

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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2015

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: 000-19989

S T R A T U S ®

Stratus Properties Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

72-1211572

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

212 Lavaca St., Suite 300

Austin, Texas

(Address of principal executive offices)

78701

(Zip Code)

(512) 478-5788

(Registrant's telephone number, including area code)

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

Title of each class	Name of each exchange on which registered
Common Stock, par value \$0.01 per share	The NASDAQ Stock Market
Preferred Stock Purchase Rights	The NASDAQ Stock Market

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

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

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

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

Indicate by check mark whether the registrant has submitted electronically 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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 Act). Yes No

The aggregate market value of common stock held by non-affiliates of the registrant was approximately \$109.9 million on February 29, 2016, and approximately \$68.6 million on June 30, 2015.

Common stock issued and outstanding was 8,067,356 shares on February 29, 2016, and 8,061,106 shares on June 30, 2015.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of our proxy statement for our 2016 annual meeting of stockholders are incorporated by reference into Part III (Items 10, 11, 12, 13 and 14) of this report.

STRATUS PROPERTIES INC.
TABLE OF CONTENTS

	Page
Part I	1
Items 1. and 2. Business and Properties	1
Overview and Operations	1
Properties	3
Competition	5
Discontinued Operations	6
Credit Facility and Other Financing Arrangements	6
Regulation and Environmental Matters	6
Employees	6
Item 1A. Risk Factors	7
Item 1B. Unresolved Staff Comments	14
Item 3. Legal Proceedings	14
Item 4. Mine Safety Disclosures	14
Executive Officers of the Registrant	14
Part II	15
Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	15
Item 6. Selected Financial Data	17
Items 7. and 7A. Management’s Discussion and Analysis of Financial Condition and Results of Operations and Quantitative and Qualitative Disclosures About Market Risk	18
Item 8. Financial Statements and Supplementary Data	35
Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	60
Item 9A. Controls and Procedures	60
Item 9B. Other Information	60
Part III	61
Item 10. Directors, Executive Officers and Corporate Governance	61
Item 11. Executive Compensation	61
Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	61
Item 13. Certain Relationships and Related Transactions, and Director Independence	62
Item 14. Principal Accounting Fees and Services	62
Part IV	62
Item 15. Exhibits, Financial Statement Schedules	62
Signatures	S-1
Index to Financial Statements	F-1
Exhibit Index	E-1

PART I

Items 1. and 2. Business and Properties

Except as otherwise described herein or the context otherwise requires, all references to "Stratus," "we," "us" and "our" in this Form 10-K refer to Stratus Properties Inc. and all entities owned or controlled by Stratus Properties Inc. All of our periodic reports filed with or furnished to the United States (U.S.) Securities and Exchange Commission (SEC) pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, including our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and any amendments to those reports are available, free of charge, through our website, www.stratusproperties.com, or by submitting a written request via mail to Stratus Investor Relations, 212 Lavaca St., Suite 300, Austin, Texas, 78701. These reports and amendments are available through our website or by request as soon as reasonably practicable after we electronically file or furnish such material with or to the SEC.

All references to "Notes" herein refer to the Notes to Consolidated Financial Statements located in Part II, Item 8. of this Form 10-K.

Overview

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. 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 Note 11 for further discussion of our operating segments.

Our principal executive offices are located in Austin, Texas, and our company was incorporated under the laws of the state of Delaware on March 11, 1992. Stratus Properties Inc. was formed to hold, operate and develop the domestic real estate and oil and gas properties of our former parent company. We sold all of our oil and gas properties during the 1990s and have since focused solely on our real estate properties. 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. See "Business Strategy and Related Risks" in Part II, Items 7. and 7A. for further discussion.

Operations

A description of our operating segments follows.

Hotel. The W Austin Hotel includes 251 luxury rooms and suites, a full service spa, gym, rooftop pool and 9,750 square feet of meeting space. We have an agreement with Starwood Hotels & Resorts Worldwide, Inc. (Starwood) for the management of hotel operations at our W Austin Hotel & Residences. Revenue per available room for the W Austin Hotel, which is calculated by dividing total room revenue by the average total rooms available during the year, was \$279 for 2015, \$291 for 2014, and \$260 for 2013.

Revenue from our hotel segment accounted for 51 percent of our total revenue for 2015, 45 percent for 2014 and 31 percent for 2013.

Entertainment. The entertainment space at the W Austin Hotel & Residences is occupied by Austin City Limits Live at the Moody Theater (ACL Live) and includes a live music and entertainment venue and production studio with a maximum capacity of approximately 3,000 people. In addition to hosting concerts and private events, ACL Live is the home of Austin City Limits, a television program showcasing popular music legends. ACL Live hosted 210 events in 2015 with an estimated attendance of 245,000, 207 events in 2014 with an estimated attendance of

[Table of Contents](#)

231,200 and 186 events in 2013 with an estimated attendance of 217,100. As of February 29, 2016, ACL Live has events booked through May 2017.

Our entertainment business also includes events hosted at other venues through our joint ventures (see "Properties - Unconsolidated Affiliates" below and Note 6).

Revenue from our entertainment segment accounted for 24 percent of our total revenue for 2015, 20 percent for 2014 and 12 percent for 2013.

Real Estate Operations. The number of developed lots/units, acreage under development and undeveloped acreage as of December 31, 2015, that comprise our real estate operations are presented in the following table.

A developed lot or unit is an individual tract of land or residential unit that has been developed and permitted for residential use. Acreage under development includes real estate for which infrastructure work over the entire property has been completed, is currently being completed or is able to be completed and for which necessary permits have been obtained. The undeveloped acreage shown in the table below is presented according to anticipated uses for multi- and single-family lots and commercial development based upon our understanding of the properties' existing entitlements. However, because of the nature and cost of the approval and development process and uncertainty regarding market demand for a particular use, there is no assurance that the undeveloped acreage will ever be developed. Undeveloped acreage includes real estate that can be sold "as is" (i.e., no infrastructure or development work has begun on such property).

	Acreage								
	Developed Lots/Units	Under Development			Undeveloped				Total Acreage
		Multi- family	Commercial	Total	Single Family	Multi- family	Commercial	Total	
Austin:									
Barton Creek	68	18	—	18	512	308	398	1,218	1,236
Circle C	31	—	—	—	—	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	101	18	87	105	512	344	805	1,661	1,766

Revenue from our real estate operations segment accounted for 18 percent of our total revenue for 2015, 28 percent for 2014 and 53 percent for 2013.

The following table summarizes the estimated development potential, including 236 multi-family lots and 52,349 square feet of commercial space currently under development, of our acreage as of December 31, 2015:

	Single Family	Multi-family	Commercial
	(lots)	(units)	(gross square feet)
Barton Creek	156	2,050	1,604,081
Lantana	—	—	485,000
Circle C	—	296	692,857
Magnolia	—	—	351,000
West Killeen Market	—	—	44,000
Flores Street	—	6	—
Total	156	2,352	3,176,938

Commercial Leasing. Our principal commercial leasing holdings at December 31, 2015, consisted of (1) 38,316 square feet of office space, including 9,000 square feet occupied by our corporate office, and 18,327 square feet of retail space at the W Austin Hotel & Residences and (2) a 22,366-square-foot retail complex and a 3,085-square-foot bank building representing the first phase of Barton Creek Village and (3) 231,436 square feet of planned commercial space for The Oaks at Lakeway, a HEB Grocery Company, L.P. (HEB) anchored retail project, of which

179,087 square feet was open at December 31, 2015. During 2015, we completed the sales of Parkside Village, a retail project consisting of 90,184 square feet, and 5700 Slaughter, a retail project consisting of two retail buildings totaling 21,248 square feet in the aggregate and a 4,450 square-foot bank building on an existing ground lease, both located in the Circle C community. See Note 12 for further discussion.

Revenue from our commercial leasing segment accounted for 7 percent of our total revenue for 2015 and 2014 and 4 percent for 2013.

For further information about our operating segments see "Results of Operations" in Part II, Items 7. and 7A. See Note 11 for a summary of our revenues, operating income and total assets by operating segment.

Properties

Our Austin-area properties include the following:

The W Austin Hotel & Residences

In December 2006, we acquired a two-acre city block in downtown Austin for \$15.1 million to develop a multi-use project. In 2008, we entered into a joint venture with Canyon-Johnson Urban Fund II, L.P. (Canyon-Johnson) for the development of the W Austin Hotel & Residences. On September 28, 2015, we completed the purchase of Canyon-Johnson's approximate 58 percent interest in the joint venture that owned the W Austin Hotel & Residences. See Note 2 for further discussion.

The W Austin Hotel & Residences contains a 251-room luxury hotel, 159 residential condominium units, 38,316 square feet of leasable office space, including 9,000 square feet occupied by our corporate office, 18,327 square feet of retail space and entertainment space occupied by Austin City Limits Live at the Moody Theater (ACL Live) which includes a live music and entertainment venue and production studio. In December 2010, the hotel at the W Austin Hotel & Residences opened, and in January 2011, we began closing on sales of condominium units. We sold 32 condominium units during 2013 and 7 condominium units during 2014. There were no sales during 2015 and as of December 31, 2015, only two condominium units remained unsold. The two unsold units are being marketed.

Barton Creek

Calera. Calera is a residential subdivision with plat approval for 155 lots. The initial 16-acre phase of the Calera subdivision included 16 courtyard homes at Calera Court, the last of which were sold in 2012.

The second phase of Calera, Calera Drive, consisted of 53 single-family lots, many of which adjoin the Fazio Canyons Golf Course. During 2013, we sold the remaining six Calera Drive lots.

Construction of the final phase of Calera, known as Verano Drive, was completed in July 2008 and included 71 single-family lots. During 2014, we sold the remaining nine Verano Drive lots.

Mirador Estate. The Mirador subdivision consisted of 34 estate lots, with each lot averaging approximately 3.5 acres in size. During 2013, we sold the final Mirador lot.

Amarra Drive. Amarra Drive Phase I, which was the initial phase of the Amarra Drive subdivision, was completed in 2007 and included six lots with sizes ranging from approximately one to four acres. During 2013, we sold the remaining two Phase I lots.

In 2008, we developed Amarra Drive Phase II, which consisted of 35 lots on 51 acres. During 2014, we sold 16 Phase II lots. We did not sell any Phase II lots in 2015, and as of December 31, 2015, 14 Phase II lots remain unsold. During early 2016, we sold one Phase II lot.

In first-quarter 2015, we completed the development of Amarra Drive Phase III, which consists of 64 lots on 166 acres. During 2015, we sold ten Phase III lots and as of December 31, 2015, 54 Phase III lots remained unsold. As of February 29, 2016, one Phase III lot was under contract.

The Amarra Villas, the last phase of the Amarra Drive subdivision, is a 20-unit townhome development. We completed site work in late 2015 and construction began in early 2016.

[Table of Contents](#)

The Santal (formerly Tecoma). The Santal multi-family project is a garden-style apartment complex consisting of 236 units. Construction commenced in January 2015 and pre-leasing began in November 2015. The first units were completed in January 2016, and the project is expected to be completed in June 2016.

Barton Creek Village. 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 December 31, 2015, occupancy was 100 percent for the retail complex and the bank building was leased through January 2023.

Circle C Community

Effective August 2002, the City of Austin (the City) granted final approval of a development agreement (the Circle C settlement), which firmly established all essential municipal development regulations applicable to our Circle C properties until 2032. The City also provided us \$15.0 million of cash incentives in connection with the future development of our Circle C and other Austin-area properties. These incentives, which are in the form of credit bank capacity, can be used for City fees and for reimbursement of certain infrastructure costs. Annually, we may elect to sell up to \$1.5 million of the incentives to other developers for their use in paying City fees related to their projects as long as the projects are within the desired development zone, as defined within the Circle C settlement. As of December 31, 2015, we have permanently used \$11.7 million of the \$15.0 million of cash incentives provided by the City, including cumulative sales of \$5.1 million to other developers. We also have \$1.4 million in credit bank capacity in use as temporary fiscal deposits. At December 31, 2015, available credit bank capacity was \$1.9 million.

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. We sold 7 Meridian lots during 2014, 19 Meridian lots during 2015, and as of December 31, 2015, 31 Meridian lots remained unsold. As of February 29, 2016, ten Meridian lots were under contract.

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. The Parkside Village retail project, which we owned in a joint venture with LCHM Holdings, LLC, consisted of 90,184 leasable square feet and was sold for \$32.5 million. The project included a 33,650-square-foot full-service movie theater and restaurant, a 13,890-square-foot medical clinic and five other retail buildings, including a 14,926-square-foot building, a 10,175-square-foot building, a 8,043-square-foot building, a 4,500-square-foot building and a stand-alone 5,000-square-foot building. The 5700 Slaughter retail project, which we wholly owned, consisted of 25,698 leasable square feet and was sold for \$12.5 million. See Note 12 for further discussion.

During 2013, we sold entitlements for 20,000 square feet of office space in Circle C for \$1.2 million. As of December 31, 2015, our Circle C community had remaining entitlements for 692,857 square feet of commercial space and 296 multi-family units.

Lantana

Lantana is a partially developed, mixed-use real-estate development project. During 2013, we sold a 16-acre tract with entitlements for approximately 70,000 square feet of office space for \$2.1 million. As of December 31, 2015, we had remaining entitlements for approximately 485,000 square feet of office and retail use on 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.

The Oaks at Lakeway

In 2013, we acquired 87 acres in the greater Austin area to develop The Oaks at Lakeway project, a HEB anchored retail project planned for 231,436 square feet of commercial space. As of December 31, 2015, leases for 78 percent of the space, including the HEB store lease, have been executed and leasing for the remaining space is under way. The HEB store opened in October 2015, and leases for 45,492 square feet of additional space commenced in November 2015. Construction of the remainder of the project is ongoing.

[Table of Contents](#)

Our other Texas properties and development projects include:

Magnolia

In 2014, we acquired 124 acres in the greater Houston area to develop the Magnolia project, a HEB-anchored retail project planned for 351,000 square feet of commercial space. Planning and infrastructure work by the city of Magnolia and road expansion by the Texas Department of Transportation are in progress and construction is expected to be completed in 2017.

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 is expected to begin in third-quarter 2016, and the HEB store is expected to open in March 2017.

Unconsolidated Affiliates

Crestview Station. In 2005, we formed a joint venture with Trammell Crow Central Texas Development, Inc. to acquire an approximate 74-acre tract at the intersection of Airport Boulevard and Lamar Boulevard in Austin, Texas, for \$7.7 million. The property, known as Crestview Station (the Crestview Station Joint Venture) is a single-family, multi-family, retail and office development, located on the site of a commuter rail line. As of December 31, 2015, the Crestview Station Joint Venture has sold all of its properties except for one commercial site. We account for our 50 percent interest in the Crestview Station Joint Venture under the equity method.

Stump Fluff. In April 2013, we formed a joint venture, Stump Fluff LLC (Stump Fluff), with Transmission Entertainment, LLC (Transmission) to own, operate, manage and sell live music and entertainment promotion, booking, production, merchandising, venue services and other related products and services. As of December 31, 2015, Stratus' capital contributions to Stump Fluff totaled \$1.5 million. Stratus will contribute additional capital to Stump Fluff as necessary to fund its working capital needs. Stratus and Transmission each have a 50 percent voting interest in Stump Fluff. After Stratus is repaid its original capital contributions and a preferred return (10 percent annually) on those contributions, Stratus will receive 33 percent of any distributions from Stump Fluff. We account for our investment in Stump Fluff under the equity method.

Guapo Enterprises. In May 2013, Stratus and Austin Pachanga Partners, LLC (Pachanga Partners) formed a joint venture, Guapo Enterprises LLC (Guapo) to own, operate, manage and sell the products and services of the Pachanga music festival business. As of December 31, 2015, Stratus' capital contributions to Guapo totaled \$0.3 million. Stratus will contribute additional capital to Guapo as necessary to fund its working capital needs. Stratus and Pachanga Partners each have a 50 percent voting interest in Guapo. After Stratus is repaid its original capital contributions and a preferred return (10 percent annually) on those contributions, Stratus will receive 33 percent of any distributions from Guapo. We account for our investment in Guapo under the equity method.

See Note 6 for further discussion of our unconsolidated affiliates.

Competition

We operate in highly competitive industries, namely the real estate development, hotel, entertainment and commercial leasing industries. In the real estate development industry, we compete with numerous public and private developers of varying sizes, ranging from local to national in scope. As a result, we may be competing for investment opportunities, financing and potential buyers with developers that may possess greater financial, marketing or other resources than we have. Our prospective customers generally have a variety of choices of new and existing homes and homesites when considering a purchase. We attempt to differentiate our properties primarily on the basis of community design, quality, uniqueness, amenities, location and developer reputation.

In the hotel industry, competition is generally based on quality and consistency of rooms, restaurant and meeting facilities and services, attractiveness of location, price and other factors. Management believes that we compete favorably in these areas. Our W Austin Hotel competes with other hotels and resorts in our geographic market, including facilities owned locally and facilities owned by national and international chains.

In the entertainment industry, we compete with other venues in Austin, Texas, and venues in other markets for artists likely to perform in the Austin, Texas region. Consequently, touring artists have several alternatives to our venue in scheduling tours. Some of our competitors in venue management have a greater number of venues in certain markets and may have greater financial resources in those markets. We differentiate our entertainment businesses by providing a quality live music experience and promoting our entertainment space through KLRU's broadcast of Austin City Limits.

The commercial leasing industry is highly fragmented among individuals, partnerships and public and private entities, with no dominant single entity or person. Although we may compete against large sophisticated owners and operators, owners and operators of any size can provide effective competition for prospective tenants. We compete for tenants primarily on the basis of property location, rent charged, and the design and condition of improvements.

See Part I, Item 1A. "Risk Factors" for further discussion.

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 stock) in first-quarter 2015.

Credit Facility and Other Financing Arrangements

Obtaining and maintaining adequate financing is a critical component of our business. For information about our credit facility and other financing arrangements, see "Capital Resources and Liquidity - Credit Facility and Other Financing Arrangements" in Part II, Items 7. and 7A. and Note 7.

Regulation and Environmental Matters

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

We have made, and will continue to make, expenditures for the protection of the environment with respect to our real estate development activities. Emphasis on environmental matters will result in additional costs in the future. Based on an analysis of our operations in relation to current and presently anticipated environmental requirements, we currently do not anticipate that these costs will have a material adverse effect on our future operations or financial condition.

Employees

At December 31, 2015, we had a total of 114 employees, 39 of which were full-time employees, located at our Austin, Texas headquarters. We believe we have a good relationship with our employees, none of whom are represented by a union. Since January 1, 1996, certain services necessary for our business and operations, including certain administrative, financial reporting and other services, have been performed by FM Services Company (FM Services) pursuant to a services agreement. FM Services is a wholly owned subsidiary of Freeport-McMoRan Inc. Either party may terminate the services agreement at any time upon 60 days notice or earlier upon mutual written agreement.

Item 1A. Risk Factors

This report contains "forward-looking statements" within the meaning of U.S. federal securities laws. 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, 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. We undertake no obligation to update any forward-looking statements. We caution readers that forward-looking statements are not guarantees of future performance and our 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 the following:

Risks Relating to our Business and Industries

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

Our business strategy requires us to rely on cash flow from operations and our debt agreements as our primary sources of funding for our liquidity needs. As of December 31, 2015, our outstanding debt totaled \$263.1 million and our cash and cash equivalents totaled \$17.0 million. Our level of indebtedness could have significant consequences. For example, it could:

- Increase our vulnerability to adverse changes in economic and industry conditions;
- Require us to dedicate a substantial portion of our cash flow from operations and proceeds from asset sales to pay or provide for our indebtedness, thus reducing the availability of cash flows to fund working capital, capital expenditures, acquisitions, investments and other general corporate purposes;
- Limit our flexibility to plan for, or react to, changes in our business and the market in which we operate;
- Place us at a competitive disadvantage to our competitors that have less debt; and
- Limit our ability to borrow money to fund our working capital, capital expenditures, debt service requirements and other financing needs.

As of December 31, 2015, we had approximately \$28.8 million of debt scheduled to become due during 2016. In January 2016, we refinanced the debt secured by the W Austin Hotel & Residences, which reduced our 2016 debt maturities to \$13.7 million. Refer to Note 13 for further discussion. Historically, much of our debt has been renewed or refinanced in the ordinary course of business. Current economic conditions in our areas of operations could deteriorate, which may impact our ability to refinance our debt and obtain renewals or replacement of credit enhancement devices on favorable terms or at all. As a result, in the future we may not be able to obtain sufficient external sources of liquidity on attractive terms, if at all, or otherwise renew, extend or refinance a significant portion of our outstanding debt scheduled to become due in the near future. In addition, there can be no assurance that we will maintain cash reserves and generate sufficient cash flow from operations in an amount sufficient to enable us to service our debt or to fund our other liquidity needs. Any of these occurrences may have a material adverse effect on our liquidity, financial condition and results of operations. For example, our inability to extend, repay or refinance our debt when it becomes due, including upon a default or acceleration event, could force us to sell properties on unfavorable terms or ultimately result in foreclosure on properties pledged as collateral, which could result in a loss of our investment and harm our reputation.

The terms of the agreements governing our indebtedness include restrictive covenants and require that certain financial ratios be maintained. For example, the minimum stockholders' equity covenant contained in several of our debt agreements requires us to maintain total stockholders' equity of no less than \$110.0 million. At December 31, 2015, our total stockholders' equity was \$136.6 million and, as a result, we were in compliance with this covenant. Failure to comply with any of these covenants could result in a default that may, if not cured, accelerate the payment under our debt obligations which would likely have a material adverse effect on our liquidity, financial condition and results of operations. Our ability to comply with our covenants will depend upon our future economic

performance. These covenants may adversely affect our ability to finance our future operations or capital needs or to engage in other business activities that may be desirable or advantageous to us.

In order to maintain compliance with the covenants in our debt agreements and carry out our business plan, we may need to raise additional capital through equity transactions or obtain waivers or modifications of covenants from our lenders. Such additional funding may not be available on acceptable terms, if at all, when needed. We also may need to incur additional indebtedness in the future in the ordinary course of business to fund our development projects and our operations. There can be no assurance that such additional financing would be available when needed or, if available, offered on acceptable terms. If new debt is added to current debt levels, the risks described above could intensify.

We are periodically rated by nationally recognized credit rating agencies. Any downgrades in our credit rating could impact our ability to borrow by increasing borrowing costs as well as limiting our access to capital. In addition, a downgrade could require us to post cash collateral and/or letters of credit, which would adversely affect our cash flow and liquidity.

Additionally, a significant amount of our outstanding debt bears interest at variable rates. See “Disclosures About Market Risks” in Part II, Items 7. and 7A. for more information.

We are vulnerable to concentration risks because our operations are almost exclusive to the Austin, Texas market.

Our real estate operations are primarily, and our hotel and entertainment venue operations are entirely, located in Austin, Texas. Because of our geographic concentration and limited number of projects, our operations are more vulnerable to local economic downturns and adverse project-specific risks than those of larger, more diversified companies. The performance of the Austin economy greatly affects our sales and consequently the underlying values of our properties. Our geographic concentration may create increased vulnerability during regional economic downturns, which can significantly affect our financial condition and results of operations. See "Overview - Real Estate Market Conditions" in Part II, Items 7. and 7A. for more information.

The success of our business is significantly related to general economic conditions and, accordingly, our business could be harmed by any slowdown or deterioration in the economy.

Periods of economic weakness or recession; significantly rising interest rates; declining employment levels; declining demand for real estate; declining real estate values; conditions which negatively shape public perception of travel, including travel-related accidents, the financial condition of the airline, automotive and other transportation-related industries; or the public perception that any of these events or conditions may occur or be present, may negatively affect our business. These economic conditions can result in a general decline in acquisition, disposition and leasing activity, demand for hotel rooms and related lodging services, a general decline in the value of real estate and in rents, which in turn reduces revenue derived from property sales and leases and hotel operations as well as revenues associated with development activities. These conditions also can lead to a decline in property sales prices as well as a decline in funds invested in existing commercial real estate and related assets and properties planned for development. In addition, during periods of economic slowdown and recession, many consumers have historically reduced their discretionary spending, and our entertainment businesses depend on discretionary consumer and corporate spending. A reduction in consumer spending historically is accompanied by a decrease in attendance at live entertainment, sporting and leisure events, which may result in reductions in ticket sales, sponsorship opportunities and our ability to generate revenue with our entertainment businesses.

During an economic downturn, investment capital is usually constrained and it may take longer for us to dispose of real estate investments. As a result, the value of our real estate investments may be reduced and we could realize losses or diminished profitability. If economic and market conditions decline, our business performance and profitability could deteriorate. If this were to occur, we could fail to comply with certain financial covenants in our debt agreements, which would force us to seek amendments with our lenders. No assurance can be given that we would be able to obtain any necessary waivers or amendments on satisfactory terms, if at all.

Our business and the market price of our common stock could be negatively affected as a result of the actions of activist shareholders.

Carl E. Berg has delivered notice to us that he plans to nominate two director candidates for election to our board of directors at our 2016 annual meeting of stockholders. In addition, Mr. Berg has submitted a stockholder proposal to be included in our proxy statement requesting that our board of directors immediately engage a nationally-recognized investment banking firm to explore a prompt sale, merger or other business combination. Our business, operating results or financial condition could be harmed by this potential proxy contest because, among other things:

- Responding to the proxy contest is costly and time-consuming, is a significant distraction for our board of directors, management and employees, and diverts the attention of our board of directors and senior management from the pursuit of our business strategy, which could adversely affect our results of operations and financial condition;
- Perceived uncertainties as to our future direction, our ability to execute on our strategy, or changes to the composition of our board of directors or senior management team, including our chief executive officer, may lead to the perception of a change in the direction of our business, instability or lack of continuity which may be exploited by our competitors, and may result in the loss of potential business opportunities and make it more difficult to attract and retain qualified personnel and business partners;
- The expenses for legal and advisory fees and administrative and associated costs incurred in connection with responding to proxy contests and any related litigation may be substantial; and
- We may choose to initiate, or may become subject to, litigation as a result of the proxy contest or matters arising from the proxy contest, which would serve as a further distraction to our board of directors, management and employees and would require us to incur significant additional costs.

In addition, the market price of our common stock could be subject to significant fluctuation or otherwise be adversely affected by the uncertainties described above or the outcome of the proxy contest.

Changes in weather conditions or natural disasters could adversely affect our business, financial condition and results of operations.

Our performance may be adversely affected by weather conditions. For our real estate operations, adverse weather may delay development or damage property, resulting in substantial repair or replacement costs to the extent not covered by insurance, a reduction in property values, or a loss of revenue, each of which could have a material adverse effect on our business, financial condition and results of operations. Our competitors may be affected differently by such changes in weather conditions or natural disasters depending on the location of their supplies or operations. Adverse weather conditions also may affect our live music events. Due to weather conditions, we may be required to reschedule an event to another available day, which would increase our costs for the event and could negatively affect the attendance at the event, as well as concession and merchandise sales, which could adversely affect our financial condition and results of operations.

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

We maintain insurance on our properties, including property, liability, fire and extended coverage. However, there are certain types of losses, generally of a catastrophic nature, such as hurricanes and floods or acts of war or terrorism that may be uninsurable or not economical to insure. We use our discretion when determining amounts, coverage limits and deductibles for insurance. These terms are determined based on retaining an acceptable level of risk at a reasonable cost. This may result in insurance coverage that in the event of a substantial loss would not be sufficient to pay the full current market value or current replacement cost of our lost investment. Inflation, changes in building codes and ordinances, environmental considerations and other factors also may make it unfeasible to use insurance proceeds to replace a building or other facility after it has been damaged or destroyed. Under such circumstances, the insurance proceeds we receive may be inadequate to restore our economic position in a property. In addition, we may become liable for injuries and accidents occurring during the construction process that are underinsured.

Risks Relating to Real Estate Operations

The real estate business is highly competitive and many of our competitors are larger and financially stronger than we are.

The real estate business is highly competitive. We compete with a large number of companies and individuals that have significantly greater financial, sales, marketing and other resources than we have. Our competitors include local developers who are committed primarily to particular markets and also national developers who acquire properties throughout the U.S. A downturn in the real estate industry could significantly increase competition among developers. Increased competition could cause us to increase our selling incentives and/or reduce our prices. An oversupply of real estate properties available for sale or lease, as well as the potential significant discounting of prices by some of our competitors, may adversely affect our results of operations.

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

Revenue from our real estate operations segment accounted for 18 percent of our total revenue for the fiscal year ended December 31, 2015. The U.S. real estate industry is highly cyclical and is affected by changes in global, national and local economic conditions and events such as general employment and income levels, availability of financing, interest rates, consumer confidence and overbuilding of or decrease in demand for residential and commercial real estate. Our real estate activities are subject to numerous factors beyond our control, including local real estate market conditions (both where our properties are located and in areas where our potential customers reside), substantial existing and potential competition, general national, regional and local economic conditions, fluctuations in interest rates and mortgage availability, changes in demographic conditions and changes in government regulations or requirements. Any of the foregoing factors could result in a reduction or cancellation of sales and/or lower gross margins for sales. Lower than expected sales could have a material adverse effect on the level of our profits and the timing and amounts of our cash flows.

Real estate investments often cannot easily be converted into cash and market values may be adversely affected by these economic circumstances, market fundamentals, and competitive and demographic conditions. Because of the effect these factors have on real estate values, it is difficult to predict the level of future sales or sales prices that will be realized for individual assets.

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

Before we can develop a property, we must obtain a variety of approvals from local and state governments with respect to such matters as zoning and other land use issues, and subdivision, site planning and environmental issues under applicable regulations. Some of these approvals are discretionary. Because government agencies and special interest groups have in the past expressed concerns about our development plans in or near Austin, our ability to develop these properties and realize future income from our properties could be delayed, reduced, prevented or made more expensive.

Several special interest groups have in the past opposed our plans in the Austin area and have taken various actions to partially or completely restrict development in some areas, including areas where some of our most valuable properties are located. We have actively opposed these actions. However, because of the regulatory environment that has existed in the Austin area and the opposition of these special interest groups, there can be no assurance that an unfavorable ruling would not have a significant long-term adverse effect on the overall value of our property holdings.

Our operations are subject to environmental regulation, which can change at any time and could increase our costs.

Real estate development is subject to state and federal environmental regulations and to possible interruption or termination because of environmental considerations, including, without limitation, air and water quality and protection of endangered species and their habitats.

Certain of the Barton Creek and Lantana properties include nesting territories for the Golden-cheeked Warbler, a federally listed endangered species. In 1995, we received a permit from the U.S. Wildlife Service pursuant to the Endangered Species Act, which to date has allowed the development of the Barton Creek and Lantana properties free of restrictions under the Endangered Species Act related to the maintenance of habitat for the Golden-cheeked Warbler.

Additionally, in April 1997, the U.S. Department of Interior listed the Barton Springs Salamander as an endangered species after a federal court overturned a March 1997 decision by the Department of Interior not to list the Barton Springs Salamander based on a conservation agreement between the State of Texas and federal agencies. The listing of the Barton Springs Salamander has not affected, nor do we anticipate it will affect, our Barton Creek and Lantana properties for several reasons, including the results of technical studies and the U.S. Fish and Wildlife Service 10(a) permit obtained by us in 1995. The development permitted by the 2002 Circle C settlement with the City has been reviewed and approved by the U.S. Fish and Wildlife Service and, as a result, we also do not anticipate that the 1997 listing of the Barton Springs Salamander will affect our Circle C properties.

In January 2013, the U.S. Department of the Interior announced that it had conducted an economic assessment of the potential designation of critical habitat for four species of Central Texas salamanders. Although this potential designation of habitat has not affected, nor do we anticipate that it will affect, our Barton Creek, Lantana or Circle C properties for several reasons, including prior studies and approvals, and our existing U.S. Fish and Wildlife Service 10(a) permit obtained in 1995, future endangered species listings or habitat designations could impact development of our properties.

We are making, and will continue to make, expenditures with respect to our real estate development for the protection of the environment. Emphasis on environmental matters will result in additional costs in the future. New environmental regulations or changes in existing regulations or their enforcement may be enacted and such new regulations or changes may require significant expenditures by us. The recent trend toward stricter standards in environmental legislation and regulations is likely to continue and could have a material adverse effect on our operating costs.

Risks Relating to Hotel Operations

We are subject to the business, financial and operating risks common to the hotel industry, any of which could reduce our revenues.

Revenue from our hotel segment accounted for 51 percent of our total revenue for the fiscal year ended December 31, 2015. Business, financial and operating risks common to the hotel industry include:

- Changes in desirability of geographic regions and geographic concentration of our operations and customers;
- Decreases in the demand for hotel rooms and related lodging services, including a reduction in business travel as a result of alternatives to in-person meetings (including virtual meetings hosted online or over private teleconferencing networks) or due to general economic conditions;
- Decreased corporate or governmental travel-related budgets and spending, as well as cancellations, deferrals or renegotiations of group business such as industry conventions;
- Negative public perception of corporate travel-related activities;
- The effect of internet intermediaries and other new industry entrants on pricing and our increasing reliance on technology;
- The costs and administrative burdens associated with complying with applicable laws and regulations in the U.S., including health, safety and environmental laws, rules and regulations and other governmental and regulatory action;
- Changes in operating costs including, but not limited to, energy, water, labor costs (including the effect of labor shortages and unionization), food costs, workers' compensation and health-care related costs, insurance and unanticipated costs such as acts of nature and their consequences; and

- Cyclical over-building in the hotel industry.

External perception of the W Austin Hotel could negatively affect our results of operations.

Starwood manages hotel operations at the W Austin Hotel. Our ability to attract and retain guests depends, in part, upon the external perceptions of Starwood and the quality of the W Austin Hotel and its services and we have to spend money periodically to keep the properties well maintained, modernized and refurbished. The reputation of the W Austin Hotel may be negatively affected if Starwood fails to act responsibly or comply with regulatory requirements in a number of areas, such as safety and security, sustainability, responsible tourism, environmental management, human rights and support for the local communities where Starwood manages and/or owns properties. The considerable increase in the use of social media over recent years has greatly expanded the potential scope and scale, and increased the rapidity of the dissemination of negative publicity that could be generated by any adverse incident or failure on the part of hotel operators. An adverse incident involving associates or guests and any media coverage resulting therefrom may cause a loss of consumer confidence in the Starwood brand which could negatively affect our results of operations. Additionally, the Starwood brand could be adversely affected by the late 2015 announcement of Marriott International, Inc.'s plans to acquire Starwood.

Our revenues, profits or market share could be harmed if we are unable to compete effectively in the hotel industry in Austin.

The hotel industry in Austin is highly competitive. The W Austin Hotel competes for customers with other hotel and resort properties in Austin, ranging from national and international hotel brands to independent, local and regional hotel operators. We compete based on a number of factors, primarily including quality and consistency of rooms, restaurant and meeting facilities and services, attractiveness of location and price. Some of our competitors may have substantially greater marketing and financial resources than we do, and if we are unable to successfully compete in these areas, our operating results could be adversely affected.

Historically, the Austin market has had a limited number of high-end hotel accommodations. However, hotel capacity is being expanded by other hotel operators in Austin, including several properties in close proximity to the W Austin Hotel & Residences. As new rooms come on-line, increased competition could lead to an excess supply of hotel rooms in the Austin market, thereby causing Starwood to increase promotional incentives for hotel guests and/or reduce rates. Increased competition in the Austin market from new hotels or hotels that have recently undergone substantial renovation could have an adverse effect on occupancy, average daily rate and room revenue per available room.

Additionally, some of our hotel rooms are booked through third-party internet travel intermediaries as well as lesser-known online travel service providers. In addition, travelers can book stays on websites that facilitate the short-term rental of homes and apartments from owners, thereby providing an alternative to hotel rooms. Increased internet bookings could have an adverse effect on occupancy, average daily rate and room revenue per available room.

Risks Relating to Entertainment Businesses

We face intense competition in the live music industry, and we may not be able to maintain or increase our current revenue, which could adversely affect our business, financial condition and results of operations.

Revenue from our entertainment businesses accounted for 24 percent of our total revenue for the fiscal year ended December 31, 2015. Our entertainment businesses compete in a highly competitive industry, and we may not be able to maintain or increase our current revenue as a result of such competition. The live music industry competes with other forms of entertainment for consumers' discretionary spending and within this industry we compete with other venues to book artists. Our competitors compete with us for key employees who have relationships with popular music artists and that have a history of being able to book such artists for concerts and tours. These competitors may engage in more extensive development efforts, undertake more far-reaching marketing campaigns, adopt more aggressive pricing policies and make more attractive offers to existing and potential artists. Our competitors may develop services, advertising options or music venues that are equal or superior to those we provide or that achieve greater market acceptance and brand recognition than we achieve. It is possible that new competitors may emerge and rapidly acquire significant market share.

Other variables related to our entertainment businesses that could adversely affect our financial performance by, among other things, leading to decreases in overall revenue, the number of sponsors, event attendance, ticket prices and fees or profit margins include:

- An increased level of competition for advertising dollars, which may lead to lower sponsorships as we attempt to retain advertisers or which may cause us to lose advertisers to our competitors offering better programs that we are unable or unwilling to match;
- Unfavorable fluctuations in operating costs, which we may be unwilling or unable to pass through to our customers via ticket prices;
- Competitors' offerings that may include more favorable terms than we do in order to obtain events for the venues they operate;
- Technological changes and innovations that we are unable to adopt or are late in adopting that offer more attractive entertainment alternatives than we or other live entertainment providers currently offer, which may lead to a reduction in attendance at live events, a loss of ticket sales or lower ticket fees;
- Other entertainment options available to our audiences that we do not offer;
- General economic conditions which could cause our consumers to reduce discretionary spending;
- Unfavorable changes in labor conditions which may require us to spend more to retain and attract key employees;
- Interruptions in our ticketing systems and infrastructures and data loss or other breaches of our network security; and
- Changes in consumer preferences.

Additionally, our entertainment operations are seasonal. The results of operations from our entertainment segment vary from quarter to quarter and year over year, and the financial performance in certain quarters or years may not be indicative of, or comparable to, our financial performance in subsequent quarters or years.

Personal injuries and accidents may occur in connection with our live music events, which could subject us to personal injury or other claims and increase our expenses, as well as reduce attendance at our live music events, causing a decrease in our revenue.

There are inherent risks involved with producing live music events. As a result, personal injuries and accidents have, and may, occur from time to time, which could subject us to claims and liabilities for personal injuries. Incidents in connection with our live music events at the Moody Theater or festival sites that we rent through our joint ventures could also result in claims or reduce attendance at our events, which could cause a decrease in our revenue or reduce our operating income. We maintain insurance policies that provide coverage for personal injuries sustained by persons at our venues or events or accidents in the ordinary course of business, and there can be no assurance that such insurance will be adequate at all times and in all circumstances.

Risks Relating to Commercial Leasing

Unfavorable changes in market and economic conditions could negatively affect occupancy or rental rates, which could negatively affect our financial condition and results of operations.

Another decline in the real estate market and economic conditions could significantly affect rental rates. Occupancy and rental rates in our market, in turn, could significantly affect our profitability and our ability to satisfy our financial obligations. The risks that could affect conditions in our market include the following:

- Local conditions, such as oversupply of office space, a decline in the demand for office space or increased competition from other available office buildings;
- The inability or unwillingness of tenants to pay their current rent or rent increases; and

- Declines in market rental rates.

Additionally, tenants at our retail properties face continual competition in attracting customers from various on-line and other competitors. Our competitors and those of our tenants could have a material adverse effect on our ability to lease space in our retail properties and on the rents we can charge or the concessions we can grant. Further, as new technologies emerge, the relationship among customers, retailers, and shopping centers are evolving on a rapid basis. If we are unable to adapt to such new technologies and relationships on a timely basis, our financial performance will be adversely impacted.

We cannot predict with certainty whether any of these conditions will occur or whether, and to what extent, they will have an adverse effect on our operations.

Risks Relating to Ownership of Shares of Our Common Stock

Our common stock is thinly traded; therefore, our stock price may fluctuate more than the stock market as a whole.

As a result of the thin trading market for shares of our common stock, our stock price may fluctuate significantly more than the stock market as a whole or the stock prices of similar companies. Without a larger public float, shares of our common stock will be less liquid than the shares of common stock of companies with broader public ownership, and as a result, the trading prices for shares of our common stock may be more volatile. Among other things, trading of a relatively small volume of shares of our common stock may have a greater effect on the trading price than would be the case if our public float were larger.

Item 1B. Unresolved Staff Comments

None.

Item 3. Legal Proceedings

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

Item 4. Mine Safety Disclosures

Not applicable.

Executive Officers of the Registrant

Certain information as of February 29, 2016, regarding our executive officers is set forth in the following table and accompanying text. Each of our executive officers serves at the discretion of our board of directors.

Name	Age	Position or Office
William H. Armstrong III	51	Chairman of the Board, President and Chief Executive Officer
Erin D. Pickens	54	Senior Vice President and Chief Financial Officer

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

Ms. Pickens has served as our Senior Vice President since May 2009 and as our Chief Financial Officer since June 2009. Ms. Pickens previously served as Executive Vice President and Chief Financial Officer of Tarragon Corporation from November 1998 until April 2009, and as Vice President and Chief Accounting Officer from September 1996 until November 1998 and Accounting Manager from June 1995 until August 1996 for Tarragon and its predecessors. Tarragon Corporation filed for voluntary reorganization under Chapter 11 of the U.S. Bankruptcy Code on January 12, 2009, and emerged from bankruptcy on July 6, 2010.

PART II

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

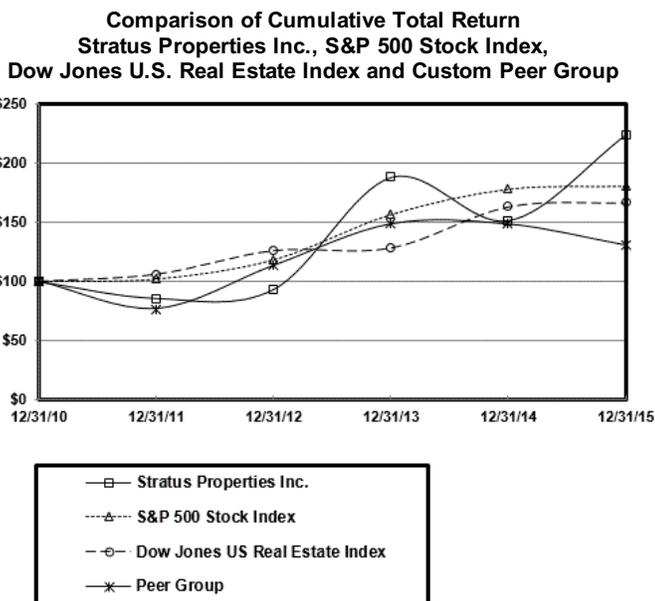
Performance Graph

The following graph compares the change in the cumulative total stockholder return on our common stock from December 31, 2010, through December 31, 2015, with the cumulative total return of (a) the Standard & Poor’s (S&P) 500 Stock Index, (b) the Dow Jones U.S. Real Estate Index and (c) the below custom peer group of real estate related companies:

- Alexander & Baldwin, Inc. (ALEX)
- Consolidated-Tomoka Land Co. (CTO)
- Forestar Group Inc. (FOR)
- The Howard Hughes Corporation (HHC)
- Maui Land & Pineapple Company, Inc. (MLP)
- The St. Joe Company (JOE)
- Tejon Ranch Co. (TRC)

This comparison assumes \$100 invested on December 31, 2010, in (a) our common stock, (b) the S&P 500 Stock Index, (c) the Dow Jones U.S. Real Estate Index and (d) the custom peer group.

The total returns shown assume that dividends are reinvested. The stock price performance shown below is not necessarily indicative of future price performance.



	December 31,					
	2010	2011	2012	2013	2014	2015
Stratus Properties Inc.	\$ 100	\$ 86	\$ 94	\$ 188	\$ 152	\$ 224
S&P 500 Stock Index	100	102	118	157	178	181
Dow Jones U.S. Real Estate Index	100	106	126	128	163	167
Custom Peer Group	100	77	114	149	149	131

Common Stock

Our common stock trades on The Nasdaq Stock Market (NASDAQ) under the symbol "STRS". The following table sets forth, for the periods indicated, the range of high and low sales prices of our common stock, as reported by NASDAQ.

	2015		2014	
	High	Low	High	Low
First Quarter	\$ 13.95	\$ 11.01	\$ 17.93	\$ 16.35
Second Quarter	15.11	12.56	17.55	15.53
Third Quarter	16.50	13.60	16.50	13.75
Fourth Quarter	20.98	14.91	14.74	13.25

As of February 29, 2016, there were 400 holders of record of our common stock. We have not in the past paid, and do not anticipate in the future paying, cash dividends on shares of our common stock. The declaration of dividends is at the discretion of our board of directors; however, our ability to pay dividends is restricted by the terms of our credit facility. See Part III, Item 12. for information on our equity compensation plans.

Unregistered Sales of Equity Securities

None.

Issuer Purchases of Equity Securities

The following table sets forth information with respect to shares of our common stock that we repurchased under the board-approved open market share purchase program during the three-month period ended December 31, 2015.

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs ^a	Maximum Number of Shares That May Yet Be Purchased Under the Plans or Programs ^a
October 1 to 31, 2015	—	\$ —	—	991,695
November 1 to 30, 2015	—	—	—	991,695
December 1 to 31, 2015	—	—	—	991,695
Total	—	\$ —	—	991,695

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. Selected Financial Data

The selected consolidated financial data shown below is derived from our audited consolidated financial statements. These historical results are not necessarily indicative of results that you can expect for any future period. You should read this data in conjunction with Items 7. and 7A. "Management's Discussion and Analysis of Financial Condition and Results of Operations and Quantitative and Qualitative Disclosures About Market Risk" and Item 8. "Financial Statements and Supplementary Data".

	2015	2014	2013	2012	2011
	(In Thousands, Except Per Share Amounts)				
Years Ended December 31:					
Revenues	\$ 80,871	\$ 94,111	\$ 127,710	\$ 115,737	\$ 137,036
Operating income	25,732 ^{a,b}	10,364 ^{c,d}	14,151 ^{b,d}	2,781	1,681
Equity in unconsolidated affiliates' (loss) income	(1,299)	1,112	(76)	(29)	(337)
Income (loss) from continuing operations, net of taxes	14,377 ^{a,b}	18,157 ^{c,d,e}	5,894 ^{b,d}	(9,118)	(5,424)
Income from discontinued operations, net of taxes	3,218 ^f	—	—	4,805 ^f	191 ^f
Net income (loss)	17,595 ^{a,b}	18,157 ^{c,d,e}	5,894 ^{b,d}	(4,313)	(5,233)
Net income (loss) attributable to common stock	12,177 ^{a,b}	13,403 ^{c,d,e}	2,585 ^{b,d}	(1,586)	(10,388)
Basic net income (loss) per share:					
Continuing operations	\$ 1.11	\$ 1.67	\$ 0.32	\$ (0.80)	\$ (1.41)
Discontinued operations	0.40	—	—	0.60	0.02
Basic net income (loss) per share	\$ 1.51	\$ 1.67	\$ 0.32	\$ (0.20)	\$ (1.39)
Diluted net income (loss) per share:					
Continuing operations	\$ 1.11 ^{a,b}	\$ 1.66 ^{c,d,e}	\$ 0.32 ^{b,d}	\$ (0.80)	\$ (1.41)
Discontinued operations	0.40 ^f	—	—	0.60 ^f	0.02 ^f
Diluted net income (loss) per share	\$ 1.51 ^{a,b}	\$ 1.66 ^{c,d,e}	\$ 0.32 ^{b,d}	\$ (0.20)	\$ (1.39)
Average shares outstanding:					
Basic	8,058	8,037	8,077	7,966	7,482
Diluted	8,091	8,078	8,111	7,966	7,482
At December 31:					
Real estate held for sale	\$ 25,944	\$ 12,245	\$ 18,133	\$ 60,244	\$ 74,003
Real estate held for investment, net	186,626	178,065	182,530	189,331	185,221
Real estate under development	139,171	123,921	76,891	31,596	54,956
Land available for development	23,397	21,368	21,404	49,569	60,936
Total assets	432,627	402,687	346,943	379,128	421,605
Debt	263,114	196,477	151,332	137,035	158,451
Stockholders' equity	136,599	136,443	123,621	121,687	118,189
Noncontrolling interests in subsidiaries	75	38,643	45,695	87,208	99,493

- a. Includes a total gain of \$20.7 million (\$10.8 million to net income attributable to common stock or \$1.34 per share) associated with the sales of Parkside Village and 5700 Slaughter (see Note 12 for further discussion).
- b. Includes a pre-tax gain of \$0.6 million (\$0.08 per share) in 2015 associated with the sale of a tract of undeveloped land and \$2.1 million (\$0.26 per share) in 2013 associated with undeveloped land sales.
- c. Includes a gain of \$1.5 million (\$0.19 per share) associated with a litigation settlement. Also includes lease termination charges of \$0.3 million (\$0.04 per share) recorded by the commercial leasing segment.
- d. Includes income of \$0.6 million (\$0.07 per share) in 2014 and \$1.8 million (\$0.22 per share) in 2013, related to insurance settlements and \$0.4 million (\$0.05 per share) in 2014 and \$1.1 million (\$0.13 per share) in 2013, for the recovery of building repair costs.
- e. Includes a credit to provision for income taxes of \$12.1 million, \$1.50 per share, for the reversal of valuation allowances on deferred tax assets.
- f. Includes the results of 7500 Rialto Boulevard, which was sold in February 2012, including a gain on the sale of \$5.1 million (\$0.65 per share) in 2012 and a deferred gain of \$5.0 million (\$3.2 million attributable to common stock or \$0.40 per share) in 2015.

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

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 consolidated financial statements and the related discussion of “Business and Properties” and “Risk Factors” included elsewhere in this Form 10-K. The results of operations reported and summarized below are not necessarily indicative of future operating results, and future results could differ materially from those anticipated in forward-looking statements (refer to “Cautionary Statement” for further discussion). All subsequent references to “Notes” refer to Notes to Consolidated Financial Statements located in Part II, Item 8. “Financial Statements and Supplementary Data.”

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 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. 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. See Note 11 for further discussion of our operating segments and “Business Strategy and Related Risks” for a discussion of our business strategy.

The principal holdings in our Real Estate Operations segment are in southwest Austin, Texas. The number of developed lots/units, acreage under development and undeveloped acreage as of December 31, 2015, that comprise our real estate operations are presented in the following table.

	Acreage								
	Developed Lots/Units	Under Development			Undeveloped				Total Acreage
		Multi-Family	Commercial	Total	Single Family	Multi-family	Commercial	Total	
Austin:									
Barton Creek	68	18	—	18	512	308	398	1,218	1,236
Circle C	31	—	—	—	—	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	101	18	87	105	512	344	805	1,661	1,766

Our residential holdings at December 31, 2015, included 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 leasing holdings at December 31, 2015, consisted of the office and retail space at the W Austin Hotel & Residences, the first phase of Barton Creek Village and The Oaks at Lakeway. See “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 December 31, 2015), 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.

In 2015, we purchased the noncontrolling interest in the CJUF II Stratus Block 21, LLC joint venture (the Block 21 Joint Venture) which owned the W Austin Hotel & Residences and we now own 100 percent of the entity (see "Business Strategy and Related Risks" below).

In 2015, our revenues totaled \$80.9 million and our net income attributable to common stock totaled \$12.2 million, compared with revenues of \$94.1 million and net income attributable to common stock of \$13.4 million for 2014 and revenues of \$127.7 million and net income attributable to common stock of \$2.6 million for 2013. The decrease in revenues in 2015, compared with 2014, primarily relates to fewer condominium unit sales at the W Austin Residences and fewer lot sales at Verano Drive and Amarra Drive Phase II as inventory has declined as a result of previous sales activity. The decrease in revenues in 2014, compared with 2013, primarily relates to fewer condominium unit sales at the W Austin Residences and fewer lot sales at Verano Drive, partly offset by an increase in entertainment revenue.

Our results for 2015 included a gain of \$20.7 million (\$10.8 million to net income attributable to common stock) on the sales of our Parkside Village and 5700 Slaughter commercial developments and 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 stock) (see Note 12 for further discussion). The results for 2015 also include a pre-tax gain of \$0.6 million associated with an undeveloped land sale. The results for 2014 included pre-tax income of \$1.5 million associated with a litigation settlement, \$0.6 million associated with an insurance settlement and \$0.4 million associated with the recovery of building repair costs associated with damage caused by the June 2011 balcony glass breakage incidents at the W Austin Hotel & Residences. The results for 2014 also included credits to the provision for income taxes of \$12.1 million primarily associated with the reversal of the valuation allowance on our deferred tax assets. The results for 2013 included pre-tax income of \$2.1 million associated with undeveloped land sales, an insurance settlement of \$1.8 million and \$1.1 million associated with the recovery of building repair costs, partly offset by a pre-tax loss on early extinguishment of debt of \$1.4 million.

At December 31, 2015, we had total debt of \$263.1 million. For discussion of operating cash flows and debt transactions see "Capital Resources and Liquidity" below.

Real Estate Market Conditions

Because of the concentration of our assets primarily in the Austin, Texas area, market conditions in this region significantly affect our business. Our future operating cash flows and our ability to develop and sell our properties will be dependent on the level and profitability of our real estate sales. In turn, these sales will be significantly affected by future real estate market conditions in and around Austin, Texas, including development costs, interest rate levels, the availability of credit to finance real estate transactions, demand for residential and commercial real estate, and regulatory factors including our use and development entitlements. These market conditions historically move in periodic cycles, and can be volatile.

In addition to the traditional influence of state and federal government employment levels on the local economy, the Austin area has been influenced by growth in the technology sector. The Austin-area population increased by 17 percent from 2009 through 2015, largely because of an influx of technology companies and related businesses. Median family income levels in Austin also increased during the period from 2009 through 2014, rising 12 percent. The expanding economy resulted in rising demands for residential housing, commercial office space and retail services. From 2009 through 2014, sales tax receipts in Austin rose by 36 percent, an indication of the increase in business activity during the period.

The following chart compares Austin's five-county metro area population and median family income for 1999, 2009 and the most current information available for 2014 and 2015, based on United States (U.S.) Census Bureau data and City of Austin (the City) data.



Based on the City's fiscal year of October 1st through September 30th, the chart below compares Austin's sales tax revenues for 1999, 2009 and 2014 (the latest period for which data is available).



Source: Comprehensive Annual Financial Report for the City of Austin, Texas

Real estate development in southwest Austin, where most of the property in our real estate operations segment is located, has historically been constrained as a result of various restrictions imposed by the City. Additionally, several special interest groups have traditionally opposed development in southwest Austin. During 2008 and 2009, economic conditions resulted in a general decline in leasing activity across the U.S. and caused vacancy rates to

increase in most markets, including Austin, Texas. Vacancy rates for various types of developed properties in Austin have improved since 2009, and the vacancy rates as of December 31, 2015 and 2014, are noted below.

Building Type	Vacancy Rates	
	2015	2014
Office Buildings (Class A)	10% ^a	10% ^a
Multi-Family Buildings	4% ^b	5% ^b
Retail Buildings	5% ^b	5% ^b

- a. CB Richard Ellis: Austin MarketView
- b. Marcus & Millichap Research Services, CoStar Group, Inc.

BUSINESS STRATEGY AND RELATED RISKS

Stratus Properties Inc. was formed in 1992 to hold, operate and develop the domestic real estate and oil and gas properties of our former parent company. We sold all of our oil and gas properties during the 1990s and have since focused solely on our real estate properties. 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.

As previously announced, our board of directors 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. We have engaged an adviser to market other properties for sale in accordance with the five-year plan.

Additionally, on September 28, 2015, we completed the purchase of Canyon-Johnson Urban Fund II, L.P.'s (Canyon-Johnson's) approximate 58 percent interest in the Block 21 Joint Venture, for approximately \$62 million. See Note 2 for further discussion. In connection with our acquisition of Canyon-Johnson's interest in the Block 21 Joint Venture, we completed the refinancing of the W Austin Hotel & Residences. See "Capital Resources and Liquidity - Credit Facility and Other Financing Arrangements."

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 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 2015, our operating cash flows reflect purchases and development of real estate properties totaling \$26.2 million, funded primarily from construction and terms loans, to invest in new development opportunities to be executed over the next 24 months. As of December 31, 2015, we had \$11.9 million of availability under our revolving line of credit with Comerica Bank, which matures in August 2017.

Although as of January 31, 2016, we have scheduled debt maturities of \$13.7 million in 2016 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 Part 1, Item 1A. "Risk Factors" for further discussion.

CRITICAL ACCOUNTING POLICIES

Management's discussion and analysis of our financial condition and results of operations are based on our consolidated financial statements, which have been prepared in conformity with accounting principles generally accepted in the U.S. The preparation of these financial statements requires that we make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. We base these estimates on historical experience and on assumptions that we consider reasonable under the circumstances; however, reported results could differ from those based on the current estimates under different assumptions and/or conditions. The areas requiring the use of management's estimates are discussed in Note 1 under the heading "Use of Estimates." We believe that our most critical accounting policies relate to our real estate and commercial leasing assets and deferred tax assets.

Management has reviewed the following discussion of its development and selection of critical accounting estimates with the audit committee of our board of directors.

Real Estate, Hotel, Entertainment Venue and Commercial Leasing Assets. Real estate held for sale is stated at the lower of cost or fair value less costs to sell. The cost of real estate sold includes acquisition, development, construction and carrying costs and other related costs through the development stage. Real estate under development and land available for development are stated at cost. Real estate held for investment, which includes the hotel and entertainment venue at the W Austin Hotel & Residences and our commercial leasing assets, is also stated at cost. When events or circumstances indicate that an asset's carrying amount may not be recoverable, an impairment test is performed. For real estate held for sale, if estimated fair value less costs to sell is less than the related carrying amount, then a reduction of the asset's carrying value to fair value less costs to sell is required. For real estate under development, land available for development and real estate held for investment, if the projected undiscounted cash flow from the asset is less than the related carrying amount, then a reduction of the carrying amount of the asset to fair value is required. Measurement of an impairment loss is based on the fair value of the asset. Generally, we determine fair value using valuation techniques such as discounted expected future cash flows.

In developing estimated future cash flows for impairment testing for our real estate assets, we have incorporated our own market assumptions including those regarding real estate prices, sales pace, sales and marketing costs, and infrastructure costs. Our assumptions are based, in part, on general economic conditions, the current state of the real estate industry, expectations about the short- and long-term outlook for the real estate market, and competition from other developers in the area in which we develop our properties. These assumptions can significantly affect our estimates of future cash flows. For those properties held for sale and deemed to be impaired, we determine fair value based on appraised values, adjusted for estimated costs to sell, as we believe this is the value for which the property could be sold. We recorded no impairment losses during the three-year period ended December 31, 2015 (see Note 1).

The estimate of our future revenues is also important because it is the basis of our development plans and also a factor in our ability to obtain the financing necessary to complete such plans. If our estimates of future cash flows from our properties differ from expectations, then our financial position and liquidity may be impacted, which could result in our default under certain debt instruments or result in our suspending some or all of our development activities.

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

In fourth-quarter 2014, we evaluated the recoverability of our deferred tax assets, considering available positive and negative evidence, including recent earnings history and the current forecast of future taxable income. As a result, we concluded that there was sufficient positive evidence that our \$11.8 million of deferred tax assets (net of

deferred tax liabilities) will be realized. Accordingly, we reversed the valuation allowance against our deferred tax assets during 2014 (see Note 8). Stratus had deferred tax assets (net of deferred tax liabilities) totaling \$15.3 million at December 31, 2015.

Our future results of operations may be negatively impacted by our inability to realize a tax benefit for future tax losses or for items that will generate additional deferred tax assets that are more likely than not to be realized.

