

Stratus Properties Inc.

Ethics and Business Conduct Policy

Under the direction of the Board of Directors of Stratus Properties Inc., it is the policy of the Company that its business activities are managed and operated in conformity with applicable law and high ethical standards. The Board has also directed that all personnel employed by or affiliated with the Company comply with this Ethics and Business Conduct Policy (“Policy”) at all times. (References to the “Company” include Stratus Properties Inc. and its direct and indirect subsidiaries; references to “Personnel” include employees, officers, and directors of the Company and affiliated and unaffiliated service providers to the Company).

This Policy summarizes some of the important principles that should afford guidance to Personnel in carrying out their responsibilities. Both the Board of Directors and the Company’s management are determined to maintain the Company’s reputation for integrity and fairness in business dealings with others and in the communities where its offices and operations are located. This Policy serves to (1) emphasize the Company’s commitment to ethics and compliance with the law; (2) set forth basic standards of ethical and legal behavior; (3) provide reporting mechanisms for known or suspected ethical or legal violations; and (4) help prevent and detect wrongdoing. Departures from our standards will not be tolerated. Individuals who violate this Policy are subject to discharge or other appropriate disciplinary action. All Personnel are therefore expected to be familiar with and to abide by this Policy. To this end, all appropriate Personnel will be asked to provide an Annual Ethics and Business Conduct Certification.

Most of the standards articulated in this Policy are established by U.S. and other applicable laws. Violations of these laws can expose the Company and the individuals involved to criminal and civil liability and to other serious consequences. At the same time, in practice these principles can raise difficult issues in particular situations. Given the variety and complexity of ethical questions that may arise in the Company’s course of business, this Policy serves only as a guide. All Personnel are responsible for seeking guidance in the case of any doubt regarding this Policy’s application. Any inquiries should be directed to the Company’s general counsel (the “General Counsel”), Kenneth N. Jones, who can be reached at (512) 435-2312, by e-mail (KJones@abaustin.com), or mail (c/o 100 Congress Avenue, Suite 1300, Austin, TX 78701).

1. Conflicts of Interest

All Personnel shall avoid any investments, associations or other relationships that would interfere, or could appear to interfere, with their good judgment concerning the Company’s best interests. A conflict situation can arise when Personnel take actions or have interests that may interfere or make it difficult to perform their work objectively and effectively. Conflicts of interest may also arise when any Personnel, or a member of his or her family, receives improper personal benefits as a result of his or her position in the Company. It is almost always a conflict of interest for Personnel to work simultaneously for a competitor, customer or supplier.

Any Personnel who becomes aware of a conflict or potential conflict, or if any Personnel is unsure if a situation constitutes a conflict of interest, he or she must immediately report the circumstances of the situation to the General Counsel. If the General Counsel determines that such circumstances constitute a conflict of interest, the General Counsel must immediately report

such conflict to the Audit Committee.

2. Corporate Opportunities

No Personnel may: (1) take for himself or herself personally opportunities that are discovered through the use of Company property, information or position without the consent of the Board of Directors of the Company; (2) use Company property, information or position for personal gain; or (3) compete directly or indirectly with the Company. All Personnel owe a duty to the Company to advance its legitimate interests when the opportunity to do so arises.

3. Insider Trading

No Personnel may purchase or sell any Company securities while in possession of *material nonpublic* information regarding the Company, nor may any Personnel purchase or sell the securities of another company doing business with the Company while in possession of *material nonpublic* information regarding such company. It is in violation of this Policy and illegal for any Personnel to use *material nonpublic* information regarding the Company or any other company doing business with the Company to obtain profit for himself or herself or to directly or indirectly disclose such information to or “tip” others, including family members, who might make an investment decision on the basis of that information or pass along such information to others who might do the same.

For purposes of this Policy, “material” information is information that a reasonable investor would consider important in deciding whether to purchase, sell or hold a security, or information that is likely to significantly alter the total mix of publicly available information about the Company. If a person learns or knows of information that would prompt anyone to want to buy or sell stock, the information is likely material. For purposes of this Policy, “nonpublic” information is information that has not been disclosed by means of a Securities and Exchange Commission (“SEC”) filing or widely distributed press release or is not otherwise generally available to the public. All nonpublic information about the Company should be considered confidential information.

