deliver to Purchaser an escrow agreement in the form of **Exhibit "G"** attached to this Agreement and incorporated herein by reference (the "Tenant Allowance/Commission Escrow Agreement");

(d) deliver to Purchaser executed originals of all of the Tenant Leases along with an updated and certified Rent Roll represented to be true, complete and correct in all material respects to the best of Seller's actual knowledge (the "Updated Rent Roll");

(e) execute and deliver to Purchaser a notice to each of the Tenants under the Tenant Leases in the form of **Exhibit "F-1"** attached to this Agreement and incorporated herein by reference, with all blanks therein completed as necessary (collectively, the "Tenant Notice Letters");

(f) execute and deliver to Purchaser the Restrictive Covenant Agreement (defined below);

(g) execute and deliver to Purchaser a counterpart original of each of the Master Leases (defined below), together with the Master Lease Guaranty (defined below) and the Master Lease Letter of Credit (defined below);

(h) execute and deliver to Purchaser a "non-foreign" certificate sufficient to establish that withholding of tax is not required in connection with this transaction;

(i) execute and deliver such other documents as are customarily executed by a seller in connection with the conveyance of similar property in Travis County, Texas, including the release of the HEB Profit Participation Agreement as to the Property and all required closing statements, releases, affidavits, evidences of authority to execute the documents, certificates of good standing, corporate resolutions and any other instruments reasonably required by the Title Company;

(j) deliver to Purchaser all landlord keys to the Property; and

(k) deliver to Purchaser the Tenant Estoppels required under Section 7.02 of this Agreement.

5.03 Purchaser's Closing Obligations. At the Closing, Purchaser shall, at Purchaser's sole cost and expense:

(a) deliver to the Title Company the Purchase Price (less the Earnest Money) plus the full amount of all expenses and other sums which Purchaser is required to pay under the terms of this Agreement, all for disbursement in accordance with the terms and provisions of this Agreement;

(b) execute and deliver to Seller counterpart originals of the Bill of Sale and Assignment, the Restrictive Covenant Agreement, the Tenant Allowance/Commission Escrow Agreement and each of the Master Leases;

(c) execute and deliver the Tenant Notice Letters to each of the tenants under the Tenant Leases; and

(d) execute and deliver such other documents as are customarily executed by a purchaser in connection with the conveyance of similar property in Travis County, Texas, including all required closing statements, releases, affidavits, evidences of authority to execute documents, certificates of good standing, corporate resolutions, and other instruments which are reasonably required by the Title Company.

5.04 Closing Costs. Seller and Purchaser each agrees to pay the following costs at Closing, in addition to any other amounts set forth in this Agreement.

(a) At or prior to the Closing, Seller must pay: (i) the basic premium for the Title Policy; (ii) all costs incurred in connection with the preparation and recordation of any releases of existing liens against the Property; (iii) all costs of the Survey; (iv) one-half (½) of all recording fees charged in connection with any other documents which are recorded pursuant to the terms of this Agreement; (v) one-half (½) of any escrow or closing fee charged by the Title Company in connection with this Agreement; (vi) all amounts payable to HEB under the HEB Profit Participation Agreement with regard to the Property; and (vii) any other closing costs customarily paid by a seller of similar property in Travis County, Texas, except as may be otherwise provided in this Agreement.

(b) At or prior to the Closing, Purchaser must pay: (i) all charges for any endorsements to the Title Policy, all charges to modify the area and boundary exception in the Title Policy, and all inspection fees and other additional premiums or expenses of any kind or nature incurred in connection with the Title Policy; (ii) the full amount of all premiums for any mortgagee's title policy requested by Purchaser, including charges for any survey endorsement or tax deletion requested; (iii) all expenses relating to Purchaser's financing, including any and all costs, expenses and fees required by Purchaser's lender; (iv) one-half (½) of all recording fees charged in connection with any documents which are recorded pursuant to the terms of this Agreement, except for any releases of liens to be recorded by Seller; (v) one-half (½) of any escrow fee charged by the Title company in connection with this Agreement; and (vi) any other closing costs customarily paid by a purchaser of similar property in Travis County, Texas, except as may otherwise be provided in this Agreement.

(c) Each Party will be responsible for the payment of its own attorneys' fees.

5.05 Prorations.

(a) All normally and customarily proratable items, including, without limitation, real estate and personal property taxes ("Taxes"), utility expenses, and payments under the Property Agreements (but only to the extent such Property Agreements are being assumed by Purchaser at Closing) shall be prorated as of the Closing Date, Seller being charged and credited for all of the same up to such date and Purchaser being charged and credited for all of the same on and after such date. If the actual amounts to be prorated are not known as of the Closing Date, the proration shall be made on the basis of the best information then available, and thereafter, when actual figures are received, a cash settlement will be made between Seller and Purchaser. Seller shall be obligated to pay any and all taxes and assessments that arise as a result of change in land usage or ownership, including without limitation all "rollback" or other additional taxes.

(b) If the Taxes for the year of Closing are not known as of the Closing Date, the proration for Taxes will be determined based upon the appraised value of the Property and the tax rates applicable to the Property during the year prior to the calendar year of the Closing.

(c) If the actual amounts to be prorated with respect to expenses other than Taxes are not known as of the Closing Date, the prorations with respect to those expenses shall be made on the best information then available.

(d) With respect to both Taxes and other expenses, after the actual amounts of the Taxes or other expenses are known, adjustments, if needed, will be made between Seller and Purchaser.

(e) All deposits held by the providers of utility services to the Real Property shall, at Seller's option, be refunded to the Seller by the appropriate utility providers, or be reimbursed to Seller by Purchaser at the Closing. Purchaser shall be solely responsible to make arrangements for the continuation of utility services to the Real Property, including without limitation, the obligation to post new utility deposits in the event Seller elects to obtain a refund of Seller's existing deposits from the providers of utility services. Notwithstanding the foregoing, Seller will not take any action or fail to take any action which would result in the cessation or termination of utility service to the Real Property.

(f) All security deposits actually in Seller's possession under the terms of any existing leases shall be delivered to Purchaser at the Closing, and Purchaser will assume all liabilities and obligations of Seller in connection with such security deposits. As for any security deposits not in the form of cash (e.g., letters of credit), Seller must deliver to Purchaser at Closing the original letter of credit or other non-cash instrument, together with all transfer

documentation and transfer fees required by the issuing entity to cause same to be reissued to Purchaser immediately following the Closing. Seller and Purchaser agree to cooperate to ensure that fully executed Tenant Letters are sent to all of the Tenants at the Property within ten (10) days of the Closing.

(g) All rents collected with respect to the Property as of the Closing Date for the then current month shall be prorated as of the Closing Date. Purchaser shall make reasonable attempt after Closing to collect uncollected rents for any period prior to Closing (the "Delinquent Rents") in the usual course of operation of the Property; provided, however, Purchaser shall not be required to declare a lease default or institute any legal action in any court against any Tenant. Seller may not initiate (nor demand that Purchaser initiate) legal proceedings for collection of delinquent rentals against any Tenants. One hundred eighty (180) days after the Closing Date, upon written request from Seller, Purchaser shall provide Seller with a written accounting (the "Uncollected Rents Accounting") of all of the Delinquent Rents and all other rents and expenses collected by Purchaser after Closing. Purchaser shall promptly pay to Seller all Delinquent Rents not previously remitted by Purchaser to Seller, but only to the extent Seller is entitled to the same under this section. In making the computations required by this Section, all amounts of Delinquent Rent collected from Tenants shall be applied: (i) first to Purchaser's actual and reasonable costs of collection, including, without limitation, court costs and reasonable attorneys' fees; (ii) next, to current rental owed by such Tenant; and (iii) finally, to delinquent rentals, if any, owed by such Tenant in the inverse order of their maturity. Seller will deliver to Purchaser, within five (5) business days following receipt, any rents received by Seller after the Closing and attributable to the period from and after the Closing. If Seller has provided any Tenant with free rent under the terms of its Tenant Lease (the "Free Rent"), then Seller agrees, at the Closing, to provide Purchaser with a credit against the Purchase Price equal to that portion of the Free Rent, if any, covering the period after the Closing Date; provided, however, Purchaser will not be entitled to such credit if any such Free Rent would be paid to Purchaser under any Master Lease.

(h) The Hotel Lease, defined in the Rent Roll, includes an obligation to reimburse landlord for impact and subsequent user fees prepaid by Seller to Water Control and Improvement District No. 17 ("WCID 17"). The requirement to reimburse these impact and subsequent user fees are referred to herein as the "Impact Fees Reimbursements". All Impact Fees Reimbursements will be paid to Seller when received from the applicable Tenant. After Closing, Purchaser agrees to use commercially reasonable efforts, at no cost or liability to Purchaser, to collect unpaid Impact Fees Reimbursements from the Tenant under the Hotel Lease when due in the usual course of operation of the Property and will promptly remit Impact Fees Reimbursements, if any, collected to Seller; provided, however, Purchaser shall not be required to declare a lease default or institute any legal or other proceedings against any

Tenant. Purchaser agrees that it will, if permitted by the terms of the Hotel Lease, offset the Impact Fees Reimbursement due by the Tenant under the Hotel Lease (if the Impact Fees Reimbursement has not otherwise been paid by such Tenant) from any Security Deposit due back to Tenant under the Hotel Lease at the time the Security Deposit refund is due Tenant and pay such offset amount to Seller. Seller may not initiate (nor demand that Purchaser initiate) legal or other proceedings for collection of Impact Fees Reimbursements from any Tenant.

(i) All (i) unpaid tenant finish out or construction allowances, landlord construction cost or reimbursement obligations, if any, under the Tenant Leases executed on or prior to Closing ("Unpaid Allowances") and (ii) unpaid leasing commissions, if any, for Tenant Leases executed on or prior to Closing ("Unpaid Leasing Commissions"), will be paid by Seller to Purchaser at the Closing by credit against the Purchase Price, and Purchaser will assume all liabilities and obligations of Seller in connection with the payment of the Unpaid Allowances and the Unpaid Leasing Commissions so credited; provided, however, if Unpaid Allowances or Unpaid Leasing Commissions are outstanding under any Tenant Leases which are not Earn-Out Leases as of the Closing then, in lieu of such credit, such Unpaid Allowances and Unpaid Leasing Commissions will be funded by Seller into escrow in accordance with the Tenant Allowance/Commission Escrow Agreement at the Closing.

(j) Seller has entered into a Tenant Lease effective May 15, 2015 (the "RCR Lease"), with Raising Cane's Restaurants, LLC ("RCR"). Notwithstanding the terms of clause (i) above, if the Closing occurs, Purchaser agrees to assume Seller's obligation to pay the Allowance (as defined in the RCR Lease) and, to the extent Seller has paid all or any portion of the Allowance on or before the Closing, Purchaser will reimburse Seller at Closing for same to the extent not already collected by Seller from RCR as Improvement Rent (as defined in the RCR Lease) under the RCR Lease. Accordingly, the Allowance under the RCR Lease will not be included in the escrow under the Tenant Allowance/Commission Escrow Agreement. As of the Effective Date, Seller has paid RCR $199,882.10 of the Allowance.

The provisions of this Section 5.05 shall survive the Closing.

5.06 Section 1031 Exchange. Either Party (the "Exchanging Party") may consummate the sale and purchase of the Real Property as part of a so-called like kind exchange (the "Exchange") pursuant to Section 1031 of the Internal Revenue Code of 1986, as amended (the "Code"); provided that: (a) the Closing shall not be delayed or affected by reason of the Exchange; (b) the consummation of the Exchange will not be a condition precedent or condition subsequent to the obligations of either Party under this Agreement; (c) the Exchanging Party shall effectuate the Exchange through an assignment of its rights under this Agreement to a qualified intermediary; (d) the other Party ("Non-Exchanging Party") shall not be required to take an assignment of any

purchase agreement for replacement property or be required to acquire or hold title to any replacement property for purposes of consummating the Exchange; (e) the Non-Exchanging Party shall not be required to incur any cost or liability in connection with the Exchange; and (f) the Non-Exchanging Party shall not by this Agreement or by the acquiescence of the Non-Exchanging Party to the Exchange: (i) have its rights under this Agreement affected or diminished in any manner; or (ii) be responsible for compliance with or be deemed to have warranted to Exchanging Party that the Exchange in fact complies with Section 1031 of the Code.

VI.
Representations, Covenants, Notices and Other Matters

6.01 Seller Representations: Seller represents and warrants to Purchaser as follows:

(a) Except for the Tenant Leases, there are no outstanding leases, options to purchase, rights of first refusal (except for the HEB ROFR), letters of intent or rental agreements with respect to any of the Property. Seller has delivered to Purchaser, or will deliver to Purchaser as part of the Property Information, true, correct, and complete copies of all Tenant Leases.

(b) There are no Unpaid Leasing Commissions or Unpaid Allowances with respect to any portion of the Real Property except as disclosed on the certified Rent Roll, initially attached hereto as **Exhibit "B-1"** and as updated from time to time and at Closing.

(c) The person or persons executing this Agreement on behalf of Seller have full power and authority to execute this Agreement, and to bind Seller to the terms hereof.

(d) Seller is a duly organized and validly existing limited liability company under the laws of the State of Texas.

(e) Seller has, without notice to or consent or joinder of any other person or entity, the full right, power and authority to enter into and perform this Agreement, including full right, power and authority to sell the Property to Purchaser.

(f) Seller's execution, delivery and performance of this Agreement: (i) are within Seller's power and authority and have been duly authorized; and (ii) will not conflict with, or with or without notice or the passage of time, or both, result in a breach of any of the terms and provisions of or constitute a default under any legal requirement, indenture, mortgage, loan agreement or instrument to which Seller is a party or by which Seller is bound.

(g) Seller has not been served with notice of any existing litigation with respect to the Property which would be binding upon Purchaser or the Property after

the Closing, and to the knowledge of Seller, no such litigation has been threatened or asserted except as disclosed in the Property Information.

(h) Except as disclosed by the Title Commitment, Seller has not received any notice and has no knowledge of any pending improvement liens, special assessments or condemnations against the Property by any governmental authority.

(i) Seller has not received any written notice of any violation of any ordinance, regulation, law or statute of any governmental agency pertaining to the Property or any portion thereof or the operation thereof.

(j) Seller has received no written notice (i) that the Property or the use thereof violates any covenants or restrictions encumbering the Property, (ii) of any material physical defect in the Improvements (including any written notice of defect with respect to the safety sprinklers installed therein), or (iii) from any insurance company or underwriter of any defect that would materially adversely affect the insurability of the Property or cause an increase in insurance premiums.

(k) No portion of the Property has been designated or assessed for "agricultural use" or as "qualified open space land" within the meaning of Article VIII, Section 1-D or Section 1-D-1 of the Texas Constitution, or the statutes relating thereto which are codified under the Texas Tax Code, as amended.

(l) To Seller's knowledge, the Property is not the habitat or potential habitat of any species of flora or fauna which is protected under any applicable laws pertaining to the protection of flora or fauna (including, without limitation, federal Endangered Species Act) and the anticipated use of the Property does not violate any regulations concerning endangered or threatened species of flora or fauna.

(m) Except for normal construction materials and processes used in the ordinary course of the construction of the Improvements in compliance with Environmental Laws (defined below), Seller has not manufactured, introduced, released or discharged from or onto the Property any Hazardous Materials or any toxic wastes, substances or materials (including, without limitation, asbestos), and Seller has not used the Property or any part thereof for the generation, treatment, storage, handling or disposal of any Hazardous Materials, in violation of any Environmental Laws. The term "Environmental Laws" includes without limitation the Resource Conservation and Recovery Act and the Comprehensive Environmental Response Compensation and Liability Act and other federal laws governing the environment as in effect on the date of this Agreement together with their implementing regulations and guidelines as of the date of this Agreement, and all state, regional, county, municipal and other local laws, regulations and ordinances that are equivalent

or similar to the federal laws recited above or that purport to regulate Hazardous Materials. The term "Hazardous Materials" includes petroleum, including crude oil or any fraction thereof, natural gas, natural gas liquids, liquefied natural gas, or synthetic gas usable for fuel (or mixtures of natural gas or such synthetic gas), asbestos and asbestos containing materials, and any substance, material waste, pollutant or contaminant listed or defined as hazardous or toxic under any Environmental Law. To Seller's knowledge and except as disclosed in the Property Information, no portion of the Property is currently in violation of or subject to any existing, pending, or threatened investigation or inquiry by any governmental authority or to any remedial obligations under any Environmental Laws

(n) To Seller's knowledge and except as disclosed in the Property Information, there is no asbestos located upon or within any portion of the Property, no portion of the Property has been used as a garbage or refuse dump site, a landfill, a waste disposal facility, a transfer station, or any other type of facility for storage, processing, treatment, or temporary or permanent disposal of waste materials, including, without limitation, solid, industrial, toxic, hazardous, radioactive, nuclear or putrescible waste or sewage, and there are no underground storage tanks of any kind or nature located within the Property.

(o) Seller is not a "foreign person" as defined in Section 1445 of the Internal Revenue Code of 1986, as amended, and will deliver an affidavit so confirming at Closing.