DEVELOPMENT ACTIVITIES

Residential. As of December 31, 2015, the number of our residential developed lots/units, lots under development and lots for potential development by area are shown below:

	Residential Lots/Units			Total
	Developed	Under Development	Potential Development ^a	
Barton Creek:				
Amarra Drive:				
Phase II lots	14	—	—	14
Phase III lots	54	—	—	54
Amarra Villas	—	—	190	190
Section N:				
Santal multi-family	—	236	—	236
Other Section N	—	—	1,624	1,624
Other Barton Creek sections	—	—	156	156
Circle C:				
Meridian	31	—	—	31
Tract 101 multi-family	—	—	240	240
Tract 102 multi-family	—	—	56	56
Flores Street	—	—	6	6
W Austin Hotel & Residences:				
Condominium units	2	—	—	2
Total Residential Lots/Units	101	236	2,272	2,609

- 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.

Calera. Calera is a residential subdivision with plat approval for 155 lots. The initial 16-acre phase of the Calera subdivision included 16 courtyard homes at Calera Court. The second phase of the Calera subdivision, Calera Drive, consisted of 53 single-family lots. Construction of the final phase, known as Verano Drive, was completed in July 2008 and included 71 single-family lots. During 2013, we sold 39 Verano Drive lots for \$12.1 million and the remaining 6 Calera Drive lots for \$1.4 million, and during 2014, we sold the remaining 9 Verano Drive lots for \$3.5 million.

Mirador Estate. The Mirador subdivision consisted of 34 estate lots, with each lot averaging approximately 3.5 acres in size. During 2013, we sold the final Mirador lot for \$0.4 million.

Amarra Drive. Amarra Drive Phase I, which was the initial phase of the Amarra Drive subdivision, was completed in 2007 and included six lots with sizes ranging from approximately one to four acres. Amarra Drive Phase II, which consisted of 35 lots on 51 acres, was substantially completed in October 2008. During 2013, we sold the remaining two Phase I lots for \$0.7 million and three Phase II lots for \$1.5 million. During 2014, we sold 16 Phase II lots for \$8.2 million. We did not sell any Phase II lots in 2015, and as of December 31, 2015, 14 Phase II lots remained unsold. During early 2016, we sold one Phase II lot.

[Table of Contents](#)

In first-quarter 2015, we completed the development of Amarra Drive Phase III, which consists of 64 lots on 166 acres. During 2015, we sold ten Phase III lots for \$7.0 million and as of December 31, 2015, 54 lots remain unsold. As of February 29, 2016, one Phase III lot was under contract.

The Amarra Villas, the last phase of the Amarra Drive subdivision, is a 20-unit townhome development. We completed site work in late 2015 and construction began in early 2016.

Santal (formerly Tecoma). The Santal multi-family project is a garden-style apartment complex consisting of 236 units. Construction commenced in January 2015 and pre-leasing began in November 2015. The first units were completed in January 2016, and the project is expected to be completed in June 2016.

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. See "Properties" under Part 1, Items 1. and 2. for further discussion of our Circle C settlement with the City. 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 2014, we sold seven Meridian lots for \$2.0 million. During 2015, we sold 19 Meridian lots for \$5.4 million and as of December 31, 2015, 31 Meridian lots remained unsold. As of February 29, 2016, ten Meridian lots were under contract.

W Austin Hotel & Residences. During 2013, we sold 32 condominium units for \$47.6 million, and during 2014, we sold 7 condominium units for \$11.9 million. There were no sales during 2015 and as of December 31, 2015, two condominium units remained unsold. The two unsold units are being marketed.

Commercial. As of December 31, 2015, 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 Trammell Crow Central Texas Development, Inc. relating to Crestview Station in Austin (the Crestview Station Joint Venture)) are shown below:

	Commercial Property			Total
	Developed	Under Development	Potential Development ^a	
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	179,087	52,349	—	231,436
Magnolia	—	—	351,000	351,000
West Killeen Market	—	—	44,000	44,000
Total Square Feet	261,181	52,349	3,176,938	3,490,468

- 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.

[Table of Contents](#)

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 December 31, 2015, occupancy was 100 percent for the retail complex, and the bank building is leased through January 2023.

Circle C. 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. The Parkside Village retail project, which we owned in a joint venture with LCHM Holdings, LLC, consisted of 90,184 leasable square feet and was sold for \$32.5 million. The project included a 33,650-square-foot full-service movie theater and restaurant, a 13,890-square-foot medical clinic and five other retail buildings, including a 14,926-square-foot building, a 10,175-square-foot building, a 8,043-square-foot building, a 4,500-square-foot building and a stand-alone 5,000-square-foot building. The 5700 Slaughter retail project, which we previously wholly owned, consisted of 25,698 leasable square feet and was sold for \$12.5 million. See Note 12 for further discussion.

Lantana. Lantana is a partially developed, mixed-use real-estate development project. During 2013, we sold a 16-acre tract with entitlements for approximately 70,000 square feet of office space for \$2.1 million. As of December 31, 2015, 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.

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 December 31, 2015, occupancy for the office space was 100 percent and occupancy for the retail space was 74 percent. Leasing is ongoing for the remaining retail space. See "Business Strategy and Related Risks" for information on our acquisition of the interest of our joint venture partner.

The Oaks at Lakeway. The Oaks at Lakeway is a HEB Grocery Company, L.P. (HEB) anchored retail project planned for 231,436 square feet of commercial space. As of December 31, 2015, leases for 78 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 leases for 45,492 square feet of additional space commenced in November 2015. Construction of the remainder of the project is ongoing.

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 and road expansion by the Texas Department of Transportation are in progress and construction is expected to be completed in 2017.

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 is expected to begin in third-quarter 2016, and the HEB store is expected to open in March 2017.

Crestview Station. Crestview Station is a single-family, multi-family, retail and office development, located on the site of a commuter rail line. The Crestview Station Joint Venture sold substantially all of its multi-family and commercial properties in 2007 and one commercial site in 2008. In 2014, the Crestview Station Joint Venture sold the remaining residential land to DR Horton. See the table below for more information (in millions, except lots closed).

Closing Date	Lots Closed	Sale Price	Gross Profit
April 2012	74	\$ 3.8	\$ 0.4
May 2013	59	3.4	0.7
March 2014	59	3.5	0.8
November 2014	111	6.8	1.8
	303	\$ 17.5	\$ 3.7

As of December 31, 2015, the Crestview Station Joint Venture has sold all of its properties except for one commercial site. We account for our 50 percent interest in the Crestview Station Joint Venture under the equity method. See Note 6 for further discussion of Crestview Station.

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 operating results for the years ended December 31 (in thousands):

	2015	2014	2013
Operating income (loss):			
Hotel	\$ 4,352	\$ 5,854	\$ 3,706
Entertainment	2,829	2,937	1,119
Real estate operations	(2,278)	1,186	9,000
Commercial leasing	20,731 ^a	238	277
Eliminations and other	98	149	49
Operating income	\$ 25,732	\$ 10,364	\$ 14,151
Interest expense, net	\$ (4,065)	\$ (3,751)	\$ (7,093)
Income from discontinued operations, net of taxes	\$ 3,218	\$ —	\$ —
Net income	\$ 17,595	\$ 18,157	\$ 5,894
Net income attributable to noncontrolling interests in subsidiaries	\$ (5,418)	\$ (4,754)	\$ (3,309)
Net income attributable to common stock	\$ 12,177	\$ 13,403	\$ 2,585

a. Includes a gain of \$20.7 million on the sales of our Parkside Village and 5700 Slaughter commercial developments.

We have four operating segments: Hotel, Entertainment, Real Estate Operations and Commercial Leasing (see Note 11). The following is a discussion of our operating results by segment.

Hotel

The following table summarizes our Hotel operating results for the years ended December 31 (in thousands):

	2015	2014	2013
Hotel revenue	\$ 41,651	\$ 42,860	\$ 39,544
Hotel cost of sales, excluding depreciation	30,789	30,753	29,483
Depreciation	5,797	5,851	6,033
General and administrative expenses	713	402	322
Operating income	\$ 4,352	\$ 5,854	\$ 3,706

Hotel Revenue. Hotel revenue primarily includes revenue from W Austin Hotel room reservations and food and beverage sales. Revenue per available room (REVPAR), which is calculated by dividing total room revenue by the average total rooms available during the year, was \$279 in 2015, compared with \$291 in 2014 and \$260 in 2013. Lower hotel revenues in 2015, compared with 2014, primarily reflects decreased room revenue and food and beverage sales. Hotel revenues increased in 2014, compared with 2013, primarily as a result of higher room rates and increased food and beverage sales.

Hotel Cost of Sales. Hotel operating costs totaled \$30.8 million in each of 2015 and 2014 and \$29.5 million in 2013. Higher costs in 2015 and 2014, compared with 2013, primarily reflects increased variable costs, including labor and marketing.

General and Administrative Expenses. Consolidated general and administrative expenses primarily consist of employee salaries, wages and other costs and totaled \$8.1 million in 2015, compared with \$7.9 million in 2014 and \$7.1 million in 2013. Higher 2015 costs, compared with 2014, primarily reflect higher legal fees associated with debt modifications, the purchase of Canyon-Johnson's interest in the Block 21 Joint Venture and the sales of 5700 Slaughter and Parkside Village. The increase in general and administrative expenses for 2014, compared with 2013, primarily reflects increased employee costs and consulting fees.

We allocate parent company general and administrative expenses that do not directly relate to a particular operating segment between the Real Estate Operations and Commercial Leasing segments based on projected annual revenues for each segment. General and administrative expenses related to the W Austin Hotel &

[Table of Contents](#)

Residences are allocated to the Hotel, Entertainment, Real Estate Operations and Commercial Leasing segments based on the respective projected annual revenues for the W Austin Hotel & Residences. For information about the allocation of general and administrative expenses to our operating segments, see Note 11.

Entertainment

The following table summarizes our Entertainment operating results for the years ended December 31 (in thousands):

	2015	2014	2013
Entertainment revenue	\$ 19,800	\$ 19,108	\$ 15,559
Entertainment cost of sales, excluding depreciation	15,426	14,763	13,076
Depreciation	1,288	1,260	1,239
General and administrative expenses	257	148	125
Operating income	<u>\$ 2,829</u>	<u>\$ 2,937</u>	<u>\$ 1,119</u>

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 outside events hosted at venues other than ACL Live and production of recorded content for artists performing at ACL Live, as well as the results of the joint venture with Pedemales Entertainment LLC relating to Stageside Productions. 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 revenue increased in 2015, compared with 2014, primarily as a result of an increase in ticket sales and higher ancillary revenue per attendee. Entertainment revenue increased in 2014, compared with 2013, primarily reflecting higher private event revenue and higher ancillary revenue per attendee.

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, for the years ended December 31.

	2015	2014	2013
Events:			
Events hosted	210	207	186
Estimated attendance	245,000	231,200	217,100
Ancillary net revenue per attendee	\$ 44.89	\$ 41.91	\$ 35.31
Ticketing:			
Number of tickets sold	168,506	166,603	148,400
Gross value of tickets sold (in thousands)	\$ 11,191	\$ 10,270	\$ 9,397

Entertainment Cost of Sales. Entertainment operating costs totaled \$15.4 million in 2015, compared with \$14.8 million in 2014 and \$13.1 million in 2013. Entertainment costs increased in 2015 and 2014, compared with 2014 and 2013, respectively, primarily reflecting higher costs associated with increases in the number of events hosted.

Real Estate Operations

The following table summarizes our Real Estate Operations operating results for the years ended December 31 (in thousands):

	2015	2014	2013
Revenues:			
Developed property sales	\$ 12,320	\$ 25,674	\$ 63,676
Undeveloped property sales	1,175	—	3,266
Commissions and other	848	507	719
Total revenues	<u>14,343</u>	<u>26,181</u>	<u>67,661</u>
Cost of sales, including depreciation	10,672	20,972	54,422
Litigation and insurance settlements	—	(2,082)	(1,785)
General and administrative expenses	5,949	6,105	6,024
Operating (loss) income	<u>\$ (2,278)</u>	<u>\$ 1,186</u>	<u>\$ 9,000</u>

[Table of Contents](#)

Developed Property Sales. The following table summarizes our developed property sales for the years ended December 31 (in thousands):

	2015			2014			2013		
	Lots/Units	Revenues	Average Cost per Lot/Unit	Lots/Units	Revenues	Average Cost per Lot/Unit	Lots/Units	Revenues	Average Cost per Lot/Unit
Barton Creek									
Calera:									
Verano Drive	—	\$ —	\$ —	9	\$ 3,523	\$ 181	39	\$ 12,143	\$ 163
Calera Drive	—	—	—	—	—	—	6	1,371	142
Amarra Drive:									
Phase I lots	—	—	—	—	—	—	2	650	279
Phase II lots	—	—	—	16	8,216	194	3	1,525	217
Phase III lots	10	6,955	334	—	—	—	—	—	—
Mirador Estate	—	—	—	—	—	—	1	405	264
Circle C									
Meridian	19	5,365	160	7	2,007	160	—	—	—
W Austin Hotel & Residences:									
Condominium units	—	—	—	7	11,928	1,517	32	47,582	1,251
Total Residential	29	\$ 12,320		39	\$ 25,674		83	\$ 63,676	

The decreases in developed property sales and revenues in 2015, compared with 2014, and 2014 compared with 2013, primarily resulted from fewer sales of condominium units at the W Austin Residences and fewer lot sales at Verano Drive as inventories have declined, partly offset by increased lot sales at Meridian and at Amarra Drive Phase III, which was completed in first-quarter 2015.

Undeveloped Property Sales. During October 2015, we sold a nine-acre tract of land in Austin, Texas, with entitlements for approximately 20,000 square feet of commercial space for \$1.2 million. During March 2013, we sold a 16-acre tract of land with entitlements for approximately 70,000 square feet of office space in Lantana for \$2.1 million, and entitlements for 20,000 square feet of office space in Circle C for \$1.2 million.

Commissions and Other. Commissions and other primarily include design fees and sales of our development fee credits to third parties, and totaled \$0.8 million in 2015, \$0.5 million in 2014 and \$0.7 million in 2013. We received the development fee credits as part of the Circle C settlement (see Note 10).

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 \$10.7 million in 2015, \$21.0 million in 2014 and \$54.4 million in 2013. The decrease in cost of sales over the past three years primarily reflects lower sales of condominium units that have higher average costs.

Cost of sales for our real estate operations also includes significant recurring costs (including property taxes, maintenance and marketing), which totaled \$3.5 million in 2015 and 2014, and \$5.4 million in 2013. The decrease in these recurring costs for 2015 and 2014 primarily reflects lower property taxes as a result of lower condominium unit inventory at the W Austin Residences. Cost of sales for 2015 included Barton Creek MUD reimbursements totaling less than \$0.1 million. We received no MUD reimbursements credited to cost of sales in 2014 or 2013. Cost of sales also included credits of \$0.4 million in 2014 and \$1.1 million in 2013 related to the recovery of building repair costs associated with damage caused by the June 2011 balcony glass breakage incidents at the W Austin Hotel & Residences.

Litigation and Insurance Settlements. We recorded a gain on a litigation settlement totaling \$1.5 million in 2014 related to the termination of a lease. We also recorded gains of \$0.6 million in 2014 and \$1.8 million in 2013 related to insurance settlements.

Commercial Leasing

The following table summarizes our Commercial Leasing operating results for the years ended December 31 (in thousands):

	2015 ^a	2014	2013
Rental revenue	\$ 6,179	\$ 7,128	\$ 5,923
Rental cost of sales, excluding depreciation	2,838	3,236 ^b	2,755
Depreciation	1,556	1,785	1,687
General and administrative expenses	1,783	1,869	1,204
Gain on sales of assets	(20,729)	—	—
Operating income	<u>\$ 20,731</u>	<u>\$ 238</u>	<u>\$ 277</u>

a. Includes the results of the Parkside Village and 5700 Slaughter commercial properties through July 2, 2015 (see Note 12).

b. Includes \$0.3 million of lease termination charges.

Rental Revenue. Rental revenue primarily reflects revenue from the office and retail space at the W Austin Hotel & Residences, Barton Creek Village, and Parkside Village and 5700 Slaughter, which are both in the Circle C community. The decrease in rental revenue in 2015, compared with 2014, primarily reflects the impact of the sales of Parkside Village and 5700 Slaughter, which we completed on July 2, 2015. The increase in rental revenue in 2014, compared with 2013, primarily reflects increased occupancy at the W Austin Hotel & Residences office and retail space.

Rental Cost of Sales. Rental operating costs totaled \$2.8 million in 2015, compared with \$3.2 million in 2014 and \$2.8 million in 2013. The decrease in rental costs in 2015, compared with 2014, primarily reflects the sales of Parkside Village and 5700 Slaughter. Rental costs increased in 2014, compared with 2013, primarily reflecting higher operating costs from the increased occupancy at the W Austin Hotel & Residences office and retail space.

Gain on Sales of Assets. During 2015, Stratus recorded a \$13.6 million gain on the sale of Parkside Village and a \$7.1 million gain on the sale of 5700 Slaughter.

Non-Operating Results

Interest Expense, Net. Interest expense (before capitalized interest) totaled \$9.5 million in 2015, \$7.9 million in 2014 and \$10.7 million in 2013. The increase in interest expense in 2015, compared with 2014, primarily reflects higher average debt balances. The decrease in interest expense in 2014, compared with 2013, primarily reflects lower average interest rates following refinancing transactions.

Capitalized interest totaled \$5.5 million in 2015, \$4.1 million in 2014 and \$3.6 million in 2013 and is primarily related to development activities at certain properties in Barton Creek and The Oaks at Lakeway.

Loss on Interest Rate Derivative Instruments. We recorded a loss of \$0.7 million in 2015 associated with changes in the fair value of our interest rate cap agreement and the recognition of cumulative changes in the fair value of our interest rate swap agreement because it no longer qualified for hedge accounting treatment. We recorded a loss of \$0.3 million in 2014 and \$0.1 million in 2013, each associated with changes in the fair value of our interest rate cap agreement. See Note 5 for further discussion.

Loss on Early Extinguishment of Debt. We recorded losses on early extinguishment of debt of less than \$0.1 million in 2014 associated with the refinancing of the term loan secured by 5700 Slaughter in July 2014 and \$1.4 million in 2013 associated with the prepayment of the loan related to the W Austin Hotel & Residences. See Note 7 for further discussion.

Other Income, Net. We recorded other income of \$0.3 million in 2015, less than \$0.1 million in 2014 and \$1.4 million in 2013. Other income in 2013 included interest received in connection with a Barton Creek MUD reimbursement and a gain on the recovery of land previously sold.

Equity in Unconsolidated Affiliates' (Loss) Income. We account for our interests in our unconsolidated affiliates, Crestview Station, Stump Fluff and Guapo Enterprises, using the equity method. Our equity in the net (loss) income of these entities totaled \$(1.3) million in 2015, \$1.1 million in 2014 and \$(0.1) million in 2013. The loss in 2015 primarily reflects operating losses at Stump Fluff and Guapo. The income in 2014 reflects the third closing in the

take-down agreement between Crestview Station and DR Horton and income from events hosted by Stump Fluff during the South by Southwest festival, both of which occurred during 2014. See Note 6 for further discussion.

(Provision for) benefit from Income Taxes. We recorded a (provision for) benefit from income taxes of \$(5.6) million in 2015, \$10.7 million in 2014 and \$(0.9) million in 2013. Our taxes also include the Texas state margin tax. The difference between our consolidated effective income tax rate for 2015 and the U.S. federal statutory income tax rate of 35 percent was primarily attributable to state income taxes partially offset by the tax effect of income attributable to non-controlling interests. The difference between our consolidated effective income tax rate for 2014 and the U.S. federal statutory income tax rate of 35 percent was primarily attributable to the reversal of the valuation allowance on our deferred tax assets. The difference between our consolidated effective income tax rate for 2013 and the U.S. federal statutory income tax rate of 35 percent was primarily attributable to the realization of deferred tax assets (see Note 8 for further discussion).

Net Income Attributable to Noncontrolling Interests in Subsidiaries. Net income attributable to noncontrolling interests in subsidiaries totaled \$5.4 million in 2015, \$4.8 million in 2014 and \$3.3 million in 2013. The increase in 2015, compared with 2014, primarily relates to the gain on the sale of Parkside Village. The increase in 2014, compared with 2013, primarily relates to income from the W Austin Hotel & Residences.

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 stock) 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 Year-to-Year Cash Flows

Operating Activities. Cash (used in) provided by operating activities totaled \$(1.8) million in 2015, \$(21.6) million in 2014 and \$55.9 million in 2013. Expenditures for purchases and development of real estate properties included in operating activities totaled \$26.2 million in 2015, \$54.9 million in 2014 and \$16.6 million in 2013 and primarily included development costs for our Barton Creek properties, The Oaks at Lakeway and the West Killeen Market project.

Operating cash flows for 2015, compared with 2014, increased by \$19.8 million, primarily as a result of lower expenditures for purchases and development of real estate properties as discussed above. Operating cash flows for 2014, compared with 2013, decreased by \$77.5 million primarily as a result of fewer developed property sales, principally resulting from decreases in condominium unit sales at the W Austin Residences and lot sales at Verano Drive as inventories have declined. Additionally, expenditures for purchases and development of real estate properties increased during 2014, compared with 2013, primarily reflecting increased development costs for The Oaks at Lakeway and our Barton Creek properties, and the purchase of land in Magnolia, Texas.

Investing Activities. Cash used in investing activities totaled \$12.6 million in 2015, \$2.7 million in 2014 and \$3.5 million in 2013. Development of commercial leasing properties increased during 2015 to \$54.0 million, compared with \$6.0 million in 2014, primarily for the Oaks at Lakeway and Santal multi-family projects. The year 2015 also included \$43.3 million in proceeds from the sales of the Parkside Village and 5700 Slaughter commercial properties.

Capital expenditures in 2014 totaled \$6.8 million, primarily for The Oaks at Lakeway, compared with \$2.4 million in 2013, primarily for the hotel and office portions of the W Austin Hotel & Residences and Parkside Village. During 2014, Stratus received distributions from Crestview Station totaling \$4.7 million and during 2013 Stratus made capital contributions of \$1.1 million to certain of its unconsolidated affiliates.

Financing Activities. Cash provided by financing activities totaled \$1.8 million in 2015, compared with \$32.6 million in 2014. During 2015, net borrowings on the Comerica credit facility totaled \$10.1 million, compared with net payments of \$23.1 million for 2014. Net borrowings on other project and term loans totaled \$56.6 million for 2015, compared with \$22.1 million for 2014. The increase in borrowings for 2015 primarily reflects the financing of our purchase of Canyon-Johnson's approximate 58 percent interest in the Block 21 Joint Venture for approximately \$62 million (see Note 7). Noncontrolling interest distributions for the Parkside Village Joint Venture and the Block 21 Joint Venture totaled \$4.2 million for 2015, compared with \$11.6 million for 2014.

Cash provided by (used in) financing activities totaled \$32.6 million in 2014, compared with \$(43.9) million in 2013. During 2014, net borrowings on the Comerica credit facility totaled \$23.1 million, compared with net payments of \$26.6 million for 2013. Net borrowings on the BoA loan, the Lakeway Construction loan, the Barton Creek Village term loan and other project and term loans totaled \$22.1 million for 2014, compared with net borrowings of \$40.2 million for 2013. Noncontrolling interest distributions for the Block 21 Joint Venture and the Parkside Village Joint Venture totaled \$11.6 million for 2014, compared with distributions primarily for the Block 21 Joint Venture of \$54.7 million for 2013.

For a description of our outstanding debt, see Note 7. See also "Credit Facility and Other Financing Arrangements" for a discussion of our outstanding debt at December 31, 2015.

In November 2013, our board of directors approved an increase in the open market share purchase program from 0.7 million shares to 1.7 million shares of our common stock. There were no purchases under this program during 2015. As of December 31, 2015, a total of 991,695 shares of our common stock remain available under this program. There have not been any additional purchases through February 29, 2016. Our loan agreements with Comerica Bank and Diversified Real Asset Income Fund (DRAIF) require lender approval of any stock repurchases.

Credit Facility and Other Financing Arrangements

At December 31, 2015, we had total debt of \$263.1 million, compared with \$196.5 million at December 31, 2014. The increase in debt since year-end 2014 is primarily related to increased borrowings under our Comerica revolving credit facility to fund the purchase of Canyon-Johnson's interest in the Block 21 Joint Venture and the construction loan agreement with PlainsCapital Bank to fund the construction, development and leasing of The Oaks at Lakeway (the Lakeway Construction loan). Our debt outstanding at December 31, 2015, consisted of the following:

- \$129.5 million outstanding under the BoA loan related to the W Austin Hotel & Residences.
- \$53.1 million outstanding under the \$72.5 million Comerica credit facility, which is comprised of a \$45.0 million revolving loan, \$11.9 million of which was available at December 31, 2015; a \$7.5 million letters of credit tranche, with \$2.3 million of letters of credit committed and \$5.2 million available at December 31, 2015; and a \$20.0 million construction loan, none of which was available at December 31, 2015. The Comerica credit facility is secured by substantially all of our assets except for properties that are encumbered by separate loan financing.
- \$46.7 million outstanding under the construction loan agreement to fund the construction, development and leasing of The Oaks at Lakeway in Lakeway, Texas (the Lakeway Construction loan).
- \$16.2 million outstanding 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 outstanding under one unsecured term loan with DRAIF, formerly American Strategic Income Portfolio or ASIP.
- \$5.8 million outstanding under the term loan agreement with PlainsCapital Bank secured by assets at Barton Creek Village (the Barton Creek Village term loan).
- \$3.8 million outstanding under the term loan agreement with Holliday Fenoglio Fowler, L.P., the proceeds of which were used to purchase approximately 142 acres of land in Magnolia, Texas (the Magnolia loan).

In January 2016 we completed the refinancing of the W Austin Hotel & Residences. In connection with the refinancing we borrowed \$150.0 million and fully repaid our existing obligations under the BoA loan and the \$20.0 million Comerica construction loan. See Note 13 for more information. Several of our financing instruments contain customary financial covenants. The Comerica 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 December 31, 2015, Stratus' total stockholders' equity was \$136.6 million. See Note 7 for further discussion of our outstanding debt.

DEBT MATURITIES AND OTHER CONTRACTUAL OBLIGATIONS

The following table summarizes our contractual cash obligations as of December 31, 2015 (in thousands):

	Total	2016	2017 - 2018	2019 - 2020	Thereafter
Debt maturities ^a	\$ 263,114	\$ 28,838	\$ 60,461 ^b	\$ 168,823 ^b	\$ 4,992
Scheduled interest payment obligations ^c	37,531	17,201	12,094	7,407	829
Construction contracts	14,123	14,123	—	—	—
Operating lease obligations	282	123	138	21	—
Total	\$ 315,050	\$ 60,285	\$ 72,693	\$ 176,251	\$ 5,821

- Debt maturities represent scheduled maturities based on outstanding debt balances at December 31, 2015.
- In January 2016, the proceeds from the \$150.0 million term loan from Goldman Sachs were used to fully repay our existing obligations under the BoA loan, which was scheduled to mature in 2020, and the \$20.0 million Comerica term loan which was scheduled to mature \$15.0 million in 2017 and \$5.0 million in 2020. Refer to Note 13 for information regarding revised maturities associated with refinancing transactions subsequent to December 31, 2015.
- Scheduled interest payments were calculated using stated coupon rates for fixed-rate debt and interest rates applicable at December 31, 2015, for variable-rate debt.

We had commitments under noncancelable contracts totaling \$14.1 million at December 31, 2015. These commitments primarily included contracts for construction of improvements for the Santal multi-family project at Barton Creek.

We also had guarantees related to the W Austin Hotel & Residences at December 31, 2015 (see Note 7).

DISCLOSURES ABOUT MARKET RISKS

We derive our revenues from the acquisition, entitlement, development, management, operation and sale of our commercial, hotel, entertainment, and multi- and single-family residential real estate properties. Our results of operations can vary significantly with fluctuations in the market prices of real estate, which are influenced by numerous factors, including interest rate levels. Changes in interest rates also affect interest expense on our debt.

At December 31, 2015, we had an interest rate cap agreement, which capped the one-month London Interbank Offered Rate (LIBOR), the variable rate in the BoA loan, at 1 percent for the first year the BoA loan was outstanding, 1.5 percent for the second year and 2 percent for the third year. We use an interest rate pricing model that relies on market observable inputs such as LIBOR to measure the fair value of the interest rate cap agreement. We recognized losses totaling \$0.1 million in 2015, \$0.3 million in 2014 and \$0.1 million in 2013 associated with this interest rate cap agreement. See Note 7 for further discussion of the BoA loan and Note 13 for discussion of refinancing transactions subsequent to December 31, 2015.

We also have an interest rate swap agreement with Comerica Bank that was previously designated as a cash flow hedge with changes in fair value recorded in other comprehensive income. The instrument effectively converted the variable rate portion of Parkside Village's loan from Comerica Bank (the Parkside Village loan) from one-month LIBOR to a fixed rate of 2.3 percent. On July 2, 2015, we completed the sale of the Parkside Village property. In connection with the sale, we fully repaid the amount outstanding under the Parkside Village loan. We assumed the interest rate swap agreement and, as a result, the instrument no longer qualifies for hedge accounting. Accordingly, the liability balance of \$0.6 million on July 2, 2015, was reclassified to the statement of income as a loss on interest rate derivative instruments and future changes in the fair value of the instrument are being recorded in the statement of income, including a loss of \$0.1 million in 2015.

At December 31, 2015, \$245.6 million of our total outstanding debt of \$263.1 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 \$2.5 million.

NEW ACCOUNTING STANDARDS

In February 2016, a new accounting standard, Accounting Standards Codification Topic 842, "Leases," was issued by the Financial Accounting Standards Board to increase the transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. In order to meet this objective, the new standard requires recognition of the assets and liabilities relating to leases. Accordingly, a lessee will recognize a right-of-use (ROU) asset for its right to use the underlying asset and a lease liability for the corresponding lease obligation. Both the ROU asset and lease liability will initially be measured at the present value of the future minimum lease payments over the lease term. Subsequent measurement, including the presentation of expenses and cash flows, will depend on the classification of the lease as either a finance or an operating lease. Accounting by lessors will remain largely unchanged from current U.S. generally accepted accounting principles. In transition, lessees and lessors are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. The modified retrospective approach includes a number of optional practical expedients that companies may elect to apply. The new standard is effective for public companies for fiscal years beginning after December 15, 2018, and interim periods within those years, with early adoption permitted. We are currently evaluating the effect that adopting this standard will have on our financial statements and related disclosures.

OFF-BALANCE SHEET ARRANGEMENTS

Refer to Note 10 for discussion of our off-balance sheet arrangements.

CAUTIONARY STATEMENT

Management's Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements in which we discuss factors we believe may affect our future performance. Forward-looking statements are all statements other than statements of historical 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, 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, 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 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, 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. of this Form 10-K, as updated by our subsequent filings with the U.S. Securities and Exchange Commission.

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 8. Financial Statements and Supplementary Data

MANAGEMENT'S ANNUAL REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

The Company's management, including its principal executive officer and principal financial officer, assessed the effectiveness of its internal control over financial reporting as of the end of the fiscal year covered by this annual report on Form 10-K. In making this assessment, the Company's management used the criteria set forth in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). Based on management's assessment, management concluded that, as of December 31, 2015, the Company's internal control over financial reporting is effective based on the COSO criteria.

BKM Sowan Horan, LLP, an independent registered public accounting firm who audited the Company's consolidated financial statements included in this Form 10-K, has issued an attestation report on the Company's internal control over financial reporting, which is included herein.

/s/ William H. Armstrong III

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

/s/ Erin D. Pickens

Erin D. Pickens
Senior Vice President
and Chief Financial Officer

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders
Stratus Properties Inc.

We have audited Stratus Properties Inc.'s (the Company) internal control over financial reporting as of December 31, 2015, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO criteria). Stratus Properties Inc.'s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying *Management's Report on Internal Control Over Financial Reporting*. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

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

In our opinion, Stratus Properties Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on the COSO criteria.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Stratus Properties Inc. and subsidiaries as of December 31, 2015 and 2014, and the related consolidated statements of income, comprehensive income, equity and cash flows for each of the years in the three-year period ended December 31, 2015, and our report dated March 15, 2016, expressed an unqualified opinion on these consolidated financial statements.

/s/ BKM Sowan Horan, LLP

Austin, Texas
March 15, 2016

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders
Stratus Properties Inc.

We have audited the accompanying consolidated balance sheets of Stratus Properties Inc. and subsidiaries (the Company) as of December 31, 2015, and 2014 and the related consolidated statements of income, comprehensive income, equity and cash flows for each of the years in the three-year period ended December 31, 2015. Our audit also includes the financial statement schedule listed in the accompanying index. Stratus Properties Inc.'s management is responsible for these financial statements and the schedule. Our responsibility is to express an opinion on these consolidated financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Stratus Properties Inc. as of December 31, 2015, and 2014, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2015 in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Stratus Properties Inc.'s internal control over financial reporting as of December 31, 2015, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated March 15, 2016 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ BKM Sowan Horan, LLP

Austin, Texas
March 15, 2016

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

	December 31,	
	2015	2014
ASSETS		
Cash and cash equivalents	\$ 17,036	\$ 29,645
Restricted cash	8,731	7,615
Real estate held for sale	25,944	12,245
Real estate under development	139,171	123,921
Land available for development	23,397	21,368
Real estate held for investment, net	186,626	178,065
Deferred tax assets	15,329	11,759
Other assets	16,393	18,069
Total assets	\$ 432,627	\$ 402,687
LIABILITIES AND EQUITY		
Liabilities:		
Accounts payable	\$ 14,182	\$ 8,076
Accrued liabilities	10,356	9,670
Debt	263,114	196,477
Other liabilities and deferred gain	8,301	13,378
Total liabilities	295,953	227,601
Commitments and contingencies (Notes 7,10 and 12)		
Equity:		
Stratus stockholders' equity:		
Common stock, par value of \$0.01 per share, 150,000 shares authorized, 9,160 and 9,116 shares issued, respectively and 8,067 and 8,035 shares outstanding, respectively	91	91
Capital in excess of par value of common stock	192,122	204,269
Accumulated deficit	(35,144)	(47,321)
Accumulated other comprehensive loss	—	(279)
Common stock held in treasury, 1,093 shares and 1,081 shares at cost, respectively	(20,470)	(20,317)
Total stockholders' equity	136,599	136,443
Noncontrolling interests in subsidiaries	75	38,643
Total equity	136,674	175,086
Total liabilities and equity	\$ 432,627	\$ 402,687

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

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

	Years Ended December 31,		
	2015	2014	2013
Revenues:			
Hotel	\$ 41,346	\$ 42,354	\$ 39,234
Entertainment	19,607	19,048	15,481
Real estate operations	14,277	26,084	67,589
Commercial leasing	5,641	6,625	5,406
Total revenues	80,871	94,111	127,710
Cost of sales:			
Hotel	30,702	30,746	29,483
Entertainment	15,169	14,431	12,922
Real estate operations	10,425	20,650	54,129
Commercial leasing	2,772	3,138	2,670
Depreciation	8,743	8,977	9,053
Total cost of sales	67,811	77,942	108,257
General and administrative expenses	8,057	7,887	7,087
Gain on sales of assets	(20,729)	—	—
Litigation and insurance settlements	—	(2,082)	(1,785)
Total costs and expenses	55,139	83,747	113,559
Operating income	25,732	10,364	14,151
Interest expense, net	(4,065)	(3,751)	(7,093)
Loss on interest rate derivative instruments	(724)	(272)	(136)
Loss on early extinguishment of debt	—	(19)	(1,379)
Other income, net	309	29	1,356
Income before income taxes and equity in unconsolidated affiliates' (loss) income	21,252	6,351	6,899
Equity in unconsolidated affiliates' (loss) income	(1,299)	1,112	(76)
(Provision for) benefit from income taxes	(5,576)	10,694	(929)
Income from continuing operations	14,377	18,157	5,894
Income from discontinued operations, net of taxes	3,218	—	—
Net income	17,595	18,157	5,894
Net income attributable to noncontrolling interests in subsidiaries	(5,418)	(4,754)	(3,309)
Net income attributable to common stockholders	\$ 12,177	\$ 13,403	\$ 2,585
Basic net income per share attributable to common stockholders:			
Continuing operations	\$ 1.11	\$ 1.67	\$ 0.32
Discontinued operations	0.40	—	—
Basic net income per share attributable to common stockholders	\$ 1.51	\$ 1.67	\$ 0.32
Diluted net income per share attributable to common stockholders:			
Continuing operations	\$ 1.11	\$ 1.66	\$ 0.32
Discontinued operations	0.40	—	—
Diluted net income per share attributable to common stockholders	\$ 1.51	\$ 1.66	\$ 0.32
Weighted-average shares of common stock outstanding:			
Basic	8,058	8,037	8,077
Diluted	8,091	8,078	8,111

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

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

	Years Ended December 31,		
	2015	2014	2013
Net income	\$ 17,595	\$ 18,157	\$ 5,894
Other comprehensive income (loss), net of taxes:			
Income (loss) on interest rate swap agreement	458	(427)	(32)
Other comprehensive income (loss)	458	(427)	(32)
Total comprehensive income	18,053	17,730	5,862
Total comprehensive income attributable to noncontrolling interests	(5,597)	(4,584)	(3,299)
Total comprehensive income attributable to common stock	<u>\$ 12,456</u>	<u>\$ 13,146</u>	<u>\$ 2,563</u>

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

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

	Years Ended December 31,		
	2015	2014	2013
Cash flow from operating activities:			
Net income	\$ 17,595	\$ 18,157	\$ 5,894
Adjustments to reconcile net income to net cash (used in) provided by operating activities:			
Depreciation	8,743	8,977	9,053
Cost of real estate sold	6,465	15,725	42,944
Deferred gain on sale of 7500 Rialto, net of tax	(3,218)	—	—
Gain on sales of assets	(20,729)	—	—
Loss on interest rate derivative contracts	724	272	136
Loss on early extinguishment of debt	—	19	1,379
Stock-based compensation	528	480	338
Equity in unconsolidated affiliates' loss (income)	1,299	(1,112)	76
Return on investment in unconsolidated affiliate	—	675	—
Deposits	450	(425)	—
Deferred income taxes	2,118	(11,358)	30
Purchases and development of real estate properties	(26,237)	(54,928)	(16,595)
Recovery of land previously sold	—	—	(485)
Municipal utility districts reimbursements	5,307	—	208
(Increase) decrease in other assets	(2,075)	(2,433)	11,100
Increase in accounts payable, accrued liabilities and other	7,240	4,389	1,863
Net cash (used in) provided by operating activities	(1,790)	(21,562)	55,941
Cash flow from investing activities:			
Capital expenditures	(55,178)	(6,804)	(2,386)
Net proceeds from sales of assets	43,266	—	—
Investment in unconsolidated affiliates	(678)	4,069	(1,100)
Net cash used in investing activities	(12,590)	(2,735)	(3,486)
Cash flow from financing activities:			
Borrowings from credit facility	42,326	36,000	18,000
Payments on credit facility	(32,263)	(12,915)	(44,612)
Borrowings from project loans	99,670	34,588	109,042
Payments on project and term loans	(43,096)	(12,528)	(68,806)
Purchase of noncontrolling interest	(61,991)	—	—
Stock-based awards net proceeds (payments), including excess tax benefit	1,634	(125)	(9)
Noncontrolling interests distributions	(4,244)	(11,637)	(54,721)
Repurchases of treasury stock	—	(679)	(957)
Financing costs	(265)	(69)	(1,869)
Net cash provided by (used in) financing activities	1,771	32,635	(43,932)
Net (decrease) increase in cash and cash equivalents	(12,609)	8,338	8,523
Cash and cash equivalents at beginning of year	29,645	21,307	12,784
Cash and cash equivalents at end of year	\$ 17,036	\$ 29,645	\$ 21,307

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

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

	Stratus Stockholders' Equity									
	Common Stock					Common Stock Held in Treasury				
	Number of Shares	At Par Value	Capital in Excess of Par Value	Accumulated Deficit	Accumulated Other Comprehensive Loss	Number of Shares	At Cost	Total Stratus Stockholders' Equity	Noncontrolling Interests in Subsidiaries	Total Equity
Balance at December 31, 2012	9,037	\$ 90	\$203,298	\$(63,309)	\$ —	940	\$(18,392)	\$ 121,687	\$ 87,208	\$208,895
Common stock repurchases	—	—	—	—	—	82	(957)	(957)	—	(957)
Exercised and issued stock-based awards	39	1	88	—	—	—	—	89	—	89
Stock-based compensation	—	—	338	—	—	—	—	338	—	338
Tender of shares for stock-based awards	—	—	—	—	—	8	(99)	(99)	—	(99)
Noncontrolling interests distributions	—	—	—	—	—	—	—	—	(44,812)	(44,812)
Total comprehensive income (loss)	—	—	—	2,585	(22)	—	—	2,563	3,299	5,862
Balance at December 31, 2013	9,076	91	203,724	(60,724)	(22)	1,030	(19,448)	123,621	45,695	169,316
Common stock repurchases	—	—	—	—	—	40	(679)	(679)	—	(679)
Exercised and issued stock-based awards	40	—	65	—	—	—	—	65	—	65
Stock-based compensation	—	—	480	—	—	—	—	480	—	480
Tender of shares for stock-based awards	—	—	—	—	—	11	(190)	(190)	—	(190)
Noncontrolling interests distributions	—	—	—	—	—	—	—	—	(11,636)	(11,636)
Total comprehensive income (loss)	—	—	—	13,403	(257)	—	—	13,146	4,584	17,730
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	44	—	32	—	—	—	—	32	—	32
Stock-based compensation	—	—	528	—	—	—	—	528	—	528
Tax benefit for stock-based awards	—	—	1,746	—	—	—	—	1,746	—	1,746
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)	(39,921)	(54,374)
Total comprehensive income	—	—	—	12,177	279	—	—	12,456	5,597	18,053
Balance at December 31, 2015	9,160	\$ 91	\$192,122	\$(35,144)	\$ —	1,093	\$(20,470)	\$ 136,599	\$ 75	\$136,674

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

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

1. Summary of Significant Accounting Policies

Business and Principles of Consolidation. Stratus Properties Inc. (Stratus), a Delaware corporation, is engaged primarily in the acquisition, entitlement, development, management, operation and sale of commercial, hotel, entertainment, and multi- and single-family residential real estate properties, primarily located in the Austin area, but including projects in certain other select markets in Texas. The real estate development and marketing operations of Stratus are conducted through its wholly owned subsidiaries and through unconsolidated joint ventures (see Note 6). Stratus consolidates its wholly owned subsidiaries, subsidiaries in which Stratus has a controlling interest and variable interest entities (VIEs) in which Stratus is deemed the primary beneficiary. All significant intercompany transactions have been eliminated in consolidation.

Concentration of Risks. Stratus primarily conducts its operations in Austin, Texas. Consequently, any significant economic downturn in the Austin market could potentially have an effect on Stratus' business, results of operations and financial condition.

Use of Estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States (U.S.) requires management to make estimates and assumptions that affect the amounts reported in these financial statements and accompanying notes. The more significant estimates include the (1) estimates of future cash flow from development and sale of real estate properties used in the assessment of impairments, (2) valuation allowances for deferred tax assets, (3) allocation of certain indirect costs and (4) useful lives for depreciation. Actual results could differ from those estimates.

Real Estate and Commercial Leasing Assets. Real estate held for sale is stated at the lower of cost or fair value less costs to sell. The cost of real estate held for sale includes acquisition, development, construction and carrying costs, and other related costs incurred through the development stage. Real estate under development and land available for development are stated at cost. Real estate held for investment, which includes the hotel and entertainment venue at the W Austin Hotel & Residences and Stratus' commercial leasing assets, is stated at cost, less accumulated depreciation. Stratus capitalizes interest on funds used in developing properties from the date of initiation of development activities through the date the property is substantially complete and ready for sale or lease. Common costs are allocated based on the relative fair value of individual land parcels. Certain carrying costs are capitalized on properties currently under active development. Stratus capitalizes improvements that increase the value of commercial leasing properties and have useful lives greater than one year. Costs related to repairs and maintenance are charged to expense as incurred.

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

Stratus recorded no impairment charges for the three-year period ended December 31, 2015. Should market conditions deteriorate in the future or other events occur that indicate the carrying amount of Stratus' real estate assets may not be recoverable, Stratus will reevaluate the expected cash flows from each property to determine whether any impairment exists.

[Table of Contents](#)

Depreciation. Commercial leasing properties are depreciated on a straight-line basis over their estimated life of between 30 and 40 years. The hotel and entertainment venue properties are depreciated on a straight-line basis over their estimated life of 35 years. Furniture, fixtures and equipment are depreciated on a straight-line basis over a three to five-year period. Tenant improvements are depreciated over the related lease terms.

Investments in Unconsolidated Affiliates. Stratus has interests in three unconsolidated affiliates, which it accounts for under the equity method (see Note 6).

Other Assets. Other assets primarily consist of deferred financing and leasing costs, prepaid insurance, tenant and other accounts receivable, and notes and interest receivable. Deferred financing costs are amortized using the straight-line method over the term of the related debt, which approximates the effective interest method, to interest expense. Deferred leasing costs are amortized to cost of sales using the straight-line method over the related lease terms.

Accrued Property Taxes. Stratus estimates its property taxes based on prior year property tax payments and other current events that may impact the amount. Upon receipt of the property tax bill, Stratus adjusts its accrued property tax balance at year-end to the actual amount of taxes due for such year. Accrued property taxes included in accrued liabilities totaled \$6.2 million at December 31, 2015, and \$5.0 million at December 31, 2014.

Revenue Recognition. Revenues from property sales are recognized when the risks and rewards of ownership are transferred to the buyer, when the consideration received can be reasonably determined and when Stratus has completed its obligations to perform certain supplementary development activities, if any exist, at the time of the sale. Consideration is reasonably determined and considered likely of collection when Stratus has signed sales agreements and has determined that the buyer has demonstrated a commitment to pay. The buyer's commitment to pay is supported by the level of its initial investment, Stratus' assessment of the buyer's credit standing and Stratus' assessment of whether the buyer's stake in the property is sufficient to motivate the buyer to honor its obligation to pay.

Stratus' revenues from hotel operations are primarily derived from room reservations and food and beverage sales. Revenue is recognized when rooms are occupied and services have been rendered. Taxes collected from customers and submitted to taxing authorities are not recorded in revenue.

Stratus' revenues from entertainment operations are primarily derived from ticket sales, revenue from private events, sponsorships, personal seat license sales and suite sales, and sales of concessions and merchandise. Revenues from ticket sales are recognized after the corresponding performance occurs. Revenues from sponsorships and other revenue not related to a single event are classified as deferred revenue and generally amortized over the operating season or term of the contract. Revenues from concessions and merchandise sales are recognized at the time of sale.

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

A summary of Stratus' revenues follows (in thousands):

	Years Ended December 31,		
	2015	2014	2013
Hotel	\$ 41,346	\$ 42,354	\$ 39,234
Entertainment	19,607	19,048	15,481
Developed property sales	12,320	25,674	63,676
Undeveloped property sales	1,175	—	3,266
Commercial leasing	5,641	6,625	5,406
Commissions and other	782	410	647
Total revenues	<u>\$ 80,871</u>	<u>\$ 94,111</u>	<u>\$ 127,710</u>

[Table of Contents](#)

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

	Years Ended December 31,		
	2015	2014	2013
Hotel	\$ 30,702	\$ 30,746	\$ 29,483
Entertainment	15,169	14,431	12,922
Cost of developed property sales	6,386	16,466	48,732
Cost of undeveloped property sales	564	43	1,122
Commercial leasing	2,772	3,138	2,670
Project expenses and allocation of overhead costs (see below)	3,546	3,543	5,423
Depreciation	8,743	8,977	9,053
Other, net	(71)	598 ^a	(1,148) ^a
Total cost of sales	\$ 67,811	\$ 77,942	\$ 108,257

a. Includes a credit of \$0.4 million in 2014 and \$1.1 million in 2013 related to the recovery of building repair costs associated with damage caused by the June 2011 balcony glass breakage incidents at the W Austin Hotel & Residences.

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

Municipal Utility District Reimbursements. Stratus receives Barton Creek municipal utility district (MUD) reimbursements for certain infrastructure costs incurred in the Barton Creek area. Prior to 1996, Stratus capitalized infrastructure costs to its properties as those costs were incurred. Subsequently, those costs were charged to cost of sales as properties were sold. In 1996, following the 1995 creation of MUDs, Stratus began capitalizing the infrastructure costs to a separate MUD property category. MUD reimbursements received for infrastructure costs incurred prior to 1996 are reflected as a reduction of cost of sales, while other MUD reimbursements represent a reimbursement of the cost of MUD properties and are recorded as a reduction of the related asset's carrying amount or cost of sales if the property has been sold. Stratus has long-term agreements with seven independent MUDs in Barton Creek to build the MUDs' utility systems and to be eligible for future reimbursements for the related costs. The amount and timing of MUD reimbursements depends upon the respective MUD having a sufficient tax base within its district to issue bonds and obtain the necessary state approval for the sale of the bonds. Because the timing of the issuance and approval of the bonds is subject to considerable uncertainty, coupled with the fact that interest rates on such bonds cannot be fixed until they are approved, the amounts associated with MUD reimbursements are not known until approximately one month before the MUD reimbursements are received. To the extent the reimbursements are less than the costs capitalized, Stratus records a loss when such determination is made. MUD reimbursements represent the actual amounts received.

Advertising Costs. Advertising costs are expensed as incurred and are included as a component of cost of sales. Advertising costs totaled \$0.9 million in 2015, \$0.8 million in 2014 and \$0.9 million in 2013.

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

based on variances between projected and actual operating performance and changes in Stratus' business environment or operating or financial plans. See Note 8 for further discussion.

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

	Years Ended December 31,		
	2015	2014	2013
Net income	\$ 17,595	\$ 18,157	\$ 5,894
Net income attributable to noncontrolling interests	(5,418)	(4,754)	(3,309)
Net income attributable to common stock	\$ 12,177	\$ 13,403	\$ 2,585
Weighted-average shares of common stock outstanding	8,058	8,037	8,077
Add shares issuable upon exercise or vesting of:			
Dilutive stock options	6	11	7 ^a
Restricted stock units (RSUs)	27 ^b	30 ^b	27
Weighted-average shares of common stock outstanding for purposes of calculating diluted net income per share	8,091	8,078	8,111
Diluted net income per share attributable to common stock	\$ 1.51	\$ 1.66	\$ 0.32

- a. Excludes 1,000 shares of Stratus common stock associated with outstanding stock options with exercise prices less than the average market price of Stratus' common stock that were anti-dilutive based on the treasury stock for the year ended December 31, 2013.
- b. Excludes shares of common stock totaling approximately 26,000 shares of common stock for 2015 and 36,000 for 2014 associated with anti-dilutive RSU's.

Outstanding stock options with exercise prices greater than the average market price for Stratus' common stock during the period are excluded from the computation of diluted net income per share of common stock. Excluded stock options totaled approximately 15 thousand for 2015, 42 thousand for 2014 and 64 thousand for 2013.

Stock-Based Compensation. Compensation costs for share-based payments to employees, including stock options, are measured at fair value and charged to expense over the requisite service period for awards that are expected to vest. The fair value of stock options is determined using the Black-Scholes option valuation model. In addition, for restricted stock units, compensation costs are recognized based on the fair value on the date of grant. Stratus estimates forfeitures at the time of grant and revises those estimates in subsequent periods if actual forfeitures differ from those estimates through the final vesting date of the awards. See Note 9 for further discussion.

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 FASB's August 2015 ASU of 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 2015, FASB issued an ASU to simplify the presentation of debt issuance costs. This ASU requires that debt issuance costs related to a recognized debt liability be presented on the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. For public entities, this ASU is effective for annual periods beginning after December 15, 2015, and interim periods within those fiscal years. Early adoption is permitted for financial statements that have not been previously issued. Retrospective application of the ASU is required upon adoption and the impact of adopting this ASU on the Consolidated Balance Sheets would be a

decrease in other assets and debt of \$3.1 million at December 31, 2015, and \$2.6 million at December 31, 2014. Stratus adopted this ASU on January 1, 2016.

2. Joint Venture with Canyon-Johnson Urban Fund II, L.P.

On September 28, 2015, Stratus completed the purchase of Canyon-Johnson Urban Fund II, L.P.'s (Canyon-Johnson) approximate 58 percent interest in the CJUF II Stratus Block 21, LLC joint venture (the Block 21 Joint Venture), which owns a 36-story mixed-use development in downtown Austin, Texas, anchored by a W Austin Hotel & Residences (the W Austin Hotel & Residences), for approximately \$62 million. Stratus' purchase of Canyon-Johnson's interest was based on a total project gross price of approximately \$210 million, before considering approximately \$22.8 million of cash and cash equivalents held by the Block 21 Joint Venture and acquired by Stratus in its purchase of Canyon-Johnson's interest.

The Block 21 Joint Venture, which was previously a VIE consolidated by Stratus, is now a wholly owned consolidated subsidiary of Stratus. The change in ownership was reflected in stockholder's equity on the Consolidated Balance Sheet, primarily as a reduction in noncontrolling interests in subsidiaries and capital in excess of par value, and an increase in deferred tax assets.

Stratus funded its acquisition of Canyon-Johnson's interest in the Block 21 Joint Venture with (1) \$32.3 million from its non-recourse term loan with Bank of America, (2) a \$20.0 million term loan under Stratus' credit facility with Comerica Bank and (3) \$9.7 million in cash. See Note 13 for discussion of refinancing transactions subsequent to December 31, 2015.

Prior to Stratus' purchase of Canyon-Johnson's interest on September 28, 2015, cumulative capital contributions totaled \$71.9 million for Stratus and \$94.0 million for Canyon-Johnson, and the inception-to-date distributions totaled \$53.4 million to Stratus and \$62.6 million to Canyon-Johnson.

Prior to the purchase transaction, the Block 21 Joint Venture's cumulative profits were allocated based on a hypothetical liquidation of the Block 21 Joint Venture's net assets as of each balance sheet date. As of September 28, 2015, the allocation was 42 percent for Stratus and 58 percent for Canyon-Johnson.

On October 3, 2012, the Block 21 Joint Venture and Pedernales Entertainment LLC (Pedernales) formed Stageside Productions (Stageside) to promote, market and commercialize the production, sale, distribution and general oversight of audio and video recordings of events or performances occurring at Austin City Limits Live at the Moody Theater (ACL Live). The Block 21 Joint Venture's initial capital contributions to Stageside totaled \$0.3 million, and Stratus' wholly owned Block 21 subsidiary will contribute additional capital as necessary to fund the working capital needs of Stageside. In conjunction with the purchase of Canyon-Johnson's interest in the Block 21 Joint Venture, Stratus acquired Canyon-Johnson's interest in Stageside effective September 28, 2015. Stratus has a 100 percent capital funding interest and a 40 percent residual and voting interest in Stageside. Stratus performed an evaluation and concluded Stageside is a VIE and that Stratus is the primary beneficiary. Accordingly, the results of Stageside are consolidated in Stratus' financial statements.

3. Joint Venture with LCHM Holdings, LLC

In 2011, Stratus entered into a joint venture (the Parkside Village Joint Venture) with Moffett Holdings, LLC (Moffett Holdings) for the development of Parkside Village, a retail project in the Circle C community in southwest Austin, Texas. On March 3, 2014, Moffett Holdings redeemed and purchased the membership interest in Moffett Holdings held by LCHM Holdings, LLC (LCHM Holdings). Stratus' capital contributions to the Parkside Village Joint Venture totaled \$3.1 million, which consisted of a 23.03 acre tract of land located in Austin, Texas, the related property and development agreements for the land and other project costs incurred by Stratus before February 28, 2011. Moffett Holdings made cash capital contributions to the Parkside Village Joint Venture totaling \$3.8 million, the rights of which were subsequently assigned to LCHM Holdings, to fund the development of the project. On July 2, 2015, Stratus completed the sale of Parkside Village (see Note 12 for further discussion). Stratus used proceeds from this transaction to fully repay the Parkside Village construction loan with Comerica Bank (see Note 7 for further discussion) and received \$12.1 million in net cash proceeds. Stratus recognized a pre-tax gain on the sale of Parkside Village of \$13.5 million.

Prior to the sale of Parkside Village on July 2, 2015, cumulative distributions of \$13.4 million were made to Stratus (\$9.4 million in 2015, \$0.5 million in 2014 and \$3.5 million in 2013) and \$8.0 million to LCHM Holdings (\$3.2 million in 2015, \$0.7 million in 2014 and \$4.1 million in 2013).

4. Real Estate, net

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

	December 31,	
	2015	2014
Real estate held for sale:		
Developed lots and condominium units	\$ 25,944	\$ 12,245
Real estate under development:		
Acreage, commercial square footage and lots	139,171	123,921
Land available for development:		
Undeveloped acreage	23,397	21,368
Real estate held for investment:		
W Austin Hotel & Residences		
Hotel	111,426	123,474
Entertainment venue	41,391	41,344
Office and retail	17,627	16,647
Barton Creek Village	6,120	6,120
The Oaks at Lakeway	36,010	—
Parkside Village ^a	—	18,680
5700 Slaughter ^a	—	5,741
Furniture, fixtures and equipment	1,523	1,443
Total	214,097	213,449
Accumulated depreciation	(27,471)	(35,384)
Total real estate held for investment, net	186,626	178,065
Total real estate, net	\$ 375,138	\$ 335,599

a. On July 2, 2015, Stratus completed the sales of Parkside Village and 5700 Slaughter. See Note 12 for further discussion.

Real estate held for sale. Developed lots and condominium units 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. As of December 31, 2015, Stratus owned 99 developed lots and two completed condominium units at the W Austin Hotel & Residences.

Real estate under development. Acreage under development includes real estate for which infrastructure work over the entire property has been completed, is currently being completed or is able to be completed and for which necessary permits have been obtained. Acreage under development at December 31, 2015, totaled 105 acres.

Land available for development. Undeveloped acreage includes real estate that can be sold “as is” (i.e., infrastructure or development work may have begun but is not currently in progress on such property). Stratus’ undeveloped acreage as of December 31, 2015, included approximately 1,661 acres of land primarily in Austin, Texas, permitted for residential and commercial development.

Real estate held for investment. The W Austin Hotel & Residences includes a 251-room hotel, 38,316 square feet of office space and 18,327 square feet of retail space. As of December 31, 2015, occupancy was 100 percent for the office space and 74 percent for the retail space. The W Austin Hotel & Residences also includes ACL Live, an entertainment venue and production studio with a maximum capacity of 3,000 people. Barton Creek Village includes a 22,366-square-foot retail complex, which was 100 percent leased at December 31, 2015, and a 3,085-square-foot bank building, which is leased through January 2023. The Oaks at Lakeway includes 231,436 square feet of commercial space, of which 179,087 square feet were completed and 78 percent leased, 38,649 square feet were under development and 13,700 square feet were planned at December 31, 2015.

Capitalized interest. Stratus recorded capitalized interest of \$5.477 million in 2015, \$4.1 million in 2014 and \$3.6 million in 2013.