The Company will periodically issue more detailed guidance and procedures to certain Personnel that are subject to the Company’s window period recommendations with respect to transactions in Company securities.

4. Outside Activities

The Company endeavors to conduct its business operations with the highest degree of proficiency. To that end, each of the Company’s officers, managers and employees is expected to devote virtually all of his or her business time to the Company’s business and to use his or her best efforts to perform faithfully and efficiently his or her duties to the Company. Accordingly, each of the Company’s officers, managers and employees is expected to refrain from any outside employment or business activities that interfere with his or her ability to perform services and fulfill the responsibilities that the Company requires of him or her.

All employees will be judged by the same performance standards and will be subject to the Company’s scheduling demands regardless of any outside employment and business activities.

If the Company determines, in its sole discretion, that an officer, manager, or employee’s outside employment or business activities interfere with his or her ability to perform services and fulfill

the responsibilities that the Company requires, the Company may ask him or her to reduce or even terminate the outside employment or business activities if he or she wishes to remain employed by the Company.

The Company respects its Personnel's involvement in community, charity and political and religious activities and causes, and encourages such involvement as long as such activities do not interfere with their ability to perform services and fulfill the responsibilities that the Company requires of them. Personnel should make clear that any views or participation in such activities or causes represent their own and not the Company's, must do so on their own time and using their own resources, and must not engage in any unwanted solicitations or pressure toward other Personnel relating to any such community, charitable or political and religious activities or causes.

5. Confidentiality

All information about the Company's business and its plans that has not been disclosed to the public is a valuable asset that belongs to the Company. All Personnel employed by and affiliated with the Company should maintain the confidentiality of information entrusted to them by the Company, its business partners, suppliers, customers or others related to the Company's business. Such information must not be disclosed to anyone, including friends and family members, except when disclosure is authorized by an appropriate officer of the Company or legally mandated. All Personnel should preserve confidential information even after his/her employment ends.

6. Fair Dealing

All Personnel shall behave honestly and ethically at all times and with all people. All Personnel should endeavor to deal fairly with the Company's customers, suppliers, business partners, competitors and other employees. Additionally, Personnel should not take advantage of any person through manipulation, concealment, abuse of privileged information, misrepresentation of material facts, or any other unfair-dealing practice. All Personnel are prohibited from (1) misappropriating any form of confidential financial, business, proprietary (including intellectual property), or technical information, or any property, from any other person or company, or (2) receiving any such information or property from a person or company with knowledge or reason to know that such information or property is misappropriated or has otherwise been obtained without permission of the owner.

7. Protection and Proper Use of Company Assets

All Personnel are expected to protect the Company's property and assets (including tangible assets and intangible assets, such as proprietary information, confidential information of the Company or personal information held by the Company) and ensure their efficient and proper use. Theft, carelessness and waste can directly impact the Company's profitability, reputation and success. Any suspected incident of fraud or theft should be immediately reported for investigation in accordance with this Policy. All Company property and assets should be used for legitimate business purposes, and personal use of such property and assets without permission is strictly prohibited.

8. Financial Record Keeping

It is the Company's policy that all of its books and records must fully and fairly reflect all receipts and expenditures. No undisclosed or unrecorded funds of the Company shall be

established for any purpose. Personnel are expected to record all transactions accurately in the Company's books and records, and to be honest and forthcoming with the Company's internal and independent auditors. Attempts to create any accounting irregularity (the improper identification, treatment, or accounting of Company money or assets in violation of Company internal control and accounting procedures, including but not limited to secret accounts, false or misleading entries, unreported or misidentified disbursements, or business transactions or payments without the general or specific authorization of appropriate Personnel) involving or affecting the Company are forbidden, and no false or misleading entries shall be made in the Company's books and records for any reason. This policy covers not only expenses incurred or transactions undertaken by Personnel, but also expenses incurred by third parties (such as co-venturers, consultants, and agents) for which reimbursement is requested.