(p) Except for (i) any contractors, subcontractors, suppliers, architects, engineers and others who have been engaged directly by Tenants under Tenant Leases to perform services or labor or to supply materials to such Tenants, and (ii) any contractors, subcontractors, suppliers, architects, engineers and others who may be engaged after the Effective Date by Seller to construct a build to suit building in the Shopping Center or on Pad Site M or Pad Site N (each, a "Build to Suit") or a multi-tenant building on Pad Site N (a "Pad Site N Multi-Tenant Building"), all contractors, subcontractors, suppliers, architects, engineers, and others who have performed services or labor or have supplied materials by, through or under Seller in connection with Seller's acquisition, development, ownership, or management of the Property have been paid in full and all liens arising therefrom (or claims which the passage of time or the giving of notice, or both, could mature into liens) have been satisfied and released.

(q) All information set forth in any Rent Roll delivered to Purchaser from time to time shall be true, correct, and complete in all material respects as of its date. Seller has not received any written notice of any default or breach on the part of the landlord under any Tenant Lease which has not been provided

to Purchaser or will be provided to Purchaser as part of the Property Information. The Pro Forma includes the status of whether each tenant under the Tenant Leases is open for business. Certain of the tenants under Tenant Leases have exceeded the time allowed under their respective Tenant Leases to complete finish out of their space and to open for business. Within five (5) business days after the Effective Date, Seller will provide Purchaser with a revised Pro Forma to identify the dates such tenants were originally required to have completed the finish out of their space.

(r) The list of Tangible Personal Property attached hereto as **Exhibit "B-3"** to be delivered to Purchaser pursuant to this Agreement is true, correct, and complete as of the date of its delivery. Neither Seller nor, to Seller's knowledge, any other party is in default under any Property Agreement. Seller has delivered to Purchaser, or will deliver to Purchaser as part of the Property Information, true, correct, and complete copies of all Property Agreements, and there are no other written agreements affecting the use, operation or management of the Property that will be binding on Purchaser after Closing.

(s) The operating statements for the Property delivered to Purchaser pursuant to this Agreement show all items of income and expense (operating and capital) incurred in connection with Seller's ownership, operation, and management of the Property for the periods indicated and are and will be true, correct, and complete in all material aspects.

(t) To Seller's knowledge, as of Closing, all water, sewer, gas, electric, telephone, and drainage facilities, and other utilities required by law for the normal and proper operation of the Property are installed to the property line and are connected with valid permits, and are adequate to serve the Property for its current use and to permit full compliance with all requirements of law and the Tenant Leases. Except as may be required to be paid by a Tenant under a Tenant Lease in connection with improvements being constructed by such Tenant thereunder or to be paid by Seller for a Build to Suit or any Pad Site N Multi-Tenant Building, all permits and connection fees are fully paid and no action is necessary on the part of Purchaser to transfer such permits to it. All utilities serving the Property enter it through public streets or recorded easements. To Seller's knowledge, no fact or condition exists which would result in the termination of such utilities services to the Property.

(u) The Property is an independent unit which does not now rely on any facilities (other than facilities covered by Permitted Exceptions or facilities of municipalities or public utilities) located on any property that is not part of the Property to fulfill any municipal or other governmental requirement, or for the furnishing to the Property of any essential building systems or utilities (including drainage facilities, catch basins, and retention ponds). No other

building or other property that is not part of the Property relies upon any part of the Property to fulfill any municipal or other governmental requirement, or to provide any essential building systems or utilities (other than facilities covered by Permitted Exceptions or facilities of municipalities or public utilities). All conditions set forth in, and payments required under, the PUD with respect to the Property as of the Effective Date have been satisfied and paid other than ongoing LEED certification processes. Except as reflected in the Permitted Exceptions, Seller has not made any commitments to any governmental authority, utility company, school board, church or other religious body, or any homeowners association, or any other organization, group or individual which would be binding upon Purchaser or the Property after the Closing.

(v) To the best of Seller's knowledge, there is no pending or contemplated eminent domain or condemnation of the Property or any portion thereof.

(w) Seller, (i) is not in receivership or dissolution, (ii) has not made an assignment for the benefit of creditors or admitted in writing its inability to pay its debts as they mature, (iii) has not been adjudicated a bankrupt or filed a petition in voluntary bankruptcy or a petition or answer seeking reorganization or an arrangement with creditors under the federal bankruptcy laws or any similar law or statute of the United States or any jurisdiction and no such petition has been filed against Seller, and (iv) to its knowledge, none of the foregoing are pending or contemplated.

(x) Neither Seller nor any holder of an interest in Seller is a “party in interest” to any employee benefit plans, and the Property is not an asset of an employee benefit plan covered under Part 4 of Title 1 of the Employee Retirement Income Security Act of 1974, as amended (ERISA), or as defined in Section 49, 75(e)(1) of the Internal Revenue Code of 1986, as amended. For purposes of the foregoing, the term “party in interest” shall have the meaning assigned to such term in Section 3(14) of ERISA.

(y) Seller is currently in compliance with, and shall at all times during the term of this Agreement (including any extension thereof) remain in compliance with, the regulations of the Office of Foreign Assets Control ("**OFAC**") of the Department of the Treasury (including those named on OFAC's Specially Designated Nationals and Blocked Persons List) and any statute, executive order (including the September 24, 2001, Executive Order Blocking Property and Prohibiting Transactions with Persons Who Commit, Threaten to Commit, or Support Terrorism), or other governmental action relating thereto.

(z) The HEB Profit Participation Agreement is not cross-defaulted with the HEB Lease and HEB has no right to terminate the HEB Lease, offset or abate any rental due thereunder or exercise any other remedies under the HEB Lease

due to any default by Seller under the HEB Profit Participation Agreement. Subject to delivery of the HEB Amendment (as hereinafter defined), the breach after Closing of any restrictive covenants under the HEB Lease applicable to the Seller Retained Tract (defined below), or any other property not included in the Property will not entitle HEB to terminate the HEB Lease, offset or abate any rental due thereunder or otherwise exercise any remedy under the HEB Lease against Purchaser or the Property after the Closing.

All references in this Section 6.01 or elsewhere in this Agreement and/or in any other document or instrument executed by Seller in connection with or pursuant to this Agreement, to "Seller's knowledge" or "to the knowledge of Seller" and words of similar import shall refer to facts within the current actual knowledge of William H. Armstrong, III, Chief Executive Officer of Seller and Jon Andrus, development consultant of Seller (the "Seller Representatives"). Nothing in this Section 6.01 or the remainder of this Agreement shall imply or impose any duty of investigation or inquiry upon Seller or any of the Seller Representatives, or give rise to any personal liability on the part of any of the Seller Representatives. The warranties and representations of Seller set out in this Section 6.01, plus the warranties and representations of Seller in the closing documents executed by Seller pursuant to this Agreement, including, without limitation, the special warranty of title to be included in the Deed, shall survive the Closing and are referred to in this Agreement collectively as the "Express Warranties". **EXCEPT FOR THE EXPRESS WARRANTIES, PURCHASER IS NOT RELYING ON ANY WARRANTIES, REPRESENTATIONS, PROMISES, COVENANTS, AGREEMENTS, GUARANTIES OR STATEMENTS OF ANY KIND OR NATURE (WRITTEN, ORAL, EXPRESS, IMPLIED OR OTHERWISE)** by or from Seller or any agent, employee or other person operating by, through or under Seller. If Seller receives or gains knowledge of any facts or circumstances that would make any of the Express Warranties or any of the covenants made by Seller under this Agreement inaccurate, incomplete or unperformable in any material respect, Seller will promptly notify Purchaser in writing of the existence of such facts and circumstances, and (so long as such facts and circumstances are not within the control of Seller) Purchaser must, within five (5) business days after Purchaser's receipt of such notice, either, as Purchaser's sole and exclusive remedy: (i) accept such modified representation, warranty or covenant as Seller may then give consistent with the facts and circumstances set out in Seller's notice and close under this Agreement, waiving Purchaser's rights to object to any matters which are not covered by such modified representation, warranty or covenant; or (ii) terminate this Agreement by written notice of termination to Seller. If Purchaser fails to deliver to Seller a written notice within the five (5) business day period referenced in the immediately preceding sentence, then Purchaser shall be deemed to have elected option (i) in the immediately preceding sentence. If Purchaser elects to terminate this Agreement in accordance with option (ii) above, then the Earnest Money will be refunded to Purchaser and, if the breach of such Express Warranty or covenant of Seller is due to the fault of Seller, then Seller will also reimburse Purchaser for its Third Party Costs (defined below).

PURCHASER ACKNOWLEDGES THAT PURCHASER WILL INDEPENDENTLY CAUSE THE PROPERTY TO BE INSPECTED ON PURCHASER'S BEHALF DURING THE INSPECTION PERIOD AND THAT PURCHASER HAS NOT ENTERED INTO THIS AGREEMENT BASED ON ANY REPRESENTATION, WARRANTY, AGREEMENT,

STATEMENT OR EXPRESSION OF OPINION BY SELLER OR BY ANY PERSON OR ENTITY ACTING OR ALLEGEDLY ACTING FOR OR ON BEHALF OF SELLER, OTHER THAN THE EXPRESS WARRANTIES. PURCHASER UNDERSTANDS, AGREES AND ACKNOWLEDGES THAT THE PROPERTY IS SOLD BY SELLER AND ACCEPTED BY PURCHASER: (I) AS IS, WHERE IS, WITH ALL FAULTS, IF ANY, AND WITHOUT ANY REPRESENTATIONS OR WARRANTIES WHATSOEVER, EXPRESS OR IMPLIED, OTHER THAN THE EXPRESS WARRANTIES; AND (II) SUBJECT TO (1) ALL MATTERS WHICH APPEAR IN OR ARE DISCLOSED BY THIS AGREEMENT, THE PROPERTY INFORMATION AND THE PERMITTED EXCEPTIONS (COLLECTIVELY, THE "DISCLOSED MATTERS"); (2) ALL OF THE DISCLAIMERS AND RELEASES SET OUT IN THIS AGREEMENT AND ALL OF THE DISCLAIMERS SET OUT IN THE DEED (COLLECTIVELY, THE "DISCLAIMERS"); AND (3) ALL MATTERS COVERED BY THE DISCLAIMERS (COLLECTIVELY, THE "DISCLAIMED MATTERS").

PURCHASER, BY EXECUTION OF THIS AGREEMENT, RELEASES SELLER FROM ANY AND ALL LIABILITIES, OBLIGATIONS AND CLAIMS OF ANY KIND OR NATURE FOR, CONCERNING OR REGARDING (OR ARISING UNDER, IN CONNECTION WITH OR OUT OF) THE DISCLOSED MATTERS AND THE DISCLAIMED MATTERS (INCLUDING WITHOUT LIMITATION ALL LIABILITY FOR CONTRIBUTION AND INDEMNITY, REGARDLESS OF WHETHER OF SUCH LIABILITY ARISES UNDER CONTRACT, STATUTE OR OTHERWISE), EXCEPT FOR THE EXPRESS WARRANTIES.

EXCEPT FOR THE EXPRESS WARRANTIES, SELLER SPECIFICALLY NEGATES AND DISCLAIMS ANY AND ALL REPRESENTATIONS, WARRANTIES, PROMISES, COVENANTS, AGREEMENTS, GUARANTIES AND STATEMENTS OF ANY KIND OR CHARACTER WHATSOEVER (WHETHER EXPRESS OR IMPLIED, ORAL OR WRITTEN, PAST, PRESENT OR FUTURE) OF, AS TO, CONCERNING OR WITH RESPECT TO THE FOLLOWING MATTERS (ALL OF WHICH ARE "DISCLAIMED MATTERS" FOR PURPOSES OF THIS AGREEMENT): (1) THE NATURE, QUALITY OR CONDITION OF THE PROPERTY, INCLUDING, WITHOUT LIMITATION, THE ACREAGE OF THE PROPERTY, THE DRAINAGE OF STORM WATER ONTO OR FROM THE PROPERTY, THE CONDITION OF THE SOILS LOCATED WITHIN THE PROPERTY, THE PRESENCE OR EXISTENCE OF ANY FAULTS WITHIN THE PROPERTY OR ANY OTHER MATTERS RELATED TO THE GEOLOGY OF THE PROPERTY OR ANY SURROUNDING AREAS; (2) THE AVAILABILITY OF WATER OR WATER RIGHTS WITH RESPECT TO THE PROPERTY; (3) THE AVAILABILITY OF UTILITIES TO THE PROPERTY OR THE EXISTENCE OR AVAILABILITY OF UTILITY COMMITMENTS TO SERVE THE PROPERTY; (4) WHETHER OR NOT ANY PORTION OF THE PROPERTY LIES WITHIN ANY FLOOD PLAIN, FLOOD WAY, FLOOD PRONE AREA OR SPECIAL FLOOD HAZARD AREA; (5) THE STATUS OF ANY RIGHTS OF ACCESS TO THE PROPERTY, WHETHER BY PRIVATE EASEMENTS, PUBLIC ROADS OR OTHERWISE; (6) THE VALUE OF THE PROPERTY OR THE ANTICIPATED INCOME TO BE DERIVED FROM THE PROPERTY; (7) THE DEVELOPMENT

POTENTIAL OF THE PROPERTY, INCLUDING WITHOUT LIMITATION, THE STATUS OF GOVERNMENTAL APPROVALS WITH RESPECT TO THE PROPERTY, THE ANTICIPATED DENSITIES WHICH MAY BE OBTAINED IN CONNECTION WITH THE DEVELOPMENT OF THE PROPERTY, OR ANY OTHER SIMILAR MATTERS; (8) THE SUITABILITY OF THE PROPERTY FOR ANY ACTIVITIES OR USES WHICH PURCHASER MAY CONDUCT THEREON; (9) THE COMPLIANCE OF OR BY THE PROPERTY OR ITS OPERATIONS WITH ANY RESTRICTIVE COVENANTS OR OTHER LEGAL REQUIREMENTS OR LIMITATIONS WHICH ARE FILED OF PUBLIC RECORD; (10) THE COMPLIANCE OF OR BY THE PROPERTY OR ITS OPERATIONS WITH ANY LAWS, RULES, ORDINANCES OR REGULATIONS OF ANY APPLICABLE GOVERNMENTAL AUTHORITY OR BODY, INCLUDING WITHOUT LIMITATION ANY ENVIRONMENTAL PROTECTION, POLLUTION OR LAND USE LAWS, RULES, REGULATIONS, ORDERS OR REQUIREMENTS; (11) THE DISPOSAL OR EXISTENCE, IN OR ON THE PROPERTY, OF ANY ASBESTOS, PCB EMISSIONS, HYDROCARBONS, RADON GAS, OR HAZARDOUS OR TOXIC MATERIALS; (12) THE HABITABILITY, MERCHANTABILITY, MARKETABILITY, PROFITABILITY OR FITNESS FOR A PARTICULAR PURPOSE OF THE PROPERTY; (13) THE PLANNING, DESIGN OR ENGINEERING OF ANY IMPROVEMENTS LOCATED UPON OR WITHIN THE PROPERTY; (14) ANY MATTERS RELATED TO THE CONSTRUCTION OF ANY IMPROVEMENTS LOCATED UPON OR WITHIN THE PROPERTY, INCLUDING WITHOUT LIMITATION, THE QUALITY OF ANY LABOR OR MATERIALS INCORPORATED THEREIN; (15) THE EXISTENCE OF ANY DEFECTS (LATENT OR PATENT) OR THE STATE OF REPAIR OR LACK OF REPAIR OF ANY IMPROVEMENTS LOCATED UPON OR WITHIN THE PROPERTY; AND (16) ANY OTHER MATTERS WITH RESPECT TO THE PROPERTY OR THE AREA IN WHICH THE PROPERTY IS LOCATED.

NOTWITHSTANDING ANY PROVISION HEREOF TO THE CONTRARY, THE PROVISIONS OF THIS AGREEMENT, INCLUDING, WITHOUT LIMITATION, THIS SECTION 6.01, SHALL NOT RELEASE SELLER FROM LIABILITY FOR: (A) ANY DAMAGES, CLAIMS, LIABILITIES OR OBLIGATIONS ARISING OUT OF OR IN CONNECTION WITH A BREACH OF (OR FAILURE TO COMPLY WITH) ANY COVENANT, REPRESENTATION OR WARRANTY OF SELLER SET FORTH IN THIS AGREEMENT OR IN THE CLOSING DOCUMENTS TO THE EXTENT THE SAME SURVIVE THE CLOSING; OR (B) SELLER'S INTENTIONAL, ACTIVE FRAUD OR FRAUDULENT CONCEALMENT. FURTHER, SELLER ACKNOWLEDGES AND AGREES THAT PURCHASER HAS NOT ASSUMED, AND SHALL HAVE NO OBLIGATION TO INDEMNIFY SELLER FROM AND AGAINST, ANY GOVERNMENTAL OR THIRD PARTY CLAIMS ASSERTED AFTER THE CLOSING AS A RESULT OF ANY ACT OR OMISSION TAKEN OR FAILED TO BE TAKEN BY OR ON SELLER'S BEHALF PRIOR TO THE CLOSING.