5. Fair Value Measurements

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

The carrying value for certain Stratus financial instruments (i.e., cash and cash equivalents, restricted cash, accounts payable and accrued liabilities) approximates fair value because of their short-term nature and generally negligible credit losses. A summary of the carrying amount and fair value of Stratus' other financial instruments follows (in thousands):

	December 31, 2015		December 31, 2014	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Assets:				
Interest rate cap agreement	\$ 1	\$ 1	\$ 79	\$ 79
Liabilities:				
Interest rate swap agreement	646	646	596	596
Debt	263,114	263,303	196,477	196,856

Interest Rate Cap Agreement. On September 30, 2013, the Block 21 Joint Venture paid \$0.5 million to enter into an interest rate cap agreement, which capped the one-month London Interbank Offered Rate (LIBOR), the variable rate on the Bank of America loan agreement relating to the W Austin Hotel & Residences (the BoA loan), at 1 percent until October 5, 2014, 1.5 percent from October 6, 2014, to October 4, 2015, and caps the one-month LIBOR at 2 percent from October 5, 2015, to September 29, 2016. Stratus uses an interest rate pricing model that relies on market observable inputs such as LIBOR to measure the fair value of the interest rate cap agreement. Stratus also evaluated the counterparty credit risk associated with the interest rate cap agreement, which is considered a Level 3 input, but did not consider such risk to be significant. Therefore, the interest rate cap agreement is classified within Level 2 of the fair value hierarchy. See Note 7 for further discussion of the BoA loan and Note 13 for discussion of refinancing transactions subsequent to December 31, 2015.

Interest Rate Swap Agreement. On December 13, 2013, the Parkside Village Joint Venture entered into an 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 Parkside Village's loan from Comerica Bank (the Parkside Village loan) from one-month LIBOR to a fixed rate of 2.3 percent. On July 2, 2015, Stratus completed the sale of the Parkside Village property (see Note 12). In connection with the sale, 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 Income as a loss on interest rate derivative instruments, and future changes in the fair value of the instrument will be recorded in the Consolidated Statement of Income (including a loss of \$0.1 million in 2015). 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.

6. Investment in Unconsolidated Affiliates

Crestview Station. In 2005, Stratus formed a joint venture with Trammell Crow Central Texas Development, Inc. to acquire an approximate 74-acre tract of land at the intersection of Airport Boulevard and Lamar Boulevard in Austin, Texas, for \$7.7 million. The property, known as Crestview Station (the Crestview Station Joint Venture), is a single-family, multi-family, retail and office development located on the site of a commuter rail line. The Crestview Station Joint Venture sold substantially all of its multi-family and commercial properties in 2007 and one commercial site in 2008. The Crestview Station Joint Venture sold the remaining residential land to DR Horton, as follows (in millions, except lots closed):

Closing Date	Lots Closed	Sale Price	Gross Profit
April 2012	74	\$ 3.8	\$ 0.4
May 2013	59	3.4	0.7
March 2014	59	3.5	0.8
November 2014	111	6.8	1.8
	<u>303</u>	<u>\$ 17.5</u>	<u>\$ 3.7</u>

At December 31, 2015, the Crestview Station Joint Venture has sold all of its properties except for one commercial site. Stratus accounts for its 50 percent interest in the Crestview Station Joint Venture under the equity method.

Stump Fluff. In April 2013, Stratus formed a joint venture, Stump Fluff LLC (Stump Fluff), with Transmission Entertainment, LLC (Transmission) to own, operate, manage and sell live music and entertainment promotion, booking, production, merchandising, venue services and other related products and services. As of December 31, 2015, Stratus' capital contributions to Stump Fluff totaled \$1.5 million. Stratus will contribute additional capital to Stump Fluff as necessary to fund its working capital needs. Transmission contributed its existing assets to Stump Fluff. In addition, Stump Fluff assumed specified liabilities of Transmission totaling \$0.2 million. Transmission is not required to make any future capital contributions to Stump Fluff. Stratus and Transmission each have a 50 percent voting interest in Stump Fluff. After Stratus is repaid its original capital contributions and a preferred return (10 percent annually) on those contributions, Stratus will receive 33 percent of any distributions from Stump Fluff.

Guapo Enterprises. In May 2013, Stratus and Austin Pachanga Partners, LLC (Pachanga Partners) formed a joint venture, Guapo Enterprises LLC (Guapo) to own, operate, manage and sell the products and services of the Pachanga music festival business. As of December 31, 2015, Stratus' capital contributions to Guapo totaled \$0.3 million. Stratus will contribute additional capital to Guapo as necessary to fund its working capital needs. Pachanga Partners contributed its existing assets to Guapo and is not required to make any future capital contributions. Stratus and Pachanga Partners each have a 50 percent voting interest in Guapo. After Stratus is repaid its original capital contributions and a preferred return (10 percent annually) on those contributions, Stratus will receive 33 percent of any distributions from Guapo.

Stratus has concluded that both Stump Fluff and Guapo are VIEs and that no partner in either joint venture is the primary beneficiary because decision-making regarding the activities that most significantly impact the VIEs' economic performance is shared equally between the partners. Stratus accounts for its investments in Stump Fluff and Guapo using the equity method.

Stratus' equity in unconsolidated affiliates' (loss) income totaled \$(1.3) million in 2015, \$1.1 million in 2014 and less than \$(0.1) million in 2013.

Summarized unaudited financial information for Stratus' unconsolidated affiliates follows (in thousands):

	2015	2014	2013
Years Ended December 31:			
Revenues	\$ 10,408	\$ 19,451	\$ 8,334
Gross profit	459	3,716	716
Net (loss) income	(1,343)	2,357	115
At December 31:			
Total assets	\$ 1,325	\$ 1,546	\$ 9,610
Total liabilities	998	558	1,587
Total equity	327	988	8,023

7. Debt

Stratus' debt follows (in thousands):

	December 31,	
	2015	2014
BoA loan,		
average interest rate of 2.65% in 2015 and 2.66% in 2014	\$ 129,521	\$ 98,267
Comerica credit facility,		
average interest rate of 6.00% in 2015 and 2014	53,149	23,085
Lakeway Construction loan,		
average interest rate of 2.94% in 2015 and 2.91% in 2014	46,691	16,588
Santal Construction loan,		
average interest rate of 2.69% in 2015	16,212	—
Diversified Real Asset Income Fund (DRAIF) term loans,		
average interest rate of 7.25% in 2015 and 2014	8,000	23,000
Barton Creek Village term loan,		
average interest rate of 4.19% in 2015 and 2014	5,791	5,932
Magnolia term loan		
average interest rate of 7.00% in 2015 and 2014	3,750	3,750
Parkside Village loan,		
average interest rate of 2.66% in 2014	—	18,923
United/Slaughter term loan,		
average interest rate of 4.50% in 2014	—	6,932
Total debt	\$ 263,114	\$ 196,477

BoA loan. In connection with its acquisition of Canyon-Johnson's interest in the Block 21 Joint Venture, on September 28, 2015, Stratus amended its term loan with Bank of America, N.A. (the BoA loan). Pursuant to the BoA loan amendment, (1) the \$100.0 million non-recourse term loan previously made available to the Block 21 Joint Venture on September 30, 2013, was increased to \$130.0 million, (2) the interest rate was reduced to the LIBOR daily floating rate plus 2.35 percent and (3) the maturity date was extended from September 29, 2016, to September 28, 2020. In addition, Canyon-Johnson was released as a guarantor. Accordingly, certain obligations of Stratus' wholly owned Block 21 subsidiary, including environmental indemnification and other customary carve-out obligations, are guaranteed by Stratus. Stratus' obligations under the BoA loan are secured by certain property and assets related to the W Austin Hotel & Residences, excluding the remaining unsold condominium units. The BoA loan contains customary financial covenants and other restrictions. Refer to Note 13 for information regarding refinancing transactions subsequent to December 31, 2015.

Comerica credit facility. On August 21, 2015, Stratus amended its \$48.0 million credit facility with Comerica (the Comerica credit facility) that was scheduled to mature on August 31, 2015. The amendment increases the borrowing capacity under the Comerica credit facility to \$72.5 million, comprised of a \$45.0 million revolving line of credit, a \$7.5 million tranche for letters of credit and a \$20.0 million term loan. The interest rate applicable to amounts borrowed under the Comerica credit facility is LIBOR plus 4.0 percent, with a minimum interest rate of 6.0 percent. The Comerica credit facility matures on August 31, 2017, and is secured by substantially all of Stratus' assets except for properties that are encumbered by separate loan financing. The Comerica credit facility contains customary financial covenants including a requirement that Stratus maintain a minimum total stockholders' equity balance of \$110.0 million. As of December 31, 2015, Stratus had \$33.1 million outstanding under the revolving line of credit and \$20.0 million outstanding under the term loan. Refer to Note 13 for information regarding refinancing transactions subsequent to December 31, 2015.

Lakeway Construction loan. On September 29, 2014, a Stratus subsidiary entered into a \$62.9 million construction loan agreement with PlainsCapital Bank (the Lakeway Construction loan) to fund the construction, development and leasing of The Oaks at Lakeway in Lakeway, Texas. On November 7, 2014, the Stratus subsidiary and PlainsCapital Bank entered into an amendment to the loan agreement to effect the syndication of a portion of the aggregate principal amount of the Lakeway Construction loan with Southside Bank. Pursuant to the amendment, PlainsCapital Bank has committed \$37.9 million and Southside Bank has committed \$25.0 million under the Lakeway Construction loan. The Lakeway Construction loan contains a debt service coverage ratio covenant.

The variable interest rate is one-month LIBOR plus 2.75 percent. The Lakeway Construction loan is guaranteed by Stratus subject to the guarantee decreasing as certain milestones set forth in the loan agreement are met. The loan

[Table of Contents](#)

is secured by the related assets, which had a net book value of \$64.7 million at December 31, 2015. The Lakeway Construction loan matures on September 29, 2019.

Santal Construction loan. On January 8, 2015, a Stratus subsidiary entered into a \$34.1 million construction loan agreement with Comerica Bank (the Santal Construction loan) to fund the development and construction of the first phase of a multi-family development in Section N of Barton Creek, which is referred to as the Santal Barton Creek multi-family project. The Santal Construction loan matures on January 8, 2018, and Stratus has the option to extend the maturity date for two additional twelve-month periods, subject to certain debt service coverage conditions. The Santal Construction loan is fully guaranteed by Stratus until certain operational milestones (as defined in the loan agreement) are met. The interest rate on the Santal Construction loan is a LIBOR-based rate (as defined in the loan agreement) plus 2.5 percent. The Santal Construction loan is secured by assets at Stratus' Santal multi-family project, which had an aggregate net book value of \$29.1 million at December 31, 2015.

DRAIF term loan. Stratus has an unsecured term loan with DRAIF (the DRAIF term loan). The DRAIF term loan has a fixed interest rate of 7.25 percent, and a maturity date of December 31, 2016. The DRAIF term loan contains a debt service coverage ratio covenant and an alternative covenant that requires Stratus to maintain total stockholders' equity of no less than \$110.0 million.

Barton Creek Village term loan. On June 27, 2014, Stratus entered into a \$6.0 million term loan agreement with PlainsCapital Bank (the Barton Creek Village term loan), that matures on June 27, 2024. The interest rate is fixed at 4.19 percent and payments of principal and interest are due monthly. The Barton Creek Village term loan is secured by assets at Stratus' Barton Creek Village project, which had an aggregate net book value of \$4.6 million at December 31, 2015.

Magnolia term loan. On September 15, 2014, Stratus entered into a \$3.8 million term loan agreement with Holliday Fenoglio Fowler, L.P. (the Magnolia loan). The proceeds of the Magnolia loan were used to purchase approximately 142 acres of land located in Magnolia, Texas (approximately 18 acres of which were subsequently sold to HEB Grocery Stores). The interest rate is fixed at 7 percent and the Magnolia loan matures on October 1, 2016. Stratus has the option to extend the maturity date on the Magnolia loan to October 1, 2017, upon prior written notice to the lender no later than July 1, 2016. The Magnolia loan is secured by assets at Stratus' Magnolia project, which had a net book value of \$4.2 million at December 31, 2015.

Parkside Village loan. On May 17, 2011, the Parkside Village Joint Venture entered into a construction loan agreement and promissory note with Comerica Bank to finance the development of Parkside Village. On July 2, 2015, Stratus completed the sale of Parkside Village. Stratus used proceeds from this transaction to fully repay the Parkside Village loan.

United/Slaughter term loan. On July 18, 2014, Stratus entered into a \$7.0 million term loan agreement with United Heritage Credit Union secured by assets at 5700 Slaughter (the United/Slaughter term loan). On July 2, 2015, Stratus completed the sale of the 5700 Slaughter commercial property. Stratus used proceeds from this transaction to fully repay the United/Slaughter term loan.

Maturities. The following table summarizes Stratus' debt maturities as of December 31, 2015 (in thousands):

	2016	2017	2018	2019	2020	Thereafter	Total
BoA loan ^a	\$ 1,942	\$ 2,042	\$ 2,146	\$ 2,256	\$ 121,135	\$ —	\$ 129,521
Comerica credit facility ^a	15,000	38,149	—	—	—	—	53,149
Lakeway Construction loan	—	315	1,284	45,092	—	—	46,691
Santal Construction loan	—	—	16,212	—	—	—	16,212
DRAIF term loan	8,000	—	—	—	—	—	8,000
Barton Creek Village term loan	146	153	160	167	173	4,992	5,791
Magnolia term loan	3,750	—	—	—	—	—	3,750
Total	\$ 28,838	\$ 40,659	\$ 19,802	\$ 47,515	\$ 121,308	\$ 4,992	\$ 263,114

- a. In January 2016, the proceeds from the \$150.0 million term loan from Goldman Sachs were used to fully repay our existing obligations under the BoA loan, which was scheduled to mature in 2020, and the \$20.0 million Comerica term loan which was scheduled to mature \$15.0 million in 2016 and \$5.0 million in 2017. Refer to Note 13 for information regarding revised maturities associated with refinancing transactions subsequent to December 31, 2015.

8. Income Taxes

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

	December 31,	
	2015	2014
Deferred tax assets and liabilities:		
Real estate, commercial leasing assets and facilities	\$ 12,930	\$ 6,069
Alternative minimum tax credits (no expiration)	—	908
Employee benefit accruals	549	550
Accrued liabilities	73	164
Deferred income	1,349	3,137
Charitable contribution carryforward	—	519
Other assets	544	494
Net operating loss credit carryforwards	14	39
Other liabilities	(130)	(121)
Deferred tax assets, net	<u>\$ 15,329</u>	<u>\$ 11,759</u>

Stratus recorded a deferred tax asset of \$7.6 million for additional tax basis resulting from the purchase of Canyon-Johnson's interest in the Block 21 Joint Venture.

During fourth-quarter 2014, Stratus evaluated the recoverability of its deferred tax assets, considering available positive and negative evidence, including recent earnings history and forecasts of future taxable income. As a result, Stratus concluded that there was sufficient positive evidence that its \$11.8 million of deferred tax assets (net of deferred tax liabilities) will be realized. Accordingly, Stratus reversed the valuation allowance on its deferred tax assets during 2014 and had no valuation allowance as of December 31, 2015 and 2014.

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 realization of the deferred tax assets recorded as of December 31, 2015, is primarily dependent upon Stratus' ability to generate future taxable income.

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

	Years Ended December 31,		
	2015	2014	2013
Current	\$ (3,458)	\$ (664)	\$ (899)
Deferred	(2,118)	11,358	(30)
(Provision for) benefit from income taxes	<u>\$ (5,576)</u>	<u>\$ 10,694</u>	<u>\$ (929)</u>

Excess tax benefits related to option exercises and vesting of restricted stock units cannot be recognized until realization through a reduction of current taxes payable. During 2015, Stratus realized tax benefits of \$1.7 million related to U.S. net operating loss carryforwards associated with excess tax benefits on stock option exercises and restricted stock units vested. At December 31, 2015, Stratus had no remaining operating loss carryforwards.

During the three-year period ended December 31, 2015, Stratus recorded unrecognized tax benefits related to state income tax filing positions. A summary of the changes in unrecognized tax benefits follows (in thousands):

	2015	2014	2013
Balance at January 1	\$ 1,160	\$ 854	\$ 562
Additions for tax positions related to the current year	—	221	274
(Subtractions) additions for tax positions related to prior years	(55)	85	18
Balance at December 31	<u>\$ 1,105</u>	<u>\$ 1,160</u>	<u>\$ 854</u>

As of December 31, 2015, there was \$1.1 million of unrecognized tax benefits that if recognized would affect Stratus' annual effective tax rate. During 2016, approximately \$0.3 million of unrecognized tax benefits could be recognized due to the expiration of statutes of limitations.

Stratus records liabilities offsetting the tax provision benefits of uncertain tax positions to the extent it estimates that a tax position is more likely than not to not be sustained upon examination by the taxing authorities. Stratus has elected to classify any interest and penalties related to income taxes within income tax expense in its

Consolidated Statements of Income. As of December 31, 2015, less than \$0.1 million of interest costs have been accrued.

Stratus files both U.S. federal and state income tax returns. With limited exceptions, Stratus is no longer subject to U.S. federal income tax examinations by tax authorities for the years prior to 2009, and state income tax examinations for the years prior to 2011.

A reconciliation of the U.S. federal statutory tax rate to Stratus' effective income tax rate for the years ended December 31 follows (dollars in thousands):

	Years Ended December 31,					
	2015		2014		2013	
	Amount	Percent	Amount	Percent	Amount	Percent
Income tax expense computed at the federal statutory income tax rate	\$ (6,983)	(35)%	\$ (2,612)	(35)%	\$ (2,388)	(35)%
Adjustments attributable to:						
Change in valuation allowance	—	—	12,096	162	1,395	20
Noncontrolling interests	1,896	9	1,664	22	1,158	17
State taxes and other, net	(489)	(2)	(454)	(6)	(1,094)	(16)
(Provision for) benefit from income taxes	<u>\$ (5,576)</u>	(28)	<u>\$ 10,694</u>	143	<u>\$ (929)</u>	(14)

Stratus paid federal and state income taxes totaling \$2.0 million in 2015, and \$0.5 million in 2014 and 2013. Stratus received income tax refunds of less than \$0.1 million in each of 2015 and 2014. Stratus did not receive any income tax refunds in 2013.

9. Stock-Based Compensation, Equity Transactions and Employee Benefits

Stock-Based Compensation Plans. Stratus currently has three stock-based compensation plans, all of which have awards available for grant. In May 2013, Stratus' stockholders approved the 2013 Stock Incentive Plan, which provides for the issuance of stock-based compensation awards, including stock options and restricted stock units, relating to 180,000 shares of Stratus common stock that are issuable to Stratus employees and non-employee directors. Stratus' 2010 Stock Incentive Plan provides for the issuance of stock-based compensation awards, including stock options and restricted stock units, relating to 140,000 shares of Stratus common stock that are issuable to Stratus employees and non-employee directors. Stratus' 1996 Stock Option Plan for Non-Employee Directors provides for the issuance of stock options only. Stratus common stock issued upon option exercises or restricted stock unit vestings represent newly issued shares of common stock. Awards with respect to 98,000 shares under the 2013 Stock Incentive Plan, 4,375 shares under the 2010 Stock Incentive Plan and 2,500 shares under the 1996 Stock Option Plan for Non-Employee Directors were available for new grants as of December 31, 2015.

Stock-Based Compensation Costs. Compensation costs charged against earnings for stock-based awards are shown below (in thousands). Stock-based compensation costs are capitalized when appropriate. Stratus' estimated forfeiture rate used in estimating stock-based compensation costs was 2.8 percent for stock options and zero percent for restricted stock units for the years presented below.

	Years Ended December 31,		
	2015	2014	2013
Stock options awarded to directors	\$ —	\$ 6	\$ 14
Restricted stock units awarded to employees and directors	528	474	324
Impact on net income before income taxes	<u>\$ 528</u>	<u>\$ 480</u>	<u>\$ 338</u>

[Table of Contents](#)

Options. Stock options granted under the plans generally expire 10 years after the date of grant and vest in 25 percent annual increments beginning one year from the date of grant. The plans and award agreements provide that participants will receive the following year's vesting after retirement and provide for accelerated vesting if there is a change of control (as defined in the plans). Stratus has not granted stock options since 2011. A summary of stock options outstanding as of December 31, 2015, and changes during the year ended December 31, 2015, follow:

	Number of Options	Weighted Average Option Price	Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Value (\$000)
Balance at January 1	43,125	\$ 20.65		
Expired	(13,125)	24.63		
Balance at December 31	30,000	18.91	3.17	\$ 181
Vested and exercisable at December 31	30,000	18.91	3.17	\$ 181

There were no stock option exercises during 2015. The total intrinsic value of options exercised was less than \$0.1 million during each of 2014 and 2013. No stock options vested during 2015, 2,500 stock options vested during 2014 and 3,750 stock options vested during 2013, with weighted-average grant-date fair values of \$6.63 per option in 2014 and \$5.91 per option in 2013.

Restricted Stock Units. Restricted stock units granted under the plans provide for the issuance of common stock to the non-employee directors and certain officers of Stratus at no cost to the directors and officers. The restricted stock units are converted into shares of Stratus common stock ratably and generally vest in one-quarter increments over the four years following the grant date. For officers, the awards will fully vest upon retirement, death and disability, and upon a change of control. For directors, the awards will fully vest upon a change of control and there will be a partial acceleration of vesting due to retirement, death and disability.

A summary of outstanding unvested restricted stock units as of December 31, 2015, and activity during the year ended December 31, 2015, is presented below:

	Number of Restricted Stock Units	Aggregate Intrinsic Value (\$000)
Balance at January 1	113,500	
Granted	43,000	
Vested	(41,875)	
Forfeited	(4,500)	
Balance at December 31	110,125	\$ 2,153

The total grant date fair value of restricted stock units granted during 2015 was \$0.6 million. The total intrinsic value of restricted stock units vesting during 2015 was \$0.6 million. As of December 31, 2015, Stratus had \$1.1 million of total unrecognized compensation cost related to unvested restricted stock units expected to be recognized over a weighted-average period of 1.7 years.

The following table includes amounts related to exercises of stock options and vesting of restricted stock units (in thousands, except shares of Stratus common stock tendered):

	Years Ended December 31,		
	2015	2014	2013
Stratus shares tendered to pay the exercise price and/or the minimum required taxes ^a	11,562	10,917	8,132
Cash received from stock option exercises	\$ —	\$ 65	\$ 91
Amounts Stratus paid for employee taxes	\$ 153	\$ 125	\$ 9

a. Under terms of the related plans and agreements, upon exercise of stock options and vesting of restricted stock units, employees may tender shares of Stratus common stock to Stratus to pay the exercise price and/or the minimum required taxes.

Share Purchase Program. In November 2013, Stratus' board of directors approved an increase in the open market share purchase program from 0.7 million shares to 1.7 million shares of Stratus common stock. The purchases may occur over time depending on many factors, including the market price of Stratus common stock; Stratus' operating results, cash flow and financial position; and general economic and market conditions. There were no purchases under this program during 2015. Purchases included 39,960 shares for \$0.7 million (an average of \$17.00 per share) during 2014 and 81,990 shares for \$1.0 million (an average of \$11.68 per share) during 2013, all of which Stratus purchased in private transactions. As of December 31, 2015, 991,695 shares remain available under this program.

Employee Benefits. Stratus maintains 401(k) defined contribution plans subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA). The 401(k) plans provide for an employer matching contribution equal to 100 percent of the participant's contribution, subject to a limit of 5 percent of the participant's annual salary. Stratus' policy is to make an additional safe harbor contribution equal to 3 percent of each participant's total compensation for corporate employees and 4 percent for ACL Live employees. The 401(k) plans also provide for discretionary contributions. Stratus' contributions to the 401(k) plans totaled \$0.4 million in each of 2015, 2014 and 2013.

10. Commitments and Contingencies

Construction Contracts. Stratus had commitments under noncancelable construction contracts totaling \$14.1 million at December 31, 2015. These commitments primarily included contracts for construction of improvements for the Santal Barton Creek multi-family project.

Letters of Credit. As of December 31, 2015, Stratus had letters of credit committed totaling \$2.3 million under its credit facility with Comerica (see Note 7).

Rental Income. As of December 31, 2015, Stratus' minimum rental income, including scheduled rent increases under noncancelable long-term leases which extend through 2035, totaled \$4.5 million in 2016, \$4.9 million in 2017, \$4.7 million in 2018, \$4.2 million in 2019, \$4.1 million in 2020 and \$33.6 million thereafter.

Operating Lease. As of December 31, 2015, Stratus' minimum annual contractual payments under its noncancelable long-term operating leases totaled \$0.1 million for 2016 and 2017, and less than \$0.1 million in 2018 and 2019. Total expense under Stratus' operating leases totaled \$0.1 million in each of 2015, 2014 and 2013.

Circle C Settlement. On August 1, 2002, the City of Austin (the City) granted final approval of a development agreement (the Circle C settlement) and permanent zoning for Stratus' real estate located within the Circle C community in southwest Austin. The Circle C settlement firmly established all essential municipal development regulations applicable to Stratus' Circle C properties until 2032. The City also provided Stratus \$15.0 million of development fee credits, which are in the form of credit bank capacity, in connection with its future development of its Circle C and other Austin-area properties for waivers of fees and reimbursement for certain infrastructure costs. In addition, Stratus can elect to sell up to \$1.5 million of the incentives per year to other developers for their use in paying City fees related to their projects as long as the projects are within the desired development zone, as defined within the Circle C settlement. To the extent Stratus sells the incentives to other developers, Stratus recognizes the income from the sale when title is transferred and compensation is received. As of December 31, 2015, Stratus had permanently used \$11.7 million of its City-based development fee credits, including cumulative amounts sold to third parties totaling \$5.1 million. Fee credits used for the development of Stratus' properties effectively reduce the basis of the related properties and defer recognition of any gain associated with the use of the fees until the affected properties are sold. Stratus also had \$1.4 million in credit bank capacity in use as temporary fiscal deposits as of December 31, 2015. Available credit bank capacity was \$1.9 million at December 31, 2015.

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

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

11. Business Segments

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

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, and the results of the Stageside Productions joint venture with Pedernales Entertainment LLC (see Note 2).

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 (Magnolia); and in Killeen, Texas (The West Killeen Market).

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 and a retail building at The Oaks at Lakeway. On July 2, 2015, Stratus completed the sales of the Parkside Village and 5700 Slaughter properties, which were included in the Commercial Leasing segment. See Note 12 for further discussion.

Stratus uses operating income or loss to measure the performance of each segment. Stratus allocates parent company general and administrative expenses that do not directly relate to a particular operating segment between the Real Estate Operations and Commercial Leasing segments based on projected annual revenues for each segment. General and administrative expenses related to the W Austin Hotel & Residences are allocated to the Real Estate Operations, Hotel, Entertainment and Commercial Leasing segments based on projected annual revenues for the W Austin Hotel & Residences. The following segment information reflects management determinations that may not be indicative of what actual financial performance of each segment would be if it were an independent entity.

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

	Hotel	Entertainment	Real Estate Operations ^a	Commercial Leasing ^b	Eliminations and Other ^c	Total
Year Ended December 31, 2015:						
Revenues:						
Unaffiliated customers	\$ 41,346	\$ 19,607	\$ 14,277	\$ 5,641	\$ —	\$ 80,871
Intersegment	305	193	66	538	(1,102)	—
Cost of sales, excluding depreciation	30,789	15,426	10,426	2,838	(411)	59,068
Depreciation	5,797	1,288	246	1,556	(144)	8,743
General and administrative expenses	713	257	5,949	1,783	(645)	8,057
Gain on sales of assets	—	—	—	(20,729)	—	(20,729)
Operating income (loss)	\$ 4,352	\$ 2,829	\$ (2,278)	\$ 20,731	\$ 98	\$ 25,732
Income from discontinued operations ^d	\$ —	\$ —	\$ —	\$ 3,218	\$ —	\$ 3,218
Capital expenditures ^e	\$ 1,023	\$ 128	\$ 26,237	\$ 54,027	\$ —	\$ 81,415
Total assets at December 31, 2015	\$ 109,562	\$ 42,125	\$ 207,394	\$ 62,234	\$ 11,312	\$ 432,627

	Hotel	Entertainment	Real Estate Operations ^a	Commercial Leasing ^b	Eliminations and Other ^c	Total
Year Ended December 31, 2014:						
Revenues:						
Unaffiliated customers	\$ 42,354	\$ 19,048	\$ 26,084	\$ 6,625	\$ —	\$ 94,111
Intersegment	506	60	97	503	(1,166)	—
Cost of sales, excluding depreciation	30,753	14,763	20,743	3,236	(530)	68,965
Depreciation	5,851	1,260	229	1,785	(148)	8,977
Litigation settlement	—	—	(2,082)	—	—	(2,082)
General and administrative expenses	402	148	6,105	1,869	(637)	7,887
Operating income	\$ 5,854	\$ 2,937	\$ 1,186	\$ 238	\$ 149	\$ 10,364
Capital expenditures ^e	\$ 704	\$ 123	\$ 54,928	\$ 5,977	\$ —	\$ 61,732
Total assets at December 31, 2014	\$ 111,671	\$ 50,486	\$ 183,856	\$ 50,510	\$ 6,164	\$ 402,687

Year Ended December 31, 2013:

Revenues:						
Unaffiliated customers	\$ 39,234	\$ 15,481	\$ 67,589	\$ 5,406	\$ —	\$ 127,710
Intersegment	310	78	72	517	(977)	—
Cost of sales, excluding depreciation	29,483	13,076	54,180	2,755	(290)	99,204
Depreciation	6,033	1,239	242	1,687	(148)	9,053
Insurance Settlement	—	—	(1,785)	—	—	(1,785)
General and administrative expenses	322	125	6,024	1,204	(588)	7,087
Operating income	\$ 3,706	\$ 1,119	\$ 9,000	\$ 277	\$ 49	\$ 14,151
Capital expenditures ^e	\$ 759	\$ 280	\$ 16,595	\$ 1,347	\$ —	\$ 18,981
Total assets at December 31, 2013	\$ 115,510	\$ 47,802	\$ 140,890	\$ 48,617	\$ (5,876)	\$ 346,943

- Includes sales commissions and other revenues together with related expenses.
- Includes the results of the Parkside Village and 5700 Slaughter commercial properties through July 2, 2015 (see Note 12).
- Includes eliminations of intersegment amounts.
- Represents a deferred gain, net of taxes, associated with the 2012 sale of 7500 Rialto that was recognized in first-quarter 2015 (see Note 12).
- Also includes purchases and development of residential real estate held for sale.

12. Asset Sales and Discontinued Operations

Parkside Village and 5700 Slaughter. On June 30, 2015, Stratus' balance sheet had approximately \$24.3 million of assets and \$26.0 million of liabilities associated with the Parkside Village and 5700 Slaughter commercial properties. On July 2, 2015, Stratus completed the sales of its Austin-area Parkside Village and 5700 Slaughter commercial properties, both located in the Circle C community, to Whitestone REIT. The Parkside Village retail project, which was owned in a joint venture with LCHM Holdings, LLC, consisted of 90,184 leasable square feet and was sold for \$32.5 million. The 5700 Slaughter retail project, which was wholly owned by Stratus, consisted of 25,698 leasable square feet and was sold for \$12.5 million. Stratus used proceeds from these transactions to repay the total \$26.0 million outstanding under the Parkside Village loan and the United/Slaughter term loan, with the remainder being held in escrow while Stratus assessed potential tax free like-kind exchange transactions. In September 2015, Stratus used \$2.6 million of the escrow funds to purchase an undeveloped tract of land for the West Killeen Market project and withdrew \$12.1 million to fund distributions to Stratus and LCHM Holdings of \$9.4 million and \$3.2 million respectively. After debt repayments and closing costs, cash proceeds from these transactions approximated \$17 million, and Stratus recorded a pre-tax gain in 2015 of \$20.7 million, of which the noncontrolling interest share was \$3.9 million. Stratus has determined that the sales of the Parkside Village and 5700 Slaughter commercial properties do not meet the criteria for classification as discontinued operations.

Net (loss) income before income taxes and net (loss) income attributable to common stock associated with Parkside Village and 5700 Slaughter follow (in thousands):

	January 1, 2015, to July 2, 2015	Year Ended December 31, 2014	Year Ended December 31, 2013
Net (loss) income before income taxes	\$ (46)	\$ 441	\$ 373
Net (loss) income attributable to common stock	(47)	305	235

7500 Rialto. In 2012, Stratus sold 7500 Rialto, an office building in Lantana. In connection with the sale, Stratus 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 Stratus recognized the deferred gain totaling \$5.0 million (\$3.2 million to net income attributable to common stock) in 2015.

13. Subsequent Events

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 annually 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. As a result of this refinancing transaction, revised debt maturities as of January 31, 2016, total \$13.7 million in 2016, \$35.7 million in 2017, \$19.9 million in 2018, \$47.6 million in 2019, \$2.7 million in 2020 and \$144.0 million thereafter.

Stratus evaluated events after December 31, 2015, and through the date the financial statements were issued, and determined any events or transactions occurring during this period that would require recognition or disclosure are appropriately addressed in these financial statements.

14. Quarterly Financial Information (Unaudited)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
2015					
Revenues	\$ 20,225	\$ 19,986	\$ 19,677	\$ 20,983	\$ 80,871
Operating income	1,609	542	20,976 ^a	2,605 ^b	25,732 ^{ab}
Income from discontinued operations, net of taxes	3,218 ^c	—	—	—	3,218 ^c
Net income (loss)	3,784	(240)	13,741 ^a	310 ^b	17,595 ^{ab}
Net income attributable to noncontrolling interests	1,042	879	3,493 ^a	4	5,418 ^a
Net income (loss) attributable to common stockholders	2,742 ^c	(1,119)	10,248 ^a	306 ^b	12,177 ^{ab,c}
Basic and diluted net income (loss) per share attributable to common stockholders	0.34 ^c	(0.14)	1.27 ^a	0.04 ^b	1.51 ^{ab,c}
2014					
Revenues	\$ 23,299	\$ 22,521	\$ 21,630	\$ 26,661	\$ 94,111
Operating income	3,348 ^{d,e}	2,842 ^e	2,086 ^{ef}	2,088	10,364 ^{d,ef}
Net income	2,892 ^{d,e}	1,264 ^e	778 ^{ef}	13,223 ^g	18,157 ^{d,ef,g}
Net income attributable to noncontrolling interests	1,795 ^{d,e}	1,045 ^e	181	1,733	4,754 ^{d,e}
Net income attributable to common stock stockholders	1,097 ^{d,e}	219 ^e	597 ^{ef}	11,490 ^g	13,403 ^{d,ef,g}
Basic net income per share attributable to common stockholders	0.14 ^{d,e}	0.03 ^e	0.07 ^{ef}	1.43 ^g	1.67 ^{d,ef,g}
Diluted net income per share attributable to common stockholders	0.14 ^{d,e}	0.03 ^e	0.07 ^{ef}	1.42 ^g	1.66 ^{d,ef,g}

- a. Includes a total gain of \$20.7 million (\$10.8 million to net income attributable to common stock or \$1.34 per share) in third-quarter and for the year 2015 associated with the sales of Parkside Village and 5700 Slaughter (see Note 12).
- b. Includes a pre-tax gain of \$0.6 million (\$0.08 per share) in fourth-quarter and for the year 2015 associated with the sale of a tract of undeveloped land.
- c. Includes recognition of a deferred gain of \$5.0 million (\$3.2 million attributable to common stock or \$0.40 per share) in first-quarter and for the year 2015 associated with the sale of 7500 Rialto Boulevard in February 2012 (see Note 12).
- d. Includes income of \$0.5 million (\$0.07 per share) in first-quarter 2014, \$0.1 million (less than \$0.01 per share) in second-quarter 2014 and \$0.6 million (\$0.07 per share) for the year 2014 related to an insurance settlement.
- e. Includes income (expense) of \$0.1 million (\$0.01 per share) in first-quarter 2014, \$0.4 million (\$0.05 per share) in second-quarter 2014, \$(0.1) million (less than \$(0.01) per share) in third-quarter 2014 and \$0.4 million (\$0.05 per share) for the year 2014 related to the recovery of building costs associated with damage caused by the June 2011 balcony glass breakage incidents at the W Austin Hotel & Residences.

[Table of Contents](#)

- f. Includes a gain of \$1.5 million (\$0.19 per share) in third-quarter and for the year 2014 associated with a litigation settlement. Also includes lease termination charges of \$0.3 million (\$0.04 per share) recorded for the commercial leasing segment.
- g. Includes a credit to provision for income taxes of \$12.1 million (\$1.50 per share) in the fourth quarter and for the year 2014 for the reversal of valuation allowances on deferred tax assets.

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

Not applicable.

Item 9A. Controls and Procedures

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

(b) Changes in internal control over financial reporting. There has been no change in our internal control over financial reporting that occurred during the fiscal quarter ended December 31, 2015, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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

Item 9B. Other Information

Amendment to By-laws. On March 9, 2016, our board of directors adopted the Amended and Restated By-laws (the By-laws) of Stratus. The amendment and restatement of the By-laws was effective immediately and included, among other things, the following changes:

- Provide our board of directors with explicit authority to cancel, postpone or reschedule a stockholder meeting upon prior notice.
- Enhance the powers of the chairman of the stockholder meeting (including the authority to adjourn or recess a stockholder meeting).
- Establish the Court of Chancery of the State of Delaware as the exclusive forum for certain actions and proceedings.
- Provide an explicit confidentiality obligation for directors.

The foregoing summary of the terms of the By-laws does not purport to be complete and is subject to, and qualified in its entirety by, reference to the full text of the By-laws, which are filed as Exhibit 3.2 to this Form 10-K and incorporated by reference herein.

Severance and Change of Control Agreements.

On March 10, 2016, our board of directors approved new Severance and Change of Control Agreements (collectively, the “Agreements”) with each of William H. Armstrong III, Chairman of the Board, President and Chief Executive Officer, and Erin D. Pickens, Senior Vice President and Chief Financial Officer (collectively, the “Executives”). The Agreements take effect April 1, 2016, following the expiration of the current change of control agreements entered into between Stratus and the Executives dated April 1, 2013, which agreements expire on March 31, 2016. The Agreements shall continue in effect through March 31, 2019 and entitle the Executives to receive benefits in the event of a termination of employment under certain circumstances prior to or following a change of control of Stratus during the term of the Agreements.

Under each Agreement, if Stratus terminates the Executive without cause or the Executive voluntarily terminates his or her employment for good reason (as such terms are defined in the Agreement) during the term of the Agreement and prior to a change of control, the Executive will receive a lump-sum cash payment equal to the sum of his or her prorated bonus for the year of termination plus the sum of (a) the Executive's base salary in effect at the time of termination and (b) the average annual bonus awarded to the Executive for the three fiscal years immediately

preceding the termination date. In addition, (a) Stratus shall continue to provide insurance and welfare benefits to the Executive until the earlier of (1) December 31 of the first calendar year following the calendar year of the termination or (2) the date the Executive accepts new employment.

Additionally, if Stratus or its successor terminates the Executive during the three-year period following a change of control, other than by reason of death, disability or cause, or the Executive voluntarily terminates his or her employment for good reason (as such terms are defined in the Agreement), the Executive will receive a lump-sum cash payment equal to the sum of his or her prorated bonus for the year of termination plus 2.99 times the sum of (a) the Executive's base salary in effect at the time of termination and (b) the highest annual bonus awarded to the Executive for the three fiscal years immediately preceding the termination date. In addition, Stratus shall continue to provide insurance and welfare benefits to the Executive until the earlier of (a) December 31 of the first calendar year following the calendar year of the termination or (b) the date the Executive accepts new employment. If any part of the payments or benefits received by the Executive in connection with a termination following a change of control constitutes an excess parachute payment under Section 4999 of the Internal Revenue Code, the Executive will receive the greater of (1) the amount of such payments and benefits reduced so that none of the amount constitutes an excess parachute payment, net of income taxes, or (2) the amount of such payments and benefits, net of income taxes and net of excise taxes under Section 4999 of the Internal Revenue Code.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Information required by this item will be contained in our definitive proxy statement to be filed with the SEC pursuant to Regulation 14A relating to our 2016 annual meeting of stockholders and is incorporated herein by reference. The information required by Item 10. regarding our executive officers appears under "Executive Officers of the Registrant" after Part I, Item 4. "Mine Safety Disclosures."

Item 11. Executive Compensation

Information required by this item will be contained in our definitive proxy statement to be filed with the SEC pursuant to Regulation 14A relating to our 2016 annual meeting of stockholders and is incorporated herein by reference.

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

Information required by this item will be contained in our definitive proxy statement to be filed with the SEC pursuant to Regulation 14A relating to our 2016 annual meeting of stockholders and is incorporated herein by reference.

Equity Compensation Plan Information as of December 31, 2015

We have equity compensation plans pursuant to which our common stock may be issued to employees and non-employees as compensation. All of our outstanding equity compensation plans were previously approved by our stockholders, and the following plans had shares available for grant as of December 31, 2015: the 2013 Stock Incentive Plan, the 2010 Stock Incentive Plan and the 1996 Stock Option Plan for Non-Employee Directors.

The following table presents information regarding these equity compensation plans as of December 31, 2015:

	Number of Securities To be Issued Upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (b)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) (c)
Equity compensation plans approved by security holders	140,125 ^a \$	18.91	104,875 ^b
Equity compensation plans not approved by security holders	N/A	N/A	N/A
Total	140,125 ^a \$	18.91	104,875 ^b

a. The number of securities to be issued upon the exercise of outstanding options, warrants and rights includes shares issuable upon the vesting of 110,125 restricted stock units. These awards are not reflected in column (b) as they do not have an exercise price.

b. As of December 31, 2015, there were 98,000 shares remaining available for future issuance to Stratus employees and non-employee directors under the 2013 Stock Incentive Plan, all of which could be issued pursuant to awards of stock options, stock appreciation rights, restricted stock, restricted stock units or "other stock-based awards." There were 4,375 shares remaining available for future issuance to Stratus employees and non-employee directors under the 2010 Stock Incentive Plan, all of which could be issued pursuant to awards of stock options, stock appreciation rights, restricted stock, restricted stock units or "other stock-based awards." There were 2,500 shares remaining available for future issuance of stock options to our non-employee directors under the 1996 Stock Option Plan for Non-Employee Directors.

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

Information required by this item will be contained in our definitive proxy statement to be filed with the SEC pursuant to Regulation 14A relating to our 2016 annual meeting of stockholders and is incorporated herein by reference.

Item 14. Principal Accounting Fees and Services

Information required by this item will be contained in our definitive proxy statement to be filed with the SEC pursuant to Regulation 14A relating to our 2016 annual meeting of stockholders and is incorporated herein by reference.

PART IV

Item 15. Exhibits, Financial Statement Schedules

(a)(1). Financial Statements.

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

(a)(2). Financial Statement Schedules.

Reference is made to Schedule III-Real Estate, Commercial Leasing Assets and Facilities and Accumulated Depreciation, beginning on page F-2 hereof.

(a)(3). Exhibits.

Reference is made to the Exhibit Index beginning on page E-1 hereof.

SIGNATURES

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

STRATUS PROPERTIES INC.

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

Date: March 15, 2016

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

<u>/s/ William H. Armstrong III</u> William H. Armstrong III	Chairman of the Board, President and Chief Executive Officer (Principal Executive Officer)
* _____ Erin D. Pickens	Senior Vice President and Chief Financial Officer (Principal Financial Officer)
* _____ C. Donald Whitmire, Jr.	Vice President and Controller (Principal Accounting Officer)
* _____ James E. Joseph	Director
* _____ James C. Leslie	Director
* _____ Michael D. Madden	Director
* _____ Charles W. Porter	Director
_____ John G. Wenker	Director

*By: /s/ William H. Armstrong III
William H. Armstrong III
Attorney-in-Fact

Date: March 15, 2016

**STRATUS PROPERTIES INC.
INDEX TO FINANCIAL STATEMENTS**

The schedule listed below should be read in conjunction with the financial statements of Stratus Properties Inc. contained elsewhere in this Annual Report on Form 10-K.

	Page
Schedule III-Real Estate, Commercial Leasing Assets and Facilities and Accumulated Depreciation	F-2

Schedules other than the one listed above have been omitted since they are either not required, not applicable or the required information is included in the financial statements or notes thereto.

STRATUS PROPERTIES INC.
REAL ESTATE, COMMERCIAL LEASING ASSETS AND FACILITIES AND ACCUMULATED DEPRECIATION
December 31, 2015

(In Thousands, except Number of Lots and Acres)

SCHEDULE III

	Initial Cost		Cost Capitalized Subsequent to Acquisitions	Gross Amounts at December 31, 2015			Number of Lots/Units and Acres		Accumulated Depreciation	Year Acquired
	Land	Bldg. and Improvements		Land	Bldg. and Improvements	Total	Lots/Units	Acres		
Real Estate Held for Sale^a										
Barton Creek, Austin, TX	\$ 9,406	\$ —	\$ 9,690	\$ 19,096	\$ —	\$ 19,096	68	—	\$ —	1988
Circle C, Austin, TX	515	—	4,090	4,605	—	4,605	31	—	—	1992
W Austin Hotel & Residences, Austin, TX	—	2,243	—	—	2,243	2,243	2	—	—	2014
Real Estate Under Development^{b,c}										
Barton Creek, Austin, TX	4,591	—	90,172	94,763	—	94,763	—	659	—	1988
Lakeway, TX	22,552	—	6,286	28,838	—	28,838	—	87	—	2013
Circle C, Austin, TX	753	—	2,043	2,796	—	2,796	—	200	—	1992
Magnolia, TX	3,237	—	973	4,210	—	4,210	—	124	—	2014
Lantana, Austin, TX	255	—	5,113	5,368	—	5,368	—	36	—	1994
West Killeen Market, Killeen, TX	2,583	—	613	3,196	—	3,196	—	9	—	2015
Land Available for Development^{c,d}										
Camino Real, San Antonio, TX	16	—	(16)	—	—	—	—	2	—	1990
Barton Creek, Austin, TX	7,924	—	8,828	16,752	—	16,752	—	577	—	1988
Circle C, Austin, TX	2,704	—	2,488	5,192	—	5,192	—	52	—	1992
Flores Street, Austin, TX	1,000	—	42	1,042	—	1,042	—	—	—	2015
Lantana, Austin, TX	157	—	254	411	—	411	—	20	—	1994
Real Estate Held for Investment^{b,c}										
W Austin Hotel & Residences, Austin, TX ^e	8,075	162,561	—	8,075	162,561	170,636	—	—	25,141	2006
Barton Creek Village, Austin, TX ^f	55	6,065	—	55	6,065	6,120	—	—	1,511	2007
Lakeway, TX ^g	9,040	26,970	—	9,040	26,970	36,010	—	—	145	2013
Corporate offices, Austin, TX	—	1,331	—	—	1,331	1,331	—	—	674	N/A
Total	\$72,863	\$ 199,170	\$ 130,576	\$203,439	\$ 199,170	\$402,609	101	1,766	\$ 27,471	

- a. Includes individual tracts of land that have been developed and permitted for residential use, developed lots with homes already built on it, or condominium units at our W Austin Hotel & Residences.
- b. Includes real estate for which infrastructure work over the entire property has been completed, is currently being completed or is able to be completed and for which necessary permits have been obtained.
- c. See Note 7 included in Part II, Item 8. of this Annual Report on Form 10-K for a description of assets securing debt.
- d. Includes undeveloped real estate that can be sold "as is" (i.e., infrastructure or development work may have begun but is not currently in progress on such property).
- e. Consists of a 251-room hotel, entertainment venue, and office and retail space at the W Austin Hotel & Residences.
- f. Consists of a 22,366-square-foot retail complex representing the first phase of Barton Creek Village and a 3,085-square-foot bank building.
- g. Consists of a HEB anchored retail project planned for 231,436 square feet of commercial space.

STRATUS PROPERTIES INC.
Notes to Schedule III

(1) Reconciliation of Real Estate, Commercial Leasing Assets and Facilities:

The changes in real estate, commercial leasing assets and facilities for the years ended December 31, are as follows (in thousands):

	2015	2014	2013
Balance, beginning of year	\$ 370,983	\$ 325,967	\$ 349,120
Improvements and other	38,091	60,741	19,791
Cost of real estate sold	(6,465)	(15,725)	(42,944)
Balance, end of year	<u>\$ 402,609</u>	<u>\$ 370,983</u>	<u>\$ 325,967</u>

The aggregate net book value for federal income tax purposes as of December 31, 2015 was \$402.6 million.

(2) Reconciliation of Accumulated Depreciation:

The changes in accumulated depreciation for the years ended December 31, are as follows (in thousands):

	2015	2014	2013
Balance, beginning of year	\$ 35,384	\$ 27,009	\$ 18,380
Retirement and sales of assets	(16,656)	(602)	(424)
Depreciation expense	8,743	8,977	9,053
Balance, end of year	<u>\$ 27,471</u>	<u>\$ 35,384</u>	<u>\$ 27,009</u>

Depreciation of buildings and improvements is calculated over estimated lives of 30 to 40 years.

**STRATUS PROPERTIES INC.
EXHIBIT INDEX**

Exhibit Number	Exhibit Title	Filed with this Form 10-K	Incorporated by Reference		
			Form	File No.	Date Filed
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.	X			
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	Amended and Restated Loan Agreement by and between Stratus Properties Inc., Stratus Properties Operating Co., L.P., Circle C Land, L.P., Austin 290 Properties, Inc., Overlook at Amarra, L.L.C. and Comerica Bank dated as of August 21, 2015.		8-K	000-19989	8/26/2015
10.2	Amended and Restated Revolving Promissory Note by and between Stratus Properties Inc., Stratus Properties Operating Co., L.P., Circle C Land, L.P., Austin 290 Properties, Inc., Overlook at Amarra, L.L.C. and Comerica Bank dated as of August 21, 2015 (\$45.0 million revolving line of credit).		8-K	000-19989	8/26/2015
10.3	Amended and Restated Promissory Note by and between Stratus Properties Inc., Stratus Properties Operating Co., L.P., Circle C Land, L.P., Austin 290 Properties, Inc., Overlook at Amarra, L.L.C. and Comerica Bank dated as of August 21, 2015 (\$7.5 million letters of credit).		8-K	000-19989	8/26/2015
10.4	Installment Note by and between Stratus Properties Inc., Stratus Properties Operating Co., L.P., Circle C Land, L.P., Austin 290 Properties, Inc., Overlook at Amarra, L.L.C. and Comerica Bank dated as of August 21, 2015 (\$20.0 million term loan).		8-K	000-19989	8/26/2015
10.5	Term Loan Agreement by and among CJUF II Stratus Block 21 LLC, Bank of America, N.A., and the lenders party thereto from time to time, dated September 30, 2013.		8-K	000-19989	10/3/2013
10.6	Agreement Regarding Sale and Purchase by and between CJUF II Block 21 Member, LLC, Canyon-Johnson Urban Fund II, L.P., Stratus Block 21 Investments, L.P., Stratus Block 21 Holdings, Inc., and Stratus Properties Inc., effective as of September 28, 2015.		8-K	000-19989	10/1/2015

[Table of Contents](#)

Exhibit Number	Exhibit Title	Filed with this Form 10-K	Incorporated by Reference		
			Form	File No.	Date Filed
10.7	First Amendment to Loan Documents by and among CJUF II Stratus Block 21 LLC, as borrower, Stratus Properties Inc., as guarantor, and Bank of America, N.A., as administrative agent on behalf of the lenders from time to time party thereto, effective as of September 28, 2015.		8-K	000-19989	10/1/2015
10.8	Amended and Restated Promissory Note by and among CJUF II Stratus Block 21 LLC, Stratus Properties Inc., and Bank of America, N.A., dated September 28, 2015.		8-K	000-19989	10/1/2015
10.9	Loan Agreement, dated January 5, 2016, between Stratus Block 21, LLC, as borrower, and Goldman Sachs Mortgage Company, as lender, as amended through January 27, 2016.	X			
10.10	Promissory Note A-1, dated February 1, 2016, between Stratus Block 21, LLC and Goldman Sachs Mortgage Company.	X			
10.11	Promissory Note A-2, dated February 1, 2016, between Stratus Block 21, LLC and Goldman Sachs Mortgage Company.	X			
10.12	Loan Modification Agreement by and between Stratus Properties Inc. and American Strategic Income Portfolio Inc.-II effective as of April 1, 2013 (\$8.0 million loan).		10-Q	000-19989	5/15/2013
10.13	Loan Modification Agreement by and between Stratus Properties Inc. and American Strategic Income Portfolio Inc.-II effective as of September 1, 2012 (\$8.0 million loan).		8-K	000-19989	9/12/2012
10.14	Loan Agreement between Stratus Properties Inc. and Holliday Fenoglio Fowler, L.P. dated as of December 12, 2006, subsequently assigned to American Strategic Income Portfolio Inc.-II (\$8.0 million loan).		10-K	000-19989	3/16/2007
10.15	Development Agreement effective as of August 15, 2002, between Circle C Land Corp. and City of Austin.		10-Q	000-19989	11/14/2002
10.16	First Amendment dated June 21, 2004, Second Amendment dated November 9, 2004, and Third Amendment dated March 2, 2005, to Development Agreement effective as of August 15, 2002, between Circle C Land Corp. and City of Austin.		10-K	000-19989	3/16/2015
10.17	Construction Loan Agreement among Stratus Lakeway Center L.L.C., as Borrower and PlainsCapital Bank, as Administrative Agent and the Other Financial Institutions party thereto as Lenders dated as of September 29, 2014.		8-K	000-19989	10/3/2014
10.18	First Amendment to Construction Loan Agreement among Stratus Lakeway Center L.L.C., as Borrower, PlainsCapital Bank, as Administrative Agent and the Other Financial Institutions party thereto as Existing Lender and New Lender dated as of November 7, 2014.		10-Q	000-19989	11/13/2014

Exhibit Number	Exhibit Title	Filed with this Form 10-K	Incorporated by Reference		
			Form	File No.	Date Filed
10.19	Second Amendment to Construction Loan Agreement among Stratus Lakeway Center L.L.C., as Borrower, PlainsCapital Bank, as Administrative Agent and the Other Financial Institutions party thereto as Lenders dated as of February 5, 2015.		10-Q	000-19989	8/10/2015
10.20	Third Amendment to Construction Loan Agreement among Stratus Lakeway Center L.L.C., as Borrower, PlainsCapital Bank, as Administrative Agent and the Other Financial Institutions party thereto as Lenders dated as of May 22, 2015.		10-Q	000-19989	8/10/2015
10.21	Fourth Amendment to Construction Loan Agreement among Stratus Lakeway Center L.L.C., as Borrower, PlainsCapital Bank, as Administrative Agent and the Other Financial Institutions party thereto as Lenders dated as of June 3, 2015.		10-Q	000-19989	8/10/2015
10.22	Fifth Amendment to Construction Loan Agreement among Stratus Lakeway Center L.L.C., as Borrower, PlainsCapital Bank, as Administrative Agent and the Other Financial Institutions party thereto, as Lenders dated as of October 29, 2015.		10-Q	000-19989	11/9/2015
10.23	Promissory Note dated September 29, 2014 executed by and among Stratus Lakeway Center L.L.C. and PlainsCapital Bank.		10-K	000-19989	3/16/2015
10.24	Promissory Note dated September 29, 2014 executed by and among Stratus Lakeway Center L.L.C. and Southside Bank.		10-K	000-19989	3/16/2015
10.25	Construction Loan Agreement by and between Barton Creek Tecoma I, L.L.C. and Comerica Bank effective as of January 8, 2015.		10-K	000-19989	3/16/2015
10.26	Promissory Note by and between Barton Creek Tecoma I, L.L.C. and Comerica Bank dated as of January 8, 2015.		10-K	000-19989	3/16/2015
10.27*	Stratus Properties Inc. 2013 Stock Incentive Plan, as amended and restated.		10-K	000-19989	3/16/2015
10.28*	Stratus Properties Inc. 2010 Stock Incentive Plan, as amended and restated.		10-K	000-19989	3/16/2015
10.29*	Form of Notice of Grant of Nonqualified Stock Options under the Stratus Properties Inc. stock incentive plans (adopted January 2011).		10-K	000-19989	3/31/2011
10.30*	Form of Notice of Grant of Restricted Stock Units under the Stratus Properties Inc. stock incentive plans (adopted January 2011).		10-K	000-19989	3/31/2011
10.31*	Form of Notice of Grant of Restricted Stock Units under the 2010 Stock Incentive Plan for Non-Employee Director Grants (adopted August 2012).		10-K	000-19989	3/29/2013

[Table of Contents](#)

Exhibit Number	Exhibit Title	Filed with this Form 10-K	Incorporated by Reference		
			Form	File No.	Date Filed
10.32*	Form of Notice of Grant of Restricted Stock Units under the Stratus Properties Inc. Stock Incentive Plan for Non-Employee Director Grants (adopted August 2014).		10-K	000-19989	3/16/2015
10.33*	Form of Notice of Grant of Restricted Stock Units under the Stratus Properties Inc. 2013 Stock Incentive Plan (adopted August 2015).		10-Q	000-19989	11/9/2015
10.34*	Stratus Properties Inc. Performance Incentive Awards Program, as amended, effective December 30, 2008.		10-Q	000-19989	5/5/2009
10.35*	Stratus Properties Inc. 1996 Stock Option Plan for Non-Employee Directors, as amended and restated.		10-Q	000-19989	5/10/2007
10.36*	Stratus Properties Inc. Director Compensation.		10-K	000-19989	3/31/2014
10.37*	Change of Control Agreement between Stratus Properties Inc. and William H. Armstrong III, effective as of April 1, 2013.		8-K	000-19989	4/5/2013
10.38*	Change of Control Agreement between Stratus Properties Inc. and Erin D. Pickens, effective as of April 1, 2013.		8-K	000-19989	4/5/2013
21.1	List of subsidiaries.	X			
23.1	Consent of BKM Sowan Horan, LLP.	X			
24.1	Certified resolution of the Board of Directors of Stratus Properties Inc. authorizing this report to be signed on behalf of any officer or director pursuant to a Power of Attorney.	X			
24.2	Powers of Attorney pursuant to which this report has been signed on behalf of certain officers and directors of Stratus Properties Inc.	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.

Stratus Properties Inc.
Amended and Restated By-Laws

ARTICLE I

Name

The name of the corporation (the "Corporation") is Stratus Properties Inc.

ARTICLE II

Offices

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

2. The Corporation shall in addition to its registered office in the State of Delaware establish and maintain an office or offices at such place or places as the board of directors (the "Board of Directors") of the Corporation may from time to time find necessary or desirable.

ARTICLE III

Corporate Seal

The corporate seal of the Corporation shall have inscribed thereon the name of the Corporation and the year (1992) and jurisdiction (Delaware) of its creation. Such seal may be used by causing it or a facsimile thereof to be impressed, affixed, printed or otherwise reproduced.

ARTICLE IV

Meetings of Stockholders

1. All meetings of the stockholders shall be held at the registered office of the Corporation in the State of Delaware, or at any other place as shall be determined, from time to time, by the Board of Directors.

2. Annual meetings of the stockholders shall be held at such time as may be determined from time to time by resolution of the Board of Directors. At each annual meeting of the

stockholders they shall elect by plurality vote, by written ballot, the successors of the class of directors whose term expires at such meeting, to hold office until the annual meeting of the stockholders held in the third year following the year of their election and their successors are respectively elected and qualified or until their earlier resignation or removal. Any other proper business may be transacted at the annual meeting.

3. The holders of a majority of the stock issued and outstanding and entitled to vote thereat, present in person or represented by proxy, shall constitute a quorum at all meetings of the stockholders for the transaction of business, except as otherwise expressly provided by statute, by the Certificate of Incorporation (the "Certificate of Incorporation") of the Corporation or by these By-Laws (the "By-Laws"). If, however, such majority shall not be present or represented at any meeting of the stockholders, the stockholders entitled to vote thereat, present in person or by proxy, shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting (except as otherwise provided by statute), until the requisite amount of voting stock shall be present. At such adjourned meeting at which the requisite amount of voting stock shall be represented, any business may be transacted which might have been transacted at the meeting as originally notified.