9. Improper Payments

No Personnel employed by or affiliated with the Company shall make, offer, promise or authorize any payment or use of any funds, assets or anything of value that is directly or indirectly for the benefit of any individual (including any government official), company or organization, and which is designed to secure, or is an award for securing in the past, any improper business advantage for the Company or any other person. This policy applies regardless of whether the payment or use is lawful under the laws of a particular jurisdiction. The Company will periodically issue to all appropriate Personnel more detailed guidance and procedures regarding improper payments.

It is the Company's policy that no payment, transfer, offer or promise of the Company's funds, assets, or anything of value shall be made that is not properly authorized, properly accounted for and clearly identified on the Company's books. Furthermore, no payment or transfer of the Company's funds or assets shall be made or approved with the intention or understanding that any part of such payment or transfer is to be used except as specified in the supporting documents. Except as approved by authorized management, payments to third parties (other than petty cash) may not be made in cash, nor may they be paid to any account in a country otherwise unrelated to the payee's business, or to any person other than the authorized payee.

10. Political Contributions

Pursuant to this Policy, the Company generally will not contribute any funds to any candidate for political office, official of a political party, or committee or organization for the election of a particular candidate to any political office (federal, state or local) in the United States. Any requests or proposals for contributions to political parties by the Company raise legal issues. Accordingly, all such requests or proposals must be submitted to the Company's General Counsel who will arrange for necessary review and approval by senior management. This Policy does not prevent any Personnel in their individual capacity from rendering services to individual candidates, political committees or political parties where permitted by applicable laws, nor is this Policy intended to discourage voluntary contributions by Personnel to such candidates, committees, or parties (as long as such contributions are rendered in a person's individual capacity and not on behalf of the Company), including any Company-related political committee.

Also, this Policy does not preclude the Company from establishing programs, permitted by applicable laws, under which it may make (1) contributions to any Company-related political committee so as to match, in whole or in part, a contribution voluntarily made to that committee by an eligible employee or other individual; (2) contributions to any state political committee

sponsored by an industry or trade association of which the Company or any subsidiary is a member; or (3) other contributions permitted by law and specifically authorized by senior management.

The Company's political contributions and expenditures are overseen and approved by senior management, and periodically reviewed by the Company's Audit Committee.

11. Business Entertainment and Gifts

It is the Company's policy that all solicitation of or dealings with suppliers, customers or others doing or seeking to do business with the Company shall be conducted solely on the basis that reflects both the Company's best business interests and its high ethical standards. Except in the case of government officials or employees of state-owned companies, the providing of common courtesies, entertainment, modest gifts and occasional meals for potential or actual suppliers, customers or others involved with aspects of the Company's business in a manner appropriate to the business relationship and associated with business discussions is permitted, provided expenses in this connection are reasonable, authorized and consistent with applicable law.

The provision of business entertainment and gifts to government officials, including private persons acting in an official capacity on behalf of the government, can raise serious issues under U.S. and local laws. The payment by any Personnel employed by or affiliated with the Company of lavish or excessive gifts and entertainment expenses to or on behalf of such officials is prohibited. Any gifts or entertainment must be modest, customary and must comport with all applicable U.S. and local laws. Personnel are encouraged to consult with the Company's General Counsel or his designee with any questions.

12. Travel and Travel-Related Expenses

Site visits, offsite meetings and other transactions involving the payment or reimbursement by the Company of travel and travel-related expenses (including transportation, lodging, meals and incidental expenses) incurred by government officials also can create issues under U.S. and local laws. Any such expenses paid for or reimbursed must be genuine, reasonable, directly related to the business of the Company, and allowed by U.S. or local law. Payments for travel not related to a business purpose, including side trips primarily for pleasure, and payments for travel of spouses or other family members, raise issues requiring special attention and must be specifically authorized by the Company's General Counsel or designee.

13. Acceptance of Payments

It is the Company's policy that no Personnel employed by or affiliated with the Company shall, directly or indirectly, seek or accept any payments, fees, services or other gratuities (irrespective of size or amount) outside the normal course of such individual's business duties from any other person, company or organization that does or seeks to do business with the Company. Gifts of cash or cash equivalents of any amount are strictly prohibited. The receipt of common courtesies, sales promotion items of small value, modest gifts, occasional meals and reasonable entertainment appropriate to a business relationship and associated with business discussions are regarded as not inconsistent with this Policy.