6.02 Purchaser Representations: Purchaser represents and warrants to Seller as follows:

(a) Purchaser is a duly organized and validly existing limited liability company under the laws of the State of Massachusetts.

(b) Purchaser has, without notice to or consent or joinder of any other person or entity, the full right, power and authority to enter into and perform this Agreement, including full right, power and authority to purchase the Property from Seller.

(c) Purchaser's execution, delivery and performance of this Agreement: (i) are within Purchaser's power and authority and have been duly authorized; and (ii) will not conflict with, or with or without notice or the passage of time, or both, result in a breach of any of the terms and provisions of or constitute a default under any legal requirement, indenture, mortgage, loan agreement or instrument to which Purchaser is a party or by which Purchaser is bound.

(d) To Purchaser's current actual knowledge, Purchaser is, and on the Closing Date will be, financially able to consummate the purchase of the Property in the manner contemplated by this Agreement.

(e) Purchaser is not insolvent (as such term is in the United States Bankruptcy Code, 11 U.S.C. Sections 101, et seq. (the "Bankruptcy Code")) and will not become insolvent as a result of entering into and consummating this Agreement or the transactions contemplated hereby (including, without limitation, the purchase of the Property), nor are the transactions contemplated hereunder or obligations incurred in connection herewith made or incurred by Purchaser with any intent to hinder, delay or defraud any creditors to which Purchaser is or becomes indebted. Purchaser acknowledges that it is receiving new, fair, reasonably equivalent value in exchange for the transfers and obligations contemplated by this Agreement, and affirmatively represents that neither its entry into this Agreement nor its consummation of the transactions contemplated hereby constitutes a fraudulent conveyance or preferential transfer under the Bankruptcy Code or any other federal, state or local laws affecting creditors rights generally.

(f) Purchaser is currently in compliance with, and shall at all times during the term of this Agreement (including any extension thereof) remain in compliance with, the regulations of the OFAC of the Department of the Treasury (including those named on OFAC's Specially Designated Nationals and Blocked Persons List) and any statute, executive order (including the September 24, 2001, Executive Order Blocking Property and Prohibiting Transactions with Persons Who Commit, Threaten to Commit, or Support Terrorism), or other governmental action relating thereto.

Each of the warranties and representations of Purchaser under this Agreement is true and correct as of the Effective Date of this Agreement and shall be true and correct as of the date of Closing. The warranties, representations and covenants of Seller and Purchaser contained in this Agreement

shall survive the Closing and shall inure to the benefit of and be binding upon the heirs, legal representatives, successors and assigns of the Parties hereto.

6.03 No Fraud In The Inducement.

(a) **EACH PARTY UNEQUIVOCALLY REPRESENTS, ACKNOWLEDGES AND STATES THAT NEITHER THE OTHER PARTY NOR ANY AGENT, EMPLOYEE, CONTRACTOR OR OTHER PERSON OR ENTITY OPERATING BY, THROUGH OR UNDER THE OTHER PARTY: (1) HAS MADE ANY WARRANTIES, REPRESENTATIONS, PROMISES OR STATEMENTS, EITHER EXPRESS OR IMPLIED, TO INDUCE SUCH PARTY TO ENTER INTO THIS AGREEMENT, EXCEPT TO THE EXTENT THAT THE SAME ARE EXPRESSLY SET FORTH IN THIS AGREEMENT; OR (2) HAS ANY DUTY TO MAKE ANY DISCLOSURES TO SUCH PARTY, EXCEPT TO THE EXTENT THAT THE SAME ARE EXPRESSLY SET FORTH IN THIS AGREEMENT.**

(b) **EACH PARTY UNEQUIVOCALLY REPRESENTS, ACKNOWLEDGES AND STATES THAT IN ENTERING INTO THIS TRANSACTION AND EXECUTING AND DELIVERING THIS AGREEMENT TO THE OTHER PARTY, SUCH PARTY IS: (1) NOT RELYING UPON ANY WARRANTIES, REPRESENTATIONS, PROMISES OR STATEMENTS, WHETHER EXPRESS OR IMPLIED, MADE BY THE OTHER PARTY OR ANY AGENT, EMPLOYEE, CONTRACTOR OR OTHER PERSON OR ENTITY OPERATING BY, THROUGH OR UNDER THE OTHER PARTY, EXCEPT TO THE EXTENT THAT THE SAME ARE EXPRESSLY SET FORTH IN THIS AGREEMENT; AND (2) EXCEPT TO THE EXTENT OTHERWISE EXPRESSLY AND SPECIFICALLY SET FORTH IN THIS AGREEMENT, RELYING SOLELY ON ITS OWN INSPECTION, INVESTIGATION AND JUDGMENT.**

6.04 Seller Covenants. Seller agrees that, between the Effective Date of this Agreement and the Closing Date:

(a) Except for the Approved Leases (defined below) and construction contracts entered into to fulfill landlord obligations thereunder, the Site Easements (defined below), the Required Easements (defined below) consented to by Purchaser, the Restrictive Covenant Agreement, and any construction contract required to construct any Build to Suit or any Pad Site N Multi-Tenant Building (the "Pad Site N Multi-Tenant Building Construction Contract"), Seller will not enter into or grant any liens, easements, restrictive covenants or other agreements of any kind which would survive the Closing and which would affect title to the Property, without the prior written approval of Purchaser, which may be withheld in Purchaser's reasonable discretion

prior to the expiration of the Inspection Period and which may be withheld in Purchaser's sole discretion after the expiration of the Inspection Period. Subject to the terms and provisions of Section 6.07 below, Seller may enter into Property Agreements after the Effective Date provided that Seller terminates any such Property Agreement that Purchaser does not elect to assume pursuant to Section 6.07 below, without cost or liability to Purchaser. Any Pad Site N Multi-Tenant Building Construction Contract must be substantially in the form as the construction contract entered into with Fromberg Construction, LLC for the construction of Building J.

(b) Except for the Approved Leases and Tenant Lease Amendments as permitted under Section 6.06 below, Seller will not enter into any leases or other possessory agreements for the Property or any amendments or modifications to the Tenant Leases or Approved Leases which would be binding on Purchaser or the Property after the Closing, without the prior written approval of Purchaser, which may be withheld in Purchaser's reasonable discretion prior to the expiration of the Inspection Period and which may be withheld in Purchaser's sole discretion after the expiration of the Inspection Period.

(c) Except for Approved Leases, Seller will not sell, transfer, convey, demolish, destroy, dispose of, relinquish, amend, alter, change or modify the Property or any portion thereof, except for tenant finish out and other improvements to the Property in the ordinary course of business, any Build to Suit and any construction of the Pad Site N Multi-Tenant Building, without the prior written consent of Purchaser, which may be withheld in Purchaser's reasonable discretion prior to the expiration of the Inspection Period and which may be withheld in Purchaser's sole discretion after the expiration of the Inspection Period.

(d) Seller will operate and repair and maintain the Property in a first class condition commensurate with comparable retail shopping centers in the Austin, Texas area and in accordance with all applicable laws, codes and regulations, the Tenant Leases, the Approved Leases and all other agreements, restrictions or covenants applicable to, or binding upon the Property.

(e) Seller will promptly notify Purchaser of any material damage to or destruction of the Property or any portion thereof.

(f) Seller will promptly perform all of its obligations, in all material respects, under the Tenant Leases, the Approved Leases, and all requirements of Seller's construction lender and related construction loan documents ("Construction Loan Documents").

(g) Seller will promptly upon obtaining notice of same, notify Purchaser of any instituted or proposed foreclosure proceeding, condemnation action or other litigation with respect to the Property or any portion thereof.

(h) Seller will promptly upon obtaining notice of same, notify Purchaser of any legal, political, governmental, or administrative proceeding or moratorium instituted or proposed which specifically affects the Property in a materially adverse manner.

(i) After the expiration of the Inspection Period, Seller will not alter or amend in any way which would be binding upon Purchaser or the Property after the Closing, the zoning or any other governmental approval and permit applicable to the Property, without the prior written consent of Purchaser, which consent will not be unreasonably conditioned, withheld or delayed (as of the Effective Date, Seller is processing an amendment to the PUD to streamline the process for confirming compliance with green building requirements which proposed amendment will be included in the Property Information); and

(j) Seller will not make any commitments to any governmental authority, utility company, school board, church or other religious body, or any homeowners association, or any other organization, group or individual which would be binding upon Purchaser or the Property after the Closing.

6.05 Purchaser Covenants. Purchaser agrees that, between the Effective Date of this Agreement and the Closing Date, neither Purchaser nor any of the Purchaser Parties will, without the prior written consent of Seller:

(a) have any contact (written, verbal or otherwise) with or make any commitments to any governmental authority, utility company, school board, church, religious body, homeowners association, or other similar organization or group with respect to the Property or allow any third party to make or have any such contact on behalf of Purchaser or any of the Purchaser Parties, except Purchaser may make inquiries to municipal, local and other government representatives to the extent required by law or with respect to customary Phase I environmental, zoning and building code inquiries;

(b) enter into any leases or other possessory agreements for the Property which would be binding on Seller or the Property after any termination of this Agreement;

(c) enter into or grant any easements, liens, encumbrances or other contracts or instruments which would be binding upon Seller or the Property after any termination of this Agreement;

(d) record in any public records, any memorandum or other instrument referencing this Agreement, other than any documents permitted pursuant to the terms of this Agreement or any lis pendens filed in connection with a suit for specific performance filed by Purchaser in conformance with the requirements of Section 9.02 of this Agreement;

(e) alter or amend in any way which would be binding upon Seller or the Property after any termination of this Agreement, the zoning or any other governmental approval or permit affecting the Property;

(f) commence any construction activities upon or within the Property;

(g) transfer, convey, dispose of or remove any portion of the Property; or

(h) terminate or amend or purport to terminate or amend any service contract, maintenance contract or other contract of any kind relating to the Property, except for contracts entered into by Purchaser in connection with its due diligence.

6.06 Approved Leases / Pad Site N Multi-Tenant Building. Purchaser acknowledges and agrees that Seller may continue to enter into Tenant Leases and amendments and modifications to existing Tenant Leases ("Tenant Lease Amendments") after the Effective Date, provided that such Tenant Lease or Tenant Lease Amendment is in compliance with the "Leasing Parameters" set forth on **Exhibit "I"** attached hereto and incorporated herein. In addition and notwithstanding anything in this Agreement to the contrary, Seller may enter into a Tenant Lease that meets all of the Leasing Parameters other than the "Creditworthiness Standards," defined therein, provided that such Tenant Lease will not be considered an Earn Out Lease at the Closing (referred to as a "Non-Conforming Lease"). A Non-Conforming Lease will be a sublease to the applicable Master Lease (defined below) at the Closing until it is eligible to be assigned to Purchaser as provided in the Master Lease. Except as provided in the two preceding sentences, after the Effective Date, Seller will not enter into a Tenant Lease or Tenant Lease Amendment without the prior written consent of Purchaser, which may be withheld in Purchaser's reasonable discretion. Any Tenant Lease which is approved or which is deemed approved by Purchaser pursuant to this Section 6.06 or which is in compliance with the Leasing Parameters is referred to herein as an "Approved Lease." All such Approved Leases will be deemed to be Permitted Exceptions hereunder for all purposes. The Parties acknowledge and agree that Seller may, at Seller's option, construct the Pad Site N Multi-Tenant Building in accordance with a Pad Site N Multi-Tenant Building Construction Contract at any time after the Effective Date so long as (i) the construction of the Pad Site N Multi-Tenant Building is constructed at Seller's sole cost and expense, (ii) the Pad Site N Multi-Tenant Building comports with the standards set forth in **Exhibit "M"** attached hereto, (iii) the Pad Site N Multi-Tenant Building is complete prior to the expiration of the Master Lease applicable to the Pad Sites, (iv) prior to commencement of any construction, Seller has a signed Approved Lease(s) for more than 50% of the rentable square feet of the Pad Site N Multi-Tenant Building, (v) if construction commences, Seller will cause the construction of Pad Site N Multi-Tenant Building to be diligently prosecuted to completion in accordance with the plans and specifications thereof and all applicable laws, rules, regulations and restrictions affecting the Property, lien free within

one year of the date of commencement and in any event, prior to the expiration of the Master Lease applicable to the Pad Sites, and (vi) Seller keeps Purchaser informed on the status of construction and provides Purchaser, at Seller's sole cost, with all certificates of occupancy, building permits, lien waivers and other construction related materials reasonably requested by Purchaser. In the event Seller elects to construct the Pad Site N Multi-Tenant Building in accordance with this Section 6.06, then Seller's obligations with respect to the construction of any such Pad Site N Multi-Tenant Building will survive Closing.

6.07 Property Agreements. On or before ten (10) days prior to the expiration of the Inspection Period, Seller will provide Purchaser with copies of all Property Agreements that are entered into after the Effective Date. On or before the expiration of the Inspection Period, Purchaser shall notify Seller in writing if it elects not to assume at Closing any of the Property Agreements which are identified on **Exhibit "B-2"** attached hereto as updated by Seller pursuant to the immediately preceding sentence. Seller shall terminate such disapproved Property Agreements as of the Closing Date provided that it receives such written notification from Purchaser on or before the expiration of the Inspection Period. Notwithstanding anything to the contrary contained herein, Seller must terminate, at Seller's sole cost, on or before the Closing Date, all management and leasing agreements, other than the Property Management Agreement (as hereinafter defined) and the Leasing Agreement (as hereinafter defined). The Property Agreements include a Commercial Property Management Agreement dated May 1, 2015 (the "Property Management Agreement") between Seller and Dabbs Cable, LLC ("Property Manager") for the management of the Shopping Center and an Exclusive Leasing Agreement dated January 1, 2015 (the "Leasing Agreement") between Seller and Dabbs Cable, LLC (the "Leasing Agent") for the leasing the of the Shopping Center. Notwithstanding the foregoing, Seller and Purchaser agree that (i) the Property Management Agreement and the Leasing Agreement will be assigned by Seller to Purchaser and assumed by Purchaser at the Closing, (ii) after Closing, Purchaser may cause the Property Management Agreement and the Leasing Agreement to be amended and restated in their entirety on a form property management or a form leasing agreement, as applicable, that Purchaser customarily uses on its retail projects so long as such amended and restated agreements include substantially the same compensation and fee terms, at least a two (2) year primary term, subject to termination as set forth below, and at least substantially the same scope of services as were included in the original Property Management Agreement or Leasing Agreement, as applicable, (iii) Purchaser will maintain the Property Management Agreement and will retain the Property Manager for the management of the Shopping Center in accordance with the Property Management Agreement for a period of two (2) years after the Closing Date unless and until Property Manager is in material default or otherwise fails to comply with the terms of the Property Management Agreement that is not cured within thirty (30) days of written notice thereof or Property Manager exercises any termination right under the Property Management Agreement, and (iv) Purchaser will maintain the Leasing Agreement and will retain the Leasing Agent for the leasing of the Shopping Center in accordance with the Leasing Agreement for a period of two (2) years after the Closing Date unless and until the Leasing Agent is in material default or otherwise fails to comply with the terms of the Leasing Agreement that is not cured within thirty (30) days of written notice thereof or the Leasing Agent exercises any termination right under the Leasing Agreement or Bryan Dabbs is no longer the primary leasing agent thereunder. Seller will remain responsible only for payment of commissions under the Leasing Agreement for Subleases (defined on **Exhibit "H"**)

under a Master Leases and, to the extent not credited to Purchaser at the Closing, any Unpaid Leasing Commissions. The terms and provisions of this Section 6.07 will survive Closing.

6.08 Easements. Notwithstanding anything to the contrary contained herein, Purchaser acknowledges and agrees that, during the Inspection Period, Seller may grant water, wastewater, public storm water drainage, and internal storm water drainage easements in generally in the locations on the Property as reflected on **Exhibit "K"** attached hereto and incorporated herein for all purposes, (ii) grant reclaimed water easements on the Property for the reclaimed water supply system within the Property, and (iii) grant specific electric line easements to replace a blanket easement granted to the City of Austin (Austin Energy) on the Property (collectively, the "Site Easements"). Seller will provide Purchaser with copies of the Site Easements during the Inspection Period. In addition, Seller may request that Purchaser approve certain other required utility and/or access easements prior to Closing for the continued development and operation of the Shopping Center ("Required Easements"). Purchaser will not unreasonably withhold, delay or condition its consent to a Required Easement so long as it does not materially and adversely affect the development or operation of the Shopping Center. In the event that Purchaser does not respond with Purchaser consent to a Required Easement or an objection to a Required Easement (together with the rationale for such objection) within ten (10) days after Seller's written request for Purchaser consent to a Required Easement, then Purchaser will be deemed to have consented to such Required Easement. Seller may enter into and record Required Easements that Purchaser has approved in writing. All of the Site Easements and any Required Easements approved by Purchaser will be deemed to be Permitted Exceptions hereunder.