4. At all meetings of the stockholders each stockholder having the right to vote shall be entitled to vote in person or by proxy appointed by an instrument in writing subscribed by such stockholder and bearing a date not more than three years prior to said meeting, unless such instrument provides for a longer period. All proxies shall be filed with the secretary of the meeting before being voted.

5. At each meeting of the stockholders each stockholder shall have one vote, unless otherwise provided in the Certificate of Incorporation, for each share of stock of the Corporation having voting power, registered in his name on the books of the Corporation at the record date fixed in accordance with these By-Laws, or otherwise determined, with respect to such meeting. Except as otherwise expressly provided by statute, by the Certificate of Incorporation or by these By-Laws, all matters coming before any meeting of the stockholders shall be decided by the vote of a majority of the number of shares of stock present in person or represented by proxy at such meeting and entitled to vote thereat, a quorum being present.

6. Notice of each meeting of the stockholders shall be mailed to each stockholder entitled to vote thereat not less than 10 nor more than 60 days before the date of the meeting. Such notice shall state the place, date and hour of the meeting and, in the case of a special meeting, the purpose or purposes for which the meeting is called.

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

8. Business transacted at each special meeting shall be confined to the purpose or purposes stated in the notice of such meeting.

9. The Board of Directors may, at any time prior to the holding of a meeting of stockholders, annual or special, and for any reason, cancel, postpone or reschedule such meeting upon public notice given prior to the time previously scheduled for such meeting of stockholders. The meeting may be postponed or rescheduled to such time and place as is specified in the notice of postponement or rescheduling of such meeting.

10. At each meeting of stockholders, annual or special, the chairman of such meeting shall have the right and authority to prescribe such rules, regulations and procedures and to do all such acts as, in the judgment of such chairman, are appropriate for the proper conduct of the meeting. Such rules, regulations or procedures, whether adopted by the Board of Directors or prescribed by the chairman of the meeting, may include, without limitation, the following: (1) the establishment of an agenda or order of business for the meeting; (2) rules and procedures for maintaining order at the meeting and the safety of those present; (3) limitations on attendance at or participation in the meeting to stockholders of record of the Corporation, their duly authorized and constituted proxies or such other persons as shall be determined; (4) restrictions on entry to the meeting after the time fixed for the commencement thereof; (5) restrictions on the use of audio or video recording devices at the meeting; and (6) limitations on the time allotted to questions or comments by participants.

11. The chairman of a meeting may adjourn or recess any meeting of stockholders, annual or special, at any time and for any reason, whether or not a quorum is present, to reconvene at the same or some other place. Notice need not be given of any such adjourned or recessed meeting if the time and place thereof are announced at the meeting at which the adjournment or recess is taken. At the adjourned or recessed meeting the Corporation may transact any business which might have been transacted at the original meeting.

12. At an annual meeting of the stockholders, only business shall be conducted as shall have been brought before the meeting (a) by or at the direction of the Board of Directors or (b) by any stockholder of the Corporation who complies with the notice procedures set forth in this Section 12 and applicable law. For business to be properly brought before an annual meeting by a stockholder, the stockholder must have given timely notice thereof in writing to the Secretary of the Corporation. To be timely, a stockholder's notice must be delivered to the Secretary at the principal executive offices of the Corporation not later than the close of business on the 120th day nor earlier than the close of business on the 210th day prior to the first anniversary of the preceding year's annual meeting; provided, however, that in the event that the date of the annual meeting is more than 30 days before or more than 90 days after such anniversary date, notice by the stockholder to be timely must be so delivered not earlier than the close of business on the 120th day prior to such annual meeting and not later than the close of business on the later of the 90th day prior to such annual meeting or the 10th day following the day on which public announcement of the date of such meeting is first made. In no event shall the public announcement of an adjournment of an annual meeting commence a new time period for the giving of a stockholder's notice as described above. A stockholder's notice to the Secretary shall set forth as to each matter the stockholder proposes to bring before the annual meeting (a) a brief description of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting, (b) the name and address, as they appear on the Corporation's books, of the stockholder proposing such business, (c) the class and number of shares

of the Corporation which are beneficially owned by the stockholder and (d) any material interest of the stockholder in such business. Notwithstanding anything in these By-Laws to the contrary, no business shall be conducted at an annual meeting except in accordance with the procedures set forth in this Section 12 and applicable law. The chairman of an annual meeting shall, if the facts warrant, determine and declare to the meeting that business was not properly brought before the meeting and in accordance with the provisions of these By-Laws and applicable law, and if he should so determine, he shall so declare to the meeting and any such business not properly brought before the meeting shall not be transacted. Notwithstanding the foregoing provisions of this Section 12, a stockholder seeking to have a proposal included in the Corporation's proxy statement shall comply with the requirements of Regulation 14A under the Securities Exchange Act of 1934, as amended (including, but not limited to, Rule 14a-8 or its successor provision).

13. Only persons who are nominated in accordance with the procedures set forth in these By-Laws shall be eligible for election as directors. Nominations of persons for election to the Board of Directors of the Corporation may be made at a meeting of stockholders (a) by or at the direction of the Board of Directors or (b) by any stockholder of the Corporation entitled to vote for the election of directors at the meeting who complies with the notice procedures set forth in this Section 13. Such nominations, other than those made by or at the direction of the Board of Directors, shall be made pursuant to timely notice in writing to the Secretary of the Corporation. To be timely, a stockholder's notice must be delivered to the Secretary at the principal executive offices of the Corporation not later than the close of business on the 120th day nor earlier than the close of business on the 210th day prior to the first anniversary of the preceding year's annual meeting; provided, however, that in the event that the date of the annual meeting is more than 30 days before or more than 90 days after such anniversary date, notice by the stockholder to be timely must be so delivered not earlier than the close of business on the 120th day prior to such annual meeting and not later than the close of business on the later of the 90th day prior to such annual meeting or the 10th day following the day on which public announcement of the date of such meeting is first made. In no event shall the public announcement of an adjournment of an annual meeting commence a new time period for the giving of a stockholder's notice as described above. Such stockholder's notice shall set forth (a) as to each person whom the stockholder proposes to nominate for election or reelection as a director all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (including such person's written consent to being named in the proxy statement as a nominee and to serve as a director if elected); and (b) as to the stockholder giving the notice (1) the name and address, as they appear on the Corporation's books, of such stockholder and (2) the class and number of shares of the Corporation which are beneficially owned by such stockholder. At the request of the Board of Directors any person nominated by the Board of Directors for election as a director shall furnish to the Secretary of the Corporation that information required to be set forth in a stockholder's notice of nomination which pertains to the nominee. No person shall be eligible for election as a director of the Corporation unless nominated in accordance with the procedures set forth in these By-Laws. The chairman of the meeting shall, if the facts warrant, determine and declare to the meeting that a nomination was not made in accordance with the procedures prescribed by these By-Laws, and if he should so determine, he shall so declare to the meeting and the defective nomination shall be disregarded.

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

ARTICLE V

Directors

1. The business and affairs of the Corporation shall be managed under the direction of a Board of Directors which may exercise all such powers and authority for and on behalf of the Corporation as shall be permitted by law, the Certificate of Incorporation or these By-Laws.

2. The directors may hold their meetings and have one or more offices, and, subject to the laws of the State of Delaware, keep the stock ledger and other books and records of the Corporation, outside said State, at such place or places as they may from time to time determine.

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

4. Subject to such rights to elect directors under specified circumstances as may be granted to holders of any shares of the Preferred Stock pursuant to the Certificate of Incorporation, newly created directorships resulting from any increase in the number of directors and any vacancies on the Board of Directors resulting from death, resignation, disqualification, removal or other reason shall be filled solely by the affirmative vote of a majority of the remaining directors then in office, even though less than a quorum of the Board of Directors. Any director elected in accordance with the preceding sentence shall hold office for the remainder of the full term of the class of directors in which the new directorship was created or the vacancy occurred and until such director's successor shall have been elected and qualified. No decrease in the number of directors constituting the Board of Directors shall shorten the term of any incumbent director.

5. Any director may resign at any time by giving written notice of his resignation to the Board of Directors, the Chairman of the Board or the President. Any such resignation shall take effect upon receipt thereof by the Board of Directors, the Chairman of the Board or the President, as the case may be, or at such later date as may be specified therein. Any such notice to the Board of Directors shall be addressed to it in care of the Secretary.

ARTICLE VI

Committees of Directors

By resolution adopted by a majority of the whole Board of Directors, the Board of Directors shall designate an Executive Committee and an Audit Committee and may designate one or more other committees as the Board of Directors may deem appropriate, each such committee to consist of one or more directors of the Corporation. The Executive Committee shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the Corporation (except as otherwise expressly limited by statute) and may authorize the seal of the Corporation to be affixed to all papers which may require it. The Audit Committee and each such other committee shall have such of the powers and authority of the Board of Directors as may be provided from time to time in resolutions adopted by a majority of the whole Board of Directors. Each committee shall report its proceedings to the Board of Directors when required.

ARTICLE VII

Compensation of Directors

The directors shall receive such compensation for their services as may be authorized by resolution of the Board of Directors, which compensation may include an annual fee and a fixed sum and expenses for attendance at regular or special meetings of the Board of Directors or any committee thereof. Nothing herein contained shall be construed to preclude any director from serving the Corporation in any other capacity and receiving compensation therefor.

ARTICLE VIII

Meetings of Directors; Action Without a Meeting; Confidentiality

1. Regular meetings of the Board of Directors may be held without notice at such time and place as may be determined from time to time by resolution of the Board of Directors.

2. Special meetings of the Board of Directors may be called by the Chairman of the Board or by the President on at least 24 hours' notice to each director, and shall be called by the President or by the Secretary on like notice on the request in writing of any director. The 24 hours' notice requirement may be waived in advance of, or after, such special meeting by the unanimous vote or written consent of the Board of Directors. Except as may be otherwise specifically provided by statute, by the Certificate of Incorporation or by these By-Laws, the purpose or purposes of any such special meeting need not be stated in such notice.

3. At all meetings of the Board of Directors the presence of a majority of the total number of directors shall be necessary and sufficient to constitute a quorum for the transaction of business, and, except as otherwise provided by statute, by the Certificate of Incorporation or by these

By-Laws, if a quorum shall be present the act of a majority of the directors present shall be the act of the Board of Directors.

4. Any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting if all the members of the Board of Directors or such committee, as the case may be, consent thereto in writing and the writing or writings are filed with the minutes of proceedings of the board or committee. Any director may participate in a meeting of the Board of Directors, or of any committee designated by the Board of Directors, by means of a conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting pursuant to this sentence shall constitute presence in person at such meeting.

5. Each director shall hold all Confidential Information in the strictest confidence and shall take all appropriate measures to ensure that no other person shall have access to the Confidential Information. No director shall disclose any Confidential Information to any person outside the Corporation, either during or after his or her service as a director, except with written authorization of the Board of Directors or as may be required by law. For the avoidance of doubt, the foregoing shall also apply to any director who serves on the Board of Directors as the designee of a stockholder of the Corporation, and such director shall not disclose any Confidential Information to such stockholder or any of its officers, directors, managers, members, partners, employees, attorneys, accountants, advisors, agents, consultants or other representatives. "Confidential Information" shall mean all non-public information (whether or not material to the Corporation) entrusted to or obtained by a director by reason of his or her position as a director of the Corporation.

ARTICLE IX

Officers

1. The officers of the Corporation shall be chosen by the Board of Directors and shall be a President, a Secretary and a Treasurer. The Board of Directors may also choose a Chairman of the Board, a General Counsel, a Controller, one or more Executive Vice Presidents, Senior Vice Presidents, Vice Presidents, Assistant Secretaries and Assistant Treasurers, and such other officers as it shall deem necessary, who shall hold their offices for such terms and shall exercise such powers and perform such duties as shall be determined from time to time by the Board of Directors. Any number of offices may be held by the same person.

2. The salaries of all officers of the Corporation shall be fixed by the Board of Directors, or in such manner as the Board of Directors may prescribe.

3. The officers of the Corporation shall hold office until their successors are chosen and qualified, except that any officer may at any time be removed by the Board of Directors. If the office of any officer becomes vacant for any reason, the vacancy may be filled by the Board of Directors.

4. Any officer may resign at any time by giving written notice of his resignation to the Board of Directors, the Chairman of the Board or the President. Any such resignation shall take effect upon receipt thereof by the Board of Directors, the Chairman of the Board or the President, as the case may be, or at such later date as may be specified therein. Any such notice to the Board of Directors shall be addressed to it in care of the Secretary.

ARTICLE X

Chairman of the Board

The Chairman of the Board shall be the chief executive officer of the Corporation and shall preside at meetings of the stockholders and of the Board of Directors. Subject to the supervision and direction of the Board of Directors, he shall be responsible for managing the affairs of the Corporation. He shall have general supervision and direction of all of the other officers of the Corporation and shall have powers and duties usually and customarily associated with the office of Chairman of the Board and the position of chief executive officer.

ARTICLE XI

President

The President shall be the chief operating officer of the Corporation, and he shall have the powers and duties usually and customarily associated with the office of the President and the position of chief operating officer. He shall have such other powers and duties as may be delegated to him by the Chairman of the Board.

ARTICLE XII

Executive Vice Presidents, Senior Vice Presidents and Vice Presidents

The Executive Vice Presidents, the Senior Vice Presidents and the Vice Presidents shall have such powers and duties as may be delegated to them by the Chairman of the Board.

ARTICLE XIII

General Counsel, Secretary and Assistant Secretaries

1. The General Counsel shall have the powers and duties usually and customarily associated with the position of General Counsel. He shall have such other powers and duties as may be delegated to him by the Chairman of the Board.

2. The Secretary shall attend all meetings of the Board of Directors and of the stockholders, and shall record the minutes of all proceedings in a book to be kept for that purpose. He shall perform like duties for the committees of the Board of Directors when required.

3. The Secretary shall give, or cause to be given, notice of meetings of the stockholders, of the Board of Directors and of the committees of the Board of Directors. He shall keep in safe custody the seal of the Corporation, and when authorized by the Chairman of the Board, the President, an Executive Vice President, a Senior Vice President or a Vice President, shall affix the same to any instrument requiring it, and when so affixed it shall be attested by his signature or by the signature of an Assistant Secretary. He shall have such other powers and duties as may be delegated to him by the Chairman of the Board.

4. The Assistant Secretaries shall, in case of the absence of the Secretary, perform the duties and exercise the powers of the Secretary, and shall have such other powers and duties as may be delegated to them by the Chairman of the Board.

ARTICLE XIV

Treasurer and Assistant Treasurer

1. The Treasurer shall have the custody of the corporate funds and securities, and shall deposit or cause to be deposited under his direction all moneys and other valuable effects in the name and to the credit of the Corporation in such depositories as may be designated by the Board of Directors or pursuant to authority granted by it. He shall render to the President and the Board of Directors whenever they may require it an account of all his transactions as Treasurer and of the financial condition of the Corporation. He shall have such other powers and duties as may be delegated to him by the Chairman of the Board.

2. The Assistant Treasurers shall, in case of the absence of the Treasurer, perform the duties and exercise the powers of the Treasurer, and shall have such other powers and duties as may be delegated to them by the Chairman of the Board.

ARTICLE XV

Controller

The Controller shall maintain adequate records of all assets, liabilities and transactions of the Corporation, and shall see that adequate audits thereof are currently and regularly made. He shall disburse the funds of the Corporation in payment of the just obligations of the Corporation, or as may be ordered by the Board of Directors, taking proper vouchers for such disbursements. He shall have such other powers and duties as may be delegated to him by the Chairman of the Board.

ARTICLE XVI

Certificates of Stock

The shares of the Corporation shall be uncertificated or shall be represented by certificates signed in the name of the Corporation. The certificates for shares of stock of the Corporation shall be numbered and shall be entered on the books of the Corporation as they are issued. The certificated shares shall exhibit the holder's name and number of shares and shall be signed by the Chairman of the Board, the President, an Executive Vice President, a Senior Vice President or a Vice President and by the Treasurer, an Assistant Treasurer, the Secretary or an Assistant Secretary. The signature of any such officers may be facsimile if such certificate is countersigned by a transfer agent other than the Corporation or its employee or by a registrar other than the Corporation or its employee. In case any officer who has signed or whose facsimile signature has been placed on any such certificate shall have ceased to be such officer before such certificate is issued, then, unless the Board of Directors shall otherwise determine and cause notification thereof to be given to such transfer agent and registrar, such certificate may be issued by the Corporation (and by its transfer agent) and registered by its registrar with the same effect as if he were such officer at the date of issue.

ARTICLE XVII

Transfers of Stock

1. Upon surrender to the Corporation or the transfer agent of a certificate for shares duly endorsed or accompanied by proper evidence of succession, assignment or authority to transfer, it shall be the duty of the Corporation to issue a new certificate to the person entitled thereto, cancel the old certificate and record the transaction upon its books. Upon receipt of proper transfer instructions from the registered holder of uncertificated shares such uncertificated shares shall be cancelled and issuance of new equivalent uncertificated shares or certificated shares shall be made to the person entitled thereto and the transaction shall be recorded upon the books of the Corporation.

2. Within a reasonable time after the issuance or transfer of uncertificated shares, the Corporation shall send, or cause to be sent, to the registered owner thereof a written notice containing the information required to be set forth or stated on certificates pursuant to Sections 151, 156, 202(a) or 218(a) of the Delaware General Corporation Law ("DGCL") or a statement that the Corporation will furnish without charge to each stockholder who so requests the powers, designations, preferences and relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and rights.

ARTICLE XVIII

Fixing Record Date

In order that the Corporation may determine the stockholders entitled to notice of and to vote at any meeting of stockholders or any adjournment thereof, or entitled to express consent in writing to any corporate action without a meeting, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock, or for any other lawful purpose, the Board of Directors may fix, in advance, a record date which shall not be more than 60 nor less than 10 days before the date of such meeting, nor more than 60 days prior to any other action. Only stockholders of record on the date so fixed shall be entitled to such notice of, and to vote at, such meeting and any adjournment thereof, or entitled to express such consent, or entitled to receive payment of such dividend or other distribution or allotment of rights, or entitled to exercise such rights in respect of change, conversion or exchange, as the case may be, notwithstanding any transfer of stock on the books of the Corporation after any such record date fixed as aforesaid.

ARTICLE XIX

Registered Stockholders

The Corporation shall be entitled to treat the holder of record of any share or shares of stock as the holder in fact thereof and, accordingly, shall not be bound to recognize any equitable or other claim to or interest in such share on the part of any other person, whether or not it shall have express or other notice thereof, save as expressly provided by the laws of the State of Delaware.

ARTICLE XX

Checks

All checks, drafts and other orders for the payment of money and all promissory notes and other evidences of indebtedness of the Corporation shall be signed by such officer or officers or such other person or persons as may be designated by the Board of Directors or pursuant to authority granted by it.

ARTICLE XXI

Fiscal Year

The fiscal year of the Corporation shall end on December 31 of each year.

ARTICLE XXII

Notices and Waiver

1. Whenever by statute, by the Certificate of Incorporation or by these By-Laws it is provided that notice shall be given to any director or stockholder, such provision shall not be construed to require personal notice, but such notice may be given in writing, by mail, by depositing the same in the United States mail, postage prepaid, directed to such stockholder or director at his address as it appears on the records of the Corporation, or, in default of other address, to such director or stockholder at the General Post Office in the City of Wilmington, Delaware, and such notice shall be deemed to be given at the time when the same shall be thus deposited. Notice of special meetings of the Board of Directors may also be given to any director by telephone or by telex, telegraph or cable and in the latter event the notice shall be deemed to be given at the time such notice, addressed to such director at the address hereinabove provided, shall be transmitted or delivered to and accepted by an authorized telegraph or cable office.

2. Whenever by statute, by the Certificate of Incorporation or by these By-Laws a notice is required to be given, a written waiver thereof, signed by the person entitled to notice, whether before or after the time stated therein, shall be deemed equivalent to notice. Attendance of any stockholder or director at any meeting thereof shall constitute a waiver of notice of such meeting by such stockholder or director, as the case may be, except as otherwise provided by statute.

ARTICLE XXIII

Alteration of By-Laws

These By-Laws, including, but not limited to, Section 7 of Article IV and Sections 3 and 4 of Article V, may be altered, amended, changed or repealed at any meeting of the Board of Directors by vote of a majority of the directors present or as otherwise provided by statute, except that, in the case of any amendment, alteration, change or repeal of Section 7 of Article IV or Section 3 or 4 of Article V by the stockholders, notwithstanding any other provision of these By-Laws, the Certificate of Incorporation or any provision of law which might otherwise permit a lesser vote or no vote, the affirmative vote of the holders of 85 percent or more of the outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors shall be required to amend, alter, change or repeal such Section 7 of Article IV or such Section 3 or 4 of Article V.

ARTICLE XXIV

Indemnification of Corporate Personnel

The Corporation shall indemnify any person who is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another Corporation, partnership, joint venture, trust or other enterprise as provided in the Certificate of Incorporation. Expenses incurred by such a director, officer, employee

or agent in defending a civil or criminal action, suit or proceeding shall be paid by the Corporation as provided in the Certificate of Incorporation. The Corporation shall have power to purchase and maintain insurance on behalf of any such person against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the Corporation would have the power to indemnify him against such liability under the provisions of the Certificate of Incorporation. The indemnification provisions of this Article XXIV and the Certificate of Incorporation shall not be deemed exclusive of any other rights to which those seeking indemnification may be entitled under any applicable law, by-law, agreement, vote of stockholders or disinterested directors or otherwise.

The provisions of this Article XXIV and Article EIGHTH of the Certificate of Incorporation shall be deemed to be a contract between the Corporation and each person who serves as such director, officer, employee or agent of the Corporation in any such capacity at any time while this Article XXIV and Article EIGHTH of the Certificate of Incorporation are in effect. No repeal or modification of the provisions of this Article XXIV and Article EIGHTH of the Certificate of Incorporation nor, to the fullest extent permitted by law, any modification of law shall adversely affect any right or protection of a director, officer, employee or agent of the Corporation then existing at the time of such repeal or modification. The provisions of this Article XXIV of the By-Laws of the Corporation have been adopted by the stockholders of the Corporation.

ARTICLE XXV

Forum for Adjudication of Disputes

To the fullest extent permitted by law, and unless the Corporation consents in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware shall be the sole and exclusive forum for: (1) any derivative action or proceeding brought in the name or right of the Corporation or on its behalf, (2) any action asserting a claim for breach of a fiduciary duty owed by any director, officer, employee, stockholder or other agent of the Corporation to the Corporation or the Corporation's stockholders, (3) any action arising or asserting a claim arising pursuant to any provision of the DGCL or any provision of the Certificate of Incorporation or these By-laws or as to which the DGCL confers jurisdiction on the Court of Chancery of the State of Delaware or (4) any action asserting a claim governed by the internal affairs doctrine, including, without limitation, any action to interpret, apply, enforce or determine the validity of the Certificate of Incorporation or these By-laws. Any person or entity purchasing or otherwise acquiring any interest in shares of stock of the Corporation shall be deemed to have notice of and consented to the provisions of this Article XXV.

LOAN AGREEMENT

Dated as of January 5, 2016

between

STRATUS BLOCK 21, L.L.C.,

as Borrower,

and

GOLDMAN SACHS MORTGAGE COMPANY,

as Lender

TABLE OF CONTENTS

	<u>Page</u>
ARTICLE I GENERAL TERMS	35
1.10 The Loan	35
1.20 Interest and Principal	36
1.30 Method and Place of Payment	38
1.40 Taxes; Regulatory Change	38
1.50 Release	39
ARTICLE II DEFEASANCE; ASSUMPTION; PARTIAL RELEASE	40
2.10 Defeasance	40
2.20 Assumption	42
2.30 Transfers of Equity Interests in Borrower	44
2.40 Partial Release Event	45
ARTICLE III ACCOUNTS	48
3.10 Cash Management Account	48
3.20 Distributions from Cash Management Account	52
3.30 Loss Proceeds Account	53
3.40 Basic Carrying Costs Escrow Account	53
3.50 TI/LC Reserve Account	54
3.60 ACL Music Venue Reserve Account	55
3.70 Capital Expenditure (Commercial Property) Reserve Account	57
3.80 FF&E Expenditure Reserve Account	58
3.90 Capital Expenditure (ACL Music Venue Property) Reserve Account	59
3.10 Showcase Venue Reserve Account	60
3.11 Reserved	60
3.12 Excess Cash Flow Reserve Account	61
3.13 Account Collateral	61
3.14 Bankruptcy	62
ARTICLE IV REPRESENTATIONS	62
4.10 Organization	62
4.20 Authorization	62
4.30 No Conflicts	63
4.40 Consents	63
4.50 Enforceable Obligations	63
4.60 No Default	63
4.70 Payment of Taxes	63
4.80 Compliance with Law	63
4.90 ERISA	64
4.10 Investment Company Act	64
4.11 No Bankruptcy Filing	64
4.12 Other Debt	64
4.13 Litigation	64

TABLE OF CONTENTS

(Continued)

	<u>Page</u>
4.14 Leases; Material Agreements	65
4.15 Full and Accurate Disclosure	66
4.16 Financial Condition	66
4.17 Single-Purpose Requirements	67
4.18 Use of Loan Proceeds	67
4.19 Not Foreign Person	67
4.20 Labor Matters	68
4.21 Title	68
4.22 No Encroachments	68
4.23 Physical Condition	68
4.24 Fraudulent Conveyance	69
4.25 Management	69
4.26 Condemnation	69
4.27 Utilities and Public Access	69
4.28 Environmental Matters	69
4.29 Assessments	70
4.30 No Joint Assessment	70
4.31 Separate Lots	70
4.32 Permits; Certificate of Occupancy	70
4.33 Flood Zone	70
4.34 Security Deposits	71
4.35 No PIP	71
4.36 Insurance	71
4.37 No Dealings	71
4.38 Estoppel Certificates	71
4.39 Federal Trade Embargos	71
4.40 Intellectual Property/Websites	71
4.41 Condominium	71
4.42 Survival	73
ARTICLE V AFFIRMATIVE COVENANTS	74
5.10 Existence; Licenses	74
5.20 Maintenance of Property	74
5.30 Compliance with Legal Requirements	75
5.40 Impositions and Other Claims	75
5.50 Access to Property	75
5.60 Cooperate in Legal Proceedings	76
5.70 Leases	76
5.80 Plan Assets, etc	78
5.90 Further Assurances	78
5.10 Management of Collateral	78
5.11 Notice of Material Event	80
5.12 Annual Financial Statements	80
5.13 Quarterly Financial Statements	81

TABLE OF CONTENTS
(Continued)

	<u>Page</u>
5.14 Monthly Financial Statements; Non-Delivery of Financial Statements	82
5.15 Insurance	83
5.16 Casualty and Condemnation	87
5.17 Annual Budget	90
5.18 Venture Capital Operating Companies; Nonbinding Consultation	91
5.19 Compliance with Encumbrances and Material Agreements	91
5.20 Prohibited Persons	91
5.21 Condominium	92
5.22 Hotel Operating Agreement; Advance Deposits	92
5.23 Approved Capital Improvements	93
5.24 Approved Music Venue Lease	95
ARTICLE VI NEGATIVE COVENANTS	96
6.10 Liens on the Collateral	96
6.20 Ownership	96
6.30 Transfer; Prohibited Change of Control	97
6.40 Debt	97
6.50 Dissolution; Merger or Consolidation	97
6.60 Change in Business	97
6.70 Debt Cancellation	97
6.80 Affiliate Transactions	97
6.90 Misapplication of Funds	97
6.10 Jurisdiction of Formation; Name	97
6.11 Modifications and Waivers	98
6.12 ERISA	99
6.13 Alterations and Expansions	99
6.14 Advances and Investments	99
6.15 Single-Purpose Entity	99
6.16 Zoning and Uses	100
6.17 Waste	100
ARTICLE VII DEFAULTS	100
7.1 Event of Default	100
7.2 Remedies	103
7.3 Application of Payments after an Event of Default	105
ARTICLE VIII CONDITIONS PRECEDENT	105
8.1 Conditions Precedent to Closing	105
ARTICLE IX MISCELLANEOUS	108
9.1 Successors	108
9.2 GOVERNING LAW	108
9.3 Modification, Waiver in Writing	109
9.4 Notices	109
9.5 TRIAL BY JURY	110

TABLE OF CONTENTS

(Continued)

	<u>Page</u>
9.6 Headings	110
9.7 Assignment and Participation	110
9.8 Severability	111
9.9 Preferences; Waiver of Marshalling of Assets	111
9.1 Remedies of Borrower	112
9.11 Offsets, Counterclaims and Defenses	112
9.12 No Joint Venture	112
9.13 Conflict; Construction of Documents	113
9.14 Brokers and Financial Advisors	113
9.15 Counterparts	113
9.16 Estoppel Certificates	113
9.17 General Indemnity; Payment of Expenses	114
9.18 No Third-Party Beneficiaries	116
9.19 Recourse	116
9.20 Right of Set-Off	119
9.21 Exculpation of Lender	119
9.22 Servicer	120
9.23 No Fiduciary Duty	120
9.24 Borrower Information	121
9.25 PATRIOT Act Records	122
9.26 Prior Agreements	122
9.27 Publicity	122
9.28 Delay Not a Waiver	122
9.29 Schedules and Exhibits Incorporated	123
9.3 Borrower Right of Contest	123
9.31 SPECIFIC NOTICE REGARDING INDEMNITIES	123

Exhibits

- A Organizational Chart
- B Form of Tenant Notice

Schedules

- A Property
- B Exception Report
- C Rent Roll
- D Material Agreements
- E Approved Replacement Hotel Operators
- F Allocated Loan Amounts
- G Approved Music Venue Construction

LOAN AGREEMENT

This Loan Agreement (this "Agreement") is dated January 5, 2016 and is among **GOLDMAN SACHS MORTGAGE COMPANY**, a New York limited partnership, as lender (together with its successors and assigns, including any lawful holder of any portion of the Indebtedness, as hereinafter defined, "Lender"), **STRATUS BLOCK 21, L.L.C.**, a Delaware limited liability company, as borrower (together with its permitted successors and assigns, "Borrower") and Approved Music Venue Manager (as defined herein) for the limited purposes noted on the signature pages hereto.

RECITALS

Borrower is the fee owner of certain condominium units that are part of the property known as Block 21, located in Austin, Travis County, Texas, whereby certain portions of such property consist of (a) the W Austin Hotel, located at 200 Lavaca Street, Austin, Texas (the "Hotel Property"), (b) certain office and retail space located on Lavaca Street, Guadalupe Street, and West 3rd Street, Austin, Texas (the "Commercial Property"), (c) a live music venue currently known as ACL Live at the Moody Theater located at 310 Willie Nelson Blvd., Austin, Texas (the "ACL Music Venue Property"), and (d) certain of the other Property as set forth in the Security Instrument.

Borrower leases the ACL Music Venue Property to Approved Music Venue Manager for the ownership and operation of a music, entertainment and private event business (the "ACL Live Business") currently known as "*Austin City Limits Live at the Moody Theater*" or "*ACL Live*" at and from the ACL Music Venue Property.

Borrower desires to obtain from Lender the Loan (as hereinafter defined) in connection with the financing of the Property (which such Property includes the Hotel Property, the Commercial Property, the ACL Music Venue Property, and certain of the other Property as set forth in the Security Instrument).

Lender is willing to make the Loan on the terms and subject to the conditions set forth in this Agreement if Borrower and the other identified Persons join in the execution and delivery of this Agreement, the Note and the other Loan Documents.

In consideration of the agreements, provisions and covenants contained herein and in the other Loan Documents, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Lender and Borrower agree as follows:

DEFINITIONS

(a) When used in this Agreement, the following capitalized terms have the following meanings:

"Account Collateral" means, collectively, the Collateral Accounts and all sums at any time held, deposited or invested therein, together with any interest and other earnings thereon, and all securities and investment property credited thereto and all proceeds thereof (including proceeds of

sales and other dispositions), whether accounts, general intangibles, chattel paper, deposit accounts, instruments, documents or securities.

"ACL Music Venue Account" means, an Eligible Account maintained by any Approved Music Venue Manager pursuant to the Approved Music Venue Lease at an Eligible Institution, which account (i) shall only contain amounts in respect of Revenues for the ACL Live Business, and no amounts unrelated to the ACL Live Business shall be deposited therein or otherwise commingled with the amounts on deposit in such account and (ii) is subject to an Account Control Agreement.

"ACL Music Venue Property" has the meaning set forth in the recitals to this Agreement.

"ACL Music Venue Reserve Threshold Amount" means \$4,000,000.00.

"ACL Music Venue Settlement Account" means, an Eligible Account maintained by any Approved Music Venue Manager pursuant to the Approved Music Venue Lease at an Eligible Institution, which account (i) shall only contain amounts in respect of Operating Expenses for the ACL Music Venue Property, and no amounts unrelated to the ACL Music Venue Property shall be deposited therein or otherwise commingled with the amounts on deposit in such account and (ii) is subject to an Account Control Agreement.

"ACL Music Venue Trigger Event" shall mean the conclusion of any Test Period in which the Net Operating Income attributable to the ACL Music Venue Property is less than \$2,100,000.

"Account Control Agreement" means, individually or collectively, as the context may require, each account control agreement or blocked account agreement by and among Borrower, Approved Hotel Operator, Lender and the Eligible Institution at which the Approved FF&E Account and/or the Manager Accounts are maintained.

"Agreement" means this Loan Agreement, as the same may from time to time hereafter be amended, restated, replaced, supplemented or otherwise modified in accordance herewith.

"ALTA" means the American Land Title Association, or any successor thereto.

"Allocated Loan Amount" means the portion of the Loan Amount allocated to certain portions of the Property as set forth in Schedule F.

"Alteration" means any demolition, alteration, installation, improvement or expansion of or to the Property or any portion thereof.

"Annual Budget" means a capital and operating expenditure budget for the Property (including a general business plan, and, with respect to the Hotel Property, a forward/group booking schedule and a "pace report") prepared by Borrower that specifies amounts sufficient to operate and maintain the Property at a standard at least equal to that maintained on the Closing Date.

"Appraisal" means an as-is appraisal of the Property that is prepared by a member of the Appraisal Institute selected by Lender, meets the minimum appraisal standards for national banks promulgated by the Comptroller of the Currency pursuant to Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, as amended (FIRREA) and complies with the Uniform Standards of Professional Appraisal Practice (USPAP).

"Approved Accountant" means BKM Sowan Horan, LLP, a Texas limited liability partnership.

"Approved Annual Budget" has the meaning set forth in Section 5.17.

"Approved Capital Improvements" means any of the following which may be completed without Lender's consent provided Borrower satisfies the criteria set forth in Section 5.23: (a) the Approved Music Venue Construction set forth in Schedule G, (b) the Approved Digital Sign Construction set forth in Schedule G and (c) certain other Capital Expenditures with respect to any portion of the Property which cost less than \$1,000,000.

"Approved Digital Sign Construction" means those certain Capital Expenditures for the installation of an outdoor digital sign, as such Capital Expenditures are more particularly described in Schedule G.

"Approved FF&E Account" means the FF&E Account or any other comparable account established and maintained by the Approved Hotel Operator (whether or not required pursuant to the Approved Hotel Operating Agreement), which account is (i) owned by Borrower and pledged to Lender and (ii) subject to an Account Control Agreement.

"Approved Hotel Operating Agreement" means that certain W Austin Hotel Operating Agreement dated October 26, 2006, between the initial Approved Hotel Operator, as operator (and successor-in-interest to Starwood Hotels & Resorts Worldwide, Inc.), and Borrower, as franchisee (and successor-in-interest to Stratus Block 21 Investments, L.P.), with respect to the Hotel Property, as the same has previously been modified and may be further amended, restated, replaced, supplemented or otherwise modified from time to time in accordance herewith.

"Approved Hotel Operator" means (i) W Hotel Management, Inc., a Delaware corporation, (ii) any Approved Replacement Hotel Operator, or (iii) any other management company selected by Borrower and approved by Lender in its reasonable discretion and with respect to which the Rating Condition is satisfied.

"Approved Hotel SNDA" means that certain Subordination, Non-Disturbance and Attornment Agreement, executed by and among Borrower, the Approved Hotel Operator, and Lender as of the Closing Date, as the same may from time to time be amended, restated, replaced, supplemented or otherwise modified in accordance herewith.

"Approved Music Venue Construction" means those certain Capital Expenditures to the Showcase Venue Space, as such Capital Expenditures are more particularly described in Schedule G.

"Approved Music Venue Lease" shall mean that certain Lease pertaining to the management and operation of the ACL Music Venue Property, dated as of the Closing Date, between the Approved Music Venue Manager and Borrower, as the same may be amended, restated, replaced, supplemented, or otherwise modified.

"Approved Music Venue Manager" shall mean **BLOCK 21 SERVICE COMPANY LLC**, a Texas limited liability company, or any other Single-Purpose Entity that is Controlled by the same Qualified Equityholders that Control Borrower or Successor Borrower and is a successor to the Approved Music Venue Manager under the Approved Music Venue Lease or any replacements thereto.

"Approved Property Management Agreement" means that certain Property Management Agreement, dated as of July 1, 2013, between Borrower and the initial Approved Property Manager, and any other management agreement that is approved by Lender and with respect to which the Rating Condition is satisfied, in each case as the same may be amended, restated, replaced, supplemented or otherwise modified in accordance herewith.

"Approved Property Manager" means (i) Peloton Real Estate Management Austin, LLC, a Texas limited liability company, (ii) a Qualified Manager, or (iii) any other management company approved by Lender and with respect to which the Rating Condition is satisfied, in each case unless and until Lender requests the termination of that management company pursuant to Section 5.10(d).

"Approved Replacement Hotel Operator" means (a) Starwood Hotels & Resorts Worldwide, Inc., and (b) any comparable third party nationally recognized hotel manager or operator, including without limitation each of the hotel management companies identified on Schedule E, to the extent that, with respect to any such management company, (i) prior to a Securitization of the Loan, such management company has not been disqualified by Lender due to Lender's reasonable determination that such management company will no longer satisfy the Rating Condition and (ii) from and after the Securitization of all or any portion of the Loan, the Rating Condition has been satisfied with respect to such management company.

"Assignment" has the meaning set forth in Section 9.7(b).

"Assumption" has the meaning set forth in Section 2.2.

"Bankruptcy Code" has the meaning set forth in Section 7.1(d).

"Basic Carrying Costs Escrow Account" has the meaning set forth in Section 3.4(a).

"Borrower" has the meaning set forth in the first paragraph of this Agreement.

"Borrower Account" means an Eligible Account owned by Borrower, as Borrower shall specify to Lender in writing from time to time.

"Borrower Tax" means any U.S. Tax and any present or future tax, assessment or other charge or levy imposed by, or on behalf of, any jurisdiction through which or from which payments due hereunder are made (or any taxing authority thereof) but specifically excluding any net income or

franchise taxes imposed against Lender by any applicable jurisdiction or Governmental Authority.

"Budgeted Operating Expenses" means, with respect to any calendar month, (i) an amount equal to the Operating Expenses budgeted for such calendar month as set forth in the then-applicable Approved Annual Budget, or (ii) such greater amount as shall equal Borrower's actual Operating Expenses for such month, except that, the Budgeted Operating Expenses shall exclude any Operating Expenses which are to be paid in relation to the Hotel Property in accordance with the Approved Hotel Operating Agreement from the Manager Accounts or the Approved FF&E Account and during the continuance of a Trigger Period such greater amount as described in item (ii) above shall in no event exceed 105% of the amount specified in clause (i) of this definition without the prior written consent of Lender, not to be unreasonably withheld, delayed or conditioned, provided that no such consent shall be required in connection with expenditures for non-discretionary items and expenditures required to be made by reason of the occurrence of any emergency (i.e., an unexpected event that threatens imminent harm to persons or property at the Property) and with respect to which it would be impracticable, under the circumstances, to obtain Lender's prior consent thereto.

"Business Day" means any day other than (i) a Saturday and a Sunday and (ii) a day on which federally insured depository institutions in the State of New York or the state in which the offices of Lender, its trustee, its Servicer or its Servicer's collection account are located are authorized or obligated by law, governmental decree or executive order to be closed.

"Capital Expenditure" means hard and soft costs incurred by Borrower with respect to replacements and capital repairs made to the Property (including repairs to, and replacements of, operating equipment, FF&E in the normal and ordinary course of hotel operations, structural components, roofs, building systems, parking garages and parking lots), in each case to the extent capitalized in accordance with GAAP.

"Capital Expenditure (ACL Music Venue Property) Reserve Account" has the meaning set forth in Section 3.9(a).

"Capital Expenditure (Commercial Property) Reserve Account" has the meaning set forth in Section 3.7(a).

"Cash Management Account" has the meaning set forth in Section 3.1(c).

"Cash Management and Control Agreement" means that certain cash management and control agreement, dated as of the Closing Date, among Borrower, Lender and the Cash Management Bank that maintains the Cash Management Account as of the Closing Date, as the same may from time to time be amended, restated, replaced, supplemented or otherwise modified in accordance herewith.

"Cash Management Bank" means, individually and collectively, the Eligible Institution(s) at which the Collateral Accounts (other than the Lockbox Account) are maintained.

"Casualty" means a fire, explosion, flood, collapse, earthquake or other casualty affecting all or any portion of the Property.

"Cause" means, with respect to an Independent Director, (i) acts or omissions by such Independent Director that constitute systematic and persistent or willful disregard of such Independent Director's duties, (ii) such Independent Director has been indicted or convicted for, any crime or crimes of moral turpitude or dishonesty or for any violation of any Legal Requirements, (iii) such Independent Director no longer satisfies the requirements set forth in the definition of "Independent Director", (iv) the fees charged for the services of such Independent Director are materially in excess of the fees charged by the other providers of Independent Directors listed in the definition of "Independent Director" or (v) any other reason for which the prior written consent of Lender shall have been obtained.

"Certificates" means, collectively, any senior and/or subordinate notes, debentures or pass-through certificates, or other evidence of indebtedness, or debt or equity securities, or any combination of the foregoing, representing a direct or beneficial interest, in whole or in part, in the Loan.

"Closing Date" means the date of this Agreement.

"Closing Date DSCR" means 1.51:1.0.

"Code" means the Internal Revenue Code of 1986, as amended, and as it may be further amended from time to time, any successor statutes thereto, and applicable U.S. Department of Treasury regulations issued pursuant thereto in temporary or final form.

"Collateral" means all assets owned from time to time by Borrower including the Property (with an acknowledgment the ACL Music Venue Property is leased to Approved Venue Manager who owns the ACL Live Business), the Revenues and all other tangible and intangible property (including any Defeasance Collateral and all of Borrower's and the Approved Music Venue Manager's respective right, title and interest in and to any Approved Music Venue Lease) in respect of which Lender is granted a Lien under the Loan Documents, and all proceeds thereof.

"Collateral Account" means each of the accounts and sub-accounts established pursuant to Article III hereof.

"Commercial Property" has the meaning set forth in the recitals to this Agreement.

"Componentization Notice" has the meaning set forth in Section 1.1(c).

"Condemnation" means a taking or voluntary conveyance of all or part of the Property or any interest therein or right accruing thereto or use thereof, as the result of, or in settlement of, any condemnation or other eminent domain proceeding by any Governmental Authority.

"Condominium" means each condominium governed by the Condominium Documents.

"Condominium Association" means each condominium association created pursuant to the Declaration (Master) and Declaration (Hotel-Residential).

"Condominium Documents" means, collectively, the Declaration (Master), Declaration (Hotel-Residential), the condominium by-laws, any rules and regulations promulgated thereunder, and any and all other documents and agreements binding upon, governing or otherwise pertaining to each Condominium and/or the applicable Condominium Association.

"Condominium Unit" means each individual unit in a Condominium (together with all interests appurtenant thereto).

"Contingent Obligation" means, with respect to any Person, any obligation of such Person directly or indirectly guaranteeing any Debt of any other Person in any manner and any contingent obligation to purchase, to provide funds for payment, to supply funds to invest in any other Person or otherwise to assure or indemnify a creditor against loss.

"Control" of any entity means the ownership, directly or indirectly, of at least 51% of the equity interests in, and the right to at least 51% of the distributions from, such entity and the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such entity, whether through the ability to exercise voting power, by contract or otherwise ("Controlled" and "Controlling" each have the meanings correlative thereto).

"Cooperation Agreement" means that certain Mortgage Loan Cooperation Agreement, dated as of the Closing Date, among Borrower and Sponsor for the benefit of Lender, as the same may from time to time be amended, restated, replaced, supplemented or otherwise modified in accordance herewith.

"Damages" to a Person means any and all liabilities, obligations, losses, demands, damages, penalties, assessments, actions, causes of action, judgments, proceedings, suits, claims, costs, expenses and disbursements of any kind or nature whatsoever (including reasonable attorneys' fees and other costs of defense and/or enforcement whether or not suit is brought), fines, charges, fees, settlement costs and disbursements imposed on, incurred by or asserted against such party, whether based on any federal, state, local or foreign laws, statutes, rules or regulations (including securities and commercial laws, statutes, rules or regulations and Environmental Laws), on common law or equitable cause or on contract or otherwise; provided, however, that "Damages" shall not include special, consequential or punitive damages, except to the extent imposed upon Lender by one or more third parties.

"DBRS" means DBRS, Inc. or its applicable affiliate.

"Debt" means, with respect to any Person, without duplication:

- (i) all indebtedness of such Person to any other party (regardless of whether such indebtedness is evidenced by a written instrument such as a note, bond or debenture), including indebtedness for borrowed money or for the deferred purchase price of property or services;
- (ii) all letters of credit issued for the account of such Person and all unreimbursed amounts drawn thereunder;

(iii) all indebtedness secured by a Lien on any property owned by such Person (whether or not such indebtedness has been assumed) except obligations for impositions that are not yet due and payable;

(iv) all Contingent Obligations of such Person;

(v) all payment obligations of such Person under any interest rate protection agreement (including any interest rate swaps, floors, collars or similar agreements) and similar agreements; and

(vi) any material actual or contingent liability to any Person or Governmental Authority with respect to any employee benefit plan (within the meaning of Section 3(3) of ERISA) subject to Title IV of ERISA, Section 302 of ERISA or Section 412 of the Code.

"Declaration (Hotel-Residential)" means that certain Declaration of Condominium Regime for Block 21 Condominiums, recorded as Document No. 2010182736, and as affected by Document Nos. 2011020755 and 2011009046, 2011011873, and 2011013049, Official Public Records of Travis County, Texas.

"Declaration (Master)" means that certain Declaration of Condominium Regime for Block 21 Master Condominiums, recorded as Document No. 2010182735, as affected by that certain Scrivener's Affidavit, recorded as Document No. 2011009045 Official Public Records of Travis County, Texas.

"Default" means the occurrence of any event that, but for the giving of notice or the passage of time, or both, would be an Event of Default.

"Default Interest" means, during the continuance of an Event of Default, the amount by which interest accrued on the Notes or Note Components at their respective Default Rates exceeds the amount of interest that would have accrued on the Notes or Note Components at their respective Interest Rates.

"Default Rate" means, with respect to any Note or Note Component, the greater of (x) 5% per annum in excess of the interest rate otherwise applicable to such Note or Note Component hereunder and (y) 1% per annum in excess of the Prime Rate from time to time; provided that, if the foregoing would result in an interest rate in excess of the maximum rate permitted by applicable law, the Default Rate shall be limited to the maximum rate permitted by applicable law.

"Defeasance Borrower" has the meaning set forth in Section 2.1(b).

"Defeasance Collateral" means government securities (as described in Treasury Reg. 1.860G-2(a)(8)(ii)) that are the direct obligations of the United States of America, which obligations are not subject to prepayment, call or early redemption.

"Defeasance Pledge Agreement" has the meaning set forth in Section 2.1(a)(iii).

"Defease" means to deliver Defeasance Collateral as substitute Collateral for the Loan in accordance with Section 2.1; and the term "Defeasance" has the meaning correlative to the foregoing.

"Defeased Note" has the meaning set forth in Section 2.1(b).

"Deferred Maintenance Conditions" means the following items as more particularly described in the Engineering Report: (i) repair of cracked, deteriorated and discolored plaster in pool located on the Property; and (ii) post current elevator certificates for building inspections.

"Disbursement Account" means one or more zero-balance Eligible Accounts maintained pursuant to the Approved Hotel Operating Agreement and from which the Approved Hotel Operator pays payroll expenses and day-to-day operating expenses for the Hotel Property as they are currently due and payable.

"DSCR" means, with respect to any Test Period, the quotient of (i) Net Operating Income for such Test Period divided by (ii) the actual amount of debt service payable by Borrower in respect of the Loan during such Test Period, determined on a pro-forma basis as if the Loan outstanding on the date of determination had been outstanding throughout such Test Period.

"DSCR Threshold" means the greater of (x) the Closing Date DSCR and (y) the DSCR on the last day of the applicable Test Period as described in Section 2.1(a).

"Eligible Account" means (i) a segregated account maintained with a federal or state-chartered depository institution or trust company that complies with the definition of Eligible Institution, or (ii) a segregated trust account or accounts maintained with the corporate trust department of a federal depository institution or state-chartered depository institution that has an investment-grade rating and is subject to regulations regarding fiduciary funds on deposit under, or similar to, Title 12 of the Code of Federal Regulations Section 9.10(b) that, in either case, has corporate trust powers, acting in its fiduciary capacity.

"Eligible Institution" means an institution (i) whose commercial paper, short-term debt obligations or other short-term deposits are rated at least "A-1" by S&P, "P-1" by Moody's and/or "F-1" by Fitch and whose long-term senior unsecured debt obligations are rated at least "A-" by S&P, "A" by Fitch and "A2" by Moody's and whose deposits are insured by the FDIC or (ii) with respect to which the Rating Condition is satisfied.

"Embargoed Person" means any Person subject to trade restrictions under any Federal Trade Embargo.

"Engineering Report" means a structural and seismic engineering report or reports (including a "probable maximum loss" calculation, if applicable) with respect to the Property prepared by an independent engineer approved by Lender and delivered to Lender in connection with the Loan, and any amendments or supplements thereto delivered to Lender.

"Environmental Claim" means any written notice, claim, proceeding, notice of proceeding, investigation, demand, abatement order or other order or directive by any Person or Governmental Authority alleging or asserting liability with respect to Borrower or the Property arising out of, based

on, in connection with, or resulting from (i) the actual or alleged presence, Use or Release of any Hazardous Substance, (ii) any actual or alleged violation of any Environmental Law, or (iii) any actual or alleged injury or threat of injury to property, health or safety, natural resources or to the environment caused by Hazardous Substances.

"Environmental Indemnity" means that certain environmental indemnity agreement executed by Borrower and the Sponsor as of the Closing Date, as the same may from time to time be amended, restated, replaced, supplemented or otherwise modified in accordance herewith.

"Environmental Laws" means any and all present and future federal, state and local laws, statutes, ordinances, orders, rules, regulations and the like, as well as common law, any judicial or administrative orders, decrees or judgments thereunder, and any permits, approvals, licenses, registrations, filings and authorizations, in each case as now or hereafter in effect, relating to (i) the pollution, protection or cleanup of the environment, (ii) the impact of Hazardous Substances on property, health or safety, (iii) the Use or Release of Hazardous Substances, (iv) occupational safety and health, industrial hygiene or the protection of human, plant or animal health or welfare or (v) the liability for or costs of other actual or threatened danger to health or the environment. The term "Environmental Law" includes, but is not limited to, the following statutes, as amended, any successors thereto, and any regulations promulgated pursuant thereto, and any state or local statutes, ordinances, rules, regulations and the like addressing similar issues: the Comprehensive Environmental Response, Compensation and Liability Act; the Emergency Planning and Community Right-to-Know Act; the Hazardous Materials Transportation Act; the Resource Conservation and Recovery Act (including Subtitle I relating to underground storage tanks); the Clean Water Act; the Clean Air Act; the Toxic Substances Control Act; the Safe Drinking Water Act; the Occupational Safety and Health Act; the Federal Water Pollution Control Act; the Federal Insecticide, Fungicide and Rodenticide Act; the Endangered Species Act; the National Environmental Policy Act; and the River and Harbors Appropriation Act. The term "Environmental Law" also includes, but is not limited to, any present and future federal state and local laws, statutes ordinances, rules, regulations and the like, as well as common law, conditioning transfer of property upon a negative declaration or other approval of a Governmental Authority of the environmental condition of a property; or requiring notification or disclosure of Releases of Hazardous Substances or other environmental conditions of a property to any Governmental Authority or other Person, whether or not in connection with transfer of title to or interest in property.

"Environmental Reports" means "Phase I Environmental Site Assessments" as referred to in the ASTM Standards on Environmental Site Assessments for Commercial Real Estate, E 1527-13 (and, if necessary, "Phase II Environmental Site Assessments"), prepared by an independent environmental auditor approved by Lender and delivered to Lender in connection with the Loan and any amendments or supplements thereto delivered to Lender, and shall also include any other environmental reports delivered to Lender pursuant to this Agreement and the Environmental Indemnity.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time, and the regulations promulgated thereunder.

"ERISA Affiliate," at any time, means each trade or business (whether or not incorporated) that would, at the time, be treated together with Borrower as a single employer under Title IV or Section 302 of ERISA or Section 412 of the Code.

"Event of Default" has the meaning set forth in Section 7.1.

"Excess Cash Flow Reserve Account" has the meaning set forth in Section 3.12(a).

"Exception Report" means the report prepared by Borrower and attached to this Agreement as Schedule B, setting forth any exceptions to the representations set forth in Article IV.

"Exculpated Person" means each Person that is an affiliate, equityholder, beneficiary, trustee, member, officer, director, agent, manager, independent manager, employee or partner of Borrower or Sponsor.

"Facilities Use Agreement" means that certain Facilities Use Agreement dated effective as of September 19, 2011, between Borrower and Stageside Productions LLC, a Texas limited liability company, as amended by that certain First Amendment to Facilities Use Agreement dated as of January 1, 2016, between Borrower, Stageside Productions LLC, Approved Music Venue Manager and Stratus Block 21 Investments, L.P., a Texas limited partnership.

"FF&E" means furniture, fixtures and equipment used in connection with the Hotel Property.

"FF&E Expenditure Reserve Account" has the meaning set forth in Section 3.5(a).

"Federal Trade Embargo" means any federal law imposing trade restrictions, including (i) the Trading with the Enemy Act, as amended, and each of the foreign assets control regulations of the United States Treasury Department (31 CFR, Subtitle B, Chapter V, as amended), (ii) the International Emergency Economic Powers Act (50 U.S.C. §§ 1701 et seq., as amended), (iii) any enabling legislation or executive order relating to the foregoing, (iv) Executive Order 13224, and (v) the PATRIOT Act.

"Fiscal Quarter" means the three-month period ending on March 31, June 30, September 30 and December 31 of each year, or such other fiscal quarter of Borrower as Borrower may select from time to time with the prior consent of Lender, such consent not to be unreasonably withheld, delayed or conditioned.

"Fiscal Year" means the 12-month period ending on December 31 of each year, or such other fiscal year of Borrower as Borrower may select from time to time with the prior consent of Lender, not to be unreasonably withheld, delayed or conditioned.

"Fitch" means Fitch, Inc. and its successors.

"Force Majeure" means a delay due to acts of God, governmental restrictions, stays, judgments, orders, decrees, enemy actions, civil commotion, fire, casualty, strikes, work stoppage, shortages of labor or materials or similar causes beyond the reasonable control of Borrower;

provided that (1) any period of Force Majeure shall apply only to performance of the obligations necessarily affected by such circumstance and shall continue only so long as Borrower is continuously and diligently using all reasonable efforts to minimize the effect and duration thereof; and (2) Force Majeure shall not include the unavailability or insufficiency of funds.

"Form W-8BEN" means Form W-8BEN (Certificate of Foreign Status of Beneficial Owner for United States Tax Withholding) of the Department of Treasury of the United States of America, and any successor form.

"Form W-8ECI" means Form W-8ECI (Certificate of Foreign Person's Claim for Exemption from Withholding of Tax on Income Effectively Connected with the Conduct of a Trade or Business in the United States) of the Department of the Treasury of the United States of America, and any successor form.

"Form W-9" means Form W-9 (Request for Taxpayer Identification Number and Certification) of the Department of the Treasury of the United States of America, and any successor form.

"GAAP" means generally accepted accounting principles in the United States of America, consistently applied.

"Governmental Authority" means any federal, state, county, regional, local or municipal government, any bureau, department, agency or political subdivision thereof and any Person with jurisdiction exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government (including any court).

"Guaranty" means that certain guaranty, dated as of the Closing Date, executed by Sponsor for the benefit of Lender, as the same may be amended, restated, replaced, supplemented or otherwise modified in accordance herewith.

"Guaranty of Completion" means that certain guaranty of completion, dated as of the Closing Date, executed by Sponsor for the benefit of Lender and acknowledged and agreed to by Borrower, as the same may be amended, restated, replaced, supplemented or otherwise modified in accordance herewith.

"Hazardous Substances" means any and all substances (whether solid, liquid or gas) defined, listed, or otherwise classified as pollutants, hazardous wastes, hazardous substances, hazardous materials, extremely hazardous wastes, toxic substances, toxic pollutants, contaminants, pollutants or words of similar meaning or regulatory effect under any present or future Environmental Laws or the presence of which on, in or under the Property is prohibited or requires monitoring, investigation or remediation under Environmental Law, including petroleum and petroleum by-products, asbestos and asbestos-containing materials, toxic mold, polychlorinated biphenyls, lead and radon, and compounds containing them (including gasoline, diesel fuel, oil and lead-based paint), pesticides and radioactive materials, flammables and explosives and compounds containing them, but excluding those substances commonly used in the operation and maintenance of properties of kind and nature similar to those of the Property that are used at the Property in compliance with all Environmental

Laws in all material respects and in a manner that does not result in contamination of the Property or in a Material Adverse Effect.

"Hotel Property" has the meaning set forth in the recitals to this Agreement.

"Increased Costs" has the meaning set forth in Section 1.4(d).

"Indebtedness" means the Principal Indebtedness, together with interest and all other obligations and liabilities of Borrower under the Loan Documents, including all transaction costs, Yield Maintenance Premiums, late fees and other amounts due or to become due to Lender pursuant to this Agreement, under the Notes or in accordance with any of the other Loan Documents, and all other amounts, sums and expenses reimbursable by Borrower to Lender hereunder or pursuant to the Notes or any of the other Loan Documents.

"Indemnified Liabilities" has the meaning set forth in Section 9.19(b).

"Indemnified Parties" has the meaning set forth in Section 9.17.

"Independent Director" of any corporation or limited liability company means an individual who is provided by CT Corporation, Corporation Service Company, National Registered Agents, Inc., Wilmington Trust Company, Stewart Management Company, Lord Securities Corporation or, if none of those companies is then providing professional independent directors or managers, another nationally recognized company reasonably approved by Lender, in each case that is not an affiliate of Borrower and that provides professional independent directors or managers and other corporate services in the ordinary course of its business, and which individual is duly appointed as a member of the board of directors of such corporation or limited liability company or as a "manager" of such limited liability company within the meaning of Section 18-101(10) of the Delaware Limited Liability Company Act and is not, and has never been, and will not while serving as Independent Director be, any of the following:

(i) a member (other than an independent, non-economic "springing" member), partner, equityholder, manager, director, officer or employee of such corporation or limited liability company or any of its equityholders or affiliates (other than as an independent director or manager of an affiliate of such corporation or limited liability company that is not in the direct chain of ownership of such corporation or limited liability company and that is required by a creditor to be a single purpose bankruptcy remote entity, provided that such independent director or manager is employed by a company that routinely provides professional independent directors or managers);

(ii) a creditor, supplier or service provider (including provider of professional services) to such corporation or limited liability company or any of its equityholders or affiliates (other than a nationally recognized company that routinely provides professional independent managers or directors and that also provides lien search, registered agent, entity filing/creation and other similar services to such corporation or limited liability company or any of its equityholders or affiliates in the ordinary course of business);

(iii) a family member of any such member, partner, equityholder, manager, director, officer, employee, creditor, supplier or service provider; or

(iv) a Person that controls (whether directly, indirectly or otherwise) any of (i), (ii) or (iii) above.