14. Antitrust Laws

In general, the antitrust laws prohibit competitors (both actual and potential) from making any agreements restricting or limiting competition between themselves. This prohibition applies

whether the agreement is oral or written, explicit or implicit, formal or informal. Thus, it makes no difference whether competitors enter into an unlawful agreement as a result of a board room meeting or as the result of spontaneous discussions on the golf course or in a restaurant.

Although the most well-known examples of illegal agreements involve price fixing or bid rigging, the antitrust laws prohibit agreements that allocate customers, territories or markets, agreements that regulate the volume of products sold or the terms of their sale, and agreements among purchasers that they will only purchase from sellers on specified terms. Additionally, in certain circumstances, the antitrust laws prohibit competitors from agreeing to boycott or unreasonably refusing to deal with third parties.

Not only do the antitrust laws prohibit joint activities that restrain trade, they also prohibit companies from unilaterally acting to eliminate competitors through anti-competitive conduct. Depending on the particular circumstances, the antitrust laws may reach such activities as below-cost pricing, price discrimination, tying the sale of one product with another, unnecessary acquisition of scarce supplies, and conduct that has the effect of unnecessarily raising a competitor's costs.

It is the Company's policy that Personnel are expected to comply with the antitrust and competition laws of the United States and with those of any other country, as applicable. Personnel who participate in a violation of the antitrust laws expose themselves and the Company to grave consequences. Criminal penalties include substantial fines for the Company and imprisonment and fines for the individuals who performed or authorized the illegal activity. A violation of the antitrust laws also exposes the Company and individual participants to civil lawsuits from the government, injured consumers and injured competitors. These lawsuits are very costly and may result in fines, punitive damages, injunctions, consent decrees, and other penalties that can adversely affect the Company years into the future.

This discussion has not been an exhaustive statement of antitrust law but rather is designed to alert you to antitrust problems that you may face. Personnel are encouraged to consult with the Company's General Counsel or his designee with any questions.

15. Environment

It is the Company's policy to conduct its business in a manner that is compatible with the balanced environmental and economic needs of the communities in which it operates. It is the Company's policy to comply with all applicable environmental laws and regulations. The Company requires compliance by contractors operating at Company facilities with all applicable environmental laws and regulations of the jurisdiction in which operations are being conducted.

16. Health and Safety

The Company strives to provide a safe and healthy work environment. All Personnel are responsible for maintaining a safe and healthy workplace for all by following all of the Company's safety and health rules and practices and promptly reporting accidents, injuries and unsafe equipment, practices or conditions to a supervisor or senior manager.

The Company does not permit violence or threatening behavior in the workplace. The Company requires that employees report to work in condition to perform their duties at their best, free from

the influence of illegal drugs or alcohol. The use of illegal drugs or alcohol in the workplace is not tolerated by the Company.

17. Work Environment

It is the Company's policy to promote a positive and productive work environment in which all Personnel are respected and valued. Harassing behavior works against these efforts and violates our value of respect. The Company does not tolerate any form of harassment or discrimination. Individuals who believe they have been subjected to harassment and/or Personnel who observe or become aware of harassment should immediately report the incident in accordance with this Policy, or in the case of employees, in accordance with the Company's Policy against Discrimination, Harassment and Retaliation as set forth in the Company's Employee Guide to Policies and Procedures.

18. Code of Ethics for Financial Officers

The honesty, integrity and sound judgment of the Company's principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions (the "Financial Officers"), is fundamental to the reputation and success of the Company. To the best of their knowledge and ability, the Financial Officers must:

- act with honesty and integrity, avoid actual or apparent conflicts of interest in personal and professional relationships, and disclose to the Board of Directors any material transaction or other relationship that reasonably could be expected to give rise to such a conflict;
- provide colleagues with information that is accurate, complete, objective, relevant, timely and understandable;
- provide full, fair, accurate, timely, and understandable disclosure in reports and documents that the Company files with, or submits to, the SEC and other public communications made by the Company;
- comply with applicable laws, rules and regulations of federal, state, and local governments (both foreign and domestic) and other appropriate private and public regulatory agencies;
- act in good faith, with due care, competence and diligence, without misrepresenting material facts;
- proactively promote ethical and honest behavior within the Company; and
- assure responsible use of and control of all assets, resources and information of the Company.