6.09 Restrictive Covenants Agreement. The Property is subject to, and the Property Information includes, City of Lakeway Ordinance No. 2014-01-21-01 Oaks at Lakeway Planned Unit Development, as amended by Ordinance No. 2016-02-16-03, (as amended, the "PUD"). The PUD also includes certain property outside of the Shopping Center that is being retained by Seller – such property more particularly described on **Exhibit "L"** attached hereto (the "Seller Retained Tract"). The PUD limits the impervious cover to all property that is subject to the PUD to an aggregate of 50 acres of impervious cover (the "Impervious Cover Cap"). During the Inspection Period, Seller and Purchaser will agree to the form of a restrictive covenant to be encumber both the Property and the Seller Retained Tract that (i) allocates the amount of allowable impervious cover that may be developed on each of the Property and the Seller Retained Tract in order to ensure compliance with the Impervious Cover Cap while still allowing sufficient impervious cover to allow the Shopping Center to be fully developed in accordance with the Pro Forma and the Site Plan, and (ii) prohibits owner or any tenant or other occupant of the Seller Retained Tract from violating the Tenant Use Covenants (as defined in the HEB Lease) under the HEB Lease (referred to herein as the "Restrictive Covenants Agreement"). Within fifteen (15) days after the Effective Date, Seller will submit to Purchaser a proposed form Restrictive Covenants Agreement. The Parties agree to work diligently and in good faith with one another to resolve any issues on such document so that the Restrictive Covenants Agreement can be finalized on or before the expiration of the Inspection Period. Neither Party will unreasonably withhold, condition or delay its approval of the proposed form Restrictive Covenants Agreement, as modified by either Party and submitted for approval. The Restrictive Covenants Agreement, as approved by the Parties, will be deemed to be a Permitted Exception for all purposes under this Agreement, and the Restrictive Covenants

Agreement will be recorded at or prior to the Closing. In the event the Parties do not agree to the form Restrictive Covenants Agreement on or before the expiration of the Inspection Period, then this Agreement will automatically terminate and the Earnest Money shall be returned to Purchaser, and thereafter neither Party shall have any further rights, remedies, or obligations hereunder except for the Post Termination Obligations which will survive termination.

6.10 Master Leases. Contemporaneously with the Closing, Seller, as lessee, and Purchaser, as lessor, will enter into three (3) master leases for certain space within the Shopping Center that is not subject to an Earn Out Lease (defined below) at the time of Closing (collectively referred to as the "Master Leases"). The general terms and provisions of each Master Lease is set forth on **Exhibit "H"** attached hereto and incorporated herein for all purposes. Seller's obligations under the Master Leases will be secured by a guaranty (the "Master Lease Guaranty") by Guarantor (defined below) and an irrevocable letter of credit (the "Master Lease Letter of Credit") in the amount of $1,500,000 having a three (3) year term and otherwise issued by a financial institution and in a form reasonably acceptable to Seller and Purchaser. The form of these Master Leases, the Master Lease Guaranty and the Master Lease Letter of Credit will be agreed to between the Parties during the Inspection Period. Within fifteen (15) days after the Effective Date, Seller will submit to Purchaser the proposed Master Leases, Master Lease Guaranty and Master Lease Letter of Credit. The Parties agree to work diligently and in good faith with one another to resolve any issues on such documents so that the Master Leases, Master Lease Guaranty and Master Lease Letter of Credit can be finalized on or before the expiration of the Inspection Period. Neither Party will unreasonably withhold, condition or delay its approval of the proposed Master Leases, Master Lease Guaranty or Master Lease Letter of Credit, as modified by either Party and submitted for approval. In the event the Parties do not agree to the Master Leases, Master Lease Guaranty and Master Lease Letter of Credit on or before the expiration of the Inspection Period, then this Agreement will automatically terminate and the Earnest Money shall be returned to Purchaser, and thereafter neither Party shall have any further rights, remedies, or obligations hereunder except for the Post Termination Obligations which will survive termination.

6.11 High Five Lease. Seller entered into that certain Lease Agreement dated effective January 9, 2015 with High Five Entertainment, LLC ("High Five") for the construction and operation of a family oriented entertainment facility which includes bowling, restaurant facilities, bar facilities and other entertainment facilities and equipment (as amended from time to time, the "High Five Lease"). High Five opened for operations in February, 2015. Seller has provided Purchaser with a copy the High Five Lease and all of its amendments, financial statements from the guarantor of the High Five Lease, business plan materials for High Five that was submitted by High Five to Seller, and a copy of financial statement information from High Five reporting operations from the day of opening through on or about May 15, 2016 (collectively, the "High Five Due Diligence"). After review of the High Five Due Diligence and any Tenant interviews Purchaser desires to conduct with regard to High Five, if Purchaser determines that the High Five Lease is not acceptable and Seller does not provide any further assurances acceptable to Purchaser, in its sole discretion, then Purchaser may terminate this Agreement by written notice to Seller on or before the date that is forty five (45) days after the Effective Date (the "High Five Termination Option"). In the event Purchaser timely exercises the High Five Termination Option, then the Earnest Money shall be returned to Purchaser, and thereafter neither Party shall have any further

rights, remedies, or obligations hereunder except for the Post Termination Obligations which will survive termination.

6.12 Notice Regarding District. Purchaser acknowledges and understands that: (a) the Real Property is located in Water Control and Improvement District No. 17 and Lakeway Municipal Utility District (the "Districts"); and (b) the Real Property will be conveyed at the Closing subject to assessments and assessment liens in favor of each of the Districts. Purchaser acknowledges receipt of the notices regarding such assessments and assessment liens which is attached to this Agreement as **Exhibit "J"** and is incorporated herein by reference.

6.13 **Notice Regarding Possible Liability for Additional Taxes. If for the current ad valorem tax year the taxable value of the land that is the subject of this contract is determined by a special appraisal method that allows for appraisal of the land at less than its market value, the person to whom the land is transferred may not be allowed to qualify the land for that special appraisal in a subsequent tax year and the land may then be appraised at its full market value. In addition, the transfer of the land or a subsequent change in the use of the land may result in the imposition of an additional tax plus interest as a penalty for the transfer or the change in the use of the land. The taxable value of the land and the applicable method of appraisal for the current tax year is public information and may be obtained from the tax appraisal district established for the county in which the land is located. The foregoing does not limit Seller's obligation to pay (or provide Purchaser with a credit for) all "rollback" or similar taxes on or before the Closing pursuant to Section 5.05(a).**

6.14 Notice Regarding Title And Legal Counsel. As required by the Texas Real Estate License Act, Seller hereby advises Purchaser that Purchaser should have the abstract covering the Property examined by an attorney of Purchaser's own selection, or that Purchaser should be furnished with or obtain a policy of title insurance. By signing this Agreement, Purchaser acknowledges receipt of this notice. Purchaser and Seller further acknowledge that they have been given the opportunity to, and are hereby advised to, consult with an attorney of their choice with regard to this Agreement, the closing documents to be executed in connection herewith and the transaction contemplated by this Agreement.

VII.
Conditions Precedent

7.01 Conditions Precedent. Closing under this Agreement is contingent and conditioned upon the satisfaction of each of the conditions precedent set forth in the following Sections of this Article VII (collectively, the "Conditions Precedent" and individually, a "Condition Precedent"). The date a Condition Precedent is satisfied is the earlier of the date a Condition Precedent is satisfied or the date a Condition Precedent is waived or deemed waived hereunder. The Conditions Precedent must all be satisfied or waived on or before Wednesday, December 14, 2016 (the "Outside Completion Date").

7.02 Tenant Estoppel Certificates. Seller will make commercially reasonable efforts to deliver to Purchaser tenant estoppel certificates executed by all Tenants within the Property dated after the Effective Date but no earlier than thirty (30) days prior to Closing in the form of the tenant

estoppel certificate attached to such Tenant Lease or if no form is so attached, then in the form of **Exhibit "D"** attached hereto (collectively, the "Tenant Estoppels"). The Tenant Estoppels must be joined in by any guarantor and be completed to reflect the terms of the applicable Tenant Lease and must not, unless expressly waived by Purchaser in writing, disclose any material defaults or other matters reasonably unacceptable to Purchaser. The completed form of the Tenant Estoppels must be prepared by Seller and submitted to Purchaser, for Purchaser's review and reasonable approval, prior to delivery to the Tenants. Purchaser shall deliver any comments to the completed Tenant Estoppel Certificates within three (3) business days following receipt thereof, failing which such completed Tenant Estoppel Certificates shall be deemed approved. Purchaser will respond to Seller in writing within five (5) days of the date Seller submits a signed Tenant Estoppel to Purchaser for review and approval of whether Purchaser approves the Tenant Estoppel and the specific reasons for withholding approval if approval is not granted. If Purchaser fails to respond within such five (5) day period, then Purchaser will be deemed to have approved the Tenant Estoppel at issue. If Seller is unable, for any reason, to deliver to Purchaser Tenant Estoppels that are either in material compliance with the Rent Roll and the applicable prescribed form for such Tenant Estoppel or are approved or deemed approved by Purchaser in accordance with this Section 7.02 covering (a) the HEB Lease and the Tenant Leases with High Five and the Tenants under any Tenant Leases covering any of the Pad Sites (each a "Major Tenant" and collectively, the "Major Tenants"), and (b) at least 85% of the net rentable square footage of all Tenants in the Property, including the Major Tenants, under existing Tenant Leases (the "Tenant Estoppels Requirement") on or before the second (2nd) business day prior to the scheduled Closing Date, then Purchaser, as Purchaser's sole and exclusive remedy, shall have the right to either: (i) terminate this Agreement, in which event the Earnest Money will be refunded to Purchaser and neither Party shall have any further rights, remedies or obligations under this Agreement except obligations and rights that expressly survive any termination of this Agreement; or (ii) waive the Tenant Estoppels Requirement and proceed with the Closing. Purchaser must exercise option (i) or option (ii) of the immediately preceding sentence by written notice to Seller on or before the scheduled Closing Date. If Purchaser fails to exercise such option on or before the scheduled Closing Date, then Purchaser will be deemed to have exercised option (ii) set forth above. If, however, Seller provides Purchaser with Tenant Estoppels that satisfies the Tenant Estoppels Requirement on or before the scheduled Closing Date, then this Condition Precedent will be satisfied. Each party shall be entitled to extend the Outside Completion Date for up to fifteen (15) days, if necessary, in order to satisfy the Tenant Estoppels Requirement in which event the Closing Date will be extended for the same number of days.

7.03 Tenant Leases. (i) All Tenant Leases with the Major Tenants shall have been signed by Seller, as landlord, and the applicable Tenant (the "Required Tenant Leases"); (ii) all of the Tenants under the Required Tenant Leases, other than the tenant of the Hat Creek Hamburgers Lease, described on the Rent Roll or any tenant of Pad Sites M and N, shall have taken occupancy of their respective premises; (ii) all of the Tenants under the Required Tenant Leases, other than any tenant of Pad Sites M and N, shall have waived any termination right (other than for casualty or condemnation) and shall have commenced paying rent (i.e., all free rent periods have either expired or Seller has provided Purchaser with a credit therefor at Closing); (iv) there has been no material adverse change in the financial condition of any of the Major Tenants since the end of the

Inspection Period; and (v) no Major Tenant has committed a default after the end of the Inspection Period under its Tenant Lease beyond any applicable cure period.

7.04 Warranty Consents. Seller has obtained the Warranty Consents prior to Closing. Prior to the expiration of the Inspection Period, Purchaser will notify Seller of any warranty provider consents that are required for the transfer of Warranties to Purchaser at Closing ("Warranty Consents").

7.05 HEB Profit Participation Agreement. Seller must deliver to the Title Company on or before the Closing all releases and other instruments required by the Title Company in order to remove the HEB Profit Participation Agreement, and any memorandum thereof, as an exception to title to the Property. As used herein, the term "HEB Profit Participation Agreement" means that certain Profit Participation Agreement dated August 22, 2014, by and between Seller and HEB, a memorandum of which was filed against the Property and the Seller Retained Tract and recorded as Document No. 2014189966.

7.06 HEB Use Restrictions. Seller must deliver to Purchaser on or before the Outside Completion Date an amendment to the HEB Lease (the "HEB Lease Amendment") executed by HEB and Seller that provides that so long as the current landlord under the HEB Lease is not the owner of the Seller Retained Tract then any violation of the Tenant Use Covenants on the Seller Retained Tract by a third party (other than the current landlord under the HEB Lease) will not be a Non-Willful Breach (as defined in the HEB Lease) or other landlord default under the HEB Lease and will not entitle HEB to offset or abate any rental due under, or to otherwise terminate or exercise any remedy under or with respect to, the HEB Lease.

7.07 Dedication. Seller must deliver to the Title Company and the surveyor preparing the Survey (the "Surveyor") evidence sufficient for the Title Company and the Surveyor to note in the Title Policy and on the Survey, as applicable, that the portion of Main Street and Medical Drive shown on the Site Plan as abutting the Shopping Center has been dedicated to and accepted for maintenance of the City of Lakeway, Texas, without reservation or any conditions which would be binding on Purchaser or the Property after Closing.

7.08 Conditions Precedent. The obligation of Purchaser to consummate the transaction contemplated under this Agreement is expressly subject to and conditioned upon: (i) satisfaction or waiver of the Tenant Estoppels Requirement; and (ii) the requirements set forth in Sections 7.04, 7.05, 7.06, and 7.07 being satisfied by Seller. The foregoing listed items are referred to herein collectively as the "Conditions Precedent". The Conditions Precedent may be waived by Purchaser in its sole and absolute discretion. If the Conditions Precedent are not all satisfied or waived by Purchaser on or before the Outside Completion Date, then this Agreement will terminate, in which event the Earnest Money will be refunded to Purchaser and neither Party shall have any further rights, remedies or obligations under this Agreement except obligations and rights that expressly survive any termination of this Agreement; provided, however, if the requirement set forth in Section 7.05 and/or Section 7.06 have not been satisfied, Seller agrees to reimburse Purchaser, within five (5) business days following the date of Purchaser's written request, for all reasonably documented third (3rd) party costs actually incurred by Purchaser before the termination of this

Agreement in connection with this transaction (whether before or after the Effective Date) up to, but not in excess of, $100,000 in the aggregate.

VIII.
Condemnation and Casualty

8.01 Condemnation. If prior to Closing, any governmental or other entity having condemnation authority shall institute an eminent domain proceeding with regard to the Property or any part thereof, then Seller, upon receiving written notice of such action, shall promptly deliver written notice to Purchaser thereof. Purchaser may, at its option, within twenty (20) days of such notice by Seller (but in no event later than the Closing Date), terminate this Agreement by delivering written notice thereof to Seller in which event this Agreement will terminate, the Earnest Money will be returned to Purchaser and the Parties will have no further rights and obligations hereunder other than the Post Termination Obligations. If Purchaser fails to so terminate this Agreement within such 20 day period, then this Agreement will remain in full force and effect, Purchaser will be deemed to have waived such right of termination, and Seller will assign all of Seller's right, title and interest in and to such condemnation proceeds to Purchaser (or pay to Purchaser if such proceeds have been collected) at Closing.

8.02 Casualty. If any portion of the Property is damaged or destroyed prior to Closing, then Purchaser may, within fifteen (15) days after receipt from Seller of written notice of such damage or destruction (but in no event later than the Closing Date), elect to either: (a) terminate this Agreement; or (b) close the acquisition hereunder, in which event Seller shall assign to Purchaser (or pay to Purchaser if such proceeds have been collected) at Closing all insurance proceeds payable for such damages and proceeds of rent loss insurance and credit the Purchase Price with the amount of any deductibles associated therewith. Seller will promptly notify Purchaser in writing if Seller becomes aware of any such damage or destruction. Notwithstanding the foregoing, however, if the damage to the Property can be repaired for $500,000.00 or less and such casualty would not permit any Major Tenant to terminate its Tenant Lease, then Purchaser will not have the option to terminate this Agreement under clause (a) of the immediately preceding sentence, but rather the Parties shall proceed to Closing under the terms and provisions of clause (b) of the immediately preceding sentence. If Purchaser exercises its option to terminate this Agreement pursuant to this Section 8.02, then this Agreement will terminate, the Earnest Money will be returned to Purchaser and the Parties will have no further rights and obligations hereunder other than the Post Termination Obligations.

IX.
Remedies

9.01 Purchaser's Default and Seller's Remedies: If Purchaser fails to close the transaction contemplated by this Agreement for any reason (except for a Seller default or the permitted termination of this Agreement by Purchaser or Seller as herein expressly provided) and Seller is not in default of its obligations hereunder in any material respect, then Seller may, as Seller's sole and exclusive remedy, terminate this Agreement and recover or retain the Earnest Money as liquidated damages for the failure or refusal by Purchaser ("Acquisition Default"). In the event of an Acquisition Default by Purchaser, the Earnest Money will be delivered to or retained by

Seller as liquidated damages, and not a penalty, in full satisfaction of Seller's claims against Purchaser with respect to the Acquisition Default. Seller and Purchaser agree that it is difficult to determine the actual amount of Seller's damages arising out of an Acquisition Default by Purchaser, but the amount of the Earnest Money is a fair estimate of those damages which has been agreed to by the Parties in a sincere effort to make the damages certain. Seller has no right to specifically enforce Purchaser's obligations under this Agreement nor to seek or otherwise collect any actual, out-of-pocket, lost profit, punitive, consequential, treble, or other damages from or against Purchaser. In no event shall any officer, director, agent or employee of Purchaser or its partners be personally liable for any of Purchaser's obligations under this Agreement or the documents to be delivered at the Closing. Purchaser's indemnity obligation under Section 3.03, Purchaser's responsibility for its Post Termination Obligations and Purchaser's liability for costs under Section 9.06 below will not be subject to this Section 9.01 (except the previous sentence hereof).