A natural person who otherwise satisfies the foregoing definition other than subparagraph (i) by reason of being the Independent Director of a Single-Purpose Entity affiliated with the corporation or limited liability company in question shall not be disqualified from serving as an Independent Director of such corporation or limited liability company, provided that the fees that such natural person earns from serving as Independent Director of affiliates of such corporation or limited liability company in any given year constitute in the aggregate less than five percent of such natural person's annual income for that year. The same natural persons may not serve as Independent Directors of a corporation or limited liability company and, at the same time, serve as Independent Directors of an equityholder or member of such corporation or limited liability company.

"Insurance Requirements" means, collectively, (i) all material terms of any insurance policy required pursuant to this Agreement and (ii) all material regulations and then-current standards applicable to or affecting the Property or any portion thereof or any use or condition thereof, which may, at any time, be recommended by the board of fire underwriters, if any, having jurisdiction over the Property, or any other body exercising similar functions.

"Interest Accrual Period" means each period from and including the sixth day of a calendar month through and including the fifth day of the immediately succeeding calendar month; provided, that, prior to a Securitization, Lender shall have the right, in connection with a change in the Payment Date in accordance with the definition thereof, to make a corresponding change to the Interest Accrual Period. Notwithstanding the foregoing, the first Interest Accrual Period shall commence on and include the Closing Date.

"Interest Rate" means **5.58%** per annum (subject to Section 1.1(c)).

"KBRA" means Kroll Bond Rating Agency, Inc. and its successors.

"KLRU Agreement" means that certain Block 21 Master Agreement dated effective as of July 1, 2010, between Borrower and Capital of Texas Public Telecommunications Council ("KLRU"), as amended by that certain First Amendment to Block 21 Master Agreement dated as of November 20, 2012, between Borrower and KLRU with respect to the rights to use certain portions of the ACL Music Venue Property, as more particularly described therein, as same may be further amended, restated, replaced, supplemented or otherwise modified from time to time in accordance herewith.

"Lease" means any lease, license, letting, concession, occupancy agreement, sublease to which Borrower is a party or has a consent right, or other agreement (whether written or oral and whether now or hereafter in effect) under which Borrower is a lessor, sublessor, licensor or other grantor existing as of the Closing Date or thereafter entered into by Borrower, in each case pursuant to which any Person is granted a possessory interest in, or right to use or occupy all or any portion of any space in the Property, and every modification or amendment thereof, and every guarantee of the performance

and observance of the covenants, conditions and agreements to be performed and observed by the other party thereto, excluding short-term agreements in the ordinary course of business pursuant to which hotel rooms and facilities are made available to individual hotel guests with respect to the Hotel Property or pursuant to which the available space and facilities at the ACL Music Venue Property are made available for private events.

"Leasing Commissions" means leasing commissions required to be paid by Borrower in connection with the leasing of space to Tenants at the Property pursuant to Leases entered into by Borrower in accordance herewith and payable in accordance with third-party/arm's-length written brokerage agreements or in accordance with the Approved Property Management Agreement, provided that the commissions payable pursuant thereto are commercially reasonable based upon the then current brokerage market for property of a similar type and quality to the Property in the geographic market in which the Property is located (or, in the case of leasing commissions payable pursuant to an Approved Property Management Agreement, not in excess of the leasing commissions set forth in such Approved Property Management Agreement as of the Closing Date).

"Legal Requirements" means all governmental statutes, laws, rules, orders, regulations, ordinances, judgments, decrees and injunctions of Governmental Authorities (including Environmental Laws and zoning restrictions) affecting Borrower, Sponsor, the Property or any other Collateral or any portion thereof or the construction, ownership, use, alteration or operation thereof, or any portion thereof (whether now or hereafter enacted and in force), and all permits, licenses and authorizations and regulations relating thereto.

"Lender" has the meaning set forth in the first paragraph of this Agreement and in Section 9.7.

"Lender 80% Determination" means a determination by Lender that, based on a current or updated appraisal, a broker's price opinion or other written determination of value using a valuation method satisfactory to Lender, the fair market value of the Property securing the Loan at the time of such determination (but excluding any value attributable to property that is not an interest in real property within the meaning of section 860G(a)(3)(A) of the Code) is at least 80% of the Loan's adjusted issue price within the meaning of the Code.

"Lending Parties" has the meaning set forth in Section 9.23(a).

"Lien" means any mortgage, lien (statutory or other), pledge, hypothecation, assignment, preference, priority, security interest, restrictive covenant, easement or any other encumbrance or charge on or affecting any Collateral or any portion thereof, or any interest therein (including any conditional sale or other title retention agreement, any sale-leaseback, any financing lease or similar transaction having substantially the same economic effect as any of the foregoing, the filing of any financing statement or similar instrument under the Uniform Commercial Code or comparable law of any other jurisdiction, domestic or foreign, and mechanics', materialmen's and other similar liens and encumbrances, as well as any option to purchase, right of first refusal, right of first offer or similar right).

"Liquid Assets" means assets in the form of cash, cash equivalents, obligations of (or fully guaranteed as to principal and interest by) the United States or any agency or instrumentality thereof (provided the full faith and credit of the United States supports such obligation or guarantee), certificates of deposit issued by a commercial bank having net assets of not less than \$500 million, securities listed and traded on a recognized stock exchange or traded over the counter and listed in the National Association of Securities Dealers Automatic Quotations, or liquid debt instruments that have a readily ascertainable value and are regularly traded in a recognized financial market and available credit facilities as set forth in the annual 10-K statements filed by Sponsor.

"Liquid Assets Threshold" means \$10,000,000.

"Loan" has the meaning set forth in Section 1.1(a).

"Loan Amount" means \$150,000,000.00.

"Loan Documents" means this Agreement, the Note, the Security Instrument (and related financing statements), the Environmental Indemnity, the Guaranty of Completion, the Subordination of Property Management Agreement, the Cash Management and Control Agreement, the Lockbox Account Agreement, the Cooperation Agreement, the Guaranty, any Defeasance Pledge Agreement, each Account Control Agreement, the Approved Hotel SNDA, and all other agreements, instruments, certificates and documents necessary to effectuate the granting to Lender of first-priority Liens on the Collateral or otherwise in satisfaction of the requirements of this Agreement or the other documents listed above or hereafter entered into by Lender and Borrower in connection with the Loan, as all of the aforesaid may be amended, restated, replaced, supplemented or otherwise modified from time to time in accordance herewith.

"Lockbox Account" has the meaning set forth in Section 3.1(c).

"Lockbox Account Agreement" has the meaning set forth in Section 3.1(c).

"Lockbox Bank" means an Eligible Institution chosen by Borrower and reasonably satisfactory to Lender.

"Lockout Period" means the period from the Closing Date to but excluding the first Payment Date following the earlier to occur of (i) the third anniversary of the Closing Date and (ii) the second anniversary of the date on which the entire Loan (including any subordinated interest therein) has been Securitized pursuant to a Securitization or series of Securitizations.

"Loss Proceeds" means amounts, awards or payments payable to Borrower or Lender in respect of all or any portion of the Property in connection with a Casualty or Condemnation thereof (after the deduction therefrom and payment to Borrower and Lender, respectively, of any and all reasonable expenses incurred by Borrower and Lender in the recovery thereof, including all attorneys' fees and disbursements, the fees of insurance experts and adjusters and the costs incurred in any litigation or arbitration with respect to such Casualty or Condemnation).

"Loss Proceeds Account" has the meaning set forth in Section 3.3(a).

"Major Lease" means any Lease (excluding any Approved Music Venue Lease) that (i) when aggregated with all other Leases at the Property with the same Tenant (or affiliated Tenants), and assuming the exercise of all expansion rights and all preferential rights to lease additional space contained in such Lease, is expected to demise more than 15,000 rentable square feet, (ii) contains an option or preferential right to purchase all or any portion of the Property, (iii) is with an affiliate of Borrower as Tenant, or (iv) is entered into during the continuance of an Event of Default.

"Manager Accounts" means all accounts maintained by the Approved Hotel Operator pursuant to the Approved Hotel Operating Agreement other than the Disbursement Account, which accounts shall be (i) owned by Borrower and pledged to Lender and (ii) subject to an Account Control Agreement.

"Material Adverse Effect" means a material adverse effect upon (i) Borrower's title to the Property, (ii) the ability of the Property to generate net cash flow sufficient to service the Loan, (iii) the ability of Borrower or Sponsor to perform any material provision of any Loan Document, (iv) Lender's ability to enforce and derive the principal benefit of the security intended to be provided by the Security Instrument and the other Loan Documents, or (v) the value, use or enjoyment of the Property or the operation or occupancy thereof.

"Material Agreements" means the Approved Music Venue Lease, the PIP, each other contract and agreement (other than Leases and so-called "sponsorship contracts" and "artists' contracts" which have been entered for use of the ACL Music Venue Property and the Showcase Venue Space) relating to the Property, or otherwise imposing obligations on Borrower, under which Borrower would have the obligation to pay more than \$100,000 per annum and that cannot be terminated by Borrower without cause upon 60 days' notice or less without payment of a termination fee, or that is with an affiliate of Borrower, provided, as it relates to the Hotel Property and the ACL Music Venue Property, a contract or agreement other than the PIP which otherwise meets the criteria set forth above shall not be deemed to be a Material Agreement to the extent (x) such contract or agreement has an obligation of not more than \$750,000 per annum, (y) as it pertains to the Hotel Property, such contract or agreement is permitted to be entered by the Approved Hotel Operator on behalf of Borrower in accordance with the Approved Hotel Operating Agreement or has been recommended to be entered into by or on behalf of Borrower by the Approved Hotel Operator in accordance with the Approved Hotel Operating Agreement and (z) the entering, termination, modification, amendment or surrender of such contract or agreement is not reasonably likely to result in a Material Adverse Effect.

"Material Alteration" means any Alteration to be performed by or on behalf of Borrower at the Property that (i) is reasonably expected to result in a Material Adverse Effect, (ii) is reasonably expected to cost in excess of the Threshold Amount, as determined by an independent architect (except for Alterations in connection with (a) Tenant Improvements under and pursuant to Leases existing as of the Closing Date (pursuant to the terms thereof in existence as of the Closing Date) or Leases thereafter entered into in accordance with this Agreement, (b) the remediation of any Deferred Maintenance Condition in accordance with this Agreement, (c) Alterations mandated by a PIP under the Approved Hotel Operating Agreement and (d) restoration of the Property following a Casualty

or Condemnation in accordance with this Agreement), or (iii) is reasonably expected to permit (or is reasonably likely to induce) any Tenant to terminate its Lease or abate rent.

"Maturity Date" means the Payment Date in **January 2026**, or such earlier date as may result from acceleration of the Loan in accordance with this Agreement.

"Maximum Management Fee" means 4.0% of gross revenues of the Property.

"Monthly ACL Music Venue Amount" means \$350,000.00.

"Monthly Capital Expenditure (ACL Music Venue Property) Amount" means \$1,295.84.

"Monthly Capital Expenditure (Commercial Property) Amount" means \$944.05.

"Monthly FF&E Expenditure Amount" means the greater of (a) the monthly amount required to be reserved pursuant to the Approved Hotel Operating Agreement for the replacement of FF&E or (b) one-twelfth (1/12th) of 4% of the Operating Income of the Hotel Property for the previous twelve (12) month period as determined on the anniversary of the last day of the calendar month in which the Closing Date occurs.

"Monthly TI/LC Amount" means \$4,720.25.

"Moody's" means Moody's Investors Service, Inc. and its successors.

"Net Operating Income" means, with respect to any Test Period, the amount by which (x) Operating Income for such Test Period, exceeds (y) Operating Expenses for such Test Period.

"Net Worth" means, as of a given date, (x) the total assets of Sponsor as of such date less (y) Sponsor total liabilities as of such date, determined in accordance with GAAP. Lender acknowledges that it is relying on the Sponsor Investor Presentation to calculate Sponsor's Net Worth as of the Closing Date.

"Net Worth Threshold" shall mean \$125,000,000.

"Non-consolidation Opinion" means the opinion letter, dated the Closing Date, delivered by Borrower's counsel to Lender and addressing issues relating to substantive consolidation in bankruptcy.

"Note(s)" means that certain promissory note, dated as of the Closing Date, made by Borrower to Lender to evidence the Loan, as such note may be replaced by multiple Notes in accordance with Section 1.1(c) and as otherwise assigned (in whole or in part), amended, restated, replaced, supplemented or otherwise modified in accordance herewith.

"Note Component" has the meaning set forth in Section 1.1(c).

"OFAC List" means the list of specially designated nationals and blocked persons subject to financial sanctions that is maintained by the U.S. Treasury Department, Office of Foreign Assets Control and any other similar list maintained by the U.S. Treasury Department, Office of Foreign

Assets Control pursuant to any applicable governmental statutes, laws, rules, orders, regulations, ordinances, judgments, decrees and injunctions of Governmental Authorities, including trade embargo, economic sanctions, or other prohibitions imposed by Executive Order of the President of the United States. The OFAC List currently is accessible at <http://www.treasury.gov/ofac/downloads/t11sdn.pdf>.

"Officer's Certificate" means a certificate delivered to Lender that is signed by an authorized officer of Borrower and certifies the information therein to the best of such officer's knowledge.

"Operating Account" means an Eligible Account maintained by the Approved Property Manager or Borrower at an Eligible Institution, which account (i) shall only contain amounts in respect of excess Revenues for the Property and from which certain Operating Expenses for the Property (other than the ACL Live Business and the Hotel Property which are paid by the Approved Hotel Operator) and any net Operating Expenses with respect to the Hotel Property are paid, and no amounts unrelated to the Property shall be deposited therein or otherwise commingled with the amounts on deposit in such account, and (ii) is subject to an Operating Account Agreement.

"Operating Account Agreement" means an agreement relating to the Operating Account, dated as of the date hereof, among Lender, Borrower and the Eligible Institution at which such account is maintained, pursuant to which such account is pledged to the Lender and the Approved Property Manager or Borrower is given full access to the funds on deposit therein but provides for the discontinuance of such access upon receipt by such Eligible Institution of written notice from Lender of the occurrence of an Event of Default, as such agreement may be amended, restated, replaced, supplemented or otherwise modified in accordance herewith.

"Operating Expenses" means, for any period, all operating, renting, administrative, management, legal and other ordinary expenses of Borrower and the Property (other than the ACL Live Business) during such period, determined in accordance with GAAP (excluding reserves for or expenditures on FF&E), plus a deemed expenditure in respect of FF&E in an amount equal to 4% of Operating Income during such period; provided, however, that such expenses shall not include (i) depreciation, amortization or other non-cash items, (ii) interest, principal or any other sums due and owing with respect to the Loan, (iii) income taxes or other taxes in the nature of income taxes, (iv) Capital Expenditures, (v) equity distributions, (vi) any amounts reserved with Lender pursuant to this Agreement or the Approved Hotel Operator pursuant to the Approved Hotel Operating Agreement, (vii) rent payable pursuant to the Approved Music Venue Lease, or (viii) any other extraordinary or non-recurring items.

"Operating Income" means, for any period, all operating income from the Property (other than the ACL Live Business) during such period, determined in accordance with GAAP (but without straight-lining of rents), and as adjusted by Lender to normalize such income, other than (i) Loss Proceeds (but Operating Income will include rental loss insurance proceeds to the extent allocable to such period), (ii) any revenue attributable to a Lease that is not a Qualifying Lease, (iii) any revenue attributable to a Lease to the extent it is paid more than 30 days prior to the due date, (iv) any interest income from any source, (v) any repayments received from any third party of principal loaned or advanced to such third party by Borrower, (vi) any proceeds resulting from the Transfer of all or any

portion of the Collateral, (vii) sales, use and occupancy or other taxes on receipts required to be accounted for by Borrower to any government or governmental agency, (viii) Termination Fees, and (ix) any other extraordinary or non-recurring items.

"PACE Debt" means any amounts owed in respect of energy retrofit lending programs, commonly known as "PACE loans". For avoidance of doubt, PACE Debt is not Permitted Debt and Liens securing PACE Debt are not Permitted Encumbrances.

"Partial Release Event" has the meaning set forth in Section 2.4.

"Partial Release Instrument" has the meaning set forth in Section 2.4.

"Participation" has the meaning set forth in Section 9.7(b).

"PATRIOT Act" means the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001), as amended from time to time.

"Payment Date" means, with respect to each Interest Accrual Period, the sixth day of the calendar month in which such Interest Accrual Period ends; provided, that prior to a Securitization, Lender shall have the right to change the Payment Date so long as a corresponding change to the Interest Accrual Period is also made. Whenever a Payment Date is not a Business Day, the entire amount that would have been due and payable on such Payment Date shall instead be due and payable on the immediately preceding Business Day.

"Permits" means all licenses, permits, variances and certificates used in connection with the ownership, operation, use or occupancy of the Property (including certificates of occupancy, business licenses, state health department licenses, licenses to conduct business and all such other permits, licenses, consents, approvals and rights, obtained from any Governmental Authority or private Person concerning ownership, operation, use or occupancy of the Property).

"Periodic Report" has the meaning set forth in Section 5.23.

"Permitted Debt" means:

- (i) the Indebtedness;
- (ii) Taxes not yet delinquent;
- (iii) tenant allowances and Capital Expenditure costs required under Leases, the fees payable under the Approved Hotel Operating Agreement or otherwise permitted to be incurred under the Loan Documents that are paid on or prior to the date when due;
- (iv) Trade Payables not represented by a note, customarily paid by Borrower within 60 days of incurrence and in fact not more than 60 days outstanding (subject to Section 9.30), which are incurred in the ordinary course of Borrower's ownership and operation of the Property, in amounts reasonable and customary for similar properties and not exceeding 2.0% of the Loan Amount in the aggregate;

(v) Leases entered into in connection with certain equipment used on the Hotel Property, the removal of which would not materially damage any of the improvements thereon or materially impair the value of such improvements, in each case incurred in the ordinary course of operating the Hotel Property; and

(vi) so-called "sponsorship contracts" and "artists' contracts" which are entered for use of the ACL Music Venue Property or the Showcase Venue Space in the ordinary course of business.

"Permitted Encumbrances" means:

- (i) the Liens created by the Loan Documents;
- (ii) all Liens and other matters specifically disclosed on Schedule B of the Title Insurance Policy;
- (iii) Liens, if any, for Taxes not yet delinquent;

(iv) mechanics', materialmen's or similar Liens, if any, and Liens for delinquent taxes or impositions, in each case only if being diligently contested in good faith and by appropriate proceedings, provided that no such Lien is in imminent danger of foreclosure and provided further that either (a) each such Lien is released or discharged of record, bonded in accordance with the applicable Legal Requirements (i.e., Texas Property Code) or fully insured over by the title insurance company issuing the Title Insurance Policy within 60 days of when Borrower has notice that such Liens have been recorded against the Property in the Official Public Records of Travis County, Texas, or (b) Borrower deposits with Lender, by the expiration of such 60-day period, an amount equal to 150% of the dollar amount of such Lien or a bond in the aforementioned amount from such surety, and upon such terms and conditions, as is reasonably satisfactory to Lender, as security for the payment or release of such Lien; and

(v) rights of existing and future Tenants as tenants only pursuant to written Leases entered into in conformity with the provisions of this Agreement.

"Permitted Investments" means the following, subject to the qualifications hereinafter set forth:

(i) all direct obligations of the U.S. government and all obligations that are fully guaranteed by the U.S. government, that in each case have maturities not in excess of one year;

(ii) federal funds, unsecured certificates of deposit, time deposits, banker's acceptances, and repurchase agreements, each having maturities of not more than 90 days, of any commercial bank organized under the laws of the United States of America or any state thereof or the District of Columbia, the short-term debt obligations of which are rated A-1+ by S&P, F1+ by Fitch and P-1 by Moody's (and if the term is between one and three months A1 by Moody's) and, if it has a term in excess of three months, the long-term debt

obligations of which are rated AAA (or the equivalent) by each of the Rating Agencies, and that (a) is at least "adequately capitalized" (as defined in the regulations of its primary Federal banking regulator) and (b) has Tier 1 capital (as defined in such regulations) of not less than \$1,000,000,000;

(iii) deposits that are fully insured by the Federal Deposit Insurance Corp. (FDIC);

(iv) commercial paper rated A-1+ by S&P, F1+ by Fitch and P-1 Moody's (and if the term is between one and three months A1 by Moody's) by each of the Rating Agencies and having a maturity of not more than 90 days;

(v) any money market fund that (a) has substantially all of its assets invested continuously in the types of investments referred to in clause (i) above, (b) has net assets of not less than \$5,000,000,000, and (c) has a rating of AAAM from S&P, Aaa by Moody's and the highest rating obtainable from Fitch; and

(vi) such other investments as to which the Rating Condition has been satisfied.

Notwithstanding the foregoing, "Permitted Investments" (i) shall exclude any security with the Standard & Poor's "r" symbol (or any other Rating Agency's corresponding symbol) (indicating high volatility or dramatic fluctuations in their expected returns because of market risk) or any other qualifying suffix attached to the rating (with the exception of ratings with regulatory indicators, such as the (sf) subscript, and unsolicited ratings), as well as any mortgage-backed securities and any security of the type commonly known as "strips"; (ii) shall not have maturities that exceed the time periods set forth above; (iii) shall be limited to those instruments that have a predetermined fixed dollar of principal due at maturity that cannot vary or change; and (iv) shall exclude any investment where the right to receive principal and interest derived from the underlying investment provides a yield to maturity in excess of 120% of the yield to maturity at par of such underlying investment. Interest on Permitted Investments may either be fixed or variable, and any variable interest must be tied to a single interest rate index plus a single fixed spread (if any), and move proportionately with that index. No Permitted Investments shall require a payment above par for an obligation if the obligation may be prepaid at the option of the issuer thereof prior to its maturity. Except as expressly provided for above, all Permitted Investments shall mature or be redeemable upon the option of the holder thereof on or prior to the earlier of (x) three months from the date of their purchase or (y) the Business Day preceding the day before the date such amounts are required to be applied hereunder.

"Person" means any natural person, corporation, limited liability company, partnership, joint venture, estate, trust, unincorporated association or Governmental Authority and any fiduciary acting in such capacity on behalf of any of the foregoing.

"PIP" means any property improvement plan or brand-standard improvements required to be implemented for the Property by the Approved Hotel Operator or any Approved Replacement Hotel Operator.

"Plan Assets" means assets of any (i) employee benefit plan (as defined in Section 3(3) of ERISA) subject to Title I of ERISA, (ii) plan (as defined in Section 4975(e)(1) of the Code) subject

to Section 4975 of the Code, or (iii) governmental plan (as defined in Section 3(32) of ERISA) subject to federal, state or local laws, rules or regulations substantially similar to Title I of ERISA or Section 4975 of the Code.

"Policies" has the meaning set forth in Section 5.15(b).

"Prepayment Period" means the period from (i) the Payment Date that occurs in October 2025 to (ii) the Maturity Date.

"Prime Rate" means the "prime rate" published in the "Money Rates" section of The Wall Street Journal. If The Wall Street Journal ceases to publish the "prime rate," then Lender shall select an equivalent publication that publishes such "prime rate," and if such "prime rate" is no longer generally published or is limited, regulated or administered by a governmental or quasi-governmental body, then Lender shall reasonably select a comparable interest rate index.

"Principal Indebtedness" means the principal balance of the Loan outstanding from time to time.

"Prior Loan" has the meaning set forth in Section 4.17(c).

"Prohibited Change of Control" means the occurrence of either or both of the following: (i) the failure of Borrower to be Controlled by one or more Qualified Equityholders (individually or collectively), or (ii) the failure of any other Required SPE to be Controlled by the same Qualified Equityholder(s) that Control Borrower.

"Prohibited Pledge" has the meaning set forth in Section 7.1(f).

"Property" means the ACL Live Business and the real property described on Schedule A, together with all buildings and other improvements thereon and all personal property appurtenant thereto.

"Qualified Equityholder" means (1) prior to the earlier to occur of the first anniversary of the Closing Date, Sponsor; and (2) from and after the earlier to occur of the first anniversary of the Closing Date, (i) Sponsor, (ii) any Person approved by Lender with respect to which the Rating Condition is satisfied, or (iii) a bank, saving and loan association, investment bank, insurance company, trust company, commercial credit corporation, pension plan, pension fund or pension advisory firm, mutual fund, government entity or plan, real estate company, investment fund or an institution substantially similar to any of the foregoing, provided in each case under this clause (iv) that such Person (x) has total assets (in name or under management) in excess of \$1,000,000,000 and (except with respect to a pension advisory firm or similar fiduciary) capital/statutory surplus or shareholder's equity in excess of \$500,000,000 (in both cases, exclusive of the Property), and (y) is regularly engaged in the business of owning and operating comparable properties to the Property in major metropolitan areas (but excluding any consideration of whether or not such comparable properties have a music venue similar to the Property).

Notwithstanding the foregoing, Lender's approval of a proposed Qualified Equityholder ("Transferee") under clause (ii) of this definition will not be unreasonably withheld after consideration of all relevant factors, provided that:

(A) no Event of Default or event which with the giving of notice or the passage of time would constitute an Event of Default shall have occurred and remain uncured;

(B) Transferee and its principal owners, and guarantor for non-recourse carve outs (each, a "Transferee Guarantor"), shall be reputable entities or persons of good character that (i) satisfy Lender's then-current "know your client" requirements, as reasonably determined by Lender, and (ii) with respect to the Transferee Guarantor(s), is a Satisfactory Replacement Sponsor;

(C) the Transferee or its principal owners shall have a demonstrated ability and experience, either by itself or themselves or, if a pension fund, through its investment adviser or its property manager, in the ownership or management of hotel properties, and Lender shall be provided with reasonable evidence thereof; provided, the requirements of this subsection shall be deemed met to the extent that Transferee engages an Approved Property Manager and an Approved Hotel Operator;

(D) with respect to the Hotel Property, Transferee (and its principal owners) and/or Transferee Guarantor, together with their Affiliates, shall own and/or manager at least 1,000 rooms of full service hotel properties of a type, quality and size similar to the Hotel Property with a value (as such value is reasonably determined by Lender) of at least \$300,000,000, and the Hotel Property shall be managed by an Approved Hotel Operator;

(E) Transferee (and its principal owners) shall be free of any prior or pending or existing bankruptcy, reorganization or insolvency proceedings in which such party is or was debtor (unless Lender waives this requirement);

(F) Transferee (and its principal owners) shall be free of any past or present criminal charges or proceedings;

(G) if a Rating Condition is satisfied with respect to a Securitization, then the conditions set forth in (A) – (F) above shall be deemed satisfied unless Lender reasonably determines that the criteria set forth therein are not satisfied; and

(H) Transferee and Transferee Guarantor have satisfied the applicable conditions set forth in Article II to Lender's reasonable satisfaction (to the extent of Lender's approval rights set forth therein).

"Qualified Manager" means (a) with respect to the Commercial Property, a third-party reputable and experienced property management company with at least five (5) years' experience in the management (over the course of time) of at least ten (10) properties similar in size, scope, class, use and value as the Commercial Property, which at the time of its engagement as property manager has under management leasable square footage of retail space equal to at least 1,000,000 leasable square feet, provided such property management company is not the subject of a bankruptcy or similar insolvency proceeding, and (b) with respect to the ACL Music Venue Property, (i) a third-party nationally recognized music venue manager or operator including, without limitation, Live Nation Entertainment, Inc., and/or (ii) a comparable third-party reputable and experienced management company with at least five (5) years' experience in the entertainment industry or in the management of music venue outlets similar to the ACL Music Venue Property.

"Qualified Letter of Credit" means an irrevocable, unconditional, freely transferable, clean sight draft evergreen letter of credit in favor of Lender, with respect to which Borrower has no reimbursement obligation, entitling Lender to draw thereon in New York, New York, issued by a domestic Eligible Institution or the U.S. agency or branch of a foreign Eligible Institution and accompanied by an instrument reasonably acceptable to Lender whereby the applicant/obligor under such letter of credit shall have waived all rights of subrogation against Borrower thereunder.

"Qualifying Lease" means a Lease to a Tenant that is in occupancy at the Property, open for business at the Property, not in default under its Lease and not the subject of a bankruptcy or similar insolvency proceedings (unless such Tenant has assumed such Lease in bankruptcy).

"Rating Agency" means, prior to the final Securitization of the Loan, each of KBRA, S&P, Moody's, DBRS and Fitch, or any other nationally-recognized statistical rating agency that has been designated by Lender and, after the final Securitization of the Loan, shall mean any of the foregoing that have rated and continue to rate any of the Certificates (excluding unsolicited ratings).

"Rating Condition" means, with respect to any proposed action, the receipt by Lender of confirmation in writing from each of the Rating Agencies that such action shall not result, in and of itself, in a downgrade, withdrawal, or qualification of any rating then assigned to any outstanding Certificates; except that if all or any portion of the Loan has not been Securitized pursuant to a Securitization rated by the Rating Agencies, then "Rating Condition" shall instead mean the receipt

of prior written approval of both (x) the applicable Rating Agencies (if and to the extent that any portion of the Loan has been Securitized pursuant to a Securitization or series of Securitizations rated by such Rating Agencies), and (y) Lender in its sole discretion. No Rating Condition shall be regarded as having been satisfied unless and until any conditions imposed on the effectiveness of any confirmation from any Rating Agency shall have been satisfied. Lender shall have the right in its sole discretion to waive a Rating Condition requirement with respect to any Rating Agency that Lender determines has declined to review the applicable proposal; provided that if Lender determines that any Rating Agency has declined to review a Defeasance, then the Rating Condition requirement shall not be waived but shall instead be deemed satisfied as it relates to such Rating Agency for such Defeasance.

"Regulatory Change" means any change after the Closing Date in federal, state or foreign laws or regulations or the adoption or the making, after such date, of any interpretations, directives or requests applying to a class of banks or companies controlling banks, including Lender, of or under any federal, state or foreign laws or regulations (whether or not having the force of law) by any court or governmental or monetary authority charged with the interpretation or administration thereof.

"Release" with respect to any Hazardous Substance means any release, deposit, discharge, emission, leaking, leaching, spilling, seeping, migrating, injecting, pumping, pouring, emptying, escaping, dumping, disposing or other movement of Hazardous Substances into the indoor or outdoor environment (including the movement of Hazardous Substances through ambient air, soil, surface water, ground water, wetlands, land or subsurface strata), and "Released" has the meaning correlative thereto.

"Remaining Property" shall mean the applicable portion of the Property remaining subject to the Lien of the Security Instrument after the Partial Release Event related to the Commercial Property and/or the ACL Music Venue Property, which is completed in accordance with Section 2.4.

"Release Price" means, with respect to the release of the Commercial Property and/or the ACL Music Venue Property, the greater of (a) eighty percent (80%) of the net sales proceeds from the sale of the applicable portion of the Property being Defeased, and (b) one hundred fifteen percent (115%) of the Allocated Loan Amount of the applicable property being Defeased.

"REMIC" means a "real estate mortgage investment conduit" as defined in Section 860D of the Code.

"Rent Roll" has the meaning set forth in Section 4.14(a).

"Required SPE" means each of Borrower, any Single-Purpose Equityholder and each Approved Music Venue Manager.

"Residential Master Unit" means the condominium unit created pursuant to the Declaration (Master) for the development of personal residences.

"Revenues" means (i) all revenues and receipts of every kind of Borrower derived from operating the Property and all departments and parts thereof, including but not limited to:

income (from both cash and credit transactions) from rental of guest rooms, telephone charges, stores, offices, exhibit or sales space of every kind, license, lease and concession fees and rentals (not including gross receipts of licensees, lessees, and concessionaires), income from vending machine, parking facilities, health club membership fees, food and beverage sales, wholesale and retail sales of merchandise, service charges, and proceeds, if any, from business interruption insurance or other loss of income insurance, and (ii) all rents (including percentage rent), rent equivalents, moneys payable as damages pursuant to a Lease or in lieu of rent or rent equivalent (including all Termination Fees), royalties (including all oil and gas or other mineral royalties and bonuses), income, receivables, receipts, revenues, deposits (including security, utility and other deposits), accounts, cash, issues, profits, charges for services rendered, and other consideration of whatever form or nature received by or paid to or for the account of or benefit of Borrower from any and all sources including any obligations now existing or hereafter arising or created out of the sale, lease, sublease, license, concession or other grant of the right of the use and occupancy of property or rendering of services by Borrower and proceeds, if any, from business interruption or other loss of income insurance; provided, however, that Revenues shall not include the following: gratuities to employees of the Property, federal, state, or municipal excise, sales or use taxes or any other taxes collected directly from patrons or guests or included as part of the sales price of any goods or services; proceeds from the sale of FF&E; interest received or accrued with respect to the funds in any required reserve accounts or other operating accounts of the Property; any refunds, rebates, discounts and credits of a similar nature, given, paid or returned in the course of obtaining Revenues or components thereof; insurance proceeds (other than insurance proceeds from business interruption insurance or other loss of income insurance); condemnation proceeds (other than for a temporary taking); any proceeds from any sale of the Property or from the refinancing of any debt encumbering the Property.

"S&P" means Standard & Poor's Ratings Services, a division of the McGraw-Hill Companies, Inc., and its successors.

"Satisfactory Replacement Sponsor" shall mean a Person that (1) provides satisfactory credit and background checks similar to those undertaken with respect to Sponsor prior to the Closing Date verifying such Person has never been subject to a bankruptcy, reorganization or insolvency proceeding or a defendant in a criminal enforcement proceeding involving any matter involving charges of moral turpitude or fraud and has (or, if an entity, its principals have) a reasonably satisfactory general business standing and experience, (2) with respect to which the Rating Condition has been satisfied, (3) has an ownership interest (direct or indirect) in Borrower of the lesser of (a) 51% or (b) the ownership of the Person being replaced, and (4) has a Net Worth (excluding any value attributable to the Property) in excess of the Net Worth Threshold and Liquid Assets (excluding any Liquid Assets attributable to the Property) having a market value of at least the Liquid Assets Threshold as set forth in Section 5.18 of the Guaranty.

"Securitization" means a transaction in which all or any portion of the Loan is deposited into one or more trusts or entities that issue Certificates to investors, or a similar transaction; and the term "Securitize" and "Securitized" have meanings correlative to the foregoing.

"Securitization Vehicle" means the issuer of Certificates in a Securitization of the Loan.

"Security Instrument" means that certain deed of trust, assignment of rents and leases, collateral assignment of property agreements, security agreement and fixture filing encumbering the Property and the Approved Music Venue Lease, executed by Borrower and the Approved Music Venue Manager as of the Closing Date, as the same may from time to time be amended, restated, replaced, supplemented or otherwise modified in accordance herewith.

"Service" means the Internal Revenue Service or any successor agency thereto.

"Servicer" means the entity or entities appointed by Lender from time to time to serve as servicer and/or special servicer of the Loan. If at any time no entity is so appointed, the term "Servicer" shall be deemed to refer to Lender.

"Showcase Venue Deposit Amount" means \$67,787.

"Showcase Venue Reserve Account" has the meaning set forth in Section 3.10.

"Showcase Venue Space" means Suite 314 of the Commercial Property consisting of approximately 4,531 rentable square feet and which is to be subject to the Lease with the Showcase Venue Tenant.

"Showcase Venue Tenant" means Block 21 Service Company, LLC, a Texas limited liability company.

"Single Member LLC" means a limited liability company that either (x) has only one member, or (y) has multiple members, none of which is a Single-Purpose Equityholder.

"Single-Purpose Entity" means a Person that:

(a) was formed under the laws of the State of Delaware (as to Borrower or any Approved Music Venue Manager) or Texas (as to any Approved Music Venue Manager) solely for the purposes of acquiring, managing, operating, holding, maintaining, leasing and selling (i) in the case of Borrower, an ownership interest in the Property (or, if applicable, Defeasance Collateral), together with all personal property owned in connection therewith or related thereto, (ii) in the case of a Single-Purpose Equityholder, an ownership interest in Borrower, and (iii) in the case of any Approved Music Venue Manager, (A) a leasehold interest in the Showcase Venue Space and the ACL Music Venue Property, (B) a business to manage and operate the ACL Live Business; and (C) a business to manage and operate the music, entertainment and private event business at and from the Showcase Venue Space, together with all personal property owned in connection therewith or related thereto;

(b) does not engage in any business unrelated to (i) the Property (or, if applicable, Defeasance Collateral), or (ii) in the case of a Single-Purpose Equityholder, its ownership interest in Borrower;

(c) does not own any assets other than those related to (i) its interest in the Property (or, if applicable, Defeasance Collateral), or (ii) in the case of a Single-Purpose Equityholder, its ownership interest in Borrower (and in the case of Borrower, does not and will not own

any assets on which Lender does not have a Lien, other than excess cash that has been released to Borrower pursuant hereto);

(d) does not have any Debt other than, (i) in the case of Borrower, Permitted Debt, or (ii) in the case of a Single-Purpose Equityholder, reasonable and customary administrative expenses and state franchise taxes;

(e) maintains books, accounts, records, financial statements, stationery, invoices and checks that are separate and apart from those of any other Person (except that such Person's financial position, assets, results of operations and cash flows may be included in the consolidated financial statements of an affiliate of such Person in accordance with GAAP, provided that (i) any such consolidated financial statements do not suggest in any way that such Person's assets are available to satisfy the claims of its affiliate's creditors and (ii) such assets shall also be listed on such Person's own separate balance sheet);

(f) is subject to and complies with all of the limitations on powers and separateness requirements set forth in the organizational documentation of such Person as of the Closing Date;

(g) holds itself out as being a Person separate and apart from each other Person and not as a division or part of another Person;

(h) conducts its business in its own name or, in the case of Borrower with respect to the Hotel Property, under the assumed name "W Austin", or, in the case of the Approved Music Venue Manager with respect to the ACL Live Business under the assumed names "ACL Live" and "Austin City Limits Live";

(i) exercises reasonable efforts to correct any known misunderstanding actually known to it regarding its separate identity, and maintains an arm's-length relationship with its affiliates and only enters into a contract or agreement with an affiliate upon terms and conditions that are intrinsically fair, commercially reasonable and similar, in all material respects, to those that would be available on an arms' length basis with unaffiliated third parties;

(j) pays its own liabilities out of its own funds, including the salaries of its own employees, if any (provided that the foregoing shall not require such Person's equityholders to make any additional capital contributions to such Person and provided that the failure to pay liabilities as a result of insufficient cash flow from the Property shall not constitute a violation of this clause (j)) and reasonably allocates any overhead that is shared with an affiliate, including paying for shared office space and services performed by any officer or employee of an affiliate;

(k) maintains a sufficient number of employees, if any, in light of its contemplated business operations, provided, a Single-Purpose Entity is not required to maintain any employees for the operations and management of any portion of the Property to the extent such operations and management are provided by an Approved Property Manager, the

Approved Hotel Operator or any Approved Replacement Hotel Operator;

(l) conducts its business so that the assumptions made with respect to it that are contained in the Non-consolidation Opinion and any replacement thereof shall, to the extent required to support the Non-consolidation Opinion, at all times be true and correct in all material respects;

(m) maintains its assets in such a manner that it will not be costly or difficult to segregate, ascertain or identify its individual assets from those of any other Person;

(n) observes all applicable entity-level formalities in all material respects;

(o) does not commingle its assets with those of any other Person and holds its assets in its own name;

(p) does not assume, guarantee or become obligated for the debts of any other Person (except for Texas state franchise tax obligations required by applicable Texas Legal Requirements), and does not hold out its credit as being available to satisfy the obligations or securities of others, provided, as between Borrower and Approved Music Venue Manager and so long as the ACL Music Venue Property is part of the Collateral, such Persons may be joint obligors and guarantee each other's obligations under the Facilities Use Agreement and the Approved Music Venue Manager may assume obligations of Borrower with respect to agreements related to the ACL Live Business assigned by Borrower to the Approved Music Venue Manager;

(q) does not acquire obligations or securities of its direct or indirect equityholders;

(r) does not pledge its assets for the benefit of any other Person and does not make any loans or advances to any other Person;

(s) intends to maintain adequate capital in light of its contemplated business operations (provided that the foregoing shall not require such Person's partners, members or shareholders to make any additional capital contributions to such Person), provided, however, that the failure to maintain adequate capital as a result of insufficient cash flow from the Property shall not constitute a violation of this clause (s), except to the extent Borrower has made distributions to its equityholders so as to knowingly cause such insufficiency at the time such distribution was made;

(t) as to Borrower, has two (2) Independent Directors or has a Single-Purpose Equityholder with two Independent Directors, and has organizational documents that (i) provide that the Independent Directors shall consider only the interests of Borrower, including its creditors, and shall have no fiduciary duties to Borrower's equityholders (except to the extent of their respective interests in Borrower or as required by applicable Legal Requirements), and (ii) prohibit the replacement of any Independent Director without Cause and without giving at least two Business Days' prior written notice to Lender and the Rating Agencies (except in the case of the death, legal incapacity, or voluntary non-collusive

resignation of an Independent Director, in which case no prior notice to Lender or the Rating Agencies shall be required in connection with the replacement of such Independent Director with a new Independent Director that is provided by any of the companies listed in the definition of "Independent Director");

(u) as to Borrower, if such entity is a Single Member LLC, has organizational documents that provide that upon the occurrence of any event (other than a permitted equity transfer) that causes its sole member to cease to be a member while the Loan is outstanding, at least one of its Independent Directors shall automatically be admitted as the sole member of the Single Member LLC and shall preserve and continue the existence of the Single Member LLC without dissolution;

(v) files its own tax returns separate from those of any other Person, except for combined tax returns required by applicable Texas state law and except to the extent it is treated as a "disregarded entity" for tax purposes and is not required to file tax returns under applicable law, and pays any taxes required to be paid under applicable law only from its own funds; and

(w) has by-laws or an operating agreement, or has a Single-Purpose Equityholder with by-laws or an operating agreement, which provides that, for so long as the Loan is outstanding, such Person shall not take or consent to any of the following actions except to the extent expressly permitted in this Agreement and the other Loan Documents:

(i) the dissolution, liquidation, consolidation, merger or sale of all or substantially all of its assets (and, in the case of a Single-Purpose Equityholder, the assets of Borrower);

(ii) the engagement by such Person (and, in the case of a Single-Purpose Equityholder, the engagement by Borrower) in any business other than the acquisition, development, management, leasing, ownership, maintenance and operation of the Property and activities incidental thereto (and, in the case of a Single-Purpose Equityholder, activities incidental to the acquisition and ownership of its interest in Borrower);

(iii) the filing, or consent to the filing, of a bankruptcy or insolvency petition, any general assignment for the benefit of creditors or the institution of any other insolvency proceeding, the seeking or consenting to the appointment of a receiver, liquidator, assignee, trustee, sequestrator, custodian or any similar official in respect of such Person, admitting in writing such Person's inability to pay its debts generally as they become due, or the taking of any action in furtherance of any of the foregoing, in each case, in respect of itself or, in the case of a Single-Purpose Equityholder, in respect of Borrower without the affirmative vote of both of its Independent Directors; and

(iv) any amendment or modification of any provision of its (and, in the case of a Single-Purpose Equityholder, Borrower's) organizational documents relating to qualification as a "Single-Purpose Entity".

"Single-Purpose Equityholder" means a Single-Purpose Entity that (x) is a limited liability company or corporation formed under the laws of the State of Delaware, (y) owns at least a 1% direct equity interest in Borrower, and (z) serves as the general partner or managing member of Borrower. Based on Borrower's organization as a Single Member LLC organized in the State of Delaware with two (2) Independent Directors, a Single-Purpose Equityholder is not required.

"Smith Travel Reports" means a "STAR Program Report" with respect to the Property prepared by Smith Travel Research, Inc.

"Sponsor" means Stratus Properties Inc., a Delaware corporation.

"Sponsor Investor Presentation" means that certain Stratus Investor Presentation, dated April 20, 2015, setting forth Sponsor's estimated Net Worth as of such date and as provided by Borrower and Sponsor to Lender in connection with Lender's calculation thereof.

"Sub-Unit" means each of those certain sub-units of the Residential Master Unit created pursuant to the Declaration (Hotel-Residential).

"Subordination of Property Management Agreement" means that certain consent and agreement of manager and subordination of management agreement executed by Borrower and the Approved Property Manager as of the Closing Date, as the same may from time to time be amended, restated, replaced, supplemented or otherwise modified in accordance herewith.

"Successor Borrower" means a Single-Purpose Entity that is Controlled by one or more Qualified Equityholders.

"Survey" means a current land title survey of the Property, certified to Borrower, the title company issuing the Title Insurance Policy and Lender and their respective successors and assigns, in form and substance reasonably satisfactory to Lender.

"Taxes" means all real estate and personal property taxes, assessments, fees, taxes on rents or rentals, water rates or sewer rents, facilities and other governmental, municipal and utility district charges or other similar taxes or assessments now or hereafter levied or assessed or imposed against the Property or Borrower with respect to the Property or rents therefrom or that may become Liens upon the Property, without deduction for any amounts reimbursable to Borrower by third parties.

"Tenant" means any Person liable by contract or otherwise to pay monies (including a percentage of gross income, revenue or profits) pursuant to a Lease.

"Tenant Improvements" means, collectively, (i) tenant improvements to be undertaken for any Tenant that are required to be completed by or on behalf of Borrower pursuant to the terms of

such Tenant's Lease, and (ii) tenant improvements paid or reimbursed through allowances to a Tenant pursuant to such Tenant's Lease.

"Tenant Notice" has the meaning set forth in Section 3.1(a).

"Termination Fee" has the meaning set forth in Section 3.5(d).

"Test Period" means each 12-month period ending on the last day of a Fiscal Quarter.

"Threshold Amount" means an amount equal to 5.0% of the Loan Amount.

"Title Insurance Policy" means an American Land Title Association lender's title insurance policy or a comparable form of lender's title insurance policy approved for use in the applicable jurisdiction, in form and substance reasonably satisfactory to Lender.

"TI/LC Reserve Account" has the meaning set forth in Section 3.5(a).

"Trade Payables" means unsecured amounts payable by or on behalf of Borrower for or in respect of the operation of the Property in the ordinary course and that would under GAAP be regarded as ordinary expenses, including amounts payable to suppliers, vendors, contractors, mechanics, materialmen or other Persons providing property or services to the Property or Borrower and the capitalized amount of any ordinary-course financing leases.

"Transaction" means, collectively, the transactions contemplated and/or financed by the Loan Documents.

"Transfer" means the sale or other whole or partial conveyance of all or any portion of the Collateral or any direct or indirect interest therein to a third party, including granting of any purchase options, rights of first refusal, rights of first offer or similar rights in respect of any portion of the Collateral or the subjecting of any portion of the Collateral to restrictions on transfer; except that the conveyance of a space lease at the Property in accordance herewith shall not constitute a Transfer.

"Treasury Constant Yield" means the arithmetic mean of the rates published as "Treasury Constant Maturities" as of 5:00 p.m., New York time, for the five Business Days preceding the date on which acceleration has been declared or, as applicable, the date on which a prepayment subject to a Yield Maintenance Premium pursuant to this Agreement is made, as shown on the USD screen of Reuters (or such other page as may replace that page on that service, or such other page or replacement therefor on any successor service), or if such service is not available, the Bloomberg Service (or any successor service), or if neither Reuters nor the Bloomberg Service is available, under Section 504 in the weekly statistical release designated H.15(519) (or any successor publication) published by the Board of Governors of the Federal Reserve System, for "On the Run" U.S. Treasury obligations corresponding to the commencement of the Prepayment Period. If no such maturity shall so exactly correspond, yields for the two most closely corresponding published maturities shall be calculated pursuant to the foregoing sentence and the Treasury Constant Yield shall be interpolated or extrapolated (as applicable) from such yields on a straight-line basis (rounding, in the case of relevant periods, to the nearest month).

"Trigger Period" means any of the following:

(a) any period from (i) the conclusion of any Test Period during which DSCR is less than 1.25:1.00, to (ii) the conclusion of the second of any two Test Periods ending in consecutive Fiscal Quarters thereafter during each of which Test Periods DSCR is greater than 1.30:1.00;

(b) if the financial reports required under Sections 5.12, 5.13 and 5.14 are not delivered to Lender as and when required hereunder, a Trigger Period shall be deemed to have commenced and be ongoing, unless and until such reports are delivered and they indicate that, in fact, no Trigger Period is ongoing;

(c) any period from (i) the date the Property is not subject to the Approved Hotel Operating Agreement or any replacement thereof entered in accordance with the terms contained herein, to (ii) the Property being subject to a replacement Approved Hotel Operating Agreement; and

(d) (i) the date on which Sponsor fails to maintain (A) a Net Worth (excluding any value attributable to the Property) in excess of the Net Worth Threshold or (B) Liquid Assets (excluding any Liquid Assets attributable to the Property) in excess of the Liquid Assets Threshold to (ii) the date on which Sponsor maintains (A) a Net Worth in excess of the Net Worth Threshold and (B) Liquid Assets in excess of the Liquid Assets Threshold.

"Undefeased Note" has the meaning set forth in Section 2.1(b).

"Uniform System of Accounts" means the "Uniform System of Accounts for the Lodging Industry" (11th edition) published by The Financial Management Committee of the American Hotel and Lodging Association.

"Use" means, with respect to any Hazardous Substance, the generation, manufacture, processing, distribution, handling, possession, use, discharge, placement, treatment, disposal, disposition, removal, abatement, recycling or storage of such Hazardous Substance or transportation of such Hazardous Substance.

"U.S. Person" means a United States person within the meaning of Section 7701(a)(30) of the Code.

"U.S. Tax" means any present or future tax, assessment or other charge or levy imposed by or on behalf of the United States of America or any taxing authority thereof.

"Waste" means any material abuse or destructive use (whether by action or inaction) of the Property.

"Yield Maintenance Premium" means, with respect to any payment of principal on a Note or Note Component following the acceleration of the Loan, the product of:

(A) a fraction whose numerator is the amount so paid and whose denominator is the outstanding principal balance of the Note or Note Component before giving effect to such payment, times

(B) the amount by which (1) the sum of the respective present values, computed as of the date of prepayment, of the remaining scheduled payments of principal and interest with respect to the Note or Note Component, including the balloon payment on the scheduled Maturity Date (assuming no prepayments or acceleration of the Loan), determined by discounting such payments to the date on which such prepayment is made at the Treasury Constant Yield, exceeds (2) the outstanding principal balance of the Note or Note Component on such date immediately prior to such prepayment;

provided that the Yield Maintenance Premium shall not be less than 3% of the amount prepaid. The calculation of the Yield Maintenance Premium shall be made by Lender and shall, absent manifest error, be final, conclusive and binding upon all parties.

(b) Rules of Construction. Unless otherwise specified, (i) all references to sections, schedules and exhibits are to sections, schedules and exhibits in or to this Agreement, (ii) all meanings attributed to defined terms in this Agreement shall be equally applicable to both the singular and plural forms of the terms so defined, (iii) "including" means "including, but not limited to", (iv) "mortgage" means a mortgage, deed of trust, deed to secure debt or similar instrument, as applicable, and "mortgagee" means the secured party under a mortgage, deed of trust, deed to secure debt or similar instrument, (v) the words "hereof," "herein," "hereby," "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision, article, section or other subdivision of this Agreement, (vi) unless otherwise indicated, all references to "this Section" shall refer to the Section of this Agreement in which such reference appears in its entirety and not to any particular clause or subsection or such Section, (vii) the use of the phrases "an Event of Default exists", "during the continuance of an Event of Default" or similar phrases in the Loan Documents shall not be deemed to grant Borrower any right to cure an Event of Default, and each Event of Default shall continue unless and until the same is waived by Lender in writing in accordance with the requirements of the Loan Documents, (viii) all references to the Cash Management Account shall exclude the subaccounts thereof, and (ix) terms used herein and defined by cross-reference to another agreement or document shall have the meaning set forth in such other agreement or document as of the Closing Date, notwithstanding any subsequent amendment or restatement of or modification to such other agreement or document. Except as otherwise indicated, all accounting terms not specifically defined in this Agreement shall be construed in accordance with GAAP, as the same may be modified in this Agreement.

ARTICLE I GENERAL TERMS

1.1 The Loan.

(a) On the Closing Date, subject to the terms and conditions of this Agreement, Lender shall make a loan to Borrower (the "Loan") in an amount equal to the Loan Amount. The Loan shall initially be represented by a single Note that shall bear interest as described in this Agreement at a per annum rate equal to the Interest Rate. Interest payable hereunder shall be computed on the basis of a 360-day year and the actual number of days elapsed in the related Interest Accrual Period.

(b) The Loan shall be secured by the Collateral pursuant to the Security Instrument and the other Loan Documents.

(c) Upon written notice from Lender to Borrower (a “Componentization Notice”), the Note will be deemed to have been subdivided into multiple components (“Note Components”). Each Note Component shall have such notional balance and interest rate as Lender shall specify in the Componentization Notice, provided that the sum of the principal balances of all Note Components shall equal the then-current Principal Indebtedness, and the weighted average of the component interest rates, weighted on the basis of their respective principal balances, shall equal the Interest Rate. Borrower shall be treated as the obligor with respect to each of the Note Components and acknowledges that each Note Component may be individually beneficially owned by a separate Person. The Note Components need not be represented by separate physical Notes, but if requested by Lender, each Note Component shall be represented by a separate physical Note, in which case the applicable Borrowers shall execute and return to Lender each such Note, in the same form as the Note executed and delivered on the Closing Date, promptly following Borrower’s receipt of an execution copy thereof. Voluntary and involuntary prepayments and Defeasances of principal on the Loan shall be applied to the Notes or Note Components in the manner specified by Lender in the Componentization Notice (provided that, except with respect to amounts applied toward principal during the continuance of an Event of Default or as a result of a Casualty or Condemnation, no such allocation of principal to the Notes or Note Components shall have the effect of increasing the weighted average interest rate of the Notes or Note Components; but amounts applied toward principal during the continuance of an Event of Default or as a result of a Casualty or Condemnation may increase the weighted average interest rate of the Notes or Note Components, with the result that the monthly interest payment owed by Borrower might increase).

1.2 Interest and Principal.

(a) On each Payment Date, Borrower shall pay to Lender a constant monthly payment of **\$859,227.69**, which amount shall be applied first toward the payment of interest on each Note for the applicable Interest Accrual Period at the applicable Interest Rate (except that in each case, interest shall be payable on the Indebtedness, including due but unpaid interest, at the Default Rate with respect to any portion of such Interest Accrual Period falling during the continuance of an Event of Default, in which case the monthly payment shall be increased by the amount of Default Interest accrued on the Notes during the applicable Interest Accrual Period), and the balance shall be applied toward the reduction of the outstanding principal balances of the Notes or Note Components pro rata in accordance with their then outstanding principal balances. Notwithstanding the foregoing, on the Closing Date, Borrower shall pay interest from and including the Closing Date through the end of the first Interest Accrual Period, in lieu of making such payment on the first Payment Date following the Closing Date (unless the Closing Date falls on a Payment Date, in which case, no interest will be collected on the Closing Date, and Borrower shall make the payment required pursuant to this Section commencing on the first Payment Date following the Closing Date).

(b) No prepayments of the Loan shall be permitted except for (i) prepayments resulting from Casualty or Condemnation as described in Section 5.16, and (ii) a prepayment of the Loan in whole (but not in part) during the Prepayment Period on not less than 30 days prior written

notice; provided that any prepayment hereunder shall be accompanied by all interest accrued on the amount prepaid, plus if the prepayment is made on a date other than a Payment Date, the amount of interest that would have accrued on the amount prepaid if the Loan had remained outstanding through the end of the Interest Accrual Period in which such prepayment occurs, plus all other amounts then due under the Loan Documents. Borrower's notice of prepayment shall create an obligation of Borrower to prepay the Loan as set forth therein, but may be rescinded with five days' written notice to Lender (subject to payment of any out-of-pocket costs and expenses resulting from such rescission). In addition, Defeasance shall be permitted after the expiration of the Lockout Period as described in Section 2.1. The entire outstanding principal balance of the Loan, together with interest through the end of the applicable Interest Accrual Period and all other amounts then due under the Loan Documents, shall be due and payable by Borrower to Lender on the Maturity Date. In addition, notwithstanding anything to the contrary contained herein, if Borrower shall be required to prepay a portion of the Indebtedness due to a Casualty or Condemnation in accordance with the terms and provisions of Section 5.16(f) prior to the end of the Lockout Period, Borrower shall have the right to prepay the balance of the Indebtedness in accordance with the other terms and provisions of this Section 1.2(b), without the obligation to pay the Yield Maintenance Premium or any other prepayment fee or penalty, provided such prepayment is made by Borrower within 120 days of the prepayment under Section 5.16(f) and Borrower delivers notice to Lender of its intention to prepay the balance within thirty (30) days of Borrower's receipt of written notice of such application by Lender under Section 5.16(f).

(c) If all or any portion of the Principal Indebtedness is paid to Lender following acceleration of the Loan, Borrower shall pay to Lender an amount equal to the applicable Yield Maintenance Premium. Amounts received in respect of the Indebtedness during the continuance of an Event of Default shall be applied toward interest, principal and other components of the Indebtedness (in such order as Lender shall determine) before any such amounts are applied toward payment of Yield Maintenance Premiums, with the result that Yield Maintenance Premiums shall accrue as the Principal Indebtedness is repaid but no amount received from Borrower shall constitute payment of a Yield Maintenance Premium until the remainder of the Indebtedness shall have been paid in full. Borrower acknowledges that (i) a prepayment will cause damage to Lender; (ii) the Yield Maintenance Premium is intended to compensate Lender for the loss of its investment and the expense incurred and time and effort associated with making the Loan, which will not be fully repaid if the Loan is prepaid; (iii) it will be extremely difficult and impractical to ascertain the extent of Lender's damages caused by a prepayment after an acceleration or any other prepayment not permitted by the Loan Documents; and (iv) the Yield Maintenance Premium represents Lender's and Borrower's reasonable estimate of Lender's damages from the prepayment and is not a penalty.

(d) Any payments of interest and/or principal not paid when due hereunder shall bear interest at the applicable Default Rate and, in the case of all payments due hereunder other than the repayment of the Principal Indebtedness on the Maturity Date, when paid, shall be accompanied by a late fee in an amount equal to the lesser of five percent (5%) of such unpaid sum and the maximum amount permitted by applicable law in order to defray a portion of the expense incurred by Lender in handling and processing such delinquent payment and to compensate Lender for the loss of the use of such delinquent payment.

1.3 Method and Place of Payment. Except as otherwise specifically provided in this Agreement, all payments and prepayments under this Agreement and the Notes (including any deposit into the Cash Management Account pursuant to Section 3.2(c)) shall be made to Lender not later than 1:00 p.m., New York City time, on the date when due and shall be made in lawful money of the United States of America by wire transfer in federal or other immediately available funds to the account specified from time to time by Lender. Any funds received by Lender after such time shall be deemed to have been paid on the next succeeding Business Day. Lender shall notify Borrower in writing of any changes in the account to which payments are to be made. If the amount received from Borrower (or from the Cash Management Account pursuant to Section 3.2(b)) is less than the sum of all amounts then due and payable hereunder, such amount shall be applied, at Lender's sole discretion, either toward the components of the Indebtedness (e.g., interest, principal and other amounts payable hereunder) and the Notes and Note Components, in such sequence as Lender shall elect in its sole discretion, or toward the payment of Property expenses.