Any Financial Officer that the Audit Committee of the Board of Directors determines has failed to comply fully with the points listed above will be deemed to have willfully failed to perform his or her duties, and shall be subject to termination for cause or other disciplinary action the Audit Committee of the Board of Directors determines to be appropriate.

19. Timely and Truthful Public Disclosure

In reports and documents filed with or submitted to the SEC and in other public communications made by the Company, the Personnel involved in the preparation of such reports and documents (including those who are involved in the preparation of financial or other reports and the information included in such reports and documents) shall make disclosures that are full, fair,

accurate, timely and understandable. Where applicable, these Personnel shall provide thorough and accurate financial and accounting data for inclusion in such disclosures. They shall not knowingly conceal or falsify information, misrepresent material facts or omit material facts necessary to avoid misleading the Company's independent auditors or investors.

20. Compliance with Other Laws, Rules and Regulations

The Company expects all Personnel to fully comply with all applicable laws, rules and regulations. While such laws prescribe a minimum standard of conduct, this Policy requires conduct that often exceeds the legal standard.

The Company has additional policies and procedures covering in detail compliance with specific legal requirements, such as the Company's insider trading and disclosure policies. All Personnel are expected to be familiar and comply with these additional policies and procedures.

In the event of a conflict between applicable laws, or a conflict between applicable law and Company policies, Personnel should seek guidance from the Company's General Counsel, and should generally follow the course of conduct that reflects the most stringent standard of behavior.

21. Administration and Waiver of this Policy

This Policy will be administered under the direction of the Audit Committee of the Board of Directors. Any requests for waivers of this Policy by employees should be submitted in writing to the General Counsel, c/o 100 Congress Avenue, Suite 1300, Austin, TX 78701. Any waivers of this Policy for executive officers or directors will only be granted by the Board of Directors, and must be promptly disclosed as required by law or stock exchange regulation.

22. Reporting of Illegal or Unethical Behavior

If any Personnel employed by or affiliated with the Company observes or knows of possible or actual violations of this Policy, or has any questions about its meaning, intent and/or application, it is that individual's responsibility to report such situations or pose any questions promptly to his or her immediate supervisor. If for any reason a person is not comfortable approaching his or her immediate supervisor, any one of the following avenues are also acceptable means of reporting illegal or unethical behavior:

- contact the General Counsel by phone ((512) 435-2312), e-mail (KJones@abaustin.com), or mail (c/o 100 Congress Avenue, Suite 1300, Austin, TX 78701)
- send a note, with any relevant documents, by mail to the Chair of the Audit Committee, Stratus Properties Inc., 212 Lavaca Street, Suite 300, Austin, Texas 78701, and mark the outside envelope "Confidential."

All matters will be treated as strictly confidential, and also may be reported on an anonymous basis. The Company will not allow retaliation *in any form* for any reports that are made in good faith.

23. Accounting Complaints

All Personnel shall comply with all financial reporting and accounting regulations applicable to the Company at all times. If any person has any concerns or complaints regarding any

questionable accounting or auditing matters of the Company, then he or she is encouraged to submit those concerns or complaints (anonymously, confidentially or otherwise) to the Chair of the Audit Committee, Stratus Properties Inc., 212 Lavaca Street, Suite 300, Austin, Texas 78701.

24. Annual Certification

The Company requires selected Personnel to complete and sign, annually, a certification designed to elicit information as to compliance with this Policy, which includes the disclosure of any known violations of this Policy, including any payments, transactions, or accounting irregularities that violate applicable laws, and any case in which any Personnel has a significant interest in any organization doing business with or competing with the Company. After review of these completed certifications, a report is made to the Audit Committee of the Board of Directors.

Violations of this Policy can expose the Company and the individuals involved to potential criminal and civil liability and to lawsuits for damages or restitution. Personnel who violate this Policy are subject to discharge or other disciplinary action. All Personnel are expected to cooperate in internal investigations of misconduct.

It is recognized that Personnel may have questions regarding the application of this Policy in particular situations. All Personnel are responsible for seeking guidance in case of any doubt. For this purpose, inquiries should be directed to the General Counsel.