9.02 Seller's Default and Purchaser's Remedies. Except for exclusive remedies otherwise specified Articles VI and VII above, if Seller fails or refuses to timely comply with Seller's obligations under this Agreement, and if Purchaser is not in default of any of Purchaser's obligations hereunder in any material respect, then Purchaser may, as Purchaser's sole and exclusive remedy, either: (i) terminate this Agreement by giving Seller timely written notice of such election prior to or at Closing, receive a refund of its Earnest Money hereunder, and seek reimbursement of the third party out-of-pocket costs incurred by Purchaser in connection with its investigation of the Property and the transactions contemplated by this Agreement in an amount in no event to exceed $100,000 (such costs as capped at $100,000 is referred to herein as "Third Party Costs"); or (ii) enforce specific performance of Seller's obligations under this Agreement. Prior to Seller being obligated to pay Third Party Costs under any provision of this Agreement requiring payment of Third Party Costs to Purchaser, Purchaser must provide Seller commercially reasonable documentary evidence of such costs incurred by Purchaser.

9.03 Notice and Opportunity to Cure. For purposes of this Agreement, the term "Non-Curable Default" shall mean and refer to: (a) any default by Purchaser to deliver the Earnest Money on a timely basis as required under this Agreement; and/or (b) any failure by Purchaser to deliver to the Title Company, on or before the Closing Date, all funds, documents and other items required to be delivered by Purchaser under this Agreement in order to close the transaction under this Agreement; and/or (c) any failure by Seller to deliver to the Title Company, on or before the Closing Date, all funds, documents and other items required to be delivered by Seller under this Agreement in order to close the transaction under this Agreement. In the event of any default under this Agreement (other than a Non-Curable Default) by either Party (the "Defaulting Party") the other Party (the "Non-Defaulting Party") will not exercise any of such Non-Defaulting Party's rights or remedies under this Agreement until and unless the Non-Defaulting Party has provided to the Defaulting Party a written notice of the default or defaults of the Defaulting Party (the "Default Notice") and the Defaulting Party has failed to cure the default or defaults specified in the Default Notice within ten (10) days after the date of the Non-Defaulting Party's delivery of the Default Notice. In the event of any Non-Curable Default, the Non-Defaulting Party may, at the Non-Defaulting Party's option and election, afford notice and opportunity to cure to the Defaulting Party, but it is expressly agreed and understood that the Non-Defaulting Party has no duty to afford any such notice or opportunity to cure to the Defaulting Party. Rather, the Non-

Defaulting Party may, if the Non-Defaulting Party so elects, exercise any right or remedy which the Non-Defaulting Party may have with respect to any Non-Curable Default, without necessity of providing to the Defaulting Party any notice or opportunity to cure.

9.04 Purchaser's Post Termination Obligations. If this Agreement is terminated for any reason (either by Purchaser or by Seller), then Purchaser shall: (a) restore the Property to the condition which existed prior to any inspections, tests or other activities of Purchaser and/or any of the Purchaser Parties, but only to the extent of damage caused by Purchaser and/or any of the Purchaser Parties; (b) return all of the Property Information to Seller; (c) pay to Seller the full amount of the Independent Contract Consideration (to the extent and only to the extent that the same has not been previously delivered by Purchaser to Seller); (d) remove all liens against the Property which have arisen due to any activities of Purchaser or any of the Purchaser Parties; and (e) indemnify and hold Seller harmless from and against any and all liabilities, obligations, claims and costs of any kind or nature (including court costs and reasonable attorneys' fees) to the extent arising out of or in connection with any activities of the Purchaser and/or the Purchaser Parties upon or within the Property **INCLUDING WITHOUT LIMITATION ALL LIABILITIES, OBLIGATIONS, CLAIMS AND COSTS ARISING OUT OF ANY NEGLIGENCE ON THE PART OF SELLER, IT BEING EXPRESSLY AGREED AND UNDERSTOOD THAT PURCHASER IS AGREEING TO INDEMNIFY SELLER FROM CLAIMS ARISING OUT OF SELLER'S OWN SIMPLE (BUT NOT GROSS) NEGLIGENCE**. All of the obligations of Purchaser under the immediately preceding sentence are referred to in this Agreement collectively as the "Post Termination Obligations"; the obligations of Purchaser under clauses (a), (b), and (c) of the immediately preceding sentence are referred to in this Agreement as the "Immediately Performable Post Termination Obligations"; and the obligations of Purchaser under clauses (d) and (e) of the immediately preceding sentence are referred to in this Agreement as the "Other Post Termination Obligations". Notwithstanding any provision in this Agreement to the contrary, the Post Termination Obligations shall survive any termination of this Agreement, and the Post Termination Obligations shall not (regardless of any liquidated damages provisions in this Agreement) be deemed to be satisfied in whole or in part by the delivery to Seller of all or any portion of the Earnest Money.

9.05 Disposition of the Earnest Money.

(a) Notwithstanding any provision in this Agreement to the contrary, the provisions in this Agreement relating to the Earnest Money shall survive any termination of this Agreement.

(b) If the sale and purchase of the Property is consummated under the terms and provisions of this Agreement, then the Earnest Money will be credited and applied against the cash sums which are payable by Purchaser at the Closing.

(c) If this Agreement is terminated under the terms and provisions of Section 3.01, 4.03, 6.01, 6.09, 6.10. 6.11, 7.02, 7.03, 7.04, 7.05, 7.06, 7.07, 7.08, 8.01, 8.02 or 12.18 of this Agreement or any other provision of this Agreement which states that the Earnest Money will be disbursed to

Purchaser after such termination, then: the Earnest Money will be promptly disbursed to Purchaser after such termination.

(d) If Seller terminates this Agreement under the terms and provisions of Section 9.01 of this Agreement, then the Earnest Money will be promptly disbursed to Seller after such termination.

(e) If Purchaser terminates this Agreement under the terms and provisions of Section 9.02 of this Agreement, then the Earnest Money will be promptly disbursed to Purchaser after such termination.

IF, AND ONLY IF, THIS AGREEMENT IS NOT TERMINATED UNDER THE TERMS AND PROVISIONS OF SECTION 3.01, 4.03, 6.01, 6.09, 6.10. 6.11, 7.02, 7.03, 7.04, 7.05, 7.06, 7.07, 7.08, 8.01, 8.02 OR 12.18 OF THIS AGREEMENT OR ANY OTHER PROVISION OF THIS AGREEMENT WHICH STATES THAT THE EARNEST MONEY WILL BE DISBURSED TO PURCHASER AFTER SUCH TERMINATION, THEN THE EARNEST MONEY WILL BE COMPLETELY "AT RISK" AND WILL BE REFUNDABLE TO PURCHASER ONLY IF SELLER DEFAULTS UNDER THIS AGREEMENT, SELLER DOES NOT CURE SUCH DEFAULT WITHIN ITS APPLICABLE CURE PERIOD AND PURCHASER TERMINATES THIS AGREEMENT UNDER THE TERMS AND PROVISIONS OF SECTION 9.02 OF THIS AGREEMENT.

9.06 Enforcement Costs. In the event of any dispute between the Parties arising out of or in connection with this Agreement, the prevailing Party in such dispute shall be entitled to recover from the non-prevailing Party all of the prevailing Party's costs and expenses in connection with such dispute, including without limitation court costs, expert witness fees and reasonable attorney's fees.

X.
Notices

10.01 Delivery of Notices. Any notice, communication, request, reply or advice (severally and collectively referred to as "Notice") in this Agreement provided or permitted to be given, made or accepted by either Party to the other must be in writing. Notice may, unless otherwise provided herein, be given or served: (a) by depositing the same in the United States Mail, certified, with return receipt requested, addressed to the Party to be notified and with all charges prepaid; or (b) by depositing the same with Federal Express or another service guaranteeing "next day delivery", addressed to the Party to be notified and with all charges prepaid; or (c) by delivering the same to such Party, or an agent of such Party by telecopy, by electronic email, or by hand delivery. Notice deposited in the United States mail in the manner hereinabove described shall be deemed effective from and after the earlier of the date of actual receipt or three (3) days after the date of such deposit. Notice deposited with a reputable overnight courier service shall be deemed effective on the first (1st) business day after the date of deposit. Notices given by facsimile will be deemed given as of the date and time shown on the confirmation slip generated by the sender's facsimile machine. Notices given by electronic mail will be deemed given as of the date of transmission. Purchaser's

counsel may deliver any notice required or otherwise permitted to be given by Purchaser hereunder with the same effect as if given directly by Purchaser. For the purposes of notice, the addresses of the Parties shall, until changed as provided below, be as follows:

Seller:	STRATUS LAKEWAY CENTER, LLC 212 Lavaca Street, Suite 300 Austin, Texas 78701 Attn: William H. Armstrong, III Telecopy: (512) 478-6340 Email: barmstrong@stratusproperties.com
With copy to:	Armbrust & Brown PLLC 100 Congress Avenue, Suite 1300 Austin, Texas 78701 Attn: Kenneth Jones Telecopy: (512) 435-2360 Email: kjones@abaustin.com
Purchaser:	TA REALTY, LLC 28 State Street, 10th Floor Boston, Massachusetts 02109 Attn: James Whalen Telecopy: (617) 476-2714 Email: whalen@tarealty.com
With copies to:	TA REALTY, LLC 28 State Street, 10th Floor Boston, Massachusetts 02109 Attn: Xander Dyer Telecopy: (617) 476-2714 Email: dyer@tarealty.com
And	Stutzman, Bromberg, Esserman & Plifka, A Professional Corporation 2323 Bryan Street, Suite 2200 Dallas, Texas 75201 Attn: Kenneth F. Plifka Telecopy: (214) 969-4999 Email: plifka@sbep-law.com

The Parties hereto shall have the right from time to time to change their respective addresses, and each shall have the right to specify as its address any other address within the United States of America by at least five (5) days written notice to the other Party.

10.02 Delivery of Property Information. Notwithstanding any provision in this Agreement to the contrary, Seller may furnish any Property Information to Purchaser by sending such information to a representative of Purchaser via electronic mail or by providing Purchaser with information pursuant to which Purchaser may access the Property Information via any website or other form of file sharing arrangement established by Seller. Seller is not required to deliver Property Information to Purchaser pursuant to the notice provisions in Section 10.01 above.

XI.
Real Estate Commissions

11.01 Real Estate Commissions.

(a) Seller and Purchaser acknowledge and agree that the only brokers who have been involved with the origination and negotiation of this Agreement are Holliday Fenoglio Fowler, L.P. and Bryan Dabbs (collectively, the "Broker"). If, as, and when this Agreement closes and Seller receives the Purchase Price in good funds, but not otherwise, Seller agrees to pay a real estate sales commission to Broker in accordance with the terms and provisions of a separate agreement.

(b) The above referenced real estate sales commissions will be deemed earned only if and when the Closing occurs under this Agreement. If this Agreement fails to close for any reason, including a breach by either Party, Seller shall have no obligation to pay to Broker the above referenced real estate sales commissions or any other compensation, costs, expenses, fees or other sums of any kind or nature. Without limitation on the generality of the foregoing, it is expressly agreed and understood that the Broker will not be entitled to any real estate sales commissions if the Parties agree to rescind or terminate this Agreement.

(c) Seller and Purchaser each represents and warrants to the other that, other than the real estate sales commissions payable to the Broker as specified hereinabove, there are no real estate sales commissions payable to any person or entity in connection with the transaction evidenced by this Agreement. Seller and Purchaser agree to hold harmless, defend, and indemnify each other from any and all claims, suits, liabilities, losses, costs, and expenses (including reasonable attorneys' fees and court costs) resulting from any claims made by any broker, agent, finder, or salesman for any real estate sales commission or other compensation, reimbursement or payment of any kind or nature which is alleged to be owed based upon an agreement with the indemnifying party.

(d) The Broker is not a party to this Agreement. This Agreement may be amended or terminated without notice to or the consent of the Broker. The absence of Broker's signatures shall not in any way affect the validity of this Agreement or any amendment to this Agreement.

(e) Purchaser understands and hereby acknowledges that neither the Broker nor any agents operating by, through or under the Broker has any authority to bind Seller to

any warranties or representations regarding the Property, and further acknowledges that Purchaser has not relied upon any warranties or representations of the Broker or any agents operating by, through or under the Broker in Purchaser's decision to purchase the Property.

(f) The obligations of the Parties contained in this Section 11.01 shall survive the Closing or any termination of this Agreement.

XII.
Miscellaneous Provisions

12.01 Survival of Covenants: The obligations, representations, warranties, covenants and agreements of the Parties set out in this Agreement shall not be merged into the documents executed at the Closing, but rather shall survive the Closing. Notwithstanding any provision herein to the contrary, however, such survival shall be for a period of two (2) years only (the "Survival Period"). Any suit or cause of action based upon obligations arising out of or under this Agreement will be deemed barred if not filed prior to the expiration of the Survival Period.

12.02 Entire Agreement. This Agreement contains the entire agreement of the Parties hereto. There are no other agreements, oral or written, between the Parties regarding the Property and this Agreement can be amended only by written agreement signed by the Parties hereto, and by reference made a part hereof.

12.03 Binding Effect. This Agreement, and the terms, covenants, and conditions herein contained, shall be covenants running with the land and shall inure to the benefit of and be binding upon the heirs, personal representatives, successors, and assigns of each of the Parties hereto.

12.04 Effective Date. The Effective Date of this Agreement and other similar references herein are deemed to refer to the date on which this Agreement has been executed by both Seller and Purchaser.

12.05 Time. Time is of the essence in all things pertaining to the performance of this Agreement, including without limitation all dates, deadlines and periods of time referred to in this Agreement. All references in this Agreement to specific times shall mean and refer to local time in Austin, Texas.

12.06 Business Days. For purposes of this Agreement, the term "business day" or "business days" shall mean and refer to all calendar days, other than Saturdays, Sundays and days on which the U.S. Federal Reserve Bank of Dallas or banks in the Commonwealth of Massachusetts are closed. If any deadline set forth in this Agreement falls on a day which is not a business day or if any period of time provided for in this Agreement ends on a day which is not a business day, then the applicable deadline or period shall be extended to the first succeeding day which is a business day.

12.07 Assignment. This Agreement may not be assigned by the Purchaser without the written consent of Seller, which may be granted or withheld in Seller's sole discretion; provided,

however, that Purchaser may, without Seller's consent, assign this Agreement to: (i) an affiliate, (ii) any entity owned or controlled by Purchaser, and/or (iii) any investment client of Purchaser or other real estate fund owned or controlled by Purchaser or, in each case, any entity formed on its behalf.

12.08 Severability. If any provision of this Agreement is illegal, invalid, or unenforceable under present or future laws, then, and in that event, it is the intention of the Parties hereto that the remainder of this Agreement shall not be affected thereby, and it is also the intention of the Parties to this Agreement that in lieu of each provision of this Agreement that is illegal, invalid, or unenforceable, there be added as a part of this Agreement a provision as similar in terms to such illegal, invalid, or unenforceable provision as may be possible, and be legal, valid, and enforceable.

12.09 Waiver. Any failure by a Party hereto to insist, or any election by a Party hereto not to insist, upon strict performance by the other Party of any of the terms, provisions, or conditions of this Agreement shall not be deemed to be a waiver thereof or of any other term, provision, or condition hereof, and such Party shall have the right at any time or times thereafter to insist upon strict performance of any and all of the terms, provisions, and conditions hereof.

12.10 Applicable Law and Venue. The construction and validity of this Agreement shall be governed by the laws of the State of Texas. Venue shall be in a court of appropriate jurisdiction in Travis County, Texas.

12.11 Article and Section Headings. The article and section headings contained in this Agreement are for convenience only and shall in no way enlarge or limit the scope or meaning of the various and several provisions therein.

12.12 Grammatical Construction. Wherever appropriate, the masculine gender may include the feminine or neuter, and the singular may include the plural, and vice versa.

12.13 No Recordation. Seller and Purchaser hereby acknowledge that neither this Agreement nor any memorandum, affidavit or other instrument evidencing this Agreement or relating hereto (other than the closing documents contemplated hereunder) shall ever be recorded in the Real Property Records of Travis County, Texas, or in any other public records. Should Purchaser ever record or attempt to record any such instrument, then, notwithstanding any provision herein to the contrary, such recordation or attempted recordation shall constitute a default by Purchaser hereunder, and, in addition to the other remedies provided for herein: (i) Purchaser shall be personally liable to Seller for any damages incurred by Seller as a result of such recordation or attempted recordation, together with all attorney's fees and other costs and expenses of any kind or nature incurred by Seller as a result of such recordation or attempted recordation; and (ii) Seller shall have the express right to terminate this Agreement by filing a notice of said termination in the Real Property Records of Travis County, Texas.