1.4 Taxes; Regulatory Change.

(a) Borrower shall indemnify Lender and hold Lender harmless from and against any present or future stamp, documentary or other similar or related taxes or other similar or related charges now or hereafter imposed, levied, collected, withheld or assessed by any Governmental Authority by reason of the execution and delivery of the Loan Documents and any consents, waivers, amendments and enforcement of rights under the Loan Documents.

(b) Reasonably promptly following Borrower's request, the initial Lender shall complete and deliver to Borrower a duly executed Form W-9 certifying that it is not subject to backup withholding. If Borrower is required by law to withhold or deduct any amount from any payment hereunder in respect of any Borrower Tax, Borrower shall withhold or deduct the appropriate amount, remit such amount to the appropriate Governmental Authority and pay to the Lender and each Person to whom there has been an Assignment or Participation of a Loan such additional amounts as are necessary in order that the net payment of any amount due hereunder, after deduction for or withholding in respect of any Borrower Tax imposed with respect to such payment, will not be less than the amount stated in this Agreement to be then due and payable; except that the foregoing obligation to pay such additional amounts shall not apply (i) to any net income or franchise taxes imposed on Lender by any jurisdiction, (ii) with respect to any amount of U.S. Tax in effect and applicable to payments to the Lender on the date of this Agreement (or, for payments made under this Agreement to any Person to whom there has been an Assignment or Participation, with respect to any amount of U.S. Tax imposed by any law in effect and applicable to payments to such Person on the date of such Assignment or Participation) or (iii) to any amount of Borrower Taxes imposed solely by reason of the failure by an assignee to comply with applicable certification, information, documentation or other reporting requirements concerning the nationality, residence, identity or connections with the United States of America of such Person (or beneficial owner, as the case may be) if such compliance is required by statute or regulation of the United States of America as a precondition to relief or exemption from such Borrower Taxes. If Borrower shall fail to pay any Borrower Taxes or other amounts that Borrower is required to pay pursuant to this Section, and Lender or any Person to whom there has been an Assignment or Participation of a Loan pays the same, Borrower shall reimburse Lender or such Person promptly following demand therefor in the currency

in which such Borrower Taxes or other amounts are paid, whether or not such Borrower Taxes were correctly or legally asserted, together with interest thereon from and including the date of payment to but excluding the date of reimbursement at a rate per annum equal to the Default Rate.

(c) Within 30 days after paying any amount from which it is required by law to make any deduction or withholding, and within 30 days after it is required by law to remit such deduction or withholding to any relevant taxing or other authority, Borrower shall deliver to Lender satisfactory evidence of such deduction, withholding or payment (as the case may be).

(d) If, as a result of any Regulatory Change, any reserve, special deposit or similar requirements relating to any extensions of credit or other assets of, or any deposits with, Lender or any holder of all or a portion of the Loan is imposed, modified or deemed applicable and the result is to increase the cost to such Lender or such holder of making or holding the Loan, or to reduce the amount receivable by Lender or such holder hereunder in respect of any portion of the Loan by an amount deemed by Lender or such holder to be material (such increases in cost and reductions in amounts receivable, "Increased Costs"), then Borrower agrees that it will pay to Lender or such holder upon Lender's or such holder's request such additional amount or amounts as will compensate Lender and/or such holder for such Increased Costs to the extent that such Increased Costs are reasonably allocable to the Loan. Lender will notify Borrower in writing of any event occurring after the Closing Date that will entitle Lender or any holder of the Loan to compensation pursuant to this Section as promptly as practicable after it obtains knowledge thereof and determines to request such compensation and will designate a different lending office if such designation will avoid the need for, or reduce the amount of, such compensation and will not, in the reasonable judgment of such Lender, be otherwise disadvantageous to such Lender. If such Lender shall fail to notify Borrower of any such event within 9 months following the end of the month during which such event occurred, then Borrower's liability for any amounts described in this Section incurred by such Lender as a result of such event shall be limited to those attributable to the period occurring subsequent to the date that is 9 months prior to the date upon which such Lender actually notified Borrower of the occurrence of such event. Notwithstanding the foregoing, (i) in no event shall Borrower be required to compensate Lender or any holder of the Loan for any portion of the income or franchise taxes of Lender or such holder, whether or not attributable to payments made by Borrower and (ii) any Increased Costs requested to be paid by Borrower must be calculated in a uniform manner similar to those imposed by similarly situated commercial lenders. If a Lender requests compensation under this Section, Borrower may, by notice to Lender, require that such Lender furnish to Borrower a statement setting forth in reasonable detail the basis for requesting such compensation and the method for determining the amount thereof.

1 . 5 Release. Upon payment of the Indebtedness in full when permitted or required hereunder, Lender shall execute instruments prepared by Borrower and reasonably satisfactory to Lender, which, at Borrower's election and at Borrower's sole cost and expense: (a) release and discharge all Liens on all Collateral securing payment of the Indebtedness (subject to Borrower's obligation to pay any associated fees and expenses), including all balances in the Collateral Accounts; or (b) assign such Liens (and the Loan Documents) to a new lender designated by Borrower. Any release or assignment provided by Lender pursuant to this Section shall be without recourse, representation or warranty of any kind.

ARTICLE II

DEFEASANCE; ASSUMPTION; PARTIAL RELEASE

2.1 Defeasance.

(a) On any date after the expiration of the Lockout Period, provided no Event of Default is then continuing and subject to the notice requirement described in Section 2.1(d), Borrower may from time to time obtain the release of all or a portion of the Collateral from the Liens of the Loan Documents by Defeating either the entire Loan or a portion of the Loan equal to the lesser of (1) the Release Price of (A) the Commercial Property and/or (B) the ACL Music Venue Property to the extent a Partial Release Event shall be undertaken with respect to the Commercial Property and/or the ACL Music Venue Property, as applicable, or (2) the portion of the Indebtedness that has not been Defeased as of the date of such release, provided that after giving effect thereto, unless the Loan is Defeased in full, the DSCR for the Test Period then most recently ended, recalculated to include only income and expense attributable to the Property remaining after the contemplated release and to exclude the interest expense on the aggregate amount Defeased, shall be no less than the DSCR Threshold, and provided further that all sums then due to Lender under the Loan Documents are paid and the following are delivered to Lender:

(i) Defeasance Collateral sufficient to provide payments on or prior to, and in any event as close as possible to, all successive Payment Dates in an amount sufficient (x) to pay the interest and principal due on such Payment Dates in respect of a portion of the Loan equal to the amount Defeased and (y) to repay the outstanding principal balance of such portion of the Loan on the first Payment Date in the Prepayment Period or such other Payment Date in the Prepayment Period as Borrower shall elect;

(ii) written confirmation from Approved Accountant or an independent certified public accounting firm reasonably satisfactory to Lender that such Defeasance Collateral is sufficient to provide the payments described in clause (i) above;

(iii) a security agreement, in form and substance reasonably satisfactory to Lender, creating in favor of Lender a first priority perfected security interest in such Defeasance Collateral (a "Defeasance Pledge Agreement");

(iv) an opinion of counsel for Borrower, in form and substance reasonably satisfactory to Lender and delivered by counsel reasonably satisfactory to Lender, opining that (1) the Defeasance Pledge Agreement has been duly authorized and is enforceable against Borrower in accordance with its terms and that Lender has a perfected first priority security interest in such Defeasance Collateral; and (2) if the Loan has been Securitized, the Defeasance (including the assumption pursuant to Section 2.1(b)) does not cause a tax to be imposed on the Securitization Vehicle or, if the Securitization Vehicle is a REMIC, does not cause any portion of the Loan to cease to be a "qualified mortgage" within the meaning of section 860G(a)(3) of the Code; and (3) the Defeasance (in the case of a Partial Defeasance, with respect

to both the Defeased Note and the Undefeased Note) does not constitute a "significant modification" of the Loan under Section 1001 of the Code;

(v) if all or any portion of the Loan has been Securitized, the Rating Condition with respect to such Defeasance shall have been satisfied or deemed satisfied pursuant to the definition of "Rating Condition";

(vi) instruments reasonably satisfactory to Lender releasing and discharging or assigning to a third party Lender's Liens on the Collateral so released (other than the Defeasance Collateral);

(vii) such other customary certificates, opinions, documents or instruments as Lender and the Rating Agencies may reasonably request; and

(viii) reimbursement for any costs and expenses incurred in connection with this Section 2.1 (including Rating Agency and Servicer fees and expenses, reasonable fees and expenses of legal counsel and accountants and any revenue, documentary stamp or intangible taxes or any other tax or charge due in connection herewith).

Lender shall reasonably cooperate with Borrower to avoid the incurrence of mortgage recording taxes in connection with a Defeasance at Borrower's sole cost and expense.

(b) If the Loan is not Defeased in full, Borrower shall execute and deliver all documents necessary to amend and restate the Note with two substitute Notes: one note having a principal balance equal to the Defeased portion of the original Note (the "Defeased Note") and one note having a principal balance equal to the undefeased portion of the original Note (the "Undefeased Note"). The entirety of the Undefeased Note may be the subject of a further Defeasance in accordance with the terms of this Section 2.1 (the term "Note", as used in this Section 2.1, being deemed to refer to the Undefeased Note).

(c) At the time of the Defeasance, the Defeased Note shall be assumed by a bankruptcy-remote entity established or designated by the initial Lender hereunder or its designee, to which Borrower shall transfer all of the Defeasance Collateral (a "Defeasance Borrower"). The right of the initial Lender hereunder or its designee to establish or designate a Defeasance Borrower shall be retained by the initial Lender notwithstanding the sale or transfer of the Loan unless such obligation is specifically assigned to and assumed by the transferee. Such Defeasance Borrower shall execute and deliver to Lender an assumption agreement in form and substance reasonably satisfactory to Lender, such Uniform Commercial Code financing statements as may be reasonably requested by Lender and legal opinions of counsel reasonably acceptable to Lender that are substantially equivalent to the opinions delivered to Lender on the Closing Date, including new non-consolidation opinions reasonably satisfactory to Lender and satisfactory to the Rating Agencies; and Borrower and the Defeasance Borrower shall deliver such other documents, certificates and legal opinions as Lender shall reasonably request.

(d) Borrower must give Lender and each Rating Agency at least 30 days' (and not more than 60 days') prior written notice of any Defeasance under this Section, specifying the date on which the Defeasance is to occur. If such Defeasance is not made on such date (x) Borrower's notice

of Defeasance will be deemed rescinded, and (y) Borrower shall on such date pay to Lender all reasonable losses, costs and expenses suffered by Lender as a consequence of such rescission.

(e) Upon satisfaction of the requirements contained in this Section 2.1, Lender will execute and deliver to Borrower such instruments, prepared by Borrower and approved by Lender, as shall be necessary to release the entirety of the Property, the Commercial Property, the ACL Music Venue Property, or the Remaining Property, as applicable, from the Liens of the Loan Documents and to release Borrower and Sponsor from any obligations, liabilities, guarantees and indemnities under the Loan Documents related to the applicable portion of the Property which has been released hereunder and which relate to events which first occur after the Defeasance, provided, Borrower and Sponsor shall continue to be liable under the Loan Documents related to any fraud or material misrepresentation made in conjunction with the Defeasance.

2.2 Assumption. From and after the first (1st) anniversary of the Closing Date, the initial Borrower shall have the right to contemporaneously Transfer all of the Collateral to a Successor Borrower that will assume all of the obligations of Borrower hereunder and under the other Loan Documents (an "Assumption"), provided no Event of Default or monetary Default is then continuing or would result therefrom and the following conditions are met to the reasonable satisfaction of Lender:

(i) such Successor Borrower shall have executed and delivered to Lender an assumption agreement (including an assumption of the Security Instrument in recordable form, if requested by Lender), in form and substance reasonably acceptable to Lender, evidencing its agreement to abide and be bound by the terms of the Loan Documents and containing representations substantially equivalent to those contained in Article IV (recast, as necessary, such that representations that specifically relate to Closing Date are remade as of the date of such Assumption), and such other representations (and evidence of the accuracy of such representations) as Lender shall reasonably request;

(ii) such Uniform Commercial Code financing statements as may be reasonably requested by Lender shall be filed;

(iii) (a) a Qualified Equityholder, or (b) a Person satisfactory to Lender in its sole discretion assumes all obligations, liabilities, guarantees and indemnities of Sponsor and any other guarantor under the Loan Documents pursuant to documentation satisfactory to Lender (and upon such Assumption by such Person, Sponsor and any other such guarantor shall be released from such obligations, liabilities, guarantees and indemnities);

(iv) such Successor Borrower shall have delivered to Lender legal opinions of counsel reasonably acceptable to Lender that are equivalent to the opinions delivered to Lender on the Closing Date, including new non-consolidation opinions that are reasonably satisfactory to Lender and satisfactory to each of the Rating Agencies; and Borrower and the Successor Borrower shall have delivered such other documents, certificates and legal

opinions, including relating to REMIC matters, as Lender shall reasonably request;

(v) such Successor Borrower shall have delivered to Lender all documents reasonably requested by it relating to the existence of such Successor Borrower and the due authorization of the Successor Borrower to assume the Loan and to execute and deliver the documents described in this Section, each in form and substance reasonably satisfactory to Lender, including a certified copy of the applicable resolutions from all appropriate persons, certified copies of the organizational documents of the Successor Borrower, together with all amendments thereto, and certificates of good standing or existence for the Successor Borrower issued as of a recent date by its state of organization and each other state where such entity, by the nature of its business, is required to qualify or register;

(vi) the Title Insurance Policy shall have been properly endorsed to reflect the Transfer of the Property to the Successor Borrower;

(vii) such Successor Borrower shall have delivered to Lender all documents reasonably requested by it relating to the assignment of the Approved Property Management Agreement and a current SNDA from the Approved Hotel Operator with respect to the Approved Hotel Operating Agreement for the benefit of Lender;

(viii) the Rating Condition shall have been satisfied with respect to the legal structure of the Successor Borrower, the documentation of the Assumption and the related legal opinions;

(ix) Borrower shall have paid to Lender a nonrefundable assumption fee in an amount equal to (A) 0.5% of the Principal Indebtedness for the first Assumption, and (B) 1.0% of the Principal Indebtedness for each subsequent Assumption, and Borrower shall have reimbursed Lender for its reasonable out-of-pocket costs and expenses incurred in connection with such Assumption; and

(x) unless any Approved Music Venue Lease shall have been terminated pursuant to Section 5.24(c), (a) the obligations of each Approved Music Venue Manager under its Approved Music Venue Lease and the Loan Documents to which it is a party shall have been assumed by a replacement Approved Music Venue Manager pursuant to an assumption agreement, in form and substance reasonably acceptable to Lender (and upon such assumption and the satisfaction of the other conditions set forth in this Article II, such Approved Music Venue Manager shall be released from such all obligations, liabilities, guarantees and indemnities under the Loan Documents), or (b) such replacement Approved Music Venue Manager enters into a replacement Approved Music Venue Lease acceptable to Lender, and in each case such replacement Approved Music Venue Manager shall have delivered to Lender all documents reasonably requested by Lender relating to the existence of such Approved Music Venue Manager and the due authorization of such Approved Music Venue Lease to assume the obligations thereunder and the Loan Documents to which it is a party, each in

form and substance reasonably satisfactory to Lender, including a certified copy of the applicable resolutions from all appropriate persons, certified copies of the organizational documents of the replacement Approved Music Venue Manager, together with all amendments thereto, and certificates of good standing or existence for such Approved Music Venue Manager issued as of a recent date by its state of organization and each other state where such Person, by the nature of its business, is required to qualify or register.

2.3 Transfers of Equity Interests in Borrower.

(a) Subject to Section 2.3(b), no direct or indirect equity interests in Borrower shall be conveyed or otherwise transferred to any Person, unless the following conditions are satisfied:

(i) no Event of Default or monetary Default shall be continuing at the time of such conveyance or transfer;

(ii) no Prohibited Change of Control or Prohibited Pledge shall occur as a result thereof;

(iii) if any such conveyance or transfer results in Borrower ceasing to be Controlled by Sponsor (and in connection with each subsequent conveyance or transfer that again changes the identity of the Qualified Equityholder that Controls Borrower), Borrower shall have paid to Lender a transfer fee in an amount equal to (A) 0.5% of the Principal Indebtedness for the first permitted change of Control, and (B) 1.0% of the Principal Indebtedness for each subsequent change of Control at the time of such conveyance or transfer;

(iv) if such conveyance or transfer results in any Person acquiring more than 49% of the direct or indirect equity interest in any Required SPE (even if not constituting a Prohibited Change of Control), Borrower shall have delivered to Lender with respect to such Person a new non-consolidation opinion that in Lender's reasonable judgment satisfies the then-current criteria of the Rating Agencies (and, to the extent that the criteria of the Rating Agencies has not changed in any material respect since the Closing Date, Lender's approval of any such non-consolidation opinion that is in substantially the form of the Non-consolidation Opinion shall not be unreasonably withheld, delayed or conditioned);

(v) Borrower shall have paid the costs and expenses (if any) of the Rating Agencies and Servicers and reimbursed Lender for its reasonable out-of-pocket costs and expenses incurred in connection with any such conveyance or transfer; and

(vi) Lender shall have received ten (10) days advance written notice of any conveyance or transfer of 10% or more of the direct or indirect equity interests in, or Control of, Borrower or for which a new non-consolidation opinion is required under clause (iv) above.

(b) In addition to the transfers permitted under subsection (a) above, direct and indirect transfers of (a) stock or other interests in Sponsor (including without limitation any transfers resulting from a privately negotiated sale, a merger, consolidation, or tender offer), and/or (b) shares in any direct or indirect parent of Sponsor that is listed on the New York Stock Exchange or any other nationally recognized exchange, shall be permitted at all times without the consent of, or any notice to, Lender, and without satisfaction of any other condition precedents (including the obligations to pay any fee for such transfer), so long as (i) Sponsor or any Qualified Equityholder that Controls Borrower at the time of such transfer continues to Control Borrower after such transfer and (ii) Borrower shall deliver evidence of any such transfer that is a reportable event under applicable Securities Exchange Commission rules within ten (10) Business Days of Lender's request to the extent such information is available to Borrower.

2.4 Partial Release Event. Lender shall release the Commercial Property and/or the ACL Music Venue Property (each such event being a "Partial Release Event") from the Lien of the Security Instrument and the other Loan Documents upon the satisfaction of the following conditions:

(a) Borrower may only undertake the Partial Release Event to the extent of a sale of the Commercial Property and/or the ACL Music Venue Property, as applicable, to an unaffiliated third party from and after the expiration of the Lockout Period and in no event shall Borrower be entitled to seek a release of either the Shared Facilities Unit or the Parking Unit (each as defined in the Declaration (Master)) as part of a Partial Release Event;

(b) Borrower shall provide not less than thirty (30) days nor more than ninety (90) days prior written notice to Lender specifying that the Partial Release Event shall occur;

(c) Any variations to the exact dimensions or legal description attributable to the Hotel Property, the Commercial Property, the ACL Music Venue Property, and the Remaining Property shall be subject to the prior written consent of Lender;

(d) Borrower shall submit to Lender, not less than ten (10) Business Days prior to the date of the proposed Partial Release Event, a prepared partial release instrument with respect to the Release Parcel (the "Partial Release Instrument"), which must be deemed satisfactory to Lender based on standards generally acceptable to prudent institutional commercial loan lenders undertaking similar review or exercising similar discretion with respect to a property similar in nature and location to the Property, and any information necessary for Lender to process the Partial Release Instrument, including a lot and block or metes and bounds description of the Release Parcel, the name and address of the title insurance company to whose attention the Partial Release Instrument should be directed, numbers that reference the Partial Release Instrument (i.e., tax parcel numbers, title company order numbers, release numbers, etc.), the date when the Partial Release Event is to become effective and the name and address of the prospective purchaser of such Release Parcel. The Partial Release Instrument shall be in a form appropriate in the jurisdiction in which the Release Parcel is located and shall be delivered, in escrow, by Lender to the title company so designated, to be held, released, delivered and recorded in accordance with Lender's escrow instructions requiring the satisfaction of all release conditions contained in this Section;

(e) No Default or Event of Default shall exist and be continuing;

(f) Borrower shall complete a Partial Defeasance in accordance with Section 2.1;

(g) Borrower shall deliver an opinion of counsel for Borrower that is standard in commercial lending transactions and subject only to customary qualifications, assumptions and exceptions opining, among other things, that any REMIC formed pursuant to a Securitization will not fail to maintain its status as a "real estate mortgage investment conduit" within the meaning of Section 860D of the Code as a result of such Partial Release Event;

(h) To the extent such condition is not otherwise waived by Lender, the Rating Condition with respect to the Partial Release Event shall have been satisfied;

(i) Borrower shall deliver an Officer's Certificate certifying that the requirements set forth in this Section 2.4 have been satisfied;

(j) Borrower shall deliver such other certificates, documents or instruments as Lender may reasonably request;

(k) Borrower must provide evidence, satisfactory to Lender of the following matters: (i) that following the Partial Release Event, the Remaining Property shall comply with all federal, state and local environmental, land use and zoning laws (including, without limitation, minimum lot size, parking regulations, set back lines, density requirements, lot coverage ratios, frontage, subdivision, site plan approval and access to a public right of way); (ii) that the proposed Partial Release Event and any future development on the Commercial Property and/or the ACL Music Venue Property, as applicable, will not have a material adverse impact on the quiet enjoyment of any Tenant of their demised premises located on the Remaining Property, the Approved Hotel Operator or patrons for the Hotel Property or the Approved Music Venue Manager for the ACL Music Venue Property (to the extent not subject to a Partial Release Event) unless otherwise approved by the appropriate Person; (iii) that all required notices have been given and consents obtained in connection with the proposed Partial Release Event, including (without limitation) the consent of any Governmental Authority and any Tenants located on the Remaining Property, (iv) that the Hotel Property, the Commercial Property, the ACL Music Venue Property and the Remaining Property will each be assessed as one or more separate tax parcels with respect to all property taxes and assessments; (v) that the future uses of the Commercial Property and the ACL Music Venue Property will not violate any covenant, restriction, condition, Leases or other title matter then encumbering the Remaining Property; and (vi) that at the time of the consummation of the Partial Release Event, there are no buildings or other improvements required for the operation of the Remaining Property located on the Commercial Property and/or the ACL Music Venue Property, as applicable, unless recorded easements and other declarations necessary to ensure the continued use thereof by the Remaining Property are in effect or will be created as part of the Partial Release Event;

(l) Without limiting the condition precedents set forth in item (k) above, the granting of applicable access and parking easements for use by the Commercial Property and/or the ACL Music Venue Property (to the extent subject to a Partial Release Event hereunder) over the Parking Unit in a form reasonably acceptable to Lender;

(m) If reasonably requested by Lender to the extent adequate parking rights are not then in effect, an insurable easement arrangement with respect to any applicable temporary and permanent parking arrangements located on the Commercial Property and/or the ACL Music Venue Property, as applicable, which parking facility will be without cost or expense to the owner of the Remaining Property, and to the extent available, an endorsement to the existing Title Insurance Policy providing title coverage to Lender with respect to such easement estate, if any, without exception (unless such exceptions are Permitted Encumbrances) and without any exception for Liens;

(n) The Release Parcel shall be conveyed, contemporaneously with the Partial Release Event, such that Borrower shall continue to be a Single-Purpose Entity following such Partial Release Event;

(o) The partial release of the Commercial Property and/or the ACL Music Venue Property shall not, in any way, impair or affect the Lien or priority of the Security Instrument relating to the Remaining Property;

(p) The release of the Commercial Property and/or the ACL Music Venue Property shall not (i) deny the Remaining Property reasonable access to public streets, roads or utilities, (ii) unreasonably divide any portion or tract of the Remaining Property into strips or parcels, (iii) result in Borrower, as a result of its ownership of the Remaining Property, failing to have the ability to appoint less than a majority of the members of the board of directors of the Associations or (iv) otherwise have a Material Adverse Effect on the Remaining Property as reasonably determined by Lender;

(q) Borrower shall deliver to Lender (i) an updated title report or commitment (issued by the title company that insured the Lien of the Security Instrument) reflecting that no additional title matters cover the Property other than the title matters set forth in the Title Insurance Policy, (ii) an endorsement to the Title Insurance Policy evidencing the continued first Lien priority of the Security Instrument (and with no such additional title matters) subject, however, to the Partial Release Event and additional easement coverage described hereinabove, and (iii) such other information as Lender may reasonably require; and

(r) Borrower shall pay all reasonable costs and expenses of Lender incurred in connection with any Partial Release Event, including (i) any costs and expenses associated with a release of the Lien of the Security Instrument as provided in this Section, (ii) reasonable attorneys' fees and expenses incurred in connection with the Partial Release Event, (iii) the costs and expenses of the Rating Agencies, (iv) any costs and expenses associated with obtaining any engineering reports, opinions and consents, satisfying a Rating Condition and any endorsement to the Title Insurance Policy; and (v) any recording fees, revenue, documentary stamp or intangible taxes or any other tax or charge due in connection with, or otherwise required to accomplish, the Partial Release Event (provided, Lender shall not charge a fixed release fee, convenience fee or any other similar fee in

connection with a Partial Release Event). Payment of the foregoing costs and expenses by Borrower shall be a condition precedent to the execution by Lender of the Partial Release Instrument.

ARTICLE III

ACCOUNTS

3.1 Cash Management Account.

(a) With respect to the Hotel Property, all cash proceeds received by Borrower or the Approved Hotel Operator from credit card transactions, all cash Revenues and all other amounts received by Borrower or the Approved Hotel Operator on behalf of Borrower shall be deposited into the Manager Accounts or the Approved FF&E Account (or, if the Approved Hotel Operator is terminated, all such cash proceeds received by Borrower from credit card transactions, cash Revenues and other amounts shall be deposited into the Lockbox Account or the Cash Management Account until a replacement hotel operator has been engaged in accordance with Section 5.10 and has established replacement Manager Accounts and a replacement Approved FF&E Account). All costs and expenses incurred in connection with the operation of the Hotel Property shall be paid solely from the Manager Accounts, the Approved FF&E Account or the Disbursement Account (or, to the extent permitted or required herein, the Cash Management Account), and no other account. Borrower shall not permit the amounts contained in any account owned by Borrower or the Approved Hotel Operator on behalf of Borrower to be commingled with the funds of any other Person. Subject to the rights of Lender under Section 3.1(e) and Section 3.13 hereof, and subject to and in strict accordance with the Approved Hotel Operating Agreement and the Approved Hotel SNDA, the Approved Hotel Operator shall be permitted to pay all costs and expenses incurred in connection with the operation of the Hotel Property, including, but not limited to Operating Expenses and Capital Expenditures, and all other amounts required or permitted to be paid by the Approved Hotel Operator in the performance of its duties and obligations with respect to the Property out of the Manager Accounts, the Approved FF&E Account and the Disbursement Account. Subject to the rights of Lender under Section 3.1(e) and Section 3.13 hereof, the Approved Hotel Operator shall have unrestricted access to the Manager Accounts, the Approved FF&E Account and the Disbursement Account to the extent and for the purposes set forth in the Approved Hotel Operating Agreement and this Agreement, unless and until the Borrower has exercised its right to terminate the Approved Hotel Operator because of a default under the Approved Hotel Operating Agreement or the Approved Hotel Operating Agreement has otherwise been terminated.

(b) With respect to the ACL Music Venue Property, all cash Revenues received by Borrower or any Approved Music Venue Manager shall be deposited into the ACL Music Venue Account or the ACL Music Venue Settlement Account (or, if the Approved Music Venue Lease is terminated, all such cash proceeds received by Borrower and other amounts shall be deposited into the Lockbox Account or the Cash Management Account until a replacement Approved Music Venue Lease has been entered and an applicable ACL Music Venue Account and ACL Music Venue Settlement Account, as appropriate, has been established). All costs and expenses incurred in connection with the operation of the ACL Music Venue Property shall be paid solely from the ACL Music Venue Account or the ACL Music Venue Settlement Account (or, to the extent permitted or

required herein, the Cash Management Account), and no other account. Each of Borrower and the Approved Music Venue Manager shall not permit the amounts contained in any account owned by Borrower or the Approved Music Venue Manager to be commingled with the funds of any other Person. Subject to and in strict accordance with the Approved Music Venue Lease, the Approved Music Venue Manager shall be permitted to pay all costs and expenses incurred in connection with the operation of the ACL Music Venue Property, including, but not limited to Operating Expenses and Capital Expenditures, and all other amounts required or permitted to be paid by the Approved Music Venue Operator in the performance of its duties and obligations with respect to the ACL Music Venue Property out of the ACL Music Venue Account or the ACL Music Venue Settlement Account. Subject to the rights of Lender under Section 3.1(f) and Section 3.13 hereof, the Approved Music Venue Manager shall have unrestricted access to the ACL Music Venue Account and the ACL Music Venue Settlement Account to the extent and for the purposes set forth in the Approved Music Venue Lease and this Agreement, unless and until the Borrower has exercised its right to terminate the Approved Music Venue Lease because of a default thereunder or the Approved Music Venue Lease has otherwise been terminated.

(c) On or prior to the Closing Date, Borrower shall establish and thereafter maintain with the Lockbox Bank a lockbox account into which certain income from the Property will be deposited (the “Lockbox Account”) as set forth in this Section 3.1(c) and Section 3.1(d). As a condition precedent to the closing of the Loan, Borrower shall cause the Lockbox Bank to execute and deliver an agreement (as modified or replaced in accordance herewith, a “Lockbox Account Agreement”) which provides, inter alia, that Borrower shall have no access to funds in the Lockbox Account and that at the end of each Business Day the Lockbox Bank will remit all amounts contained therein directly into a segregated Eligible Account specified from time to time by Lender (the “Cash Management Account”). Borrower shall cause any and all amounts otherwise required to be paid or remitted by the Approved Hotel Operator to Borrower pursuant to the Approved Hotel Operating Agreement and all other cash Revenues or other amounts received by Borrower with respect to the Property (including, without limitation, all amounts required to be paid to Borrower by any Tenant or the Approved Music Venue Manager under any Approved Music Venue Lease or any replacement thereof) to be remitted directly into the Cash Management Account or the Lockbox Account and, in the event that any such amounts or any other amounts in respect of the Property (including, without limitation, all amounts required to be paid to Borrower by any Tenant or the Approved Music Venue Manager under any Approved Music Venue Lease or any replacement thereof) are paid directly to Borrower, Borrower shall cause such amounts to be deposited into the Cash Management Account or the Lockbox Account within one (1) Business Day following Borrower’s receipt thereof, except for such other amounts that are required to be deposited into the Manager Accounts, Disbursement Account or the Approved FF&E Account pursuant to the Approved Hotel Operating Agreement or the ACL Music Venue Account or the ACL Music Venue Settlement Account pursuant to the Approved Music Venue Lease. The Cash Management Account shall be subject to the Cash Management Agreement which shall provide, among other things, that no party other than Lender and Servicer shall have the right to withdraw funds from the Cash Management Account and that the Cash Management Bank shall comply with all instructions and entitlement orders of Lender relating to the Cash Management Account and the other Collateral Accounts maintained at the Cash Management Bank pursuant to the Cash Management Agreement, in each case, without the consent of Borrower or any other Person.

(d) Within five Business Days following the Closing Date, Borrower shall deliver to each Tenant in the Commercial Property a written notice (a “Tenant Notice”) in the form of Exhibit B instructing that (i) all payments under the Leases shall thereafter be remitted by them directly to, and deposited directly into, the Lockbox Account, and (ii) such instruction may not be rescinded unless and until such Tenant receives from Borrower or Lender a copy of Lender’s written consent to such rescission. Borrower shall send a copy of each such written notice to Lender and shall redeliver such notices to each Tenant until such time as such Tenant complies therewith. Within five Business Days following the Closing Date, Borrower shall deliver to the Approved Music Venue Manager a similar written notice instructing that (i) all payments under the Approved Music Venue Lease shall thereafter be remitted directly to, and deposited directly into, the Lockbox Account, and (ii) such instruction may not be rescinded unless and until such Approved Music Venue Manager receives from Borrower or Lender a copy of Lender’s written consent to such rescission. Borrower shall send a copy of each such written notice to Lender and shall redeliver such notices to the Approved Music Venue Manager or any replacement thereof until such time as such Approved Music Venue Manager or any replacement thereof complies with such instructions.

(e) From and after the Closing Date, the Approved FF&E Account and each Manager Account shall at all times be subject to an Account Control Agreement, which agreement shall permit unrestricted access to such accounts by the Approved Hotel Operator, for the purposes set forth in the Approved Hotel Operating Agreement and this Agreement, unless and until (i) the Approved Hotel Operating Agreement has been terminated or (ii) (A) the Loan has been accelerated following an Event of Default and (B) the Approved Hotel Operator is in default under the Approved Hotel Operating Agreement and, as a result of such default, Borrower has the right to terminate the Approved Hotel Operating Agreement in accordance with the terms thereof, in either which case, only Lender shall have the right to access and direct the disbursement or transfer of the amounts in such account; provided, however, in the case of clause (i) above, upon replacement of the Approved Hotel Operator in accordance with Section 5.10, access to such accounts shall be transferred to such replacement Approved Hotel Operator for the use thereof pursuant to the replacement Approved Hotel Operating Agreement (so long as the Loan has not been accelerated following an Event of Default). Subject to the rights of Lender under the immediately preceding sentence and Section 3.13, only the Approved Hotel Operator shall be permitted to withdraw, transfer or direct the disbursement of amounts contained in the Approved FF&E Account and Manager Accounts for the purposes set forth in and in strict accordance with the Approved Hotel Operating Agreement, and neither Borrower nor any of its affiliates shall have the right to withdraw, transfer or direct the disbursement of amounts contained therein (and any withdrawal, transfer or disbursement by Borrower or its affiliates in violation of this sentence shall constitute a misappropriation of funds).

(f) From and after the Closing Date, the ACL Music Venue Account shall at all times be subject to an Account Control Agreement, which agreement shall permit unrestricted access to such account by the Approved Music Venue Manager, for the purposes set forth in the Approved Music Venue Lease and this Agreement, unless and until (i) the Approved Music Venue Lease has been terminated or (ii) the Loan has been accelerated following an Event of Default, in either which case, only Lender shall have the right to access and direct the disbursement or transfer of the amounts in such account; provided, however, in the case of clause (i) above, upon replacement of the Approved Music Venue Manager, access to such account shall be transferred to such replacement Approved

Music Venue Manager for the use thereof pursuant to the replacement Approved Music Venue Lease (so long as the Loan has not been accelerated following an Event of Default). Subject to the rights of Lender under the immediately preceding sentence and Section 3.13, only the Approved Music Venue Manager shall be permitted to withdraw, transfer or direct the disbursement of amounts contained in the ACL Music Venue Account for the purposes set forth in and in strict accordance with the Approved Music Venue Lease and this Agreement, and neither Borrower nor any of its affiliates shall have the right to withdraw, transfer or direct the disbursement of amounts contained therein (and any withdrawal, transfer or disbursement by Borrower or its affiliates in violation of this sentence shall constitute a misappropriation of funds).

(g) Lender shall have the right at any time and from time to time in its sole discretion to change the Eligible Institution at which any one or more of the Collateral Accounts (other than the Lockbox Account) is maintained (and in the case of any such change in respect of the Cash Management Account, Lender shall deliver not less than five Business Days' prior written notice to Borrower and the Lockbox Bank. In addition, during the continuance of an Event of Default or if the Lockbox Bank fails to comply with the Lockbox Account Agreement or ceases to be an Eligible Institution, Lender shall have the right at any time, upon not less than 30 days' prior written notice to Borrower, to replace the Lockbox Bank with any Eligible Institution at which Eligible Accounts may be maintained that will promptly execute and deliver to Lender a Lockbox Account Agreement satisfactory to Lender.

(h) Borrower shall maintain at all times an Operating Account into which amounts may be deposited from time to time pursuant to Section 3.2. Borrower shall not permit any amounts unrelated to the Property to be commingled with amounts on deposit in the Operating Account and shall cause all amounts payable with respect to Operating Expenses for the Property (other than the ACL Live Business and the Hotel Property which are paid by the Approved Hotel Operator in accordance with the Approved Hotel Operating Agreement) to be paid from the Operating Account (to the extent not otherwise paid from the Manager Accounts, the Approved FF&E Account, the Disbursement Account or the ACL Music Venue Lease as described herein as it pertains to the Hotel Property and the ACL Music Venue Property) or the Cash Management Account (to the extent required or permitted hereunder) and no other account. Borrower and the Approved Music Venue Manager shall deliver to Lender each month the monthly bank statement related to the Operating Account and the ACL Music Venue Account. So long as no Event of Default is continuing, Borrower shall be permitted to withdraw amounts from the Operating Account for the purpose of paying bona fide Property expenses incurred in accordance with this Agreement (to the extent not otherwise paid from the Manager Accounts, the Approved FF&E Account, the Disbursement Account or the ACL Music Venue Lease as described herein as it pertains to the Hotel Property and the ACL Music Venue Property); and provided no Event of Default or Trigger Period is continuing, Borrower shall be permitted to make equity distributions from amounts remaining therein after Property expenses (other than the ACL Live Business and the Hotel Property which are paid by the Approved Hotel Operator in accordance with the Approved Hotel Operating Agreement) that are then due and payable have been paid. During the continuance of an Event of Default, all amounts contained in the Operating Account shall be remitted to the Cash Management Account.

3.2 Distributions from Cash Management Account.

(a) So long as there is no continuing Event of Default or Trigger Period, Lender shall transfer from the Cash Management Account to the Operating Account, at the end of each month (or, at Borrower's election, on a less or more frequent basis), the amount, if any, by which amounts then contained in the Cash Management Account exceed the aggregate amount required to be paid to or reserved with Lender on the next Payment Date pursuant hereto; provided, however, that Lender shall terminate such remittances during the continuance of an Event of Default or Trigger Period.

(b) On each Payment Date, provided no Event of Default is continuing (and, if and to the extent Lender so elects in its sole discretion, during the continuance of an Event of Default until the Loan has been accelerated), Lender shall transfer amounts from the Cash Management Account, to the extent available therein, to make the following payments in the following order of priority:

(i) to the Basic Carrying Costs Escrow Account, the amounts then required to be deposited therein pursuant to Section 3.4;

(ii) to Lender, the amount of all scheduled or delinquent interest and principal on the Loan and all other amounts then due and payable under the Loan Documents (with any amounts in respect of principal paid last);

(iii) during the continuance of a Trigger Period, to the Operating Account, an amount equal to the Budgeted Operating Expenses for the month in which such Payment Date occurs, provided that the amounts disbursed to such account pursuant to this clause (iii) shall be used by Borrower solely to pay Budgeted Operating Expenses for such month (Borrower agreeing that, in the event that such Budgeted Operating Expenses exceed the actual operating expenses for such month, such excess amounts shall be remitted by Borrower to the Cash Management Account prior to the next succeeding Payment Date) and provided further that no amounts will be disbursed to Borrower in respect of (A) the fees of the Approved Property Manager to the extent such fees exceed the Maximum Management Fee, and (B) the fees of the Approved Hotel Operator to the extent such fees exceed the base management fee set forth in the Approved Hotel Operating Agreement;

(iv) to the FF&E Expenditure Reserve Account, the amount, if any, required to be deposited therein pursuant to Section 3.8;

(v) to the Capital Expenditure (ACL Music Venue Property) Reserve Account, the amount, if any, required to be deposited therein pursuant to Section 3.9;

(vi) to the Capital Expenditure (Commercial Property) Reserve Account, the amount, if any, required to be deposited therein pursuant to Section 3.7;

(vii) to the ACL Music Venue Reserve Account, the amount, if any, required to be deposited therein pursuant to Section 3.6;

(viii) to the TI/LC Reserve Account, the amount, if any, required to be deposited therein pursuant to Section 3.5;

(ix) during the continuance of a Trigger Period or Event of Default, all remaining amounts to the Excess Cash Flow Reserve Account; and

(x) if no Trigger Period or Event of Default is continuing, all remaining amounts to the Operating Account.

(c) If on any Payment Date the amount in the Cash Management Account is insufficient to make all of the transfers described above (other than remittance of excess cash to the Excess Cash Flow Reserve Account or the Operating Account), then Borrower shall remit to the Cash Management Account on such Payment Date the amount of such deficiency. If Borrower fails to remit such amount to the Cash Management Account, the same shall constitute an Event of Default and, in addition to all other rights and remedies provided for under the Loan Documents, Lender may disburse and apply the amounts in the Collateral Accounts in accordance with Section 3.10(c).

3.3 Loss Proceeds Account.

(a) Upon the occurrence of a Casualty or Condemnation, Lender will maintain an Eligible Account (which may be a subaccount of the Cash Management Account) for the purpose of depositing any Loss Proceeds (the "Loss Proceeds Account").

(b) Provided no Event of Default is continuing, funds in the Loss Proceeds account shall be applied in accordance with Section 5.16.

3.4 Basic Carrying Costs Escrow Account.

(a) Lender will maintain an Eligible Account (which may be a subaccount of the Cash Management Account) for the purpose of reserving amounts payable by Borrower in respect of Taxes and insurance premiums (the "Basic Carrying Costs Escrow Account").

(b) On the Closing Date, the Basic Carrying Costs Escrow Account shall be funded in an amount equal to the sum of (i) an amount sufficient to pay all Taxes by the 30th day prior to the date they come due, assuming subsequent monthly fundings on Payment Dates of 1/12 of projected annual Taxes, plus (ii) an amount sufficient to pay all insurance premiums by the 30th day prior to the date they come due, assuming subsequent monthly fundings on Payment Dates of 1/12 of projected annual insurance premiums.

(c) On each subsequent Payment Date, an additional deposit shall be made therein in an amount equal to the sum of:

(A) 1/12 of the Taxes that Lender reasonably estimates, based on information provided by Borrower, will be payable during the next ensuing 12 months, plus

(B) 1/12 of the insurance premiums that Lender reasonably estimates, based on information provided by Borrower, will be payable during the next ensuing 12 months;

provided, however, that if at any time Lender reasonably determines that the amount in the Basic Carrying Costs Escrow Account will not be sufficient to accumulate (upon payment of subsequent monthly amounts in accordance with the provisions of this Agreement) the full amount of all installments of Taxes and insurance premiums by the date on which such amounts come due, then Lender shall notify Borrower of such determination and Borrower shall increase its monthly payments to the Basic Carrying Costs Escrow Account by the amount that Lender reasonably estimates is sufficient to achieve such accumulation.

(d) Borrower shall provide or cause to be provided to Lender with copies of all tax and insurance bills relating to the Property promptly after Borrower's receipt thereof. Lender will apply amounts in the Basic Carrying Costs Escrow Account toward the purposes for which such amounts are deposited therein. In connection with the making of any payment from the Basic Carrying Costs Escrow Account, Lender may cause such payment to be made according to any bill, statement or estimate provided by Borrower or procured from the appropriate public office or insurance carrier, without inquiry into the accuracy of such bill, statement or estimate or into the validity of any tax, assessment, sale, forfeiture, tax lien or title or claim thereof unless given written advance notice by Borrower of such inaccuracy, invalidity or other contest.

(e) During a continuing Event of Default or to the extent Lender has commercially reasonable grounds to question the Taxes to be paid in relation to the Property, (i) Borrower shall provide, at Borrower's expense, a tax service contract for the term of the Loan issued by a tax reporting agency reasonably acceptable to Lender, or (ii) if Lender does not elect to obtain a tax service contract, Borrower shall reimburse Lender for the cost of making annual tax searches throughout the remaining term of the Loan.

3.5 TI/LC Reserve Account.

(a) Lender will establish and maintain an Eligible Account (which may be a subaccount of the Cash Management Account) for the purpose of reserving amounts in respect of Tenant Improvements, Leasing Commissions, unpaid or free rent associated with any new or existing Leases with respect to the Commercial Property (the "TI/LC Reserve Account").

(b) On each Payment Date commencing with the Payment Date on which Borrower is obligated to commence making a required scheduled payment of principal and interest hereunder, Borrower shall deposit into the TI/LC Reserve Account an amount equal to the Monthly TI/LC Amount.

(c) Upon the request of Borrower at any time that no Event of Default is continuing (but not more often than once per calendar month), Lender shall promptly cause disbursements to Borrower from the TI/LC Reserve Account to reimburse Borrower for Leasing Commissions and Tenant Improvement costs incurred by Borrower in connection with a new Lease (or Lease extension

or expansion of the square footage which is subject to an existing Lease) entered into in accordance herewith, provided that:

(i) Borrower shall deliver to Lender invoices evidencing that the costs for which such disbursements are requested are due and payable;

(ii) Borrower shall deliver to Lender an Officer's Certificate confirming that all such costs have been previously paid by Borrower or will be paid from the proceeds of the requested disbursement and that all conditions precedent to such disbursement required by the Loan Documents have been satisfied; and

(iii) Lender may condition the making of a requested disbursement on (1) reasonable evidence establishing that Borrower has applied any amounts previously received by it in accordance with this Section for the expenses to which specific draws made hereunder relate and (2) with respect to disbursements for Tenant Improvements relating to any single Tenant or any single Lease in excess of \$250,000 in the aggregate (whether disbursed in a lump sum or multiple installments), (x) a reasonably satisfactory site inspection, (y) receipt of conditional lien releases and waivers (conditioned solely upon receipt of payment) from any contractors, subcontractors and others with respect to such amounts and (z) receipt of final lien releases and waivers from any contractors, subcontractors and others who were paid with prior disbursements made hereunder and for whom conditional lien releases and waivers were previously provided.

(d) Whenever a Lease is terminated, in whole or in part, whether by buy-out, cancellation, default, rejection or otherwise, and Borrower receives any payment, fee, damages or penalty in respect of such termination (a "Termination Fee"), Borrower shall promptly cause such Termination Fee to be deposited into the TI/LC Reserve Account. Provided no Event of Default is continuing, (i) Lender shall disburse such Termination Fee or portion thereof to Borrower at the written request of Borrower in respect of Leasing Commissions and Tenant Improvement costs incurred by Borrower in connection with a replacement Lease entered into in accordance with the terms of this Agreement in respect of the space covered by such terminated Lease and (ii) unless a Trigger Period is continuing, the remainder of such Termination Fee or portion thereof, if any, shall be remitted to the Cash Management Account after the space covered by such terminated Lease has been relet, the replacement Tenant is in occupancy and has commenced paying rent under the replacement Lease and all Leasing Commissions and Tenant Improvement costs relating to such space have been paid.

3.6 ACL Music Venue Reserve Account.

(a) Lender will establish and maintain an Eligible Account (which may be a subaccount of the Cash Management Account) for the purpose of reserving amounts in respect of Tenant Improvements, Leasing Commissions and Capital Expenditures with respect to the ACL Music Venue Property (the "ACL Music Venue Reserve Account").

(b) On each Payment Date following an ACL Music Venue Trigger Event, Borrower shall deposit into the ACL Music Venue Reserve Account if and to the extent the amount contained therein is less than the ACL Music Venue Reserve Threshold Amount, an amount equal to

the Monthly ACL Music Venue Amount, provided, if at the conclusion of any subsequent Test Period, an ACL Music Venue Trigger Event ceases to exist, then a Monthly ACL Music Venue Amount will not thereafter be required to be deposited into the ACL Music Venue Reserve Account unless and until there is a subsequent ACL Music Venue Trigger Event.

(c) Upon the request of Borrower at any time that no Event of Default is continuing (but not more often than once per calendar month), Lender shall promptly cause disbursements to the Approved Music Venue Manager from the ACL Music Venue Reserve Account to reimburse the Approved Music Venue Manager for (i) Leasing Commissions and Tenant Improvement costs incurred in connection with the leasing of portions of the ACL Music Venue Property and (ii) Capital Expenditures associated with the ACL Music Venue Property, provided that:

(i) Borrower or the Approved Music Venue Manager shall deliver to Lender invoices evidencing that the costs for which such disbursements are requested are due and payable;

(ii) Borrower or the Approved Music Venue Manager shall deliver to Lender an Officer's Certificate confirming that all such costs have been previously paid by Borrower or the Approved Music Venue Manager or will be paid from the proceeds of the requested disbursement and that all conditions precedent to such disbursement required by the Loan Documents have been satisfied; and

(iii) Lender may condition the making of a requested disbursement on (1) reasonable evidence establishing that the Approved Music Venue Manager has applied any amounts previously received by it in accordance with this Section for the expenses to which specific draws made hereunder relate and (2) with respect to disbursements for Capital Expenditures or Tenant Improvements in excess of \$250,000 in the aggregate (whether disbursed in a lump sum or multiple installments), (x) a reasonably satisfactory site inspection, (y) receipt of conditional lien releases and waivers (conditioned solely upon receipt of payment) from any contractors, subcontractors and others with respect to such amounts and (z) receipt of final lien releases and waivers from any contractors, subcontractors and others who were paid with prior disbursements made hereunder and for whom conditional lien releases and waivers were previously provided.

(d) So long as no Event of Default is continuing, Borrower, at its election, may replace the amounts required to be deposited into the ACL Music Venue Reserve Account pursuant to this Section 3.6 at any time and from time to time by delivering to Lender one or more Qualified Letters of Credit in amount(s) equal to the amounts being so replaced (and provided no Event of Default is continuing, upon delivery of any such Qualified Letter of Credit, any the amounts so replaced shall be promptly remitted to Borrower). Borrower shall pay to Lender all of Lender's reasonable out-of-pocket costs and expenses in connection with the Qualified Letter of Credit including the assignment thereof. Borrower shall not be entitled to draw from the Qualified Letter of Credit and no party other than Lender shall be entitled to draw thereon. Lender shall be entitled to draw on any such Qualified Letter of Credit, and hold the proceeds of such draws as additional Collateral, immediately and without further notice, (a) upon the occurrence and during the continuance of any Event of Default, (b) if Borrower shall not have delivered to Lender, no less than 30 days prior

to the termination of any Qualified Letter of Credit, a replacement Qualified Letter of Credit reasonably satisfactory to Lender, or (c) if Borrower shall not have delivered to Lender, within 10 days after Lender has delivered written notice to Borrower that the issuer of such Qualified Letter of Credit ceases to be an Eligible Institution, a replacement Qualified Letter of Credit satisfactory to Lender. Provided no Event of Default is continuing, if so requested by Borrower in writing, Borrower shall have the right to replace any Qualified Letter of Credit delivered to Lender pursuant to this Section 3.6 by remitting to the ACL Music Venue Reserve Account the amount that would have been contained therein had Borrower not delivered such Qualified Letter of Credit and the deposits required pursuant to this Agreement had been made into the ACL Music Venue Reserve Account, and upon depositing such amount into the ACL Music Venue Reserve Account, Lender shall return to Borrower the applicable Qualified Letter of Credit and Borrower shall be permitted to cancel the same. Upon repayment of the Indebtedness in full, any Qualified Letter of Credit held by Lender pursuant to this Section shall be promptly returned to Borrower, and Borrower shall be permitted to cancel the same.

3.7 Capital Expenditure (Commercial Property) Reserve Account.

(a) Lender will establish and maintain an Eligible Account (which may be a subaccount of the Cash Management Account) for the purpose of reserving amounts in respect of Capital Expenditures made in connection with the Commercial Property (the "Capital Expenditure (Commercial Property) Reserve Account").

(b) On each Payment Date commencing with the Payment Date on which Borrower is obligated to commence making a required scheduled payment of principal and interest hereunder, Borrower shall deposit into the Capital Expenditure (Commercial Property) Reserve Account an amount equal to the Monthly Capital Expenditure (Commercial Property) Amount.

(c) Upon the request of Borrower at any time that no Event of Default is continuing (but not more often than once per calendar month), Lender shall promptly cause disbursements to Borrower from the Capital Expenditure (Commercial Property) Reserve Account to reimburse Borrower for Capital Expenditures made with respect to the Commercial Property that are consistent with the Annual Budget or the Approved Annual Budget, as applicable; provided that:

(i) Borrower shall deliver to Lender invoices evidencing that the costs for which such disbursements are requested are due and payable;

(ii) Borrower shall deliver to Lender an Officer's Certificate confirming that all such costs have been previously paid by Borrower or will be paid from the proceeds of the requested disbursement and that all conditions precedent to such disbursement required by the Loan Documents have been satisfied; and

(iii) Lender may condition the making of a requested disbursement on (1) reasonable evidence establishing that Borrower has applied any amounts previously received by it in accordance with this Section for the expenses to which specific draws made

hereunder relate and (2) with respect to disbursements for Capital Expenditures relating to any single capital improvement with respect to the Commercial Property costing in excess of \$250,000 in the aggregate (whether disbursed in a lump sum or multiple installments), (x) a reasonably satisfactory site inspection, (y) receipt of conditional lien releases and waivers (conditioned solely upon receipt of payment) from any contractors, subcontractors and others with respect to such amounts and (z) receipt of final lien releases and waivers from any contractors, subcontractors and others who were paid with prior disbursements made hereunder and for whom conditional lien releases and waivers were previously provided.

3.8 FF&E Expenditure Reserve Account.

(a) Lender will establish and maintain an Eligible Account (which may be a subaccount of the Cash Management Account) for the purpose of reserving amounts in respect of Capital Expenditures made in connection with the Hotel Property (the "FF&E Expenditure Reserve Account").

(b) On each Payment Date commencing with the Payment Date on which Borrower is obligated to commence making a required scheduled payment of principal and interest hereunder, there shall be deposited into the FF&E Expenditure Reserve Account an amount equal to the Monthly FF&E Expenditure Amount.

(c) Upon the request of Borrower at any time that no Event of Default is continuing (but not more often than once per calendar month), Lender shall promptly cause disbursements to Borrower from the FF&E Expenditure Reserve Account to reimburse Borrower for Capital Expenditures made with respect to the Hotel Property that are consistent with the Annual Budget or the Approved Annual Budget, to the extent applicable, provided that:

(i) Borrower shall deliver to Lender invoices evidencing that the costs for which such disbursements are requested are due and payable;

(ii) Borrower shall deliver to Lender an Officer's Certificate confirming that all such costs have been previously paid by Borrower or will be paid from the proceeds of the requested disbursement and that all conditions precedent to such disbursement required by the Loan Documents have been satisfied; and

(iii) Lender may condition the making of a requested disbursement on (1) reasonable evidence establishing that Borrower has applied any amounts previously received by it in accordance with this Section for the expenses to which specific draws made hereunder relate and (2) with respect to disbursements for Capital Expenditures relating to any single capital improvement with respect to the Hotel Property costing in excess of \$250,000 in the aggregate (whether disbursed in a lump sum or multiple installments), (x) a reasonably satisfactory site inspection, (y) receipt of conditional lien releases and waivers (conditioned solely upon receipt of payment) from any contractors, subcontractors and others with respect to such amounts and (z) receipt of final lien releases and waivers from any contractors, subcontractors and others who were paid with prior disbursements made

hereunder and for whom conditional lien releases and waivers were previously provided.

(d) Notwithstanding the foregoing, Borrower shall not be required to make a deposit into the FF&E Expenditure Reserve Account in order to reserve amounts in respect of Capital Expenditures made in connection with the Hotel Property to the extent (i) the equivalent deposits have already been paid or are paid by Borrower directly to the Approved Hotel Operator pursuant to Section 5.2.3 of the Approved Hotel Operating Agreement, provided (i) Borrower provides Lender with satisfactory evidence that such amounts (which, as of the Closing Date, shall be at least 4.0% of gross revenues of the Hotel Property) have been reserved with the Approved Hotel Operator in the Approved FF&E Account, (ii) the Approved Hotel Operating Agreement shall be and continue in full force and effect and shall not be subject to any default beyond any applicable grace or notice and cure period by Borrower, and (iii) no material adverse change should, in Lender's reasonable determination, have occurred with respect to the Approved Hotel Operator such that the amounts reserved in respect of Capital Expenditures made in connection with the Hotel Property which Borrower is required to reserve pursuant to the Approved Hotel Operating Agreement in the Approved FF&E Account has, in Lender's reasonable determination, been materially jeopardized.

3.9 Capital Expenditure (ACL Music Venue Property) Reserve Account .

(a) Lender will establish and maintain an Eligible Account (which may be a subaccount of the Cash Management Account) for the purpose of reserving amounts in respect of Capital Expenditures made in connection with the ACL Music Venue Property (the "Capital Expenditure (ACL Music Venue Property) Reserve Account").

(b) On each Payment Date commencing with the Payment Date on which Borrower is obligated to commence making a required scheduled payment of principal and interest hereunder, Borrower shall deposit into the Capital Expenditure (ACL Music Venue Property) Reserve Account an amount equal to the Monthly Capital Expenditure (ACL Music Venue Property) Amount.

(c) Upon the request of Borrower at any time that no Event of Default is continuing (but not more often than once per calendar month), Lender shall promptly cause disbursements to Borrower from the Capital Expenditure (ACL Music Venue Property) Reserve Account to reimburse Borrower for Capital Expenditures made with respect to the ACL Music Venue Property that are consistent with the Annual Budget or the Approved Annual Budget, as appropriate; provided that:

(i) Borrower shall deliver to Lender invoices evidencing that the costs for which such disbursements are requested are due and payable;

(ii) Borrower shall deliver to Lender an Officer's Certificate confirming that all such costs have been previously paid by Borrower or will be paid from the proceeds of the requested disbursement and that all conditions precedent to such disbursement required by the Loan Documents have been satisfied; and

(iii) Lender may condition the making of a requested disbursement on (1) reasonable evidence establishing that Borrower has applied any amounts previously received by it in accordance with this Section for the expenses to which specific draws made hereunder relate and (2) with respect to disbursements for Capital Expenditures relating to any single capital improvement with respect to the ACL Music Venue Property costing in excess of \$250,000 in the aggregate (whether disbursed in a lump sum or multiple installments), (x) a reasonably satisfactory site inspection, (y) receipt of conditional lien releases and waivers (conditioned solely upon receipt of payment) from any contractors, subcontractors and others with respect to such amounts and (z) receipt of final lien releases and waivers from any contractors, subcontractors and others who were paid with prior disbursements made hereunder and for whom conditional lien releases and waivers were previously provided.

3.10 Showcase Venue Reserve Account.

(a) Lender shall establish and maintain an Eligible Account (which may be a subaccount of the Cash Management Account) for the purpose of reserving for the Showcase Venue Space (the "Showcase Venue Reserve Account").

(b) On the Closing Date, Borrower shall deposit into the Showcase Venue Reserve Account, from the proceeds of the Loan, an amount equal to the Showcase Venue Deposit Amount.

(c) Upon the request of Borrower at any time that no Event of Default is continuing, Lender shall disburse the balance of funds on deposit in the Showcase Venue Reserve Account, provided, that, Borrower satisfies the following:

(i) Showcase Venue Tenant shall be in occupancy of the entirety of the Showcase Venue Space, open for business and paying unabated monthly rent, which payment shall be evidenced by canceled checks or other documentation reasonably acceptable to Lender;

(ii) Borrower shall have delivered an estoppel certificate from Showcase Venue Tenant on Lender's standard form or another form reasonably acceptable to Lender and confirming that Showcase Venue Tenant has begun paying monthly rent, all Tenant Improvements, Leasing Commissions and similar costs have been paid and are otherwise complete and that no monetary defaults or other material non-monetary defaults are currently existing with respect to the Lease with the Showcase Venue Tenant; and

(iii) Borrower shall have delivered to Lender an Officer's Certificate confirming that all conditions precedent to such disbursement required by this Section have been satisfied.

3.11 Reserved.

3.12 Excess Cash Flow Reserve Account.

(a) Lender will maintain an Eligible Account (which may be a subaccount of the Cash Management Account) for the deposit of amounts required to be deposited therein in accordance with Section 3.2(b) (the "Excess Cash Flow Reserve Account").

(b) Provided that no Event of Default is then continuing, Lender shall release to the Cash Management Account all amounts then contained in the Excess Cash Flow Reserve Account on the first Payment Date after Borrower delivers to Lender evidence reasonably satisfactory to Lender establishing that no Trigger Period is then continuing. Such a release shall not preclude the subsequent commencement of a Trigger Period and the deposit of amounts into the Excess Cash Flow Reserve Account as set forth in Section 3.2(b).

3.13 Account Collateral.

(a) Borrower hereby pledges the Account Collateral and the Operating Account to Lender as security for the Indebtedness, together with all rights of a secured party with respect thereto, it being the intention of the parties that such pledge shall be a perfected first-priority security interest. Each Collateral Account shall be an Eligible Account under the sole dominion and control of Lender. Borrower shall have no right to make withdrawals from any of the Collateral Accounts other than the Operating Account. Funds in the Collateral Accounts shall not be commingled with any other monies at any time. Borrower shall execute any additional documents that Lender in its reasonable discretion may require and shall provide all other evidence reasonably requested by Lender to evidence or perfect its first-priority security interest in the Account Collateral. Funds in the Collateral Accounts shall be invested only in Permitted Investments, which Permitted Investments shall be credited to the related Collateral Account. All income and gains from the investment of funds in the Collateral Accounts other than the Basic Carrying Costs Escrow Account shall be retained in the Collateral Accounts from which they were derived. Unless otherwise required by applicable law, all income and gains from the investment of funds in the Basic Carrying Costs Escrow Account shall be for the account of Lender in consideration of its administration of such Collateral Account, and Lender shall have the right at any time to withdraw such amounts from the Basic Carrying Costs Escrow Account. All fees of the Cash Management Bank and the Lockbox Bank shall be paid by Borrower. After the Loan and all other Indebtedness have been paid in full, the Collateral Accounts shall be closed and the balances therein, if any, shall be paid to Borrower.

(b) The insufficiency of amounts contained in the Collateral Accounts shall not relieve Borrower from its obligation to fulfill all covenants contained in the Loan Documents.

(c) During the continuance of an Event of Default, Lender may, in its sole discretion, apply funds in the Collateral Accounts, and funds resulting from the liquidation of Permitted Investments contained in the Collateral Accounts, either toward the components of the Indebtedness (e.g., interest, principal and other amounts payable hereunder) and/or toward the payment of Property expenses.

3.14 Bankruptcy. Borrower and Lender acknowledge and agree that upon the filing of a bankruptcy petition by or against Borrower under the Bankruptcy Code, the Account Collateral and the Revenues (whether then already in the Collateral Accounts, or then due or becoming due thereafter) shall be deemed not to be property of Borrower's bankruptcy estate within the meaning of Section 541 of the Bankruptcy Code. If, however, a court of competent jurisdiction determines that, notwithstanding the foregoing characterization of the Account Collateral and the Revenues by Borrower and Lender, the Account Collateral and/or the Revenues do constitute property of Borrower's bankruptcy estate, then Borrower and Lender further acknowledge and agree that all such Revenues, whether due and payable before or after the filing of the petition, are and shall be cash collateral of Lender. Borrower acknowledges that, upon the filing of a bankruptcy petition by or against Borrower under the Bankruptcy Code, Lender does not consent to Borrower's use of such cash collateral and that, in the event Lender elects (in its sole discretion) to give such consent, such consent shall only be effective if given in writing signed by Lender. Except as provided in the immediately preceding sentence, upon the filing of a bankruptcy petition by or against Borrower under the Bankruptcy Code, Borrower shall not have the right to use or apply or require the use or application of such cash collateral (i) unless Borrower shall have received a court order authorizing the use of the same, and (ii) Borrower shall have provided such adequate protection to Lender as shall be required by the bankruptcy court in accordance with the Bankruptcy Code.

ARTICLE IV REPRESENTATIONS

Each of Borrower and the Approved Music Venue Manager, as appropriate, represents to Lender that, as of the Closing Date, except as set forth in the Exception Report:

4.1 Organization.

(a) Each Required SPE is duly organized, validly existing and in good standing under the laws of the State of Delaware (as to Borrower) and the State of Texas (as to Approved Music Venue Manager), and is in good standing in each other jurisdiction where ownership of its properties or the conduct of its business requires it to be so, and each Required SPE has all power and authority under such laws and its organizational documents and all material governmental licenses, authorizations, consents and approvals required to carry on its business as now conducted.

(b) The organizational chart contained in Exhibit A is true and correct as of the date hereof.

4.2 Authorization. Each of Borrower and Approved Music Venue Manager, to the extent a party thereto, has the power and authority to enter into this Agreement and the other Loan Documents, to perform its obligations hereunder and thereunder and to consummate the transactions contemplated by the Loan Documents and has by proper action duly authorized the execution and delivery of the Loan Documents.

4.3 No Conflicts. Neither the execution and delivery of the Loan Documents, nor the consummation of the transactions contemplated therein, nor performance of and compliance with the terms and provisions thereof will (i) violate or conflict with any provision of its formation and governance documents, (ii) violate any Legal Requirement, regulation (including Regulation U, Regulation X or Regulation T), order, writ, judgment, injunction, decree or permit applicable to it, (iii) violate or conflict with contractual provisions of, or cause an event of default under, any indenture, loan agreement, mortgage, contract or other Material Agreement to which Borrower or Approved Music Venue Manager or any of its direct or indirect equityholders is a party or may be bound, or (iv) result in or require the creation of any Lien or other charge or encumbrance upon or with respect to the Collateral in favor of any Person other than Lender.

4.4 Consents. No consent, approval, authorization or order of, or qualification with, any court or Governmental Authority is required in connection with the execution, delivery or performance by Borrower and Approved Music Venue Manager of this Agreement or the other Loan Documents, except for any of the foregoing that have already been obtained.

4.5 Enforceable Obligations. This Agreement and the other Loan Documents have been duly executed and delivered by Borrower and Approved Music Venue Manager, to the extent a party thereto, and constitute Borrower's and Approved Music Venue Manager's legal, valid and binding obligations (to the extent a party thereto), enforceable in accordance with their respective terms, subject to bankruptcy, insolvency and similar laws of general applicability relating to or affecting creditors' rights and to general equity principles. The Loan Documents to which Sponsor is a party have been duly executed and delivered by Sponsor and constitute Sponsor's legal, valid and binding obligations, enforceable in accordance with their respective terms, subject to bankruptcy, insolvency and similar laws of general applicability relating to or affecting creditors' rights and to general equity principles. To Borrower's knowledge, the Loan Documents are not subject to any right of rescission, offset, abatement, counterclaim or defense by Borrower or Sponsor, including the defense of usury or fraud.

4.6 No Default. No Default or Event of Default will exist immediately following the making of the Loan.

4.7 Payment of Taxes. Borrower has filed, or caused to be filed, all tax returns (federal, state, local and foreign) required to be filed and paid all amounts of taxes due (including interest and penalties) except for taxes that are not yet delinquent and has paid all other taxes, fees, assessments and other governmental charges (including mortgage recording taxes, documentary stamp taxes and intangible taxes) owing by it necessary to preserve the Liens in favor of Lender.

4.8 Compliance with Law. Borrower, Approved Music Venue Manager, the Property and the use thereof comply in all material respects with all applicable Insurance Requirements and Legal Requirements, including building and zoning ordinances and codes. The Property conforms to current zoning requirements (including requirements relating to parking) and is neither an illegal nor a legal nonconforming use except as specified in the zoning report delivered to Lender in connection with the Closing. Each of Borrower and Approved Music Venue Manager is not in default or violation of any order, writ, injunction, decree or demand of any Governmental Authority the violation of which could adversely affect the Property or the condition (financial or otherwise) or business of Borrower

or Approved Music Venue Manager. There has not been committed by or on behalf of Borrower, Approved Music Venue Manager or, to Borrower's knowledge, any other person in occupancy of or involved with the operation or use of the Property, any act or omission affording any federal Governmental Authority or any state or local Governmental Authority the right of forfeiture as against the Property or any portion thereof or any monies paid in performance of its obligations under any of the Loan Documents. Neither Borrower nor Sponsor has purchased any portion of the Property with proceeds of any illegal activity.

4.9 ERISA. Neither Borrower nor, to Borrower's knowledge, any ERISA Affiliate of Borrower has incurred or could be subjected to any liability under Title IV or Section 302 of ERISA or Section 412 of the Code or maintains or contributes to, or is or has been required to maintain or contribute to, any employee benefit plan (as defined in Section 3(3) of ERISA) subject to Title IV or Section 302 of ERISA or Section 412 of the Code. The consummation of the transactions contemplated by this Agreement will not constitute or result in any non-exempt prohibited transaction under Section 406 of ERISA, Section 4975 of the Code or substantially similar provisions under federal, state or local laws, rules or regulations.

4.10 Investment Company Act. Borrower and Sponsor each qualify for the exemption set forth in Section 3(c)(5) or Section 3(c)(6), as applicable, of the Investment Company Act of 1940, as amended, and as a result is not an "investment company", or a company "controlled" by an "investment company", registered or required to be registered thereunder.

4.11 No Bankruptcy Filing. Neither Borrower nor Approved Music Venue Manager is contemplating either the filing of a petition by it under any state or federal bankruptcy or insolvency laws or the liquidation of all or a major portion of its assets or property. Neither Borrower nor Approved Music Venue Manager has knowledge of any Person contemplating the filing of any such petition against it. During the ten year period preceding the Closing Date, no petition in bankruptcy has been filed by or against any Required SPE, Sponsor, any of their respective affiliates or any Person that owns or controls, directly or indirectly, ten percent or more of the beneficial ownership interests in Borrower, any Required SPE or Sponsor and no such Persons have been convicted of a felony. Borrower has not received notice of and is not otherwise aware of any Tenant under a Major Lease contemplating or having filed any of the foregoing actions.

4.12 Other Debt. Borrower does not have outstanding any Debt other than Permitted Debt.

4.13 Litigation. To Borrower's and Approved Music Venue's knowledge, (i) there are no actions, suits, proceedings, arbitrations or governmental investigations by or before any Governmental Authority or other court or agency now filed or otherwise pending and (ii) there are no such actions, suits, proceedings, arbitrations or governmental investigations threatened against or affecting any Required SPE, Sponsor or the Collateral, in each case, except as listed in the Exception Report (and none of the matters listed in the Exception Report, even if determined against a Required SPE or the Collateral, would reasonably be expected to have a Material Adverse Effect).

4.14 Leases; Material Agreements.

(a) Borrower has delivered to Lender true and complete copies of all Leases and the Approved Music Venue Lease, including all modifications and amendments thereto. Except as set forth in the Exception Report, no Person has any possessory interest in the Property or right to occupy the same. The rent roll for the Commercial Space attached to this Agreement as Schedule C (the "Rent Roll") is accurate and complete in all material respects as of the Closing Date. Except as indicated on the Rent Roll or Exception Report, no security deposits are being held by Borrower (including bonds or letters of credit being held in lieu of cash security deposits), no Tenant has any termination options (except in connection with a Casualty or Condemnation), no Tenant has any extension or renewal rights (except as set forth in its Lease), no Tenant or other party has any option, right of first refusal or similar preferential right to purchase all or any portion of the Commercial Property, no fixed rent has been paid more than 30 days in advance of its due date and no payments of rent are more than 30 days delinquent. Each of the following is true and correct with respect to each Lease for a portion of the Commercial Property:

- (i) such Lease is valid and enforceable in all material respects and is in full force and effect;
- (ii) Borrower is the sole owner of the entire lessor's interest in such Lease;
- (iii) other than the Lease with the Showcase Venue Tenant for the Showcase Venue Space, such Lease is an arm's-length agreement with bona fide, independent third parties;
- (iv) none of the Revenues reserved in such Lease have been assigned or otherwise pledged or hypothecated (except such pledge or hypothecation that will be fully terminated and released in connection with the filing and recordation of the Security Instrument and except for the Liens contemplated pursuant to the Loan Documents);
- (v) neither Borrower nor, to Borrower's knowledge, any other party under such Lease is in default thereunder in any material respect;
- (vi) to Borrower's knowledge, there exist no offsets or defenses to the payment of any portion of the rents thereunder;
- (vii) no brokerage commissions or finder's fees are due and payable regarding any Lease;
- (viii) other than the Showcase Venue Tenant, each Tenant is in actual, physical occupancy of the premises demised under its Lease and, without any representation as to continuous operations for any Tenant which, pursuant its Lease, is not required to continuously operate in its leased premises, no event has occurred giving any Tenant the right to cease operations at its leased premises (i.e., "go dark"), terminate its Lease or pay reduced or alternative rent to Borrower under any of the terms of such Lease; and

(ix) other than the completion of Tenant Improvements for the Showcase Venue Space and a portion of the leased premises being subleased by Weisbart Springer Hayes, LLP, all work to be performed by the landlord under such Lease has been substantially performed, all Tenants have accepted possession of their respective premises under such Lease, all contributions to be made by the landlord to the Tenants thereunder have been made, all other conditions to each Tenant's obligations thereunder have been satisfied, no Tenant has the right to require Borrower to perform or finance Tenant Improvements or Material Alterations and no Leasing Commissions are owed or would be owed upon the exercise of any Tenant's existing renewal or expansion options, and Borrower has no other monetary obligation to any Tenant under such Lease.

(b) There are no Material Agreements except as described in Schedule D. Borrower has made available to Lender true and complete copies of all Material Agreements. Each Material Agreement has been entered into at arm's length in the ordinary course of business by or on behalf of Borrower. To Borrower's knowledge, the Material Agreements are in full force and effect in all material respects and there are no defaults thereunder by Borrower or any other party thereto. Borrower is not in default in any material respect in the performance, observance or fulfillment of any of the obligations, covenants or conditions contained in any Permitted Encumbrance or any other agreement or instrument to which it is a party or by which it or the Property is bound, provided, the foregoing representation as to the ACL Live Business is to Borrower's knowledge to the extent Borrower is not a party to the applicable Permitted Encumbrance. Without limiting the foregoing, the Approved Hotel Operating Agreement pursuant to which Borrower has the right to operate the Hotel Property under a name and/or hotel system controlled by Approved Hotel Operator, is in full force and effect in all material respects and, to Borrower's knowledge, there is no default, breach or violation existing thereunder by any party thereto and no event has occurred (other than payments due but not yet delinquent) that, with the passage of time or the giving of notice, or both, would constitute a default, breach or violation by any party thereunder.

4.15 Full and Accurate Disclosure. To Borrower's knowledge, no statement of fact heretofore delivered by Sponsor or any Required SPE to Lender in writing in respect of the Property or any Required SPE contains any untrue statement of a material fact or omits to state any material fact necessary to make statements contained therein not misleading. There is no fact, event or circumstance presently known to Borrower or Approved Music Venue Manager that has not been disclosed to Lender that has had or could reasonably be expected to result in a Material Adverse Effect.

4.16 Financial Condition. Borrower has heretofore delivered to Lender financial statements and operating statements with respect to the Property for the past three calendar years, trailing twelve-month operating statements, and the Sponsor Investor Presentation with respect to Sponsor's Net Worth. Such financial statements are accurate and complete in all material respects and fairly present in accordance with GAAP the financial position of any Required SPE and Sponsor in all material respects as of their respective dates and do not omit to state any fact necessary to make statements contained herein or therein not misleading. The Sponsor Investor Presentation is accurate and complete in all material respects and fairly presents the Sponsor's Net Worth in all material respects as of the date thereof and does not omit to state any fact necessary to make statements contained herein or therein not misleading. Since the delivery of such data, except as otherwise

disclosed in writing to Lender, there have occurred no changes or circumstances that have had or are reasonably expected to result in a Material Adverse Effect.

4.17 Single-Purpose Requirements.

(a) Each Required SPE is now, and, other than as reflected in the Exception Report, has always been since its formation, a Single-Purpose Entity and has conducted its business in substantial compliance with the provisions of its organizational documents. Except as reflected in the Exception Report, Borrower has never (i) owned any property other than the Property and related personal property, (ii) engaged in any business, except the ownership and operation of the Property or (iii) had any material contingent or actual obligations or liabilities unrelated to the Property.

(b) Borrower has provided Lender with true, correct and complete copies of (i) Borrower's and Approved Music Venue Manager's current financial statements; and (ii) the current operating agreement or partnership agreement, as applicable, together with all amendments and modifications thereto, for any Required SPE.

(c) On or prior to the Closing Date, the Required SPEs shall have been fully released from any loan (other than the Loan) secured by the Property or any of the Collateral (a "Prior Loan"), and, except as expressly noted herein, the Required SPEs shall not have any continuing liability, actual or contingent, for any Prior Loan, and no recourse whatsoever against any portion of the Property shall be available to satisfy any Prior Loan under any circumstances. Lender and Borrower acknowledge and agree, however, that the Required SPEs may have contingent liabilities with respect to customary indemnity and defense obligations for potential future liabilities (i) under the loan documents evidencing Prior Loans and (ii) that survive the payment in full of the Prior Loans pursuant to the terms thereof, provided, (A) Borrower is not aware of the existence of any facts or circumstances that could reasonably be expected to result in any such contingent liabilities becoming actual liabilities, (B) none of such contingent liabilities are expected to have a Material Adverse Effect and (C) none of such contingent liabilities are secured by any portion of the Property or shall have any recourse whatsoever against any portion of the Property.

4.18 Use of Loan Proceeds. No part of the proceeds of the Loan will be used for the purpose of purchasing or acquiring any "margin stock" within the meaning of Regulations T, U or X of the Board of Governors of the Federal Reserve System or for any other purpose that would be inconsistent with such Regulations T, U or X or any other Regulations of such Board of Governors, or for any purpose prohibited by Legal Requirements or by the terms and conditions of the Loan Documents. The Loan is solely for the business purpose of Borrower and Approved Music Venue Manager or for distribution to Borrower's equityholders in accordance with Legal Requirements and no portion thereof shall be used for personal, consumer, household or similar purposes.

4.19 Not Foreign Person. Neither Borrower or Approved Music Venue Manager is a "foreign person" within the meaning of Section 1445(f)(3) of the Code.

4.20 Labor Matters. Borrower has no employees and is not a party to any collective bargaining agreements.

4.21 Title. Borrower owns good and indefeasible title to the Property (other than the ACL Live Business) and good and marketable title to the related personal property, to the Collateral Accounts and to any other Collateral, in each case free and clear of all Liens whatsoever except the Permitted Encumbrances. Approved Music Venue Manager owns good and indefeasible leasehold interest in the ACL Music Venue Property (and the related ACL Live Business) and good and marketable title to the related personal property and to the ACL Music Venue Account, in each case free and clear of all Liens whatsoever except the Permitted Encumbrances. The Security Instrument, when properly recorded in the appropriate records, together with any Uniform Commercial Code financing statements required to be filed in connection therewith, will create (i) a valid, perfected first priority Lien on the Property and the rents therefrom and from the Approved Music Venue Lease, enforceable as such against creditors of and purchasers from Borrower and the Approved Music Venue Manager and subject only to Permitted Encumbrances, and (ii) perfected Liens in and to all personalty, all in accordance with the terms thereof, in each case subject only to any applicable Permitted Encumbrances. To Borrower's knowledge, the Permitted Encumbrances do not and will not, individually or in the aggregate, result in a Material Adverse Effect. Except as insured over by a Title Insurance Policy, there are no claims for payment for work, labor or materials affecting the Property that are or may become a Lien prior to, or of equal priority with, the Liens created by the Loan Documents except for any claims which may arise in relation to the completion of any Tenant Improvements associated with the Showcase Venue Space and capital improvements which are being undertaken by Borrower or any Tenant (or any permitted subtenant) as of the Closing Date, provided, Borrower is not aware of any grounds for a claim that may arise from such ongoing activities. No creditor of Borrower other than Lender has in its possession any goods that constitute or evidence the Collateral.

4.22 No Encroachments. Except as shown on the Survey, all of the improvements on the Property lie wholly within the boundaries and building restriction lines of the Property or within areas that are licensed to Borrower as reflected in the Permitted Exceptions, and no improvements on adjoining property encroach upon the Property, and no easements or other encumbrances upon the Property encroach upon any of the improvements, so as, in either case, to adversely affect the value, use or marketability of the Property, except those that are insured against by a Title Insurance Policy.

4.23 Physical Condition.

(a) To Borrower's knowledge and except for matters set forth in the Engineering Reports, the Property and all building systems (including sidewalks, storm drainage system, roof, plumbing system, HVAC system, fire protection system, electrical system, equipment, elevators, exterior sidings and doors, irrigation system and all structural components) are free of all material damage and are in good condition, order and repair in all respects material to the Property's use, operation or value.

(b) Borrower is not aware of any material structural or other material defect or damages in the Property, whether latent or otherwise.

(c) Borrower has not received and is not aware of any other Person's receipt of notice from any insurance company or bonding company of any defects or inadequacies in the Property that would, alone or in the aggregate, adversely affect in any material respect the insurability of the same or cause the imposition of extraordinary premiums or charges thereon or of any termination or threatened termination of any policy of insurance or bond.

4.24 Fraudulent Conveyance. Borrower has not entered into the Transaction or any of the Loan Documents with the actual intent to hinder, delay or defraud any creditor. Borrower has received reasonably equivalent value in exchange for its obligations under the Loan Documents. On the Closing Date, the fair salable value of Borrower's aggregate assets is and will, immediately following the making of the Loan and the use and disbursement of the proceeds thereof, be greater than Borrower's probable aggregate liabilities (including subordinated, unliquidated, disputed and Contingent Obligations). Borrower's aggregate assets do not and, immediately following the making of the Loan and the use and disbursement of the proceeds thereof will not, constitute unreasonably small capital to carry out its business as conducted or as proposed to be conducted. Borrower does not intend to, and does not believe that it will, incur debts and liabilities (including Contingent Obligations and other commitments) beyond its ability to pay such debts as they mature (taking into account the timing and amounts to be payable on or in respect of obligations of Borrower).

4.25 Management. Except for any Approved Property Management Agreement and the Approved Hotel Operating Agreement, no property management agreements are in effect with respect to the Property (other than the ACL Live Business). Each of the Approved Property Management Agreement and the Approved Hotel Operating Agreement is in full force and effect in all material respects, and, to Borrower's knowledge, there is no default thereunder by any party thereto and no event has occurred that, with the passage of time and/or the giving of notice would constitute a default thereunder by any party thereto.

4.26 Condemnation. No Condemnation has been commenced or, to Borrower's knowledge, is contemplated or threatened with respect to all or any portion of the Property or for the relocation of roadways providing access to the Property.

4.27 Utilities and Public Access. The Property has adequate rights of access to dedicated public ways (and makes no material use of any means of access or egress that is not pursuant to such dedicated public ways or recorded, irrevocable rights-of-way or easements) and is adequately served by all public utilities, including water and sewer (or well and septic), necessary to the continued use and enjoyment of the Property as presently used and enjoyed.

4.28 Environmental Matters. Except as disclosed in the Environmental Reports:

(i) To Borrower's knowledge, no Hazardous Substances are located at, on, in or under the Property or have been handled, manufactured, generated, stored, processed, or disposed of at, on, in or under, or have been Released from, the Property. Without limiting the foregoing, there is not present at, on, in or under the Property, any PCB-containing equipment, asbestos or asbestos containing materials, underground storage tanks or surface impoundments for any Hazardous Substance, lead in drinking water (except in concentrations

that comply with all Environmental Laws), or lead-based paint. To Borrower's knowledge, there is no threat of any Release of any Hazardous Substance migrating to the Property.

(ii) To Borrower's knowledge, the Property is in compliance in all material respects with all Environmental Laws applicable to the Property (which compliance includes, but is not limited to, the possession of, and compliance with, all environmental, health and safety permits, approvals, licenses, registrations and other governmental authorizations required in connection with the ownership and operation of the Property under all Environmental Laws). No Environmental Claim is pending with respect to the Property, nor, to Borrower's knowledge, is any threatened, nor are there any consent decrees or other decrees, consent orders, administrative orders or other orders, or other administrative or judicial requirements outstanding under any Environmental Law with respect to Borrower or the Property.

(iii) No Liens are presently recorded with the appropriate land records under or pursuant to any Environmental Law with respect to the Property and, to Borrower's knowledge, no Governmental Authority has been taking any action to subject the Property to Liens under any Environmental Law.

(iv) There have been no material environmental investigations, studies, audits, reviews or other analyses conducted by or that are in the possession of Borrower in relation to the Property that have not been made available to Lender.

4.29 Assessments. There are no pending or, to Borrower's knowledge, proposed special or other assessments for public improvements or otherwise affecting the Property, nor are there any contemplated improvements to the Property that may result in such special or other assessments. No extension of time for assessment or payment by Borrower of any federal, state or local tax is in effect.

4.30 No Joint Assessment. Borrower has not suffered, permitted or initiated the joint assessment of the Property (i) with any other real property constituting a separate tax lot, or (ii) with any personal property, or any other procedure whereby the Lien of any Taxes that may be levied against such other real property or personal property shall be assessed or levied or charged to the Property as a single Lien.

4.31 Separate Lots. No portion of the Property is part of a tax lot that also includes any real property that is not Collateral.

4.32 Permits; Certificate of Occupancy. Except for any permits related to pending Tenant Improvements to the Showcase Venue Space and a portion of the premises subleased to Weisbart Springer Hayes, LLP, Borrower has obtained all Permits necessary for the present and contemplated use and operation of the Property. The uses being made of the Property are in conformity in all material respects with the certificate of occupancy and/or Permits for the Property and any other restrictions, covenants or conditions affecting the Property.

4.33 Flood Zone. None of the improvements on the Property is located in an area identified by the Federal Emergency Management Agency or the Federal Insurance Administration as a "100 year flood plain" or as having special flood hazards (including Zones A and V), or, to the extent that

any portion of the Property is located in such an area, the Property is covered by flood insurance meeting the requirements set forth in Section 5.15(a)(ii).

4.34 Security Deposits. Each of Borrower and Approved Music Venue Manager is in compliance in all material respects with all Legal Requirements relating to security deposits.

4.35 No PIP. Except as reflected in the Exception Report, no portion of the Hotel Property is subject to any PIP (or equivalent), and no PIP has commenced or is contemplated as of the Closing Date.

4.36 Insurance. Borrower has obtained insurance policies reflecting the insurance coverages, amounts and other requirements set forth in this Agreement. All premiums on such insurance policies required to be paid as of the Closing Date have been paid for the current policy period. No Person, including Borrower, has done, by act or omission, anything that would impair the coverage of any such policy.

4.37 No Dealings. Neither Borrower nor Sponsor is aware of any unlawful influence on the assessed value of the Property.

4.38 Estoppel Certificates. Borrower has requested estoppel certificates from each Tenant on the form heretofore agreed by Lender (in all material respects) and has delivered to Lender true and complete copies of each estoppel certificate received back from any Tenant prior to the Closing Date.

4.39 Federal Trade Embargos. Sponsor and each Required SPE is in compliance with all Federal Trade Embargos in all material respects. No Embargoed Person owns any direct or indirect equity interest in any Required SPE. To Borrower's knowledge, no Tenant at the Property is identified on the OFAC List. Borrower has implemented procedures, and will consistently apply those procedures throughout the term of the Loan, to ensure that the foregoing representations and warranties remain true and correct during the term of the Loan.

4.40 Intellectual Property/Websites. Other than as set forth in the Exception Report, neither Borrower nor any Affiliate (i) has or holds any tradenames, trademarks, servicemarks, logos, copyrights, patents or other intellectual property with respect to the Property or the use or operations thereof or (ii) is the registered holder of any website with respect to the Property (other than Tenant websites).

4.41 Condominium.

(a) As it relates to the Condominium created pursuant to the Declaration (Master), Borrower has a 55.2278% aggregate percentage interest in the Common Elements of the Condominium and the remaining 44.7722% aggregate percentage interest in the Common Elements is owned entirely by the Sub-Units. The Condominium Units owned by Borrower and the Residential Master Unit are the only Condominium Units in the Condominium created pursuant to the Declaration (Master).

(b) As it relates to the Condominium created pursuant to the Declaration (Hotel-Residential), Borrower has a 61.2195% aggregate percentage interest in the Common Elements of the Condominium and the remaining 38.7805% aggregate percentage interest in the Common Elements is owned entirely by the owners of the Sub-Units. The Condominium Unit owned by Borrower and the Sub-Units are the only Condominium Units in the Condominium created pursuant to the Declaration (Hotel-Residential).

(c) Each Condominium Document is in full force and effect in all material respects and constitutes the binding obligation of Borrower and, to Borrower's knowledge, each other party thereto.

(d) Except as expressly set forth in the Exception Report, Borrower has not consented to any amendment or modification (oral or written) of any of the Condominium Documents, nor, to Borrower's knowledge, does any such amendment or modification (oral or written) of any of the Condominium Documents exist.

(e) To Borrower's knowledge, no events exist that, now or after the passage of time, or both, would constitute a default by Borrower under any of the Condominium Documents (unless such default would not cause or reasonably be expected to result in a Material Adverse Effect). In addition, to Borrower's knowledge, no events exist that, now or after the passage of time, or both, would constitute a default by any Person other than Borrower under any of the Condominium Documents (unless such default would not cause or reasonably be expected to result in a Material Adverse Effect).

(f) Except as set forth in the Exception Report, there are no sums that are due and payable by Borrower under any of the Condominium Documents to either the Condominium Associations or the owners of the Condominium Units other than the Condominium Units owned by Borrower, which sums remain unpaid. In addition, except as set forth in the Exception Report, to Borrower's knowledge, there are no sums due and payable by the Condominium Associations or the owners of the Condominium Units other than the Condominium Units owned by Borrower under any of the Condominium Documents to either Borrower or to the Condominium Associations, which sums remain unpaid.

(g) As of the date hereof, the assessments assessed against the Property under the Condominium Documents equal \$84,545.87 for the Condominium created pursuant to the Declaration (Master) and \$5,698.51 for the Hotel Master Unit pursuant to the Declaration (Hotel-Residential), payable monthly in equal amounts.

(h) To Borrower's knowledge, there are no currently outstanding special assessments under the Condominium Documents, and, to Borrower's knowledge, none are presently contemplated.

(i) To Borrower's knowledge, there are no anticipated capital improvements or repairs presently being undertaken to the Common Elements or any other property of the Condominiums and, to Borrower's knowledge, the Condominium Associations do not presently contemplate undertaking any such capital improvements or repairs except as required by the PIP referenced in the Exception Report.

(j) As of the Closing Date, the sole members of the board of directors of Block 21 Master Condominium Community, Inc. (i.e., Association created pursuant to the Declaration (Master)) are Eric D. Pickens, William H. Armstrong, III and Laurie Swan, all of whom were appointed by Borrower.

(k) As of the Closing Date, the sole members of the board of directors of Block 21 Condominium Community, Inc. (i.e., Association created pursuant to the Declaration (Hotel-Residential)) are (i) Eric D. Pickens, William H. Armstrong, III and Laurie Swan, all of whom were appointed by Borrower and (ii) Grant Erikson and Diane Land, who were appointed by the owners of the Sub-Units.

(l) To Borrower's knowledge, the Condominium Associations have not incurred any debts and has not encumbered the Common Elements or any other property of the Condominiums.

(m) Except as set forth on the Exception Report, the Condominium Associations have not entered into any management or maintenance agreements with respect to the Common Elements or any other property of the Condominium.

(n) No disputes between Borrower and the owners of the Condominium Units other than the Condominium Units owned by Borrower and/or the Condominium Associations that could result in a Material Adverse Effect, and, to Borrower's knowledge, no dispute between the owners of the Condominium Units other than the Condominium Units owned by Borrower and the Condominium Associations, which could result in a Material Adverse Effect, have been submitted to the board of directors of the Condominium Associations or any other Person for resolution in accordance with the provisions of the Condominium Documents.

(o) To Borrower's knowledge, there are no actions, whether voluntary or otherwise, pending against the owners of the Condominium Units other than the Condominium Units owned by Borrower or the Condominium Associations pursuant to the bankruptcy or insolvency laws of the United States or any state thereof, and none has been threatened.

(p) Neither the Condominium Associations nor the owners of the Condominium Units other than the Condominium Units owned by Borrower have any purchase, lease or other options or rights of first refusal with respect to the Property pursuant to the Condominium Documents or otherwise.

4.42 Survival. All of the representations of Borrower set forth in this Agreement and in the other Loan Documents shall survive for so long as any portion of the Indebtedness is outstanding. All representations, covenants and agreements made by Borrower in this Agreement or in the other Loan Documents shall be deemed to have been relied upon by Lender notwithstanding any investigation heretofore or hereafter made by Lender or on its behalf. On the date of any Securitization, on not less than three days' prior written notice, Borrower shall deliver to Lender a certification (x) confirming that all of the representations contained in this Agreement are true and correct as of the date of such Securitization, or (y) otherwise specifying any changes in or qualifications to such representations as of such date as may be necessary to make such representations consistent with the facts as they exist on such date.

ARTICLE V
AFFIRMATIVE COVENANTS

5.1 Existence; Licenses. Each Required SPE shall do or cause to be done all things necessary to remain in existence. Borrower and Approved Music Venue Manager, as applicable, shall do or cause to be done all things necessary to preserve, renew, keep in full force and effect, or modify or replace as necessary, all rights, licenses, Permits, franchises, certificates of occupancy, consents, approvals and other agreements necessary for the continued use and operation of the Property in the ordinary course of business. Each Required SPE shall deliver to Lender a copy of each amendment or other modification to any of its organizational documents promptly after the execution thereof.

5.2 Maintenance of Property.

(a) Borrower and Approved Music Venue Manager, as applicable, shall cause the Property to be maintained in good and safe working order and repair, reasonable wear and tear excepted, and in keeping with the condition and repair of properties of a similar use, value, age, nature and construction. Neither Borrower nor Approved Music Venue Manager shall use, maintain or operate the Property in any manner that constitutes a public or private nuisance or that makes void, voidable, or cancelable, or materially increases the premium of, any insurance then in force with respect thereto. Subject to Section 6.13, no improvements or equipment located at or on the Property shall be removed, demolished or materially altered without the prior written consent of Lender (except for replacement of equipment in the ordinary course of Borrower's and Approved Music Venue Manager's business with items of the same utility and of equal or greater value and sales of obsolete equipment no longer needed for the operation of the Property) and Borrower and Approved Music Venue Manager, as applicable, shall from time to time make, or cause to be made, all reasonably necessary and desirable repairs, renewals, replacements, betterments and improvements to the Property. Neither Borrower nor Approved Music Venue Manager shall make any change in the use of the Property that would materially increase the risk of fire or other hazard arising out of the operation of the Property, or do or permit to be done thereon anything that may in any way impair the value of the Property in any material respect or the Lien of the Security Instrument or otherwise cause or reasonably be expected to result in a Material Adverse Effect. Neither Borrower nor Approved Music Venue Manager shall install or permit to be installed on the Property any underground storage tank. Neither Borrower nor Approved Music Venue Manager shall, without the prior written consent of Lender, permit any drilling or exploration for or extraction, removal, or production of any minerals from the surface or the subsurface of the Property, regardless of the depth thereof or the method of mining or extraction thereof.

(b) Borrower shall remediate or cause to be remediated the Deferred Maintenance Conditions within 6 months following the Closing Date, subject to Force Majeure, and upon request from Lender after the expiration of such period shall deliver to Lender an Officer's Certificate confirming that such remediation has been completed and that all associated expenses have been paid. Borrower and Approved Music Venue Manager shall comply with all material terms of any asbestos operating and maintenance program in effect as of the Closing Date or otherwise required to be implemented by Borrower.

(c) Borrower shall complete the renovations and improvements required by the PIP within the time periods required thereunder and the Approved Hotel Operating Agreement and upon request from Lender after the expiration of such period shall deliver to Lender an Officer's Certificate confirming that such renovations and improvements have been completed and that all associated expenses have been paid.

5.3 Compliance with Legal Requirements. Subject to Section 9.30, Borrower and Approved Music Venue Manager, as applicable, shall comply in all material respects with, and shall cause the Property to comply with in all material respects and be operated, maintained, repaired and improved in material compliance with, all Legal Requirements, Insurance Requirements and all material contractual obligations by which Borrower and Approved Music Venue Manager is legally bound.

5.4 Impositions and Other Claims. Subject to Section 9.30, Borrower and Approved Music Venue Manager, as applicable, shall pay and discharge all taxes, assessments and governmental charges levied upon it, its income and its assets as and when such taxes, assessments and charges are due and payable, as well as all lawful claims for labor, materials and supplies or otherwise, subject to any rights to contest contained in the definition of Permitted Encumbrances. Borrower and Approved Music Venue Manager shall file all federal, state and local tax returns and other reports that it is required by law to file. If any law or regulation applicable to Lender, any Note, any of the Collateral or the Security Instrument is enacted that deducts from the value of property for the purpose of taxation any Lien thereon, or imposes upon Lender the payment of the whole or any portion of the taxes or assessments or charges or Liens required by this Agreement to be paid by Borrower or Approved Music Venue Manager, or changes in any way the laws or regulations relating to the taxation of mortgages or security agreements or debts secured by mortgages or security agreements or the interest of the mortgagee or secured party in the property covered thereby, or the manner of collection of such taxes, so as to affect the Security Instrument, the Indebtedness or Lender, then Borrower or Approved Music Venue Manager, upon demand by Lender, shall pay such taxes, assessments, charges or Liens, or reimburse Lender for any amounts paid by Lender, provided, such amounts shall be calculated in a uniform manner similar to those imposed by similarly situated commercial lenders. Following any such demand but in any event subject to Section 9.30, Borrower or Approved Music Venue Manager shall have the right, upon 180 days advance written notice to Lender, to repay the Indebtedness in full (but not in part) without the payment of any prepayment premium or prepayment fee, based on the Yield Maintenance Premium or otherwise. In addition but in any event subject to Section 9.30, if it is determined in a commercially manner that it is unlawful to require Borrower to make such payment or the making of such payment might result in the imposition of interest beyond the maximum amount permitted by applicable law, Lender may elect to declare all of the Indebtedness to be due and payable 180 days from the giving of written notice by Lender to Borrower, provided, in conjunction such prepayment, Borrower shall not be obligated to pay a prepayment fee or penalty, based on the Yield Maintenance Premium or otherwise.

5.5 Access to Property. Borrower and Approved Music Venue Manager shall permit agents, representatives and employees of Lender and the Servicer to enter and inspect the Property or any portion thereof, and/or inspect, examine, audit and copy the books and records of Borrower and Approved Music Venue Manager (including all recorded data of any kind or nature, regardless of the medium of recording), at such reasonable times as may be requested by Lender upon reasonable

advance notice. If Lender shall determine that an Event of Default exists, the cost of such inspections, examinations, copying or audits shall be borne by Borrower, including the cost of all follow up or additional investigations, audits or inquiries deemed reasonably necessary by Lender. The cost of such inspections, examinations, audits and copying, if not paid for by Borrower following demand, may be added to the Indebtedness and shall bear interest thereafter until paid at the Default Rate.

5.6 Cooperate in Legal Proceedings. Except with respect to any claim by Borrower against Lender, Borrower and Approved Music Venue Manager shall cooperate fully with Lender with respect to any proceedings before any Governmental Authority that may in any way affect the rights of Lender hereunder or under any of the Loan Documents and, in connection therewith, Lender may, at its election, participate or designate a representative to participate in any such proceedings.

5.7 Leases.

(a) Borrower shall furnish Lender with executed copies of all Leases. All new Leases and renewals or amendments of Leases must (i) be entered into on an arms-length basis with Tenants that are not affiliates of Borrower and whose identity and creditworthiness is appropriate for tenancy in property of comparable quality, (ii) provide for rental rates and other economic terms that, taken as a whole, are at least equivalent to then-existing market rates, based on the applicable market, and otherwise contain terms and conditions that are commercially reasonable, (iii) have an initial term of not more than 10 years, (iv) not reasonably be expected to result in a Material Adverse Effect and (v) be subject and subordinate to the Security Instrument and contain provisions for the agreement by the Tenant thereunder to attorn to Lender and any purchaser at a foreclosure sale, such attornment to be self-executing and effective upon acquisition of title to the Property by any purchaser at a foreclosure sale. Lender, at the request of Borrower (and at Borrower's sole cost and expense), shall enter into a subordination, attornment and non-disturbance agreement on Lender's then standard form (with such modifications thereto as may be reasonably acceptable to Lender) or on such other form reasonably satisfactory to Lender, with respect to any Lease entered into after the Closing Date that expressly requires the delivery of a subordination, attornment and non-disturbance agreement.

(b) Any Lease that does not conform to the standards set forth in Section 5.7(a) shall be subject to the prior written consent of Lender, which consent shall not be unreasonably withheld, delayed or conditioned. In addition, all new Leases that are Major Leases, and all terminations, renewals and amendments of Major Leases, and any surrender of rights under any Major Lease, shall be subject to the prior written consent of Lender. If Lender shall fail to respond to Borrower's request for such consent within ten (10) Business Days of Lender's receipt of such request accompanied by, as it relates to a new Lease, a comprehensive term sheet and reasonably detailed financial information about the proposed Tenant (to the extent available from such Tenant) or such other information required to appropriately evaluate the request made by Borrower in relation to the Lease, Borrower may deliver to Lender a second request for consent stating in bold and capitalized type that "**LENDER'S FAILURE TO RESPOND TO THE ENCLOSED REQUEST WITHIN FIVE (5) BUSINESS DAYS SHALL BE DEEMED LENDER'S APPROVAL**", provided that if

Lender has reasonably requested any additional material information with respect to the Tenant or any matter described herein (and such information is possessed by or available to Borrower), Borrower shall not have the right to send any such second request unless and until Borrower shall have delivered to Lender such additional information. In the event Lender fails to approve or disapprove such request within five (5) Business Days after Lender's receipt of such second request, such request shall be deemed approved. To the extent Lender does not approve any item described herein which requires its consent, Lender agrees to provide a written explanation with such disapproval.

(c) Borrower shall (i) observe and punctually perform all the material obligations imposed upon the lessor under the Leases; (ii) enforce all of the material terms, covenants and conditions contained in the Leases on the part of the lessee thereunder to be observed or performed, short of termination thereof, except that Borrower may terminate any Lease following a material default thereunder by the respective Tenant; (iii) not collect any of the rents thereunder more than one month in advance; (iv) not execute any assignment of lessor's interest in the Leases or associated rents other than the assignment of rents and leases under the Security Instrument; (v) not cancel or terminate any guarantee of any of the Major Leases without the prior written consent of Lender; and (vi) not permit any subletting of any space covered by a Lease or an assignment of the Tenant's rights under a Lease, except in strict accordance with the terms of such Lease. Borrower shall deliver to each new Tenant a Tenant Notice upon execution of such Tenant's Lease, and promptly thereafter deliver to Lender a copy thereof and evidence of such Tenant's receipt thereof.

(d) Security deposits of Tenants under all Leases shall be held in compliance with Legal Requirements and any provisions in Leases relating thereto. Borrower shall maintain books and records of sufficient detail to identify all security deposits of Tenants separate and apart from any other payments received from Tenants. Subject to Legal Requirements, any bond or other instrument held by Borrower in lieu of cash security shall name Lender as payee or mortgagee thereunder or be fully assignable to Lender. Borrower hereby pledges to Lender each such bond or other instrument as security for the Indebtedness. During the continuance of an Event of Default, Borrower shall, upon Lender's request, deposit with Lender in an Eligible Account pledged to Lender an amount equal to the aggregate security deposits of the Tenants (and any interest theretofore earned on such security deposits and actually received by Borrower which are required to be made available to the appropriate Tenants in accordance with the Leases), and any such bonds, that Borrower had not returned to the applicable Tenants or applied in accordance with the terms of the applicable Lease (and failure to do so shall constitute a misappropriation of funds pursuant to Section 9.19(b)).

(e) Borrower shall promptly deliver to Lender a copy of each written notice from a Tenant under any Major Lease claiming that Borrower is in default in the performance or observance of any of the material terms, covenants or conditions thereof to be performed or observed by Borrower. Borrower shall use commercially reasonable efforts to provide in each Major Lease executed after the Closing Date to which Borrower is a party that any Tenant delivering any such notice shall send a copy of such notice directly to Lender.

(f) All agreements entered into by or on behalf of Borrower that require the payment of Leasing Commissions or other similar compensation to any party shall (i) provide that

the obligation will not be enforceable against Lender and (ii) be subordinate to the lien of the Security Instrument.

5.8 Plan Assets, etc. Borrower will do, or cause to be done, all things necessary to ensure that it will not be deemed to hold Plan Assets at any time.

5.9 Further Assurances. Borrower and Approved Music Venue Manager shall, at Borrower's sole cost and expense, from time to time as reasonably requested by Lender, execute, acknowledge, record, register, file and/or deliver to Lender such other instruments, agreements, certificates and documents (including amended or replacement mortgages), and Borrower and Music Venue Manager hereby consents to the filing by Lender of any Uniform Commercial Code financing statements, in each case as Lender may reasonably request to evidence, confirm, perfect and maintain the Liens securing or intended to secure the obligations of Borrower and Approved Music Venue Manager and the rights of Lender under the Loan Documents and do and execute all such further lawful and reasonable acts, conveyances and assurances for the better and more effective carrying out of the intents and purposes of this Agreement and the other Loan Documents as Lender shall reasonably request from time to time (including the payment and application of Loss Proceeds). Upon foreclosure, the appointment of a receiver or any other relevant action, Borrower and Approved Music Venue Manager shall, at Borrower's sole cost and expense, cooperate fully and completely to effect the assignment or transfer of any license, permit, agreement or any other right necessary or useful to the operation of the Collateral. Upon receipt of an affidavit of Lender as to the loss, theft, destruction or mutilation of any Note, Borrower shall issue, in lieu thereof, a replacement Note in the same principal amount thereof and in the form thereof. Each of Borrower and Approved Music Venue Manager hereby authorizes and appoints Lender as its attorney-in-fact to execute, acknowledge, record, register and/or file such instruments, agreements, certificates and documents, and to do and execute such acts, conveyances and assurances, should either such Person fail to do so itself in violation of this Agreement or the other Loan Documents following written request from Lender, in each case without the signature of Borrower or Approved Music Venue, as appropriate. The foregoing grant of authority is a power of attorney coupled with an interest and such appointment shall be irrevocable for the term of this Agreement. Borrower and Approved Music Venue Manager hereby ratifies all actions that such attorney shall lawfully take or cause to be taken in accordance with this Section.

5.10 Management of Collateral.

(a) (1) The Hotel Property shall be managed at all times pursuant to an Approved Hotel Operating Agreement, and (2) the Commercial Property shall be managed at all times by an Approved Property Manager pursuant to an Approved Property Management Agreement. Pursuant to (1) with respect to the Hotel Property, the Approved Hotel SNDA, and (2) with respect to the Commercial Property, the Subordination of Property Management Agreement, each Approved Hotel Operator and Approved Property Manager shall agree that its Approved Hotel Operating Agreement and Approved Property Management Agreement and, subject to the terms of the Approved Hotel SNDA or Subordination of Property Management Agreement, as applicable, all fees thereunder (including any incentive fees) are subject and subordinate to the Indebtedness. Borrower may from time to time appoint, (1) with respect to the Commercial Property, an Approved Property Manager, and (2) with respect to the Hotel Property, an Approved Hotel Operator, to manage the Commercial

Property and the Hotel Property, respectively, pursuant to an Approved Property Management Agreement and an Approved Hotel Operating Agreement, as appropriate, provided that (i) no Event of Default is continuing, (ii) Lender receives at least 30 days' prior written notice of same, (iii) such successor manager or successor hotel operator, as applicable, shall execute and deliver to Lender for Lender's benefit (1) with respect to the Commercial Property, a Subordination of Property Management Agreement in form and substance reasonably satisfactory to Lender, and (2) with respect to the Hotel Property, a subordination, non-disturbance and attornment agreement in form and substance similar to the Approved Hotel SNDA, and (iv) if requested by Lender if such Approved Property Manager or Approved Hotel Operator is an affiliate of Borrower, Borrower shall deliver to Lender a new non-consolidation opinion reasonably acceptable to Lender with respect to such (1) Approved Property Manager and new Approved Property Management Agreement with respect to the Commercial Property, and (2) Approved Hotel Operator and new Approved Hotel SNDA with respect to the Hotel Property. The per annum fees of the Approved Property Manager (including any incentive fees) shall not, at any time, exceed the Maximum Management Fee. The per annum fees of the Approved Hotel Operator shall not, at any time, exceed the fees contemplated in the Approved Hotel Operating Agreement.

(b) Borrower shall require each Approved Property Manager (including any successor Approved Property Manager), the Approved Music Venue Manager (and any related property manager of the ACL Live Business) and each Approved Hotel Operator, to maintain at all times worker's compensation insurance as required by Governmental Authorities.

(c) Borrower shall notify Lender in writing of any default of Borrower or the Approved Property Manager under the Approved Property Management Agreement, after the expiration of any applicable cure periods, of which Borrower has actual knowledge. Lender shall have the right, after reasonable notice to Borrower and in accordance with the Subordination of Property Management Agreement, to cure defaults of Borrower under the Approved Property Management Agreement. Any out-of-pocket expenses incurred by Lender to cure any such default shall constitute a part of the Indebtedness and shall be due from Borrower upon demand by Lender. Any notification with respect to any default by Borrower or the Approved Hotel Operator under the Approved Hotel Operating Agreement shall be governed by the Approved Hotel SNDA.

(d) During the continuance of an Event of Default, or following any foreclosure, conveyance in lieu of foreclosure or other similar transaction, or during the continuance of a material default by the Approved Property Manager under the Approved Property Management Agreement (after the expiration of any applicable notice and/or cure periods), or if the Approved Property Manager files or is the subject of a petition in bankruptcy (subject to any automatic stay provisions in the Bankruptcy Code), or if a trustee or receiver is appointed for the Approved Property Manager's assets or the Approved Property Manager makes an assignment for the benefit of creditors, or if the Approved Property Manager is adjudicated insolvent, then, in any such case, Lender may, in its sole discretion, terminate or require Borrower to terminate the Approved Property Management Agreement and engage an Approved Property Manager selected by Borrower, subject to Lender's reasonable approval, or in the event of an Event of Default or following any foreclosure, conveyance in lieu of foreclosure or other similar transaction, selected by Lender, to serve as replacement Approved Property Manager pursuant to an Approved Property Management Agreement. With respect to the Hotel Property, Lender may terminate or require Borrower to terminate the Approved Hotel Operating

Agreement as permitted and in the manner set forth in the Approved Hotel SNDA. To the extent terminated, any replacement Approved Hotel Operator shall be selected by Borrower, subject to Lender's reasonable approval, or in the event of an Event of Default or following any foreclosure, conveyance in lieu of foreclosure or other similar transaction, selected by Lender, to serve as replacement Approved Hotel Operator pursuant to an Approved Hotel Operating Agreement.

(e) In the event that the Approved Property Management Agreement is scheduled to expire at any time during the term of the Loan, Borrower shall submit to Lender by no later than 60 days prior to such expiration a draft replacement management agreement or an extension of the existing Approved Property Management Agreement for approval in accordance with the terms and conditions hereof. Borrower's failure to submit the same within the earlier to occur of ten (10) Business Days following notice from Lender to Borrower or ten (10) days prior to the expiration of the existing Approved Property Management Agreement shall, at Lender's option, constitute an immediate Event of Default. With respect to the Hotel Property, in the event that the Approved Hotel Operating Agreement is scheduled to expire at any time during the term of the Loan, the submission and approval of any replacement hotel operating agreement shall be governed by the provisions set forth in the Approved Hotel SNDA relating to the same.

5.11 Notice of Material Event. Borrower shall give Lender prompt notice (containing reasonable detail) once it becomes aware of any of the following: (i) any material change in the financial or physical condition of the Property, as reasonably determined by Borrower, including the termination or cancellation of any Major Lease, which could result in a Material Adverse Effect, and the termination or cancellation of terrorism or other insurance required by this Agreement, (ii) any notice from the Approved Property Manager and/or the Approved Hotel Operator, to the extent such notice relates to a matter that could reasonably be expected to result in a Material Adverse Effect, (iii) any litigation or governmental proceedings pending or threatened in writing against Borrower, Approved Music Venue Manager or the Property that is reasonably expected to result in a Material Adverse Effect, (iv) the insolvency or bankruptcy filing of any Required SPE, Sponsor or an affiliate of any of the foregoing and (v) any other circumstance or event that could reasonably be expected to result in a Material Adverse Effect.

5.12 Annual Financial Statements. As soon as available, and in any event within 85 days after the close of each Fiscal Year, Borrower shall furnish to Lender, in an Excel spreadsheet file in electronic format (which may be via an intralinks site at Borrower's sole cost and expense), or, in the case of predominantly text documents, in Adobe pdf format, annual financial statements of Borrower and the Approved Music Venue Manager, including a balance sheet and operating statement of Borrower and the Approved Music Venue Manager as of the end of such year, together with related statements of operations and equityholders' capital and cash flow for such Fiscal Year, which statements as to Borrower shall be audited by Approved Accountant or a "Big Four" accounting firm whose opinion shall be to the effect that such financial statements have been prepared in accordance with GAAP applied on a consistent basis and shall not be qualified as to the scope of the audit or as to the status of Borrower as a going concern. Together with Borrower's and the Approved Music Venue Manager's annual financial statements, Borrower shall furnish to Lender, in an Excel spreadsheet file in electronic format (which may be via an intralinks site at Borrower's sole cost and

expense), or, in the case of predominantly text documents, in Adobe pdf format:

(i) an updated investor presentation with respect to Sponsor in form and substance substantially similar to the Sponsor Investor Presentation;

(ii) with respect to the Hotel Property:

(A) a statement of cash flows and income and expenses in the format set forth in the most recent Uniform System of Accounts (with detailed departmental schedules);

(B) then current franchise reports, average daily room rates, sales reports, Smith Travel Reports and occupancy reports; and

(C) such other information as Lender shall reasonably request.

(iii) with respect to the Commercial Property and the ACL Music Venue Property:

(A) a statement of cash flows;

(B) then current rent roll and occupancy reports with respect to the Commercial Property; and

(C) such other information as Lender shall reasonably request.

5.13 Quarterly Financial Statements. As soon as available, and in any event within 45 days after the end of each Fiscal Quarter (including year-end), Borrower shall furnish to Lender, in an Excel spreadsheet file in electronic format (which may be via an intralinks site at Borrower's sole cost and expense), or, in the case of predominantly text documents, in Adobe pdf format, quarterly and year-to-date unaudited financial statements prepared for such Fiscal Quarter with respect to Borrower and the Approved Music Venue Manager, including a balance sheet and operating statement of Borrower and the Approved Music Venue Manager as of the end of such Fiscal Quarter, together with related statements of operations, equityholders' capital and cash flows for such Fiscal Quarter and for the portion of the Fiscal Year ending with such Fiscal Quarter, which statements shall be accompanied by an Officer's Certificate certifying that the same are true, correct and complete and were prepared in accordance with GAAP applied on a consistent basis, subject to changes resulting from audit and normal year-end audit adjustments. Each such quarterly report shall be accompanied by the following, in an Excel spreadsheet file in electronic format (which may be via an intralinks site at Borrower's sole cost and expense), or, in the case of predominantly text documents, in Adobe pdf format:

(i) a statement in reasonable detail that calculates Net Operating Income as of the end of each of the Fiscal Quarters in the Test Period ending in such Fiscal Quarter;

(ii) copies of each of the Leases signed during such quarter;

(iii) with respect to the Hotel Property: (a) a statement of cash flows and income and expenses in the format set forth in the most recent Uniform System of Accounts (with detailed departmental schedules), (b) then current franchise reports, average daily room rates, sales reports, Smith Travel Reports and occupancy reports and (c) such other information as Lender shall reasonably request;

(iv) with respect to the Commercial Property, then current rent roll and occupancy reports; and

(v) with respect to the Commercial Property or the ACL Music Venue Property, such other information as Lender shall reasonably request.

5.14 Monthly Financial Statements; Non-Delivery of Financial Statements.

(a) Until the occurrence of a Securitization and during the continuance of a Trigger Period or an Event of Default (or, in the case of item (ii) below, at all times), Borrower shall furnish within 30 days after the end of each calendar month (other than the calendar month immediately following the final calendar month of any Fiscal Year or Fiscal Quarter), in an Excel spreadsheet file in electronic format (which may be via an intralinks site at Borrower's sole cost and expense), or, in the case of predominantly text documents, in Adobe pdf format, monthly and year-to-date unaudited financial statements prepared for the applicable month with respect to Borrower and the Approved Music Venue Manager, including a balance sheet and operating statement as of the end of such month, together with related statements of income, equityholders' capital and cash flows for such month and for the portion of the Fiscal Year ending with such month, which statements shall be accompanied by an Officer's Certificate certifying that the same are true, correct and complete and were prepared in accordance with GAAP applied on a consistent basis, subject to changes resulting from audit and normal year-end audit adjustments. Each such monthly report shall be accompanied by the following:

(i) then current rent roll as to the Commercial Property, a statement of cash flows and income and expenses for the Hotel Property in the format set forth in the most recent Uniform System of Accounts (with detailed departmental schedules), franchise reports, average daily room rates, sales reports, Smith Travel Reports and occupancy reports; and

(ii) such other information as Lender shall reasonably request.

(b) If Borrower fails to provide to Lender the financial statements and other information specified in Sections 5.12, 5.13 and this Section within the respective time period specified in such Sections and such failure continues for ten (10) Business Days following written notice from Lender, then (i) such failure shall, at Lender's election, constitute an Event of Default following written notice from Lender; and (ii) a Trigger Period shall be deemed to have commenced for all purposes hereunder and shall continue until such failure is remedied and the financial statements delivered to Lender evidence that no Trigger Period is in effect.