12.14 Force Majeure. If either Party is delayed or prevented from performing any of its obligations under this Agreement (other than the obligation to pay any sum of money) by reason of strikes, lockouts, labor troubles, work stoppages, shortages of materials, transportation delays, failure of power, riots, insurrections, war, acts of God, floods, storms, weather (including delays

due to rain or wet ground), fire or other casualty, or any other cause beyond such Party's control, the period of such event, plus the period of delay caused by such event, shall be deemed to be added to the time period herein provided for the performance any such obligation by the applicable Party.

12.15 Confidentiality. Seller and Purchaser agree that the terms of this Agreement shall be confidential and that neither Party will disclose the terms of this Agreement to any person or entity, except only as follows: (a) such disclosures as may be necessary to consummate the terms and provisions of this Agreement; (b) disclosures to the employees, agents, accountants, consultants or attorneys of the respective Parties; (c) disclosures to investors, lenders, purchasers or prospective investors, lenders or purchasers; (d) disclosures as may be required by law, court order, governmental or regulatory reporting requirements, or other similar requirements; and (e) to HEB for the sole purpose of fulfilling Seller obligations under Section 1.02 regarding the HEB ROFR.

12.16 Exculpation. Notwithstanding any provision in this Agreement to the contrary (other than the proviso below), it is agreed and understood that Purchaser shall look solely to the assets of Seller in the event of any breach or default by Seller under this Agreement, and not to the assets of: (a) any person or entity which is a member, manager or partner in Seller, if Seller is a limited liability company or a partnership, or which otherwise owns or holds any ownership interest in Seller, directly or indirectly (each such partner or other holder or owner of any interest in Seller being referred to herein as a "Subtier Owner"); (b) any person or entity which is a member, manager or partner in or otherwise owns or holds any ownership interest in any Subtier Owner, whether directly or indirectly; (c) any person or entity serving as an officer, director, employee or otherwise for or in Seller; or (d) any person or entity serving as an officer, director, employee or otherwise for or in any Subtier Owner; provided, however, this provision does not limit the liability of Guarantor (as hereinafter defined) under Section 12.20 hereof or under the Master Lease Guaranty. This Agreement is executed by one or more persons (the "Signatories", whether one or more) of Seller solely in their capacities as representatives of the Seller or a Subtier Owner of Seller and not in their own individual capacities. Purchaser hereby releases and relinquishes the Signatories from any and all personal liability for any matters or claims of any kind which arise under or in connection with or as a result of this Agreement. The foregoing release of liability shall be effective with respect to and shall apply to all claims against any members, managers and partners of Seller (if Seller is a limited liability company or a partnership) and any members, managers and partners of any Subtier Owner (if such Subtier Owner is a limited liability company or a partnership) regardless of whether such claims arise as a result of any liability which the Signatories may have as members, managers or partners of the Seller or any Subtier Owner, or otherwise. Seller acknowledges that Seller's obligations with respect to any covenant, indemnity, representation or warranty under this Agreement which expressly survives the Closing shall be considered a liability for purposes of any member distribution limitation imposed under applicable Texas limited liability laws.

12.17 Execution. To facilitate execution: (a) this instrument may be executed in any number of counterparts as may be convenient or necessary; (b) it shall not be necessary that the signatures of all Parties be contained in any one counterpart; (c) the signature pages taken from

separate individually executed counterparts of this instrument may be combined to form multiple fully executed counterparts; and (d) a facsimile signature or a signature sent by electronic mail shall be deemed to be an original signature for all purposes. All executed counterparts of this instrument shall be deemed to be originals, but all such counterparts, when taken together, shall constitute one and the same agreement.

12.18 Acceptance Deadline. The execution of this Agreement by Seller shall constitute an offer by Seller to sell the Property to Purchaser on the terms and conditions stated in this Agreement. In order for Purchaser to effectively accept Seller's offer, Purchaser must, prior to 5:00 p.m., Dallas, Texas time, on the date which is exactly three (3) business days following the date of Seller's execution of this Agreement (the "Acceptance Deadline"): (a) properly and fully execute this Agreement without any modifications or changes; (b) deliver at least one (1) original counterpart of such fully executed and unmodified version of this Agreement to Seller; and (c) deliver a copy of such fully executed and unmodified version of this Agreement to the Title Company. If Purchaser does not comply with the foregoing requirements prior to the Acceptance Deadline, then (regardless of whether Purchaser later complies with the foregoing requirements) Seller shall have the right at any time after the Acceptance Deadline to terminate Seller's offer to sell the Property to Purchaser by delivering a written notice of such termination to Purchaser and, if the Initial Earnest Money has been delivered to the Title Company, the Earnest Money shall be promptly returned to Purchaser.

12.19 Exhibits. The attached Waiver of Deceptive Trade Practices Act, and the following exhibits are incorporated herein by reference for all purposes:

(a) Exhibit "A" Land

(b) Exhibit "B" Property Descriptions and Definitions

(c) Exhibit "B-1" Rent Roll

(d) Exhibit "B-2" Property Agreements

(e) Exhibit "B-3" Personal Property

(f) Exhibit "C" Property Information

(g) Exhibit "D" Tenant Estoppel Certificate

(h) Exhibit "E" Special Warranty Deed

(i) Exhibit "F" Bill of Sale and Assignment

(j) Exhibit "F-1" Tenant Notice Form Letter

(k) Exhibit "G" Tenant Allowance / Commission Escrow Agreement

(l) Exhibit "H" Terms of Master Leases

(m) Exhibit "I" Leasing Parameters

(n) Exhibit "J" District Notices

(o) Exhibit "K" Site Easements

(p) Exhibit "L" Seller Retained Tract

(q) Exhibit "M" Pad Site N Multi-Tenant Building Standards

12.20. Guaranty. Stratus Properties Inc., a Delaware corporation (the "Guarantor") has joined herein for the sole purpose of evidencing the Guarantor's guarantee, jointly and severally, of all of Seller's obligations under this Agreement and all instruments to be executed and delivered by Seller at Closing. Except as set forth in the proviso below, Guarantor's liability under this guaranty shall be limited to an amount equal to two percent (2%) of the Purchase Price, in the aggregate (the "Liability Cap"); provided, however, the Liability Cap shall not limit Guarantor's liability to satisfy Seller's indemnity obligations under Section 11.01 or Guarantor's liability in guarantying Seller's obligations under the Master Leases. The Guarantor agrees that this guaranty shall be for the benefit of Purchaser and its successors and assigns and may be enforced by Purchaser (and such successors and assigns) independent of any action Purchaser may have against Seller. The Guarantor represents to Purchaser that (a) the Guarantor currently holds assets, other than the Guarantor's interest in the Property, having a fair market value of at least $5,000,000; (b) the Guarantor is an affiliate of Seller and, as such, expects to derive benefits from this Agreement; and (c) this guaranty has been approved by all applicable action and represents a legal, valid and binding obligation of the Guarantor enforceable in accordance with its terms. Seller and the Guarantor acknowledge and agree that Purchaser has relied and has the right to rely upon the foregoing in connection with Purchaser's consummation of the transaction set forth in this Agreement.

EXECUTED by Seller, Purchaser and Guarantor on the counterpart signature pages attached to this Agreement.

COUNTERPART SIGNATURE PAGE FOR ATTACHMENT TO AGREEMENT OF SALE AND PURCHASE BY AND BETWEEN STRATUS LAKEWAY CENTER, LLC AS "SELLER" AND TA REALTY, LLC AS "PURCHASER"

Executed by the undersigned on the date or dates set out hereinbelow.

SELLER: STRATUS LAKEWAY CENTER, LLC,
a Texas limited liability company

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

Date: September 30, 2016

GUARANTOR: STRATUS PROPERTIES INC.
a Delaware corporation

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

Date: September 30, 2016

COUNTERPART SIGNATURE PAGE FOR ATTACHMENT TO AGREEMENT OF SALE AND PURCHASE BY AND BETWEEN STRATUS LAKEWAY CENTER, LLC AS "SELLER" AND TA REALTY, LLC AS "PURCHASER"

Executed by the undersigned on the date or dates set out hereinbelow.

PURCHASER: TA REALTY, LLC,
a Massachusetts limited liability company

By: /s/ Scott L. Dalrymple
Printed Name: Scott L. Dalrymple
Title: Sr. Vice President

Date: October 4, 2016

EXHIBIT "H"

TERMS OF MASTER LEASES

1. **Premises**. One Master Lease will cover all of the inline space located in Buildings A, B, C, D, F, G, H, and J, as reflected on the Site Plan, that is not subject to a Tenant Lease as of the Closing (sometimes referred to as the "Inline Master Lease"). One Master Lease will cover all of the Pad Sites and building pads P and Q, as reflected on the Site Plan, that are not subject to a Tenant Lease as of the Closing (sometimes referred to as the "Pad Sites Master Lease"). One Master Lease will cover the hotel pad site E as reflected on the Site Plan to the extent that it is not subject to a Tenant Lease as of the Closing Date (sometimes referred to as the "Hotel Master Lease").

2. **Springing Premises**. The initial premises under each Master Lease will not include any of the Tenant Leases in effect at Closing; provided, however, even though the premises covered by a Tenant Lease may not be included under a Master Lease, Seller will be responsible to pay rent and other charges due with respect to such premises until such time as the Earn Out Conditions (defined below) have been satisfied with respect to such Tenant Lease. However, in the event that a Tenant Lease that is not an Earn Out Lease (defined below) terminates before the Earn Out Conditions are satisfied for such Tenant Lease, then the space covered by such terminated Tenant Lease will automatically spring into the premises for the applicable Master Lease. For example, if the Hotel Lease is not an Earn Out Lease at Closing and it terminates before the Earn Out Conditions for it have been satisfied, then the premises demised under the Hotel Master Lease will automatically include building pad E, as reflected on the Site Plan, as of the date of such termination. The term "Earn Out Lease" means a Tenant Lease or an Approved Lease which has satisfied the Earn Out Conditions. The term "Earn Out Conditions" means:

(i)The applicable Tenant Lease or Approved Lease has been signed by the tenant thereunder;

(ii) The applicable tenant has opened for business within its premises and any termination right (other than for casualty or condemnation) has expired or has been waived by tenant;

(iii) The applicable tenant has commenced paying rent under the Tenant Lease or the Approved Lease (i.e., all free rent periods have either expired or Seller has provided Purchaser with a credit therefor or paid such amounts to Purchaser);

(iv) Any tenant improvement allowance or construction costs payable under or with respect to the Tenant Lease or the Approved Lease by the landlord thereunder have been paid by Seller or have been paid out of escrow. Allowances under Tenant Leases that are not Earn Out Leases as of the

Closing will be escrowed in accordance with the Tenant Allowance/Commission EscrowAgreement;

(v) Seller has provided Purchaser with a certificate of occupancy or its local equivalent with regard to the leased premises under the applicable Tenant Lease or Approved Lease; and

(vi) Seller has provided evidence reasonably acceptable to Purchaser that all leasing commissions payable with respect to the Tenant Lease or the Approved Lease have been paid in full by Seller or have been paid in full from escrow. Commissions under Tenant Leases that are not Earn Out Leases as of the Closing will be escrowed in accordance with the Tenant Allowance/Commission Escrow Agreement.

Notwithstanding anything to the contrary set forth herein, the RCR Lease is deemed to have satisfied the Earn Out Conditions set forth under clause (iv) above despite the fact that the Allowance (as defined in the RCR Lease) may not be fully paid on or before the Closing Date.

3. **Removal From Premises.** Seller may enter into subleases of the Premises under each of the Master Leases in accordance with Sublease Parameters (defined below) (each referred to as a "Sublease"). When a Sublease has satisfied the Earn Out Conditions applicable to it, then the Sublease will be an Earn Out Lease, will be assigned from Seller to Purchaser so that same will be a direct lease between Purchaser and the applicable subtenant and will no longer be a part of the Premises demised under the applicable Master Lease for all purposes as of the date the Earn Out Conditions are satisfied.

4. **Term.** The term of the Inline Master Lease will be for a period of five (5) years from the Closing Date. The term of the Pad Sites Master Lease will be for a period of ten (10) years from the Closing Date; except the term of the Pad Sites Master Lease as to Pad Site M will be for a period of fifteen (15) years. The term of the Hotel Master Lease will be for a period commensurate with the Hotel Lease. The term of each Master Lease will be subject to earlier termination when all of the premises under such Master Lease have been removed from the Master Lease in accordance with Section 3 above and there is no longer any Tenant Lease eligible to spring into the Master Lease in accordance with Section 2 above.

5. **Base Rent and Additional Rent**. Base rent for each Master Lease ("Base Rent") will be calculated in accordance with the Shopping Center pro forma attached hereto as Schedule I (the "Pro Forma"). For example, Base Rent for the Inline Master Lease will be at an annual rate of $30 per foot for the premises under the Inline Master Lease. Master Lease Rent will commence on the Closing Date. As premises are removed from a Master Lease in accordance with Section 3 above, Base Rent will be adjusted accordingly. In addition to Base Rent, Seller will pay all base rent due with respect to any Tenant Lease which has not yet started paying base rent as of the Closing Date – such base rent to be paid under the applicable

Master Lease (the "Additional Base Rent"). Additional Base Rent attributable to each such Tenant Lease will commence as of the Closing Date regardless of whether the tenant thereunder is entitled to free rent and shall be calculated in accordance with the annual base rent specified in such Tenant Lease. For example, if (a) there is a Tenant Lease in the inline space that is not an Earn Out Lease as of the Closing Date and has not started paying base rent, then under the Inline Master Lease, Seller will pay Purchaser Additional Base Rent for such Tenant Lease until the rent commencement date (i.e., the date all free rent periods have expired) under such Tenant Lease has occurred (with Seller being obligated to resume payment of such Additional Base Rent under the conditions set forth in Section 2 above); and (b) Seller elects to construct the Pad Site N Multi-Tenant Building, Seller will pay Purchaser Additional Base Rent with respect to that portion of the Pad Site N Multi-Tenant Building which was leased prior to commencement of construction until the rent commencement date (i.e., the date all free rent periods have expired) under such Tenant Lease has occurred (with Seller being obligated to resume payment of such Additional Base Rent under the conditions set forth in Section 2 above) and, as to the remaining portion of the Pad Site N Multi-Tenant Building, until the Earn Out Conditions with respect to such space have been satisfied. The term "base rent" is sometimes referred to as "minimum guaranteed rental" under a Tenant Lease.

6. **Triple Net Expenses**. In addition to Base Rent, Seller will pay Purchaser the proportionate share of common area expenses, insurance and taxes attributable to the premises under each Master Lease in an estimated amount monthly (with a customary annual reconciliation based on actual expenses) ("Triple Net Expenses"). Triple Net Expenses will be calculated in accordance with the Pro Forma and will commence upon the Closing Date. As premises are removed from a Master Lease in accordance with Section 3 above, the proportionate share of Triple Net Expenses under such Master Lease will be adjusted accordingly. In addition to Triple Net Expenses, Seller will pay Purchaser the proportionate share of common area expenses, insurance and taxes attributable to any Tenant Lease which has not started paying triple net expenses – such triple-net expenses to be paid under the applicable Master Lease (the "Additional Triple Net Expenses"). Additional Triple Net Expenses attributable to each such Tenant Lease will commence upon the Closing Date and be calculated in accordance with the proportionate share of triple net expenses attributable to such premises as specified in such Tenant Lease. For example, if there is a Tenant Lease in the inline space that is not an Earn Out Lease as of the Closing Date, then under the Inline Master Lease, Seller will pay Purchaser Additional Triple Net Expenses for such Tenant Lease until the rent commencement date (i.e., the date all free rent periods have expired) under such Tenant Lease has occurred (with Seller being obligated to resume payment of such Additional Triple Net Expenses under the conditions set forth in Section 2 above).

7. **Subleases.** Without the consent or approval of Purchaser, Seller will be entitled to enter into Subleases of all or part of the premises under each Master Lease so long as each such Sublease complies with the leasing parameters set forth Schedule II attached hereto (the "Sublease Parameters"). Purchaser agrees to enter into a non-disturbance and attornment agreement, in the form to be attached as an exhibit to each Master Lease, for each such Sublease promptly upon request of Seller; provided, however, Purchaser has no obligation

to execute or deliver same unless such agreement provides that Purchaser has no obligation thereunder unless and until the Earn Out Conditions with respect thereto have been satisfied. When a Sublease has satisfied the Earn Out Conditions, then the Sublease must be assigned by Seller to Purchaser, the premises of such Sublease will be automatically removed from the premises of the applicable Sublease, and Seller will be released from liability under such Sublease. Seller will be entitled to all rent and triple net expenses under a Sublease until it has been assigned to Purchaser. Once a Sublease is assigned to Purchaser, then Purchaser will be entitled to all rent and triple next expenses under such Sublease as a direct lease with Purchaser. The foregoing notwithstanding, Seller may enter into a Sublease that does not meet the Creditworthiness Standards (as defined in the Sublease Parameters) so long as it meets all of the other Sublease Parameters provided, however, that (a) any such Sublease will not be assigned to Purchaser and removed from the premises of such Master Lease unless and until Purchaser receives verification, reasonably satisfactory to Purchaser, that (i) a period of at least two years has expired since the later of the date (A) the rent commencement date for such Sublease has occurred (i.e., the date all free rent periods have expired) and (B) all other Earn Out Conditions for such Sublease have been satisfied, and (ii) the subtenant under any such Sublease is not in default under such Sublease at the time of assignment and has not at any time following the commencement date of the Sublease failed to pay any rent or other sums payable under the Sublease within thirty (30) days of the date same was due – it being understood that Seller has no right, directly or indirectly, to provide any payment, subsidy, default waiver or other assistance to any such subtenant so as to insure the satisfaction of this condition, and (b) no such Sublease may be executed by Seller in the last two years of the term of the applicable Master Lease. Otherwise, any deviation of a Sublease from the Sublease Parameters must be approved in advance by Purchaser.

8. **Further Assurances.** Each Master Lease will include a "Further Assurances" provision to provide that Seller and Purchaser will amend the Master Lease, enter into such additional agreements, or take such further action, in each case to the extent same is reasonably acceptable to Seller and Purchaser and is otherwise commercially reasonable in facilitating entering into Subleases under a Master Lease.

9. **Leasehold Mortgagee Protection**. With regard to the Hotel Master Lease and the Pad Sites Master Lease, if the applicable Sublease is structured as a ground lease and the applicable sublessee is responsible to construct all buildings and other improvements thereunder, the Master Lease will be amended for such Sublease to provide for leasehold mortgagee protection provisions as are commercially reasonable to facilitate financing of improvements by the sublessee under such Sublease. For the Hotel Lease or a replacement lease under the Hotel Master Lease only, the Hotel Master Lease will require that Purchaser provide a subordination of any fee mortgage (a) to any parking, access or other easement created against the Shopping Center for the benefit of the tenant under the Hotel Lease or replacement lease under the Hotel Master Lease; and (b) against the land upon which the Hotel will be constructed under the Hotel Lease or the replacement lease under the Hotel Master Lease (such premises, the "Hotel Premises"), but only if the Hotel Premises can be legally conveyed and encumbered separate and apart from the remainder of the Shopping Center. If the Hotel

Premises cannot be so legally conveyed and encumbered, Purchaser agrees, at no cost or liability to Purchaser, to reasonably cooperate with Seller in either (i) causing the Hotel Premises to become a legally subdivided lot in accordance with all applicable legal requirements, or (ii) causing the Shopping Center to be subject to a condominium declaration so that the Hotel Premises are a separate condominium unit separate from the remainder of the Shopping Center. In either case, it is contemplated that the Shopping Center will be encumbered with an easement for the benefit of the Hotel Premises for ingress, egress, parking and related rights for use of common areas. It is agreed that Purchaser (and, if applicable, Purchaser's lender) has the right to approve (such approval not to be unreasonably withheld) the forms of the easement and condominium documentation, as well as any requirements imposed by any governmental authority as a condition to any such condominium or subdivision, as applicable, and that Purchaser will not be acting unreasonably by requiring customary control rights (whether directly of through an association) under the condominium documentation as the holder of the largest condominium percentage. In addition, for each Sublease that complies with the requirements hereunder, Purchaser agrees to provide a subordination (i.e., the Sublease being subordinate to the fee mortgage), non-disturbance and attornment agreement from any fee mortgagee of the Shopping Center in a commercially reasonable form.

10. **Master Lease Guaranty.** Seller's obligations under each Master Lease will be guaranteed by Stratus Properties Inc.

Master Lease Letter of Credit. Seller's obligations will also be secured by the Master Lease Letter of Credit.

After Recording Return to:
Thompson & Knight LLP
1722 Routh Street, Suite 1500
Dallas, Texas 75201
Attention: Matthew H. Swerdlow

SIXTH MODIFICATION AGREEMENT

This SIXTH MODIFICATION AGREEMENT (this "**Agreement**") dated effective as of August 12, 2016 (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**"), and **THE VILLAS AT AMARRA DRIVE, L.L.C.** , a Texas limited liability company ("**Amarra**") (Stratus, SPOC, Circle C, Austin and Amarra 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 Stratus, SPOC, Circle C and Austin ("**Original Borrower**") to Lender, inter alia, relating to a loan (the "**Original Loan**") in the original principal sum of $48,000,000.00, each dated December 31, 2012:

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

ii. that certain Revolving Promissory Note, payable to the order of Lender in the original principal sum of $35,000,000.00 (the "**Original Revolving Note**");

iii. that certain Promissory Note, payable to the order of Lender in the original principal sum of $3,000,000.00 (the "**Original Letter of Credit Note**");

iv. that certain Promissory Note payable to the order of Lender in the original principal sum of $10,000,000.00 (the "**Construction Note**");

v. that certain Deed of Trust, Security Agreement 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. 2012220644 of the Real Property Records of Travis County, Texas (the "**Stratus Deed of Trust**");

vi. that certain Deed of Trust, Security Agreement 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. 2012220642 of the Real Property Records of Travis County, Texas (the "**Circle C Deed of Trust**");

vii. that certain Deed of Trust, Security Agreement 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. 2012220643 of the Real Property Records of Travis County, Texas (the "**SPOC Deed of Trust**");

viii. that certain Deed of Trust, Security Agreement 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. 2012220641 of the Real Property Records of Travis County, Texas, (the "**Austin Deed of Trust**"; and together with the Stratus Deed of Trust, Circle C Deed of Trust and the SPOC Deed of Trust, collectively referred to as the "**Deed of Trust**");

ix. that certain Subordination Agreement, recorded under Clerk's File No. 2012220640 of the Real Property Records of Travis County, Texas, executed by Stratus in favor of Lender (the "**Subordination Agreement**");

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

xi. that certain Assignment of Reimburseables, Credits and Other Fees in favor of Lender (the "**Assignment of Reimburseables**").

The instruments described above, and all other documents evidencing, securing or otherwise executed in connection with the Original Loan, being herein collectively called the "**Original Loan Documents**";

B. The Original Loan Documents were previously modified and/or amended and restated, as applicable, by the following documents:

i. that certain Modification and Extension Agreement dated November 12, 2014, between Borrower and Lender, recorded under Clerk's File No. 2014176011 of the Real Property Records of Travis County, Texas, between Original Borrower and Lender (the "**Modification Agreement**");

ii. that certain Second Modification and Extension Agreement dated February 11, 2015, recorded under Clerk's File No. 2015020882 of the Real Property Records of Travis County, Texas, between Original Borrower and Lender (the "**Second Modification Agreement**");

iii. that certain Third Modification and Extension Agreement dated May 19, 2015, recorded under Clerk's File No. 2015079898 and 2015090591 of the Real Property Records of Travis County, Texas, between Original Borrower and Lender (the "**Third Modification Agreement**");

iv. that certain Fourth Modification and Extension Agreement dated August 21, 2015, recorded under Clerk's File No. 2015134610 of the Real Property Records of Travis County, Texas, between Borrower and Lender (the "**Fourth Modification Agreement**");

v. that certain Amended and Restated Loan Agreement dated August 21, 2015 between Borrower and Lender (the "**Loan Agreement**"), in substitution of the Original Loan Agreement, evidencing the increase of the total loan amount to $72,500,000 (the "**Loan**");

vi. that certain Amended and Restated Revolving Promissory Note dated August 21, 2015, executed by Borrower and payable to the order of Lender in the original principal sum of $45,000,000.00 (the "**Revolving Note**"), in substitution of the Original Revolving Note;

vii. that certain Installment Note dated August 21, 2015, executed by Borrower and payable to the order of Lender in the original principal sum of $20,000,000.00 (the "**Term Note**");

viii. that certain Amended and Restated Promissory Note dated August 21, 2015, executed by Borrower and payable to the order of Lender in the original principal sum of $7,500,000.00 (the "**Letter of Credit Note**"; and together with the Revolving Note, collectively referred to as the "**Note**"); and

ix. that certain Fifth Modification Agreement dated December 30, 2015, recorded under Clerk's File No. 2015205908 and rerecorded under Clerk's File No. 2016001825, each of the Real Property Records of Travis County, Texas, between Borrower and Lender (collectively, the "**Fifth Modification Agreement**").

x. The Note, the Loan Agreement, the Deed of Trust, the Subordination Agreement, the Security Agreement, the Assignment of Reimbursables; the Modification Agreement, the Second Modification Agreement, the Third Modification Agreement, the Fourth Modification Agreement, the Fifth Modification Agreement, this Agreement and all other documents evidencing, securing or otherwise in connection with the Loan evidenced by the Note being herein collectively called the "**Loan Documents**").

C. The Term Loan Tranche and the Term Note have been repaid in full and are of no further force and effect.

D. Borrower has requested that Lender make certain modifications to the Loan Documents, and Lender is willing to do so on the terms and conditions set forth below.

E. Lender is the owner and holder of the 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. **Letter of Credit Tranche**.

(a) From the Effective Date until March 31, 2017 (the "**Letter of Credit Tranche Reversion Date**") the available proceeds of the Letter of Credit Tranche may be used by Borrower for the same purposes as the proceeds of the Revolving Loan Tranche as set forth in Section 2.4 of Addendum 2 to the Loan Agreement (in addition to the current purpose of the Letter of Credit Tranche) and subject to the same rights and obligations of Borrower with respect to the Revolving Loan Tranche (in addition to the current rights and obligations of Borrower with respect to the Letter of Credit Tranche). Notwithstanding anything to the contrary contained herein, under no circumstances shall the aggregate outstanding balance of the Loan plus any Letter of Credit Liabilities exceed the Maximum Loan Amount.

(b) On the Letter of Credit Reversion Date, (i) all amounts outstanding under the Letter of Credit Tranche unrelated to the original purpose of the Letter of Credit Tranche (i.e., those advances

made under the Letter of Credit Note under Section 2(a) hereof and that are not Letter of Credit Liabilities) shall be repaid to Lender in full (i.e., any remaining amounts outstanding under the Letter of Credit Tranche after the Letter of Credit Reversion Date must be solely pursuant to the original purpose of the Letter of Credit Tranche as provided in the Loan Agreement), and (ii) the modification to allow the use of the Letter of Credit Tranche proceeds for the purposes of the Revolving Line of Credit Tranche (as provided in Section 2(a) hereof) shall be null and void and the purpose of the Letter of Credit Tranche shall revert back to the original purpose of same as provided in the Loan Agreement.

(c) As of the date hereof, 4 Letters of Credit in the aggregate face amount of $2,337,551 have been issued under and are outstanding pursuant to this Agreement, leaving an outstanding available balance under the Letter of Credit Tranche of $5,162,449.

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

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

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

6. **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.

7. **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.

8. **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 PAGE FOLLOWS]

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

BORROWER:
STRATUS PROPERTIES INC.,
a Delaware corporation

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

AUSTIN 290 PROPERTIES, INC.,
a Texas corporation

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

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

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

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

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

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

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

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

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

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

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

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

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

STATE OF TEXAS §
§
COUNTY OF TRAVIS §

This instrument was acknowledged before me on the ____ day of _____, 2016, by Erin D. Pickens, Sr. Vice President of Stratus Properties Inc., a Delaware corporation, on behalf of said corporation.

Notary Public, State of Texas
My Commission Expires: __
Printed Name of Notary:_____

STATE OF TEXAS §
§
COUNTY OF TRAVIS §

This instrument was acknowledged before me on the ____ day of _____, 2016, by Erin D. Pickens, Sr. 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.

Notary Public, State of Texas
My Commission Expires: __
Printed Name of Notary:_____

STATE OF TEXAS §
§
COUNTY OF TRAVIS §

This instrument was acknowledged before me on the ____ day of _____, 2016, by Erin D. Pickens, Sr. 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 Delaware limited partnership, on behalf of said corporation, limited liability company limited partnership.

Notary Public, State of Texas
My Commission Expires: __
Printed Name of Notary:_____

STATE OF TEXAS §
§
COUNTY OF TRAVIS §

This instrument was acknowledged before me on the ____ day of _____, 2016, by Erin D. Pickens, Sr. Vice President of Austin 290 Properties Inc., a Delaware corporation, on behalf of said corporation.

Notary Public, State of Texas
My Commission Expires: __
Printed Name of Notary:_____

STATE OF TEXAS §
§
COUNTY OF TRAVIS §

This instrument was acknowledged before me on the ____ day of _____, 2016, by Erin D. Pickens, Sr. 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.

Notary Public, State of Texas
My Commission Expires: __
Printed Name of Notary:_____

LENDER:

COMERICA BANK

By:_____
Sterling J. Silver, Senior Vice President

STATE OF TEXAS §
§
COUNTY OF TRAVIS §

This instrument was acknowledged before me on the ___ day of _____, 2016, by Sterling J. Silver, Senior Vice President of Comerica Bank, on behalf of said bank.

Notary Public, State of Texas
My Commission Expires: ___
Printed Name of Notary:_____

STRATUS PROPERTIES INC.

PERFORMANCE-BASED
RESTRICTED STOCK UNIT AGREEMENT
UNDER THE 2013 STOCK INCENTIVE PLAN

1. (a) Pursuant to the Stratus Properties Inc. 2013 Stock Incentive Plan (the "Plan"), on _____, 20__(the "Grant Date"), Stratus Properties Inc., a Delaware corporation (the "Company") granted performance-based restricted stock units ("Restricted Stock Units" or "RSUs") to _____ (the "Participant") on the terms and conditions set forth in this Agreement and in the Plan.

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

2. The Company hereby grants to the Participant an Award of _____ RSUs (the "Target Award"). Each RSU represents the right to receive one share of Common Stock, subject to the terms and conditions set forth in this Agreement and the Plan. The actual number of RSUs that vest will depend on the Company's level of achievement and certification of the performance goals specified in Section 3 during the period beginning January 1, 2016 and ending December 31, 2018 (the "Performance Period"). Any RSUs that do not vest as of the end of the Performance Period shall be forfeited.

3. The performance metric applicable to the RSUs is Net Asset Value, or NAV. The percentage of the Target Award that will be earned will be determined as follows:

(a)50% of the Target Award will be earned if the per share NAV on an after-tax basis as of the end of the Performance Period is equal to or greater than $36 (the "Published NAV"); and

(b)50% of the Target Award will be earned if the per share NAV on an after tax-basis as of the end of the Performance Period is at least 15% greater than the Published NAV.

4. The RSUs shall not entitle the Participant to any incidents of ownership (including, without limitation, dividend and voting rights) in any Shares until the RSUs shall vest and the Participant shall be issued the Shares to which such RSUs relate. From and after the Grant Date of an RSU until the issuance of the Share payable in respect of such RSU, the Participant shall be credited, as of the payment date therefor, with (i) the amount of any cash dividends and (ii) the amount equal to the Fair Market Value of any Shares, Subsidiary securities, other securities, or other property distributed or distributable in respect of one share of Common Stock to which the Participant would have been entitled had the Participant been a record holder of one share of Common Stock at all times from the Grant Date to such issuance date (a "Property Distribution"). All such credits shall be made notionally to a dividend equivalent account (a "Dividend Equivalent Account") established for the Participant with respect to all RSUs granted hereunder. The Committee may, in its discretion, deposit in the Participant's Dividend Equivalent Account the securities or property comprising any

Property Distribution in lieu of crediting such Dividend Equivalent Account with the Fair Market Value thereof, or may otherwise adjust the terms of the Award as permitted under Section 5(b) of the Plan.

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

(b) Notwithstanding the foregoing, if the Participant's Termination is due to death, then the number of RSUs represented by the Target Award, all amounts credited to the Participant's Dividend Equivalent Account with respect to such RSUs, and all securities and property comprising Property Distributions deposited in such Dividend Equivalent Account with respect to such RSUs shall vest as of the Participant's Termination Date.

(c) Notwithstanding the foregoing, if the Participant's Termination is due to Disability or Retirement, the RSUs granted hereunder shall not be forfeited, and all such RSUs, all amounts credited to the Participant's Dividend Equivalent Account with respect to such RSUs, and all securities and property comprising Property Distributions deposited in such Dividend Equivalent Account with respect to such RSUs shall remain outstanding and vest as of the end of the Performance Period based on the Company's level of achievement and certification of the performance goals as set forth in Section 3.

(d) Unless Section 5(e) applies, in the event that the Participant ceases to be an Eligible Individual by reason of the Participant's Termination by his employer or principal without Cause, the Committee may, in its sole discretion, determine that the RSUs granted hereunder, all amounts credited to the Participant's Dividend Equivalent Account with respect to such RSUs, and all securities and property comprising Property Distributions deposited in such Dividend Equivalent Account with respect to such RSUs shall not be forfeited, but shall remain outstanding and vest as of the end of the Performance Period based on the Company's level of achievement and certification of the performance goals as set forth in Section 3.

(e) If a Change of Control event occurs prior to the end of the Performance Period, the number of RSUs represented by the Target Award will convert into an equivalent number of time-vested restricted stock units, which shall vest, provided the Participant remains an Eligible Individual until the end of the Performance Period (except as otherwise provided in this Section 5) on the earlier of (i) the last day of the Performance Period, or (ii) the date the Participant ceases to be an Eligible Individual by reason of the Participant's Termination by his employer or principal without Cause or Participant's Termination with Good Reason.

6. (a) The Committee shall, within a reasonably practicable time following the last day of the Performance Period, certify the level of achievement of the performance goals with respect to the Performance Period and the number of RSUs, if any, earned as a result. Such certification shall be final, conclusive and binding on the Participant, and on all other persons, to the maximum extent permitted by law. Payment in respect of earned RSUs, all amounts credited to the Participant's Dividend Equivalent Account with respect to such RSUs, and all securities and property comprising Property Distributions deposited in such Dividend Equivalent Account with respect to such RSUs shall be made promptly following the Committee's certification of the level of achievement of the performance goals, but in any event, no later than March 15 of the year following the year in which the Performance Period ends.

(b) In the event vesting occurs as a result of the Participant's death in accordance with Section 5(b) or following a Change of Control in accordance with Section 5(e), payment in respect of the vested RSUs, all amounts credited to the Participant's Dividend Equivalent Account with respect to such RSUs, and all securities and property comprising Property Distributions deposited in such Dividend Equivalent Account with respect to such RSUs shall be made promptly following the vesting date, but no later than 30 days thereafter.

(c) All payments in respect of earned and vested RSUs shall be made in freely transferable shares of Common Stock. No fractional shares of Common Stock shall be issued pursuant to this Award, and any fractional share resulting from any calculation made in accordance with the terms of this Agreement shall be rounded down to the next whole share.

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

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

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

10. The Participant is required to satisfy any obligation in respect of withholding or other payroll taxes resulting from the vesting of any RSU granted hereunder or the payment of any

securities, cash, or property hereunder, in accordance with procedures established by the Committee, as a condition to receiving any securities, cash payments, or property resulting from the vesting of any RSU or otherwise.

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

12. (a) If the Participant engages in grossly negligent conduct or intentional misconduct that either (i) requires the Company's financial statements to be restated at any time beginning on the Grant Date and ending on the first anniversary of the end of the Performance Period or (ii) results in an increased payout of the RSUs, then the Committee, after considering the costs and benefits to the Company of doing so, may seek recovery for the benefit of the Company of the difference between the shares of Common Stock received following the end of the Performance Period and the shares of Common Stock that would have been received based on the restated financial statements or absent the increase described in part (ii) above (the "Excess Shares"). All determinations regarding the amount of the Excess Shares shall be made solely by the Committee in good faith.

(b) The RSUs granted hereunder are also subject to any clawback policies the Company may adopt in order to conform to the requirements of Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act and any resulting rules issued by the SEC or national securities exchanges thereunder.

(c) If the Committee determines that the Participant owes any amount to the Company under Sections 12(a) or 12(b) above, the Participant shall return to the Company the Excess Shares (or the shares recoverable under Section 12(b)) acquired by the Participant pursuant to this Agreement (or other securities into which such shares have been converted or exchanged) or, if no longer held by the Participant, the Participant shall pay to the Company, without interest, all cash, securities or other assets received by the Participant upon the sale or transfer of such shares. The Participant acknowledges that the Company may, to the fullest extent permitted by applicable law, deduct such amount owed from any amounts the Company owes the Participant from time to time for any reason (including without limitation amounts owed to the Participant as salary, wages, reimbursements or other compensation, fringe benefits, retirement benefits or vacation pay). Whether or not the Company elects to make any such set-off in whole or in part, if the Company does not recover by means of set-off the full amount the Participant owes it, the Participant hereby agrees to pay immediately the unpaid balance to the Company.

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

(a) "Cause" shall mean any of the following: (i) the commission by the Participant of an illegal act (other than traffic violations or misdemeanors punishable solely by the payment of a fine), (ii) the engagement of the Participant in dishonest or unethical conduct, as determined by the Committee or its designee, (iii) the commission by the Participant of any fraud,

theft, embezzlement, or misappropriation of funds, (iv) the failure of the Participant to carry out a directive of his superior, employer or principal, or (v) the breach of the Participant of the terms of his engagement.

(b) Change of Control.

(i) For purposes of this Agreement, "Change of Control" means (capitalized terms not otherwise defined will have the meanings ascribed to them in paragraph (ii) below):

(A) 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 13(b)(i)(A), the following will not constitute a Change of Control:

(1) any acquisition (other than a "Business Combination," as defined below, that constitutes a Change of Control under Section 13(b)(i)(C) hereof) of Common Stock directly from the Company,

(2) any acquisition of Common Stock by the Company or its Subsidiaries,

(3) 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

(4) any acquisition of Common Stock pursuant to a Business Combination that does not constitute a Change of Control under Section 13(b)(i)(C) hereof; or

(B) individuals who, as of the effective date of this Agreement, 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 effective date of this Agreement whose election, or nomination for election by the Company's shareholders, 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

(C) 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:

(1) 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 Post-Transaction Corporation, and

(2) no Person together with all Affiliates of such Person (excluding the Post-Transaction Corporation and any employee benefit plan or related trust of either the Company, the Post-Transaction Corporation or any subsidiary of either corporation) Beneficially Owns 30% or more of the then outstanding shares of common stock of the Post-Transaction Corporation or 30% or more of the combined voting power of the then outstanding voting securities of the Post-Transaction Corporation, and

(3) at least a majority of the members of the board of directors of the Post-Transaction Corporation 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

(D) approval by the shareholders of the Company of a complete liquidation or dissolution of the Company.

(ii) As used in this Section 13(b), the following terms have the meanings indicated:

(A) 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.

(B) 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 (1) the power to vote, or direct the voting of, the security, and/or (2) the power to dispose of, or to direct the disposition of, the security.

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

(D) 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.

(E) 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.

(F) 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.

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

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

(d) "Fair Market Value" shall, with respect to a share of Common Stock, a Subsidiary security, or any other security, have the meaning set forth in the Stratus Properties Inc. Policies of the Committee applicable to the Plan, and, with respect to any other property, mean the value thereof determined by the board of directors of the Company in connection with declaring the dividend or distribution thereof.

(e) "Good Reason" shall mean either of the following (without Participant's express written consent): (i) a material diminution in Participant's base salary as of the day immediately preceding the Change of Control or (ii) the Company's requiring Participant to be based at any office or location more than 35 miles from Participant's principal office or location as of the day immediately preceding the Change of Control. Notwithstanding the foregoing, Participant shall not have the right to terminate Participant'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 Participant 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, Participant must terminate Participant's employment with the Company within a reasonable period of time, not to exceed 30 days, following the end of the Cure Period. The foregoing to the contrary notwithstanding, if at any time the Participant is subject to an effective employment or change of control agreement with the Company or an Affiliate (as defined in Section 13(b)), then, in lieu of the foregoing definition, "Good Reason" shall at that time have such meaning as may be specified in such other agreement.

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

(g) "NAV" or Net Asset Value, estimates the current market value of our assets (the gross estimated value) and subtracts the GAAP book value of our tangible liabilities. The computation of our NAV, which includes Net Operating Income and uses appraisals of specified properties as of specified dates, is more fully described in Company's earnings release filed as Exhibit 99.1 to the Form 8-K filed by the Company with the Securities and Exchange Commission on March 15, 2016. The Committee shall adjust the NAV at the Performance Period as it deems appropriate to reflect any dividends or other distributions made to the Company's stockholders during the Performance Period.

(h) "Net Operating Income" shall mean revenues less cost of sales, excluding depreciation, less reserve fund contributions for the W Austin Hotel (which is approximately 4 percent of hotel revenue).

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

14. Unless the Participant has been granted the right to defer the receipt of the Shares issuable in respect of the RSUs, the RSUs granted hereunder are intended to satisfy the short-term deferral exception to the requirements of Section 409A of the Code, and shall be interpreted, construed and administered in accordance with such exception. If it is determined that the RSUs do not qualify for an exemption from Section 409A of the Code, then in the event vesting is accelerated pursuant to Section 5 and the Participant is a Key Employee, a distribution of Shares issuable to the Participant, all amounts notionally credited to the Participant's Dividend Equivalent Account, and all securities and property comprising all Property Distributions deposited in such Dividend Equivalent Account due the Participant upon the vesting of the RSUs shall not occur until six months after the Participant's Termination Date, unless the Participant's Termination is due to death or Disability. Notwithstanding any provision to the contrary herein, all payments to be made upon a termination of employment hereunder may only be made upon a "separation from service" as defined under Section 409A of the Code.

15. The Company may, in its sole discretion, deliver any documents related to the Participant's current or future participation in the Plan by electronic means or request Participant's consent to participate in the Plan by electronic means. By accepting the terms of this Agreement, the Participant hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through an on-line or electronic system established and maintained by the Company or a third party designated by the Company. The Participant must expressly accept the terms and conditions of this Agreement by electronically accepting this Agreement in a timely manner. If the Participant does not accept the terms of this Agreement, the RSUs are subject to cancellation.

* * * * * * * * * * * * *

By clicking the *"Accept*" button, the Participant represents that he or she is familiar with the terms and provisions of the Plan, and hereby accepts this Agreement subject to all of the terms and provisions thereof. Participant has reviewed the Plan and this Agreement in their entirety and fully understands all provisions of this Agreement. Participant agrees to accept as binding, conclusive and final all decisions or interpretations of the Compensation Committee of the Company's Board of Directors upon any questions arising under the Plan or this Agreement.

PLEASE PRINT AND KEEP A COPY FOR YOUR RECORDS

STRATUS PROPERTIES INC.

NOTICE OF GRANT
OF
RESTRICTED STOCK UNITS
UNDER THE 2013 STOCK INCENTIVE PLAN

1. (a) Pursuant to the Stratus Properties Inc. 2013 Stock Incentive Plan (the "Plan"), on _____, 20__(the "Grant Date"), Stratus Properties Inc., a Delaware corporation (the "Company") granted _____ restricted stock units ("Restricted Stock Units" or "RSUs") to _____ (the "Participant") on the terms and conditions set forth in this Notice and in the Plan.

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

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

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

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

Scheduled Vesting Date	Number of RSUs

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

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

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

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

(b) Notwithstanding the foregoing, if the Participant ceases to be an Eligible Individual (the "Termination") by reason of the Participant's death, Disability, or Retirement, all the unvested RSUs granted hereunder, all amounts credited to the Participant's Dividend Equivalent Accounts with respect to such RSUs, and all securities and property comprising Property Distributions deposited in such Dividend Equivalent Accounts with respect to such RSUs shall vest as of the Participant's Termination Date. In the event that the Participant ceases to be an Eligible Individual by reason of the Participant's Termination by his employer or principal without Cause, the Committee or any person to whom the Committee has delegated authority may, in its or his sole discretion, determine that all or any portion of the unvested RSUs granted hereunder, all amounts credited to the Participant's Dividend Equivalent Accounts with respect to such RSUs, and all securities and property comprising Property Distributions deposited in such Dividend Equivalent Accounts with respect to such RSUs shall vest as of the Participant's Termination Date.

(c) If there has been a Change of Control of the Company, and within two years following the date of such Change of Control the Participant ceases to be an Eligible Individual by reason of the Participant's Termination by his employer or principal without Cause or Participant's

termination of employment with Good Reason, then the RSUs granted hereunder that have not yet vested, all amounts credited to the Participant's Dividend Equivalent Accounts with respect to such RSUs, and all securities and property comprising Property Distributions deposited in such Dividend Equivalent Accounts with respect to such RSUs shall vest as of the Participant's Termination Date.

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

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

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

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

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

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

(a) "Cause" shall mean any of the following: (i) the commission by the Participant of an illegal act (other than traffic violations or misdemeanors punishable solely by the payment of a fine), (ii) the engagement of the Participant in dishonest or unethical conduct, as determined by the Committee or its designee, (iii) the commission by the Participant of any fraud, theft, embezzlement, or misappropriation of funds, (iv) the failure of the Participant to carry out a

directive of his superior, employer or principal, or (v) the breach of the Participant of the terms of his engagement.

(b) Change of Control.

(i) For purposes of this Notice, "Change of Control" means (capitalized terms not otherwise defined will have the meanings ascribed to them in paragraph (ii) below):

(A) 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 11(b)(i)(A), the following will not constitute a Change of Control:

(1) any acquisition (other than a "Business Combination," as defined below, that constitutes a Change of Control under Section 11(b)(i)(C) hereof) of Common Stock directly from the Company,

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

(3) 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

(4) any acquisition of Common Stock pursuant to a Business Combination that does not constitute a Change of Control under Section 11(b)(i)(C) hereof; or

(B) individuals who, as of the effective date of this Agreement, 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 effective date of this Agreement whose election, or nomination for election by the Company's shareholders, 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

(C) 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:

(1) 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 Post-Transaction Corporation, and

(2) no Person together with all Affiliates of such Person (excluding the Post-Transaction Corporation and any employee benefit plan or related trust of either the Company, the Post-Transaction Corporation or any subsidiary of either corporation) Beneficially Owns 30% or more of the then outstanding shares of common stock of the Post-Transaction Corporation or 30% or more of the combined voting power of the then outstanding voting securities of the Post-Transaction Corporation, and

(3) at least a majority of the members of the board of directors of the Post-Transaction Corporation 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

(D) approval by the shareholders of the Company of a complete liquidation or dissolution of the Company.

(ii) As used in this Section 11(b), the following terms have the meanings indicated:

(A) 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.

(B) 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 (1) the power to vote, or direct the voting of, the security, and/or (2) the power to dispose of, or to direct the disposition of, the security.

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

(D) 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.

(E) 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.

(F) 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.

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

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

(d) "Fair Market Value" shall, with respect to a share of Common Stock, a Subsidiary security, or any other security, have the meaning set forth in the Stratus Properties Inc. Policies of the Committee applicable to the Plan, and, with respect to any other property, mean the value thereof determined by the board of directors of the Company in connection with declaring the dividend or distribution thereof.

(e) "Good Reason" shall mean either of the following (without Participant's express written consent): (i) a material diminution in Participant's base salary as of the day immediately preceding the Change of Control or (ii) the Company's requiring Participant to be based at any office or location more than 35 miles from Participant's principal office or location as of the day immediately preceding the Change of Control. Notwithstanding the foregoing, Participant shall not have the right to terminate Participant'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 Participant 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, Participant must terminate Participant's employment with the Company within a reasonable period of time, not to exceed 30 days, following the end of the Cure Period. The foregoing to the contrary notwithstanding, if at any time the Participant is subject to an effective employment or change of control agreement with the Company or an Affiliate (as defined in Section 11(b)), then, in lieu of the foregoing definition, "Good Reason" shall at that time have such meaning as may be specified in such other agreement.

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

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

12. Unless the Participant has been granted the right to defer the receipt of the Shares issuable in respect of the RSUs, the RSUs granted hereunder are intended to satisfy the short-term deferral exception to the requirements of Section 409A of the Code, and shall be interpreted, construed and administered in accordance with such exception. If it is determined that the RSUs do not qualify for an exemption from Section 409A of the Code, then in the event vesting is accelerated pursuant to Section 5 and the Participant is a Key Employee, a distribution of Shares issuable to the Participant, all amounts notionally credited to the Participant's Dividend Equivalent Account, and all securities and property comprising all Property Distributions deposited in such Dividend Equivalent Account due the Participant upon the vesting of the RSUs shall not occur until six months after the Participant's Termination Date, unless the Participant's Termination is due to death or Disability. Notwithstanding any provision to the contrary herein, all payments to be made upon a termination of employment hereunder may only be made upon a "separation from service" as defined under Section 409A of the Code.

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

STRATUS PROPERTIES INC.

Exhibit 31.1

Certification

I, William H. Armstrong III, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Stratus Properties Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: November 9, 2016

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

Exhibit 31.2

Certification

I, Erin D. Pickens, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Stratus Properties Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: November 9, 2016

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

Exhibit 32.1

Certification Pursuant to 18 U.S.C. Section 1350
(Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002)

In connection with the Quarterly Report on Form 10-Q of Stratus Properties Inc. (the "Company") for the quarter ending September 30, 2016, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), William H. Armstrong III, as Chairman of the Board, President & Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 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: November 9, 2016

/s/ William H. Armstrong III
William H. Armstrong III
Chairman of the Board,
President & 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 § 18 of the Securities Exchange Act of 1934, as amended.

Exhibit 32.2

Certification Pursuant to 18 U.S.C. Section 1350
(Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002)

In connection with the Quarterly Report on Form 10-Q of Stratus Properties Inc. (the "Company") for the quarter ending September 30, 2016, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Erin D. Pickens, as Senior Vice President & Chief Financial Officer of the Company, hereby certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 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: November 9, 2016

/s/ Erin D. Pickens
Erin D. Pickens
Senior Vice President &
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 § 18 of the Securities Exchange Act of 1934, as amended.