5.15 Insurance.

(a) Borrower shall obtain and maintain with respect to the Property (other than the ACL Live Business) and shall cause Approved Music Venue Manager to obtain and maintain with respect to the ACL Live Business (except to the extent covered by policies of insurance maintained by Borrower), for the mutual benefit of Borrower and Lender at all times, the following policies of insurance:

(i) property insurance against loss or damage by standard perils included within the classification "All Risks" or "Special Form" Causes of Loss, including coverage for damage caused by windstorm (including named storm) and hail. Such insurance shall (A) be in an amount equal to the full insurable value on replacement cost basis of the Property and, if applicable, all related furniture, furnishings, equipment and fixtures (without deduction for physical depreciation); (B) have deductibles acceptable to Lender (but in any event not in excess of \$50,000, except in the case of windstorm and earthquake coverage, which shall have deductibles not in excess of 5% of the total insurable value of the Property); (C) be paid annually in advance; (D) be written on a "Replacement Cost" basis, waiving depreciation, (E) be written on a no coinsurance form or contain an "Agreed Amount" endorsement, waiving all coinsurance provisions; (F) if, at any time during the Loan, any of the Improvements at the Property constitute legal non-conforming structures, include ordinance or law coverage on a replacement cost basis, with no co-insurance provisions, containing Coverage A: "Loss Due to Operation of Law" (with a limit equal to replacement cost), Coverage B: "Demolition Cost" and Coverage C: "Increased Cost of Construction" coverages each with limits of no less than 10% of replacement cost or such lesser amounts as Lender may require in its sole discretion; and (G) permit that the improvements and other property covered by such insurance be rebuilt at another location in the event that such improvements and other property cannot be rebuilt at the location on which they are situated as of the date hereof. If such insurance excludes mold, then Borrower shall implement a mold prevention program satisfactory to Lender;

(ii) if any material portion of the Property is located in an area identified in the Federal Register by the Federal Emergency Management Agency as having special flood hazards, flood insurance in an amount equal to the maximum limit of coverage available under the National Flood Insurance Program, plus such additional excess limits as shall be requested by Lender, with a deductible not in excess of \$25,000;

(iii) commercial general liability insurance, including broad form coverage of property damage, contractual liability for insured contracts and personal injury (including bodily injury and death), to be on the so-called "occurrence" form containing minimum limits per occurrence of not less than \$1,000,000 with not less than a \$2,000,000 general aggregate for any policy year (with a per location aggregate if the Property is on a blanket policy), with a deductible not in excess of \$50,000. In addition, at least \$100,000,000 excess and/or umbrella liability insurance shall be obtained and maintained for any and all claims, including

all legal liability imposed upon Borrower and all related court costs and attorneys' fees and disbursements;

(iv) rental loss and/or business interruption insurance covering actual loss sustained during restoration from all risks required to be covered by the insurance provided for herein, including clauses (i), (ii), (v), (vii), (viii) and (ix) of this Section, and covering the 18 month period from the date of any Casualty and containing an extended period of indemnity endorsement covering the 12 month period commencing on the date on which the Property has been restored, as reasonably determined by the applicable insurer (even if the policy will expire prior to the end of such period). The amount of such insurance shall be increased from time to time as and when the gross revenues from the Property increase;

(v) insurance for steam boilers, air conditioning equipment, high pressure piping, machinery and equipment, pressure vessels or similar apparatus now or hereafter installed in any of the improvements (without exclusion for explosions) and insurance against loss of occupancy or use arising from any breakdown, in such amounts as are generally available and are generally required by institutional lenders for properties comparable to the Property, in each case, with a deductible not in excess of \$50,000;

(vi) worker's compensation insurance with respect to all employees of Borrower, if any, as and to the extent required by any Governmental Authority or Legal Requirement and employer's liability coverage of at least \$1,000,000 (if applicable);

(vii) during any period of repair or restoration, and only if the property and liability coverage forms do not otherwise apply, (A) commercial general liability and umbrella liability insurance covering claims related to the repairs or restoration at the Property that are not covered by or under the terms or provisions of the insurance provided for in Section 5.15(a)(iii) and (B) the insurance provided for in Section 5.15(a)(i), which shall, in addition to the requirements set forth in such Section, (1) be written in a so-called builder's risk completed value form or equivalent coverage, including coverage for 100% of the total costs of construction on a non-reporting basis and against all risks insured against pursuant to clauses (i), (ii), (iv), (v), (viii) and (ix) of Section 5.15(a) and (2) include permission to occupy the Property;

(viii) if required by Lender, earthquake insurance (A) with minimum coverage equivalent to the greater of 1.0x SUL (scenario upper loss) and 1.5x SEL (scenario expected loss) multiplied by the full replacement cost of the building plus business income, (B) having a deductible not in excess of 5% of the total insurable value of the Property, and (C) if the Property is legally nonconforming under applicable zoning ordinances and codes, containing ordinance of law coverage in amounts as required by Lender;

(ix) so long as the Terrorism Risk Insurance Program Reauthorization Act of 2007 ("TRIPRA") or a similar or subsequent statute is in effect, terrorism insurance for foreign and domestic acts (as such terms are defined in TRIPRA or similar or subsequent statute) in an amount equal to the full replacement cost of the Property (plus rental loss and/or business interruption insurance coverage for a term set forth in clause (iv) above). If

TRIPRA or a similar or subsequent statute is not in effect, then provided that terrorism insurance is commercially available, Borrower shall be required to carry terrorism insurance throughout the term of the Loan as required by the preceding sentence, but in such event Borrower shall not be required to spend on terrorism insurance coverage more than two times the amount of the insurance premium that is payable at such time in respect of the property and business interruption/rental loss insurance required hereunder on a stand alone-basis (without giving effect to the cost of terrorism and earthquake components of such casualty and business interruption/rental loss insurance), and if the cost of terrorism insurance exceeds such amount, Borrower shall purchase the maximum amount of terrorism insurance available with funds equal to such amount. In either such case, such insurance shall not have a deductible in excess of \$50,000;

(x) to the extent Borrower or any affiliate sells alcohol at the Property, liquor liability insurance in an amount of at least \$10,000,000 or in such greater amount as may be required by applicable Legal Requirements against claims or liability arising directly or indirectly to persons or property on account of the sale or dispensing of alcoholic beverages at the Property;

(xi) to the extent Borrower maintains any employees at the Property, crime coverage in an amount not less than \$500,000 to protect against employee dishonesty and related incidents, containing minimum limits per occurrence of \$1,000,000;

(xii) auto liability coverage for all owned and non owned vehicles, including rented and leased vehicles containing minimum limits per occurrence of \$1,000,000 (if applicable); and

(xiii) such other insurance as may from time to time be requested by Lender.

(b) All policies of insurance (the "Policies") required pursuant to this Section shall be issued by one or more insurers having a rating of at least "A" by S&P and "A2" by Moody's (or, if Moody's does not rate such insurer, at least "A: VIII" by AM Best), or by a syndicate of insurers through which at least 75% of the coverage (if there are 4 or fewer members of the syndicate) or at least 60% of the coverage (if there are 5 or more members of the syndicate) is with insurers having such ratings (provided that the first layers of coverage are from insurers rated at least "A" by S&P and "A2" by Moody's (or, if Moody's does not rate such insurer, at least "A: VIII" by AM Best), and all such insurers shall have ratings of not less than "BBB+" by S&P and "Baa1" by Moody's (or, if Moody's does not rate such insurer, at least "A: VIII" by AM Best).

(c) All Policies required pursuant to this Section:

(i) shall contain deductibles that, in addition to complying with any other requirements expressly set forth in Section 5.15(a), are approved by Lender (such approval not to be unreasonably withheld, delayed or conditioned, but subject to the requirements of each Rating Agency) and are no larger than is customary for similar policies covering similar properties in the market in which the Property is located;

(ii) shall be maintained throughout the term of the Loan without cost to Lender and shall name Borrower as the named insured;

(iii) with respect to property and rental or business interruption insurance policies, shall contain a standard noncontributory mortgagee clause naming Lender and its successors and assigns as their interests may appear as first mortgagee and loss payee;

(iv) with respect to liability policies, except for workers compensation, employers liability and auto liability, shall name Lender and its successors and assigns as their interests may appear as additional insureds;

(v) with respect to property and rental or business interruption insurance policies, shall either be written on a no coinsurance form or contain an endorsement providing that neither Borrower nor Lender nor any other party shall be a co-insurer under such Policies;

(vi) with respect to property and rental or business interruption insurance policies, shall contain an endorsement or other provision providing that Lender shall receive at least 30 days' prior written notice of cancellation thereof (or, in the case of cancellation due to non-payment of premium, 10 days' prior written notice);

(vii) with respect to property and rental or business interruption insurance policies, shall contain an endorsement providing that no act or negligence of Borrower or any foreclosure or other proceeding or notice of sale relating to the Property shall affect the validity or enforceability of the insurance insofar as a mortgagee is concerned;

(viii) shall not contain provisions that would make Lender liable for any insurance premiums thereon or subject to any assessments thereunder;

(ix) shall contain a waiver of subrogation against Lender, as applicable;

(x) may be in the form of a blanket policy, provided that Borrower shall provide evidence satisfactory to Lender that the insurance premiums for the Property are separately allocated to the Property, and such blanket policy shall provide the same protection as would a separate Policy as reasonably determined by Lender, subject to review and approval by Lender based on the schedule of locations and values, if requested by Lender; and

(xi) shall otherwise be reasonably satisfactory in form and substance to Lender and shall contain such other provisions as Lender deems reasonably necessary or desirable to protect its interests.

(d) Borrower shall pay the premiums for all Policies as the same become due and payable. Complete copies of such Policies shall be delivered to Lender promptly upon request. Not later than 30 days prior to the expiration date of each Policy, Borrower shall deliver to Lender evidence, reasonably satisfactory to Lender, of its renewal. Borrower shall promptly forward to Lender a copy

of each written notice received by Borrower of any modification, reduction or cancellation of any of the Policies or of any of the coverages afforded under any of the Policies. Within 30 days after request by Lender, Borrower shall obtain such increases in the amounts of coverage required hereunder as may be reasonably requested by Lender, taking into consideration changes in the value of money over time, changes in liability laws, changes in prudent customs and practices, and the like.

(e) Borrower shall not procure any other insurance coverage that would be on the same level of payment as the Policies or would adversely impact in any way the ability of Lender or Borrower to collect any proceeds under any of the Policies. If at any time Lender is not in receipt of written evidence that all Policies are in full force and effect when and as required hereunder, Lender shall have the right to take such action as Lender deems necessary to protect its interest in the Property, including the obtaining of such insurance coverage as Lender in its sole discretion deems appropriate (but limited to the coverages and amounts required hereunder). All premiums, costs and expenses (including attorneys' fees and expenses) incurred by Lender in connection with such action or in obtaining such insurance and keeping it in effect shall be paid by Borrower to Lender upon demand and, until paid, and shall bear interest at the Default Rate.

(f) In the event of foreclosure of the Security Instrument or other transfer of title to the Property in extinguishment in whole or in part of the Indebtedness, all right, title and interest of Borrower in and to the Policies then in force with respect to the Property and all proceeds payable thereunder shall thereupon vest in the purchaser at such foreclosure or in Lender or other transferee in the event of such other transfer of title.

(g) Notwithstanding the foregoing provisions of this Section, for so long as (a) the Association maintains insurance policies (the "Condominium Board Policies") that provide for some or all of the insurance coverage required under this Section with respect to the General Common Elements (as defined in the Condominium Documents) and (b) the Condominium Board Policies comply with all of the applicable terms and conditions of this Section with respect to such coverage, or are otherwise acceptable to Lender in its sole discretion, then Borrower shall be deemed to be in compliance with applicable insurance required hereunder with respect to the insurance provided by the Condominium Board Policies for the General Common Elements. If at any time while the Indebtedness remains outstanding, the Condominium Board Policies provide for certain insurance required hereunder which do not comply with one or more applicable requirements of this Section or are not otherwise acceptable to Lender in its sole discretion, then Borrower shall, within three (3) Business Days, at its sole cost and expense, either (i) cause the Association to modify the Condominium Board Policies as shall be necessary to bring the applicable insurance coverage into compliance with this Section or (ii) procure and maintain "excess and contingent" insurance coverage in order for the collective insurance to be in compliance with all of the applicable terms and conditions of this Section.

5.16 Casualty and Condemnation.

(a) Borrower shall give prompt notice to Lender of any Casualty or Condemnation or of the actual or threatened commencement of proceedings that would result in a Condemnation after Borrower becomes aware of same.

(b) Lender may participate in any proceedings for any taking by any public or quasi-public authority accomplished through a Condemnation or any transfer made in lieu of or in anticipation of a Condemnation, to the extent permitted by law. Upon Lender's request, Borrower shall deliver to Lender all instruments reasonably requested by it to permit such participation. Borrower shall, at its sole cost and expense, diligently prosecute any such proceedings, and shall consult with Lender, its attorneys and experts, and cooperate with them in the carrying on or defense of any such proceedings. Borrower shall not consent or agree to a Condemnation or action in lieu thereof without the prior written consent of Lender in each instance, which consent shall not be unreasonably withheld, delayed or conditioned in the case of a taking of an immaterial portion of the Property.

(c) Lender may (x) jointly with Borrower settle and adjust any claims, (y) during the continuance of an Event of Default, settle and adjust any claims without the consent or cooperation of Borrower, or (z) allow Borrower to settle and adjust any claims; except that if no Event of Default is continuing, Borrower may settle and adjust claims aggregating not in excess of the Threshold Amount if such settlement or adjustment is carried out in a competent and timely manner, but Lender shall be entitled to collect and receive (as set forth below) any and all Loss Proceeds. The reasonable expenses incurred by Lender in the adjustment and collection of Loss Proceeds shall become part of the Indebtedness and shall be reimbursed by Borrower to Lender upon demand therefor.

(d) All Loss Proceeds from any Casualty or Condemnation shall be remitted directly to Lender for deposit into the Loss Proceeds Account (monthly rental loss/business interruption proceeds to be initially deposited into the Loss Proceeds Account and subsequently deposited into the Cash Management Account in installments as and when the lost rental income covered by such proceeds would have been payable). Following the occurrence of a Casualty, Borrower, regardless of whether proceeds are available but in any event subject to the right to prepay the outstanding Indebtedness as set forth in Section 1.2(b) or to complete a Defeasance, shall in a reasonably prompt manner proceed to restore, repair, replace or rebuild the Property to be of at least equal value and of substantially the same character as prior to the Casualty, all in accordance with the terms hereof applicable to Alterations. If any Condemnation or Casualty occurs as to which, in the reasonable judgment of Lender:

(i) in the case of a Casualty, the cost of restoration would not exceed 30% of the Loan Amount and the Casualty does not result in more than 30% of the guest rooms or function space being taken out of service for more than an immaterial period of time, the inability to use, for more than an immaterial period of time, a material portion of the common areas or business space the use of which is required for the ordinary operation of the Property, the cancellation of individual room reservations or group room contracts or reservations for function areas which represent more than 30% of the normal Revenues derived from such sources, or the reduction of more than 30% of the Revenues derived from food and beverage service and other operations at the Property, provided, to the extent the Casualty results in cancellations which represent more than 30% of the normal Revenues from the related sources or the reduction of more than 30% of the Revenues but which are less than 50% of the related Revenues, Borrower may deposit into the Loss Proceeds Account as additional Collateral for the Loan an amount which is equivalent to the lost Revenue greater than 30%;

(ii) in the case of a Condemnation, the Condemnation does not render untenable, or result in the cancellation of Leases covering, more than 15% of the gross rentable area of the Property;

(iii) restoration of the Property is reasonably expected to be completed prior to the expiration of rental interruption insurance and at least six months prior to the Maturity Date;

(iv) after such restoration, the fair market value of the Property is reasonably expected to equal at least the fair market value of the Property immediately prior to such Condemnation or Casualty; and

(v) all necessary approvals and consents from Governmental Authorities will be obtained to allow the rebuilding and re-occupancy of the Property;

or if Lender otherwise elects to allow Borrower to apply Loss Proceeds toward the restoration of the Property, then, provided no Event of Default is continuing, the Loss Proceeds after receipt thereof by Lender and reimbursement of any reasonable expenses incurred by Lender in connection therewith shall be applied to the cost of restoring, repairing, replacing or rebuilding the Property or part thereof subject to the Casualty or Condemnation, in the manner set forth below (and Borrower shall commence, as promptly and diligently as practicable, to prosecute such restoring, repairing, replacing or rebuilding of the Property in a workmanlike fashion and in accordance with applicable law to a status at least equivalent to the quality and character of the Property immediately prior to the Condemnation or Casualty). Provided that no Event of Default shall have occurred and be then continuing, Lender shall disburse such Loss Proceeds to Borrower upon Lender's being furnished with (i) evidence reasonably satisfactory to it of the estimated cost of completion of the restoration, (ii) if the cost of completion of the restoration plus payment of debt service on the Loan during the period of restoration exceeds the amount then contained in the Loss Proceeds Account, funds in an amount equal to such excess, which funds shall be remitted into the Loss Proceeds Account as additional Collateral for the Loan, and (iii) such architect's certificates, conditional waivers of lien (conditioned solely on the receipt of payment), contractor's sworn statements, title insurance endorsements, bonds, plats of survey and such other evidences of cost, payment and performance as Lender may reasonably request; and Lender may, in any event, require that all plans and specifications for restoration reasonably estimated by Lender to exceed the Threshold Amount be submitted to and approved by Lender prior to commencement of work (which approval shall not be unreasonably withheld, delayed or conditioned). If Lender reasonably estimates that the cost to restore will exceed the Threshold Amount, Lender may retain a local construction consultant to inspect such work and review Borrower's request for payments and Borrower shall, on demand by Lender, reimburse Lender for the reasonable fees and expenses of such consultant (which fees and expenses shall constitute Indebtedness). No payment shall exceed 90% of the value of the work performed from time to time until such time as 50% of the restoration (calculated based on the anticipated aggregate cost of the work) has been completed, and amounts retained prior to completion of 50% of the restoration shall not be paid prior to the final completion of the restoration. Funds other than Loss Proceeds shall be disbursed prior to disbursement of such Loss Proceeds, and at all times the undisbursed balance of such proceeds remaining in the Loss Proceeds Account, together with any additional funds irrevocably

and unconditionally deposited therein or irrevocably and unconditionally committed for that purpose, shall be at least sufficient in the reasonable judgment of Lender to pay for the cost of completion of the restoration free and clear of all Liens or claims for Lien.

(e) Borrower shall cooperate with Lender in obtaining for Lender the benefits of any Loss Proceeds lawfully or equitably payable to Lender in connection with the Property. Lender shall be reimbursed for any expenses reasonably incurred in connection therewith (including reasonable attorneys' fees and disbursements, and, if reasonably necessary to collect such proceeds, the expense of an Appraisal on behalf of Lender) out of such Loss Proceeds or, if insufficient for such purpose, by Borrower.

(f) If Borrower is not entitled to apply Loss Proceeds toward the restoration of the Property pursuant to Section 5.16(d) and Lender elects not to permit such Loss Proceeds to be so applied, such Loss Proceeds shall be applied on the first Payment Date following such election to the prepayment of the Principal Indebtedness, provided, in conjunction with such prepayment, Borrower shall not be obligated to pay a prepayment fee or penalty, based on the Yield Maintenance Premium or otherwise. If the Note has been bifurcated into multiple Notes or Note Components pursuant to Section 1.1(c), all prepayments of the Loan made by Borrower in accordance with this Section shall be applied to the Notes or Note Components in the manner described in the Componentization Notice.

(g) Notwithstanding the foregoing provisions of this Section, if the Loan is included in a REMIC and immediately following a release of any portion of the applicable Property from the Lien of the Loan Documents in connection with a Casualty or Condemnation the Loan would fail to satisfy a Lender 80% Determination (taking into account the planned restoration of the Property), then Borrower shall prepay the Principal Indebtedness in accordance with Section 5.16(f) in an amount equal to either (i) so much of the Loss Proceeds as are necessary to cause the Lender 80% Determination to be satisfied, or if the aggregate Loss Proceeds are insufficient for such purpose, then 100% of such Loss Proceeds, or (ii) a lesser amount, provided that Borrower delivers to Lender an opinion of counsel, in form and substance reasonably satisfactory to Lender and delivered by counsel reasonably satisfactory to Lender, opining that such release of Property from the Lien does not cause any portion of the Loan to cease to be a "qualified mortgage" within the meaning of section 860G(a)(3) of the Code.

5.17 Annual Budget. At least 30 days prior to the commencement of each Fiscal Year during the term of the Loan, and within 30 days after the commencement of any Trigger Period or Event of Default, Borrower shall deliver to Lender an Annual Budget for the Property for the ensuing Fiscal Year and, promptly after preparation thereof, any subsequent revisions to the Annual Budget, which delivery shall be for informational purposes only so long as no Trigger Period or Event of Default is continuing. During the continuance of any Trigger Period or Event of Default, such Annual Budget and any revisions thereto shall be subject to Lender's approval (the Annual Budget, as so approved, the "Approved Annual Budget"). Borrower shall not amend any Approved Annual Budget more than once in any 60-day period. For so long as Lender shall withhold its consent to any Annual Budget or any revisions thereto, the Annual Budget in effect prior to any such request for approval shall remain in effect.

5.18 Venture Capital Operating Companies; Nonbinding Consultation. Solely to the extent that Lender or any direct or indirect holder of an interest in the Loan must qualify as a "venture capital operating company" (as defined in Department of Labor Regulation 29 C.F.R. § 2510.3-101), Lender shall have the right to consult with and advise Borrower and Approved Music Venue Manager regarding significant business activities and business and financial developments of Borrower and Approved Music Venue Manager, provided that any such advice or consultation or the result thereof shall be completely nonbinding on Borrower and Approved Music Venue Manager.

5.19 Compliance with Encumbrances and Material Agreements. Each of Borrower and Approved Music Venue Manager covenants and agrees as follows:

(i) Each Person shall comply with all material terms, conditions and covenants of each Material Agreement and each material Permitted Encumbrance, including any reciprocal easement agreement, ground lease, declaration of covenants, conditions and restrictions, and any condominium arrangements.

(ii) Each Person shall promptly deliver to Lender a true and complete copy of each and every notice of default received by Borrower with respect to any obligation of Borrower under the provisions of any Material Agreement and/or Permitted Encumbrance.

(iii) Each Person shall deliver to Lender copies of any written notices of default or event of default relating to any Material Agreement and/or Permitted Encumbrance served by Borrower.

(iv) Without the prior written consent of Lender, not to be unreasonably withheld, conditioned or delayed, neither Person shall grant or withhold any material consent, approval or waiver under any Material Agreement or Permitted Encumbrance unless no Event of Default is continuing and the same would not be reasonably likely to have a Material Adverse Effect.

(v) Borrower shall deliver to each other party to any Material Agreement, and, upon Lender's request, to any Permitted Encumbrances notice of the identity of Lender and each assignee of Lender of which Borrower is aware if such notice is required in order to protect Lender's interest thereunder.

(vi) Except as otherwise permitted pursuant to the terms of this Agreement or following a material default beyond any applicable notice and cure or grace periods, each Person shall enforce, short of termination thereof, the performance and observance of each and every material term, covenant and provision of each Material Agreement and Permitted Encumbrance to be performed or observed, if any.

5.20 Prohibited Persons. No Required SPE or any of their direct or indirect equityholders shall (i) knowingly conduct any business, or engage in any transaction or dealing, with any Embargoed Person, including the making or receiving of any contribution of funds, goods, or services, to or for the benefit of a Embargoed Person, or (ii) knowingly engage in or conspire to engage in any transaction that evades or avoids, or has the purpose of evading or avoiding, or attempts to violate, any Federal

Trade Embargo. Borrower shall cause the representation set forth in Section 4.39 to remain true and correct at all times.

5.21 Condominium. Borrower covenants and agrees as follows:

(i) Borrower shall pay all common charges and other assessments as required by the Condominium Documents in respect of the Property and shall promptly, following demand, exhibit to Lender proof of all such payments;

(ii) Borrower shall not, unless directed otherwise in writing by Lender, without first obtaining Lender's prior written consent, (a) vote for, consent to or permit to occur any modification of, amendment to, or relaxation in the enforcement of, any material provision of the Condominium Documents; provided, however, Lender's approval shall not be required for amendments to the Condominium Documents containing disclosures or other provisions required to be made by Legal Requirements; (b) in the event of damage to or destruction of the Property, vote in opposition to a motion to repair, restore or rebuild, unless the Indebtedness will be repaid in full pursuant to Section 5.16; (c) partition or subdivide any Condominium Unit, or combine any Condominium Unit with another Condominium Unit; (d) consent to the termination of a Condominium; or (e) vote in favor of the imposition of special assessments for capital improvements pursuant to the Condominium Documents.

(iii) Borrower shall fully and faithfully observe, keep and perform, in all material respects, each and every material requirement, condition, covenant, agreement and provisions under the Texas Condominium Act and the Condominium Documents on the part of Borrower to be observed, kept and performed. Borrower shall promptly deliver to Lender a copy of any notice of default received by Borrower with respect to any obligation of Borrower under the provisions of the Condominium Documents or the Texas Condominium Act.

5.22 Hotel Operating Agreement; Advance Deposits.

(a) Borrower shall not terminate, cancel, modify in any material respects, renew or extend the Approved Hotel Operating Agreement, or enter into any agreement relating to the right to operate the Hotel Property under a different brand name, or under a hotel system controlled by a franchisor and/or hotel manager other than the Approved Hotel Operator, without the prior express written consent of Lender, which consent shall not be unreasonably withheld, conditioned or delayed.

(b) Advance payments, room deposits and deposits for use of function space or other amenities of the Hotel Property, if cash, may be deposited by Borrower or Approved Hotel Operator into the Manager Accounts and the Disbursement Account to the extent permitted under the Hotel Operating Agreement. Borrower shall cause to be maintained books and records of sufficient detail to identify all advance payments and deposits separate and apart from any other payments for operations of the Property. Any bond or other instrument that Borrower is permitted to hold in lieu of cash deposits or advance payments shall be maintained in full force and effect unless replaced by cash deposits as described above. Borrower shall, upon Lender's request, provide Lender with

evidence reasonably satisfactory to Lender of Borrower's compliance with the foregoing. During the continuance of any Trigger Period or Event of Default, Borrower shall (i) upon Lender's request, cause to be deposited with Lender in an Eligible Account pledged to Lender an amount equal to the aggregate such advance payments and deposits (and any interest theretofore earned on such deposits and actually received by Borrower and not returned to the depositor or applied to amounts due Borrower, provided such amounts shall be subject to the rights of the party depositing such funds with Borrower), and (ii) be deemed to have pledged to Lender as security for the Indebtedness any bond or other instrument that Borrower is permitted to hold in lieu of cash deposits or advance payments.

(c) Borrower shall promptly deliver or cause to be delivered to Lender a copy of each written notice from Approved Hotel Operator or the counterparty to any Material Agreement claiming that Borrower is in default in the performance or observance of any of the material terms, covenants or conditions thereof to be performed or observed by Borrower. Borrower shall provide, or cause to be provided, in each Material Agreement executed after the Closing Date to which Borrower is a party that any counterparty delivering any such notice shall send a copy of such notice directly to Lender.

5.23 Approved Capital Improvements. Borrower may commence making certain Additional Capital Improvements to the Property subject to compliance with the terms of this Section 5.23, provided a PIP shall not be subject to the terms and conditions of this Section so long as such PIP is otherwise undertaken in accordance with the terms of the Approved Hotel Operating Agreement. Solely in conjunction with any such Approved Capital Improvements, Borrower shall deliver to Lender the following items which shall be subject to the reasonable approval of Lender not to be unreasonably withheld, conditioned or delayed:

(a) all necessary city or other permits for the commencement of the Approved Capital Improvements have been obtained by Borrower and a copy thereof provided to Lender;

(b) all necessary approvals have been obtained from the Approved Hotel Operator and the Approved Music Venue Manager, as applicable;

(c) Lender shall have reviewed and approved (which approval shall not be unreasonably withheld, conditioned or delayed) (i) any applicable executed construction contracts and (ii) except in relation to the Approved Digital Sign Construction, any required plans and specifications for the Approved Capital Improvements prepared by a licensed architect;

(d) Borrower provides written evidence of available capital to pay for the completion of the items noted in the Approved Capital Improvements to the extent such amounts are not to be reimbursed or paid from the Capital Expenditure (Commercial Property) Reserve Account or the Capital Expenditure (ACL Music Venue Property) Reserve Account;

(e) If requested by Lender, a guaranty of completion shall be executed by Borrower, Sponsor and, as applicable an Approved Music Venue Manager, for the benefit of Lender in relation to the completion of any Approved Capital Improvement;

(f) evidence of additional insurance reasonably satisfactory to Lender, including, without limitation, evidence of a builder's risk insurance policy (consistent with the requirements of Section 5.15 hereof) naming Lender as an additional insured;

(g) Borrower demonstrating that a Material Adverse Effect shall not result during or after construction and access and enjoyment by hotel guests and users of the Commercial Property shall not be adversely affected on a permanent basis after the completion of any Approved Capital Improvements;

(h) Borrower shall incur no Debt whatsoever in connection with the completion of the Capital Expenditures contemplated by the Approved Capital Improvements, it being understood and agreed that all costs and expenses with respect to such Capital Expenditures shall be paid out of Borrower's equity and from funds maintained in the Capital Expenditure (Commercial Property) Reserve Account and the Capital Expenditure (ACL Music Venue Property) Reserve Account; and

(i) Borrower's demonstration to Lender that the Capital Expenditures shall be completed in material compliance with all Legal Requirements including applicable zoning and building codes and that the Property, as a whole, shall continuously be in full compliance with all applicable zoning and building codes and other Legal Requirements throughout the period of construction and thereafter with no Material Adverse Effect whatsoever upon the Property.

(j) Borrower shall (i) cause the related Capital Expenditures to be diligently pursued to completion and, without limitation, shall not cause there to be a cessation of any construction or related activity for longer than sixty (60) days, and (ii) as it pertains to the Approved Music Venue Construction, expend no more than \$2,750,000 on any related Capital Expenditures, as it pertains to the Approved Digital Sign Construction, expend no more than \$1,500,000 and as it relates to any other Additional Capital Improvements, expend no more than \$1,000,000 (in any event, inclusive of any amounts currently being held in the Capital Expenditure (Commercial Property) Reserve Account and/or the Capital Expenditure (ACL Music Venue Property) Reserve Account). Borrower shall cause all Capital Expenditures to be undertaken consistent with the documents provided as a condition precedent hereunder to, including any Approved Capital Improvements, except as such deviations from such instruments may be approved by Lender (which approval shall not be unreasonably withheld, delayed or conditioned) and any applicable Rating Agency (to the extent all or a portion of the Loan is subject to a Securitization) in writing. Without limiting the foregoing, any material revisions to plans for an Approved Capital Improvement shall be subject to Lender's approval not to be unreasonably withheld, conditioned or delayed and Borrower shall not amend any plans or contracts for such Approved Capital Improvements more than once in any 30-day period. For so long as Lender shall withhold its consent to any proposed revisions to any plans or contracts for any Approved Capital Improvement, the plans and contracts for such Approved Capital Improvement in effect prior to any such request for approval shall remain in effect. All Capital Expenditures contemplated by an Approved Capital Improvement shall be in conformance with all applicable Legal Requirements, of a quality no less than industry standard for similarly situated properties in the proximity to the Property and otherwise undertaken in accordance with the requirements of the Approved Hotel Operating Agreement, the Approved Property Management Agreement, the Approved Music Venue Lease, as applicable, and this Agreement.

(k) Borrower shall provide Lender with periodic written progress reports (each, a "Periodic Report") with respect to the completion of the related Capital Expenditures no less frequently than once per calendar month which Periodic Report shall include, without limitation, (i) a comparison of work done to date and the costs relative thereto to the budgeted line item with respect to any Approved Capital Improvement as then approved by Lender, including the use of any contingency amounts, (ii) copies of any change orders or similar documents as may be implemented by Borrower, (iii) a status report and the anticipated completion date with respect thereto, (iv) a copy of all lien releases and waivers for contractors, materialmen and other Persons who have received payment since the prior Periodic Report to the extent such releases and waivers can be obtained, (v) reasonable evidence, including paid invoices, establishing that Borrower has paid for the costs and expenses incurred in completing the Capital Expenditures which are to be paid out of available capital and not reimbursed or paid from the Capital Expenditure (Commercial Property) Reserve Account and/or the Capital Expenditure (ACL Music Venue Property) Reserve Account, (vi) to the extent Lender determines in its reasonable discretion that additional funds above the amount estimated by Borrower are necessary to complete the Capital Expenditures contemplated by any Approved Capital Improvement, evidence of such additional available capital, (vii) a copy of any written correspondence or notices received by Borrower of a material nature with respect to either the Capital Expenditures or the Property including any notices from the insurance company and any Approved Music Venue Manager, Approved Hotel Operator, or Approved Property Manager, as applicable, and (viii) an Officer's Certificate confirming (a) all costs and expenses incurred to date have been previously paid by Borrower, (b) the progress of the Capital Expenditures, and (c) the satisfaction of all conditions outlined in this Section. In addition, Lender may retain a construction consultant to inspect the Capital Expenditures contemplated by any Approved Capital Improvement. Borrower shall, on demand by Lender, reimburse Lender for the reasonable fees and disbursements of such consultant. It is expressly agreed and understood that the Capital Expenditures undertaken pursuant to this Section 5.23 shall, subject to the terms of the Approved Hotel Operating Agreement, the Approved Property Management Agreement and the Approved Music Venue Lease, as applicable, be deemed a part of the Property hereunder and subject to the lien of the Security Instrument and Borrower agrees to cooperate with Lender in entering any documentation deemed necessary by Lender.

(l) Notwithstanding the foregoing, no approval or consent shall be required by Lender solely with respect to any Capital Expenditures made in connection with the Approved Music Venue Construction, provided that subsections (a), (b), (d), (f), (g), (h), and (i) above are satisfied. Following the completion of such Approved Music Venue Construction, Borrower shall provide Periodic Reports to Lender in accordance with subsection (k) above.

5.24 Approved Music Venue Lease.

(a) Borrower shall comply with the affirmative and negative covenants relating to the Approved Music Venue Lease in all material respects, and no Default hereunder shall be excused by virtue of the fact that such Default was caused by the Approved Music Venue Manager, as a lessee thereunder. Lender acknowledges that the Approved Music Venue Manager is not liable for the Indebtedness; provided, however, that the Approved Music Venue Managers acknowledge and agree that the leasehold interest pursuant to the Approved Music Venue Lease constitutes Collateral for the

Loan as set forth in this Agreement, the Security Instrument, and the other Loan Documents.

(b) Borrower shall not cause the Approved Music Venue Manager to fail to remain in effect in accordance with the terms of the Approved Music Venue Lease (and shall exercise any applicable extension option in furtherance of the foregoing) so long as any portion of the Indebtedness is outstanding unless consented to by Lender, which consent in the absence of an Event of Default shall not be unreasonably withheld, conditioned or delayed. Neither Borrower nor any Approved Music Venue Manager shall amend or modify its Approved Music Venue Lease in any material respect; provided, however, that Borrower and an Approved Music Venue Manager shall have the right, without Lender consent, to amend its Approved Music Venue Lease solely for the purpose of extending the term thereof and/or revising the rent payable thereunder (as contemplated therein), provided such revised rent shall be sufficient to allow Borrower to pay debt service and all other amounts payable to Lender hereunder.

(c) Notwithstanding anything to the contrary herein or in any other Loan Documents or in an Approved Music Venue Lease, upon conveyance of the Property by foreclosure or deed in lieu of foreclosure, Lender may, at its sole option and regardless of whether an Approved Music Venue Manager is in default or in compliance with the terms of its Approved Music Venue Lease, terminate such Approved Music Venue Lease without payment of any termination fee, penalty or other amount, such termination to be effective upon such conveyance or such later date as Lender shall determine in its sole discretion. In addition, upon acceleration of the Loan, Lender may, at its sole option and regardless of whether an Approved Music Venue Manager is in default or in compliance with the terms of its Approved Music Venue Lease, deliver a termination notice to Borrower and such Approved Music Venue Manager terminating its Approved Music Venue Lease without payment of any termination fee, penalty or other amount, such termination to be immediately effective upon the conveyance of the Property by foreclosure or deed in lieu of foreclosure.

(d) Approved Music Venue Manager hereby consents to the Loan and acknowledges that it derives substantial benefit from the making thereof. Borrower acknowledges that, pursuant to each Approved Music Venue Lease, all amounts remitted to Lender or deposited into the Lockbox Account or the Cash Management Account by the Approved Music Venue Manager shall be credited against any amounts payable by such Approved Music Venue Manager to Borrower under the Approved Music Venue Lease.

ARTICLE VI NEGATIVE COVENANTS

6.1 Liens on the Collateral. No Required SPE shall permit or suffer the existence of any Lien on any of its assets, other than Permitted Encumbrances and any Lien being contested in accordance with the terms and provisions of this Agreement.

6.2 Ownership. Borrower shall not own any assets other than the Property and related personal property and fixtures located therein or used in connection therewith. Approved Music Venue Manager shall not own any assets other than its leasehold interest in the ACL Music Venue Property

and the Showcase Venue Space and related personal property and trade fixtures located therein or used in connection therewith.

6.3 Transfer; Prohibited Change of Control. No Required SPE shall Transfer any Collateral other than in compliance with Article II or Section 6.11 and other than the replacement or other disposition of obsolete or non-useful personal property and fixtures in the ordinary course of business, and, other than the declarations currently in effect with respect to the Property, Borrower shall not hereafter file a declaration of condominium with respect to the Property. No Prohibited Change of Control or Prohibited Pledge shall occur.

6.4 Debt. No Required SPE shall have any Debt, other than Permitted Debt. Without limiting the foregoing, Borrower shall not incur any PACE Debt without the prior written consent of Lender in its sole discretion.

6.5 Dissolution; Merger or Consolidation. No Required SPE shall dissolve, terminate, liquidate, merge with or consolidate into another Person without first causing the Loan to be assumed by a Successor Borrower pursuant to Section 2.2.

6.6 Change in Business. No Required SPE shall make any material change in the scope or nature of its business objectives, purposes or operations or undertake or participate in activities other than the continuance of its present business.

6.7 Debt Cancellation. No Required SPE shall cancel or otherwise forgive or release any material claim or Debt owed to it by any Person, except for adequate consideration or in the ordinary course of its business.

6.8 Affiliate Transactions. Neither Borrower nor Approved Music Venue Manager shall enter into, or be a party to, any transaction with any affiliate of Borrower or Approved Music Venue Manager, except on terms that are intrinsically fair, commercially reasonable and substantially similar to those that Borrower or Approved Music Venue Manager would have obtained in a comparable arm's length transaction with an unrelated third party.

6.9 Misapplication of Funds. Neither Borrower nor Approved Music Venue Manager shall (a) distribute any Revenue or Loss Proceeds in violation of the provisions of this Agreement (and shall promptly cause the reversal of any such distributions made in error of which Borrower or Approved Music Venue Manager becomes aware), (b) fail to remit amounts (and shall use commercially reasonable efforts to cause Approved Property Manager, Approved Hotel Operator and each Tenant to not fail to remit amounts) to the Cash Management Account, Lockbox Account, Manager Accounts, ACL Music Venue Account, ACL Music Venue Settlement Account or Approved FF&E Account as required by Section 3.1, (c) make any distributions to equityholders during the continuance of a Trigger Period or Event of Default unless expressly permitted hereunder, or (d) misappropriate any security deposit or portion thereof.

6.10 Jurisdiction of Formation; Name. No Required SPE shall change its jurisdiction of formation or name without receiving Lender's prior written consent and promptly providing Lender such information and replacement Uniform Commercial Code financing statements and legal opinions as Lender may reasonably request in connection therewith.

6.11 Modifications and Waivers. Unless otherwise consented to in writing by Lender:

(i) Borrower and the Approved Music Venue Manager, as applicable, shall not amend in any material respect, modify, terminate, renew, or surrender any rights or remedies with respect to any of the following: (a) any Lease, or enter into any Lease except in compliance with Section 5.7, (b) any Approved Music Venue Lease, except in compliance with Section 5.24, or (c) the Hotel Operating Agreement;

(ii) Borrower shall not enter into any new franchise or license agreement, hotel management agreement or any other agreement relating to the right to operate the Hotel Property with any manager other than an Approved Hotel Operator;

(iii) No Required SPE shall terminate, amend or modify its organizational documents (including any operating agreement, limited partnership agreement, by-laws, certificate of formation, certificate of limited partnership or certificate of incorporation) if such amendment or modification (a) affects any provision or definition relating to Independent Directors or any provision relating to Borrower's management by a Single-Purpose Equityholder, if any, (b) affects any provision or definition relating to separateness, bankruptcy remoteness or qualification as a Single-Purpose Entity, (c) affects any provision or definition on which any opinion of counsel delivered to Lender in connection with the Transaction is based (or any assumption contained in such opinion of counsel), including any non-consolidation opinion, (d) affects any provision or definition relating to springing members, (e) affects any provision or definition relating to the permitted business activities of a Required SPE, as applicable or (f) would reasonably be expected to result in a Material Adverse Effect;

(iv) Borrower shall cause Show Bureau, LLC to not terminate, materially amend or modify its organizational documents (including any operating agreement, limited partnership agreement, by-laws, certificate of formation, certificate of limited partnership or certificate of incorporation), provided, to the extent the current business operations of Show Bureau, LLC in relation to the Property are no longer necessary as determined by Borrower in its reasonable discretion and the termination of which could not reasonably be expected to have a Material Adverse Effect, Borrower may cause Show Bureau, LLC to wind up its business affairs and to subsequently dissolve no earlier than four (4) years thereafter;

(v) Borrower shall not terminate, amend or modify the Approved Property Management Agreement except for a termination resulting from a material default beyond any applicable notice and cure or grace period and to the extent Borrower otherwise complies with the terms of this Agreement as a result thereof; and

(vi) Borrower shall not (x) enter into any Material Agreement, or amend or modify in any material respects, surrender or waive any material rights or remedies under any Material Agreement, except, in each case, on arms-length commercially reasonable terms, (y) terminate any Material Agreement, except for terminations in connection with a material default thereunder, or (z) default in any material obligations under any Material Agreement which continues beyond any applicable grace or cure period. Notwithstanding the foregoing,

as it pertains to the KLRU Agreement, without the prior written consent of Lender, Borrower may (i) assign its rights thereunder to Approved Music Venue Manager and (ii) enter an extension or amendment of the KLRU Agreement or enter a replacement agreement, provided such extension, amendment or replacement agreement is materially on the same terms as the existing KLRU Agreement subject to the following permitted exceptions: (A) KLRU may be given unencumbered rights to utilize the balcony (i.e., the third level) of the ACL Music Venue Property and (B) the Revenues associated with the naming rights may be split between Borrower or Approved Music Venue Manager and KLRU with any amounts received by either Person to be used for improvements and operations associated with the ACL Music Venue Property.

6.12 ERISA.

(a) Borrower shall not maintain or contribute to, or agree to maintain or contribute to, or permit any ERISA Affiliate of Borrower to maintain or contribute to or agree to maintain or contribute to, any employee benefit plan (as defined in Section 3(3) of ERISA) subject to Title IV or Section 302 of ERISA or Section 412 of the Code.

(b) Borrower shall not engage in a non-exempt prohibited transaction under Section 406 of ERISA, Section 4975 of the Code, or substantially similar provisions under federal, state or local laws, rules or regulations or in any transaction that would cause any obligation or action taken or to be taken hereunder (or the exercise by Lender of any of its rights under the Notes, this Agreement, the Security Instrument or any other Loan Document) to be a non-exempt prohibited transaction under such provisions.

6.13 Alterations and Expansions. During the continuance of any Trigger Period or Event of Default, Borrower shall not perform or contract to perform any capital improvements requiring Capital Expenditures that are not consistent with the Approved Annual Budget. Borrower shall not perform, undertake, contract to perform or consent to any Material Alteration without the prior written consent of Lender, which consent (in the absence of an Event of Default) shall not be unreasonably withheld, delayed or conditioned, but may be conditioned on the delivery of additional collateral in the form of cash or cash equivalents acceptable to Lender in respect of the amount by which any such Material Alteration exceeds the Threshold Amount. If Lender's consent is requested hereunder with respect to a Material Alteration, Lender may retain a construction consultant to review such request and, if such request is granted, Lender may retain a construction consultant to inspect the work from time to time. Borrower shall, on demand by Lender, reimburse Lender for the reasonable fees and disbursements of such consultant.

6.14 Advances and Investments. Borrower shall not lend money or make advances to any Person, or purchase or acquire any stock, obligations or securities of, or any other interest in, or make any capital contribution to, any Person, except for Permitted Investments.

6.15 Single-Purpose Entity. No Required SPE shall cease to be a Single-Purpose Entity. No Required SPE which is required to have an Independent Director shall remove or replace any

Independent Director without Cause and without providing at least two Business Days' advance written notice thereof to Lender and the Rating Agencies.

6.16 Zoning and Uses. Borrower shall not do any of the following without the prior written consent of Lender:

(i) initiate or support any limiting change in the permitted uses of the Property (or to the extent applicable, zoning reclassification of the Property) or any portion thereof, seek any variance under existing land use restrictions, laws, rules or regulations (or, to the extent applicable, zoning ordinances) applicable to the Property, or use or permit the use of the Property in a manner that would result in the use of the Property becoming a nonconforming use under applicable land-use restrictions or zoning ordinances or that would violate the terms of any Lease, Material Agreement or Legal Requirement (and if under applicable zoning ordinances the use of all or any portion of the Property is a nonconforming use, Borrower shall not cause or permit such nonconforming use to be discontinued or abandoned);

(ii) execute or file any subdivision plat affecting the Property, or institute, or permit the institution of, proceedings to alter any tax lot comprising the Property; or

(iii) permit or consent to the Property being used by the public or any Person in such manner as might make possible a claim of adverse usage or possession or of any implied dedication or easement.

6.17 Waste. Neither Borrower nor Approved Music Venue Manager shall commit or permit any Waste on the Property, nor take any actions that might invalidate any insurance carried on the Property (and Borrower and Approved Music Venue Manager shall promptly correct any such actions of which it becomes aware).

ARTICLE VII DEFAULTS

7.1 Event of Default. The occurrence of any one or more of the following events shall be, and shall constitute the commencement of, an "Event of Default" hereunder (any Event of Default that has occurred shall continue unless and until waived by Lender in writing in its sole discretion):

(a) Payment.

(i) Borrower shall default in the payment when due of any principal or interest owing hereunder or under the Notes (including any mandatory prepayment required hereunder) or any other amount required to be remitted into the Cash Management Account on a Payment Date pursuant to Section 3.2(c); or

(ii) Borrower shall default, and such default shall continue for at least two Business Days after notice to Borrower that such amounts are owing, in the payment when

due of fees, expenses or other amounts owing hereunder, under the Notes or under any of the other Loan Documents (other than principal, interest and any other amounts required to be remitted into the Cash Management Account, if applicable, on a Payment Date pursuant to Section 3.2(c)).

(b) Representations. Any representation made by Borrower or Approved Music Venue Manager in any of the Loan Documents, or in any report, certificate, financial statement or other instrument, agreement or document furnished to Lender shall have been false or misleading in any material respect (or, with respect to any representation that itself contains a materiality qualifier, in any respect) as of the date such representation was made, provided, if Borrower or Approved Music Venue Manager did not have actual knowledge at the time of such representation or warranty that such representation or warranty was false or misleading in any material respect and the same is susceptible of being cured, the same shall be an Event of Default hereunder only if the same is not cured within 30 days after Borrower's receipt of written notice from Lender or, in the case of any such representation that is susceptible of cure but cannot reasonably be cured within such 30 day period and Borrower shall have (A) commenced to cure or cause the cure of such representation or warranty to be commenced within such 30 day period, (B) submitted to Lender an Officer's Certificate setting forth an explanation of the inability to cure such Default within such 30 day period and describing Borrower's past and intended efforts to cure, or cause the cure of, such Default and (C) thereafter diligently proceeded to cure the same, such 30 day period shall be extended for up to an additional 30 days.

(c) Other Loan Documents. Any Loan Document shall fail to be in full force and effect or to convey the material Liens, rights, powers and privileges purported to be created thereby and Borrower shall fail to promptly remedy such failure in accordance with Section 5.9; or a default by Borrower, Sponsor, Approved Music Venue Manager or any of their respective affiliates shall occur under any of the other Loan Documents or Material Agreements, or a default by Borrower shall occur under the Approved Property Management Agreement, in each case, beyond the expiration of any applicable cure period.

(d) Bankruptcy, etc.

(i) Any Required SPE or Sponsor shall commence a voluntary case concerning itself under any Title of the United States Code (as amended, modified, succeeded or replaced, from time to time, the "Bankruptcy Code");

(ii) any Required SPE or Sponsor shall commence any other proceeding under any reorganization, arrangement, adjustment of debt, relief of creditors, dissolution, insolvency or similar law of any jurisdiction whether now or hereafter in effect relating to such Required SPE or Sponsor, or shall dissolve or otherwise cease to exist;

(iii) there is commenced against any Required SPE or Sponsor an involuntary case under the Bankruptcy Code, or any such other proceeding, which remains undismissed for a period of 90 days after commencement;

- (iv) any Required SPE or Sponsor is adjudicated insolvent or bankrupt by an un-appealable court order;
- (v) any Required SPE or Sponsor suffers appointment of any custodian or the like for it or for any substantial portion of its property and such appointment continues unchanged or unstayed for a period of 90 days after commencement of such appointment;
- (vi) any Required SPE or Sponsor makes a general assignment for the benefit of creditors; or
- (vii) any Required SPE or Sponsor takes any material action for the purpose of effecting any of the foregoing.

(e) Prohibited Change of Control.

- (i) A Prohibited Change of Control shall occur; or
- (ii) Borrower shall fail to deliver any non-consolidation opinion required to be delivered pursuant to Section 2.3.

(f) Equity Pledge; Preferred Equity. Any direct or indirect equity interest in or right to distributions from Borrower shall be subject to a Lien in favor of any Person, or Borrower or any holder of a direct or indirect interest in Borrower shall issue preferred equity (or debt granting the holder thereof rights substantially similar to those generally associated with preferred equity); except that the following shall be permitted:

- (i) any pledge of direct or indirect equity interests in and rights to distributions from or received by a Qualified Equityholder; and
- (ii) the issuance of direct or indirect preferred equity interests in a Qualified Equityholder.

Any act, action or state of affairs that would result in an Event of Default pursuant to this subsection shall be referred to in this Agreement as a "Prohibited Pledge".

(g) Insurance. Borrower shall fail to maintain in full force and effect all Policies required hereunder and such failure continues until the earlier to occur of (i) five (5) days after written notice from Lender or (ii) the expiration of any of such Policies.

(h) ERISA; Negative Covenants. A default shall occur in the due performance or observance by Borrower or Approved Music Venue Manager of any term, covenant or agreement contained in Section 5.8 or in Article VI, provided that such default shall not constitute an Event of Default unless and until it shall remain uncured for 10 days after Borrower receives written notice thereof.

(i) Legal Requirements. Borrower shall fail to cure, or cause to be cured, properly any violations of Legal Requirements affecting all or any portion of the Property within 30 days after

Borrower first receives written notice of any such violations; provided, however, if any such violation is reasonably susceptible of cure, but not within such 30 day period, then Borrower shall be permitted up to an additional 90 days to cure such violation provided that Borrower commences a cure within such initial 30 day period and thereafter diligently and continuously pursues such cure.

(j) Express Events of Default. Any event shall occur that is explicitly identified as an "Event of Default" under any provision contained herein or in any of the other Loan Documents.

(k) Other Covenants. A default shall occur in the due performance or observance by Borrower of any term, covenant or agreement (other than those referred to in any other subsection of this Section) contained in this Agreement, except that in the case of a default that can be cured by the payment of money, such default shall not constitute an Event of Default unless and until it shall remain uncured for 10 days after Borrower receives written notice thereof; and in the case of a default that cannot be cured by the payment of money but is susceptible of being cured within 30 days, such default shall not constitute an Event of Default unless and until it remains uncured for 30 days after Borrower receives written notice thereof, provided that promptly following its receipt of such written notice, Borrower delivers written notice to Lender of its intention and ability to effect such cure within such 30 day period; and if such non-monetary default is not cured within such 30 day period despite Borrower's diligent efforts but is susceptible of being cured within 120 days of Borrower's receipt of Lender's original notice, then Borrower shall have such additional time as is reasonably necessary to effect such cure, but in no event in excess of 120 days from Borrower's receipt of Lender's original notice, provided that Borrower promptly delivers written notice to Lender of its intention and ability to effect such cure prior to the expiration of such 120 day period.

(l) Approved Hotel Operating Agreement. A material default by Borrower as owner shall occur under the Approved Hotel Operating Agreement or other default which entitles the Approved Hotel Operator the ability terminate or seek monetary damages which is not cured by Borrower within the time period, if any, permitted by the Approved Hotel Operating Agreement for its cure.

(m) Approved Music Venue Lease. Any Approved Music Venue Lease shall no longer be in effect for any reason whatsoever other than the termination thereof pursuant to Section 5.24(c), including, without limitation, expiration of any Approved Music Venue Lease by its terms absent renewal or extension of such Approved Music Venue Lease or the prior written consent of Lender.

7.2 Remedies.

(a) During the continuance of an Event of Default, Lender may by written notice to Borrower, in addition to any other rights or remedies available pursuant to this Agreement, the Notes, the Security Instrument and the other Loan Documents, at law or in equity, declare by written notice to Borrower all or any portion of the Indebtedness to be immediately due and payable, whereupon all or such portion of the Indebtedness shall so become due and payable, and Lender may enforce or avail itself of any or all rights or remedies provided in the Loan Documents against Borrower and the Collateral (including all rights or remedies available at law or in equity); provided, however,

that, notwithstanding the foregoing, if an Event of Default specified in Section 7.1(d) shall occur, then (except as specified in Section 7.2(f) below) the Indebtedness shall immediately become due and payable without the giving of any notice or other action by Lender. Any actions taken by Lender shall be cumulative and concurrent and may be pursued independently, singly, successively, together or otherwise, at such time and in such order as Lender may determine in its sole discretion, to the fullest extent permitted by law, without impairing or otherwise affecting the other rights and remedies of Lender permitted by law, equity or contract or as set forth in this Agreement or in the other Loan Documents.

(b) If Lender forecloses on any Collateral, Lender shall apply all net proceeds of such foreclosure to repay the Indebtedness, the Indebtedness shall be reduced to the extent of such net proceeds and the remaining portion of the Indebtedness shall remain outstanding and secured by the remaining Collateral. At the election of Lender, the Notes shall be deemed to have been accelerated only to the extent of the net proceeds actually received by Lender with respect to the Property and applied in reduction of the Indebtedness.

(c) During the continuance of any Event of Default (including an Event of Default resulting from a failure to satisfy the insurance requirements specified herein), Lender may, but without any obligation to do so and without notice to or demand on Borrower and without releasing Borrower from any obligation hereunder, take any action to cure such Event of Default. In conjunction with undertaking any actions permitted under this subsection, Lender may enter upon any or all of the Property upon reasonable notice to Borrower for such purposes or appear in, defend, or bring any action or proceeding to protect its interest in the Collateral or to foreclose the Security Instrument or collect the Indebtedness. The costs and expenses incurred by Lender in exercising rights under this paragraph (including reasonable attorneys' fees), with interest at the Default Rate for the period after notice from Lender that such costs or expenses were incurred to the date of payment to Lender, shall constitute a portion of the Indebtedness, shall be secured by the Security Instrument and other Loan Documents and shall be due and payable to Lender upon demand therefor.

(d) Interest shall accrue on any judgment obtained by Lender in connection with its enforcement of the Loan at a rate of interest equal to the Default Rate.

(e) Notwithstanding the availability of legal remedies, Lender will be entitled to obtain specific performance, mandatory or prohibitory injunctive relief, or other equitable relief requiring Borrower to cure or refrain from repeating any Default.

(f) Notwithstanding anything herein to the contrary, if an event specified in Section 7.1(d) occurs solely in respect of Sponsor and not any Required SPE, then such event shall not constitute an Event of Default or result in an acceleration of the Loan unless, in each case, Lender so determines in its sole discretion by written notice to Borrower; and unless and until Lender sends such notice, a Trigger Period shall be deemed to have commenced for all purposes hereunder, which Trigger Period shall continue until the Loan is repaid in full.

7.3 Application of Payments after an Event of Default. Notwithstanding anything to the contrary contained herein, during the continuance of an Event of Default, all amounts received by Lender in respect of the Loan shall be applied at Lender's sole discretion either toward the components of the Indebtedness (e.g., Lender's expenses in enforcing the Loan, interest, principal and other amounts payable hereunder) and the Notes or Note Components in such sequence as Lender shall elect in its sole discretion, or toward the payment of Property expenses.

ARTICLE VIII
CONDITIONS PRECEDENT

8.1 Conditions Precedent to Closing. This Agreement shall become effective on the date that all of the following conditions shall have been satisfied (or waived in accordance with Section 9.3, provided, Lender shall be deemed to have waived any outstanding conditions to the extent the Principal Indebtedness is funded to Borrower):

(a) Loan Documents. Lender shall have received a duly executed copy of each Loan Document. Each Loan Document that is to be recorded in the public records shall be in form suitable for recording.

(b) Collateral Accounts. Each of the Collateral Accounts shall have been established and funded to the extent required under Article III.

(c) Opinions of Counsel. Lender shall have received, in each case in form and substance satisfactory to Lender, (i) a legal opinion with respect to the laws of the state in which the Property is located and any Required SPE is organized which shall include an opinion as to the enforceability of the Loan Documents, (ii) a bankruptcy non-consolidation opinion with respect to each Person owning at least a 49% direct or indirect equity interest in any Required SPE, and any affiliated property manager and/or hotel operator, and (iii) a Delaware legal opinion regarding matters related to Single Member LLC's.

(d) Organizational Documents. Lender shall have received all documents reasonably requested by Lender relating to the existence of Borrower, the validity of the Loan Documents and other matters relating thereto, in form and substance satisfactory to Lender, including:

(i) Authorizing Resolutions. To the extent the required authorizations are not contained directly in the organizational documents of any Required SPE and Sponsor, certified copies of the resolutions authorizing the execution and delivery of the Loan Documents by Sponsor and Borrower.

(ii) Organizational Documents. Certified copies of the organizational documents of Sponsor and each Required SPE (including any certificate of formation, certificate of limited partnership, certificate of incorporation, operating agreement, limited partnership agreement or by-laws), in each case together with all amendments thereto.

(iii) Certificates of Good Standing or Existence. Certificates of good standing or existence for Sponsor and each Required SPE issued as of a recent date by its state of organization and by the state in which the Property is located.

(iv) Recycled Entity Certificate. A recycled entity certificate acceptable to Lender with respect to any Required SPE that was formed more than 60 days prior to the date hereof.

(e) Lease; Material Agreements; Approved Hotel Operating Agreement; Approved Hotel SNDA. Lender shall have received true, correct and complete copies of all Leases and all Material Agreements, the fully executed Approved Hotel Operating Agreement and the Approved Hotel SNDA in form and substance satisfactory to Lender.

(f) Lien Search Reports. Lender shall have received satisfactory reports of Uniform Commercial Code, tax lien, bankruptcy and judgment searches conducted by a search firm acceptable to Lender with respect to the Property, Sponsor, each Required SPE and Borrower's immediate predecessor, if any, such searches to be conducted in such locations as Lender shall have requested.

(g) No Default or Event of Default. No Default or Event of Default shall have occurred and be continuing on such date either before or after the execution and delivery of this Agreement.

(h) No Injunction. No Legal Requirement shall exist, and no litigation shall be pending or threatened, which in the good faith judgment of Lender would enjoin, prohibit or restrain, or impose or result in the imposition of any material adverse condition upon, the making or repayment of the Loan or the consummation of the Transaction.

(i) Representations. The representations in this Agreement and in the other Loan Documents shall be true and correct in all respects on and as of the Closing Date with the same effect as if made on such date.

(j) Estoppel Letters. Borrower shall have received and delivered to Lender estoppel certificates from such parties and in such form and substance as shall be reasonably satisfactory to Lender, each of which shall specify that Lender and its successors and assigns may rely thereon.

(k) No Material Adverse Effect. No event or series of events shall have occurred that Lender reasonably believes has had or is reasonably expected to result in a Material Adverse Effect.

(l) Transaction Costs. Borrower shall have paid all transaction costs (or provided for the direct payment of such transaction costs by Lender from the proceeds of the Loan).

(m) Insurance. Lender shall have received certificates of insurance on ACORD Form 25 for liability insurance and ACORD Form 28 for casualty insurance demonstrating insurance coverage in respect of the Property of types, in amounts, with insurers and otherwise in compliance

with the terms, provisions and conditions set forth in this Agreement. Such certificates shall indicate that Lender and its successors and assigns are named as additional insured on each liability policy, and that each casualty policy and rental interruption policy contains a loss payee and mortgagee endorsement in favor of Lender, its successors and assigns.

(n) Title. Lender shall have received a marked, signed commitment to issue, or a signed pro-forma version of, a Title Insurance Policy in respect of the Property, listing only such exceptions as are reasonably satisfactory to Lender. If the Title Insurance Policy is to be issued by, or if disbursement of the proceeds of the Loan are to be made through, an agent of the actual insurer under the Title Insurance Policy (as opposed to the insurer itself), the actual insurer shall have issued to Lender for Lender's benefit a so-called "Insured Closing Letter."

(o) Zoning. Lender shall have received evidence reasonably satisfactory to Lender that the Property is in compliance with all applicable zoning requirements (including a zoning report, a zoning endorsement if obtainable and a letter from the applicable municipality if obtainable).

(p) Permits; Certificate of Occupancy. Except for the Showcase Venue Space and space subleased by Weisbart Springer Hayes, LLP which is currently subject to ongoing construction, Lender shall have received a copy of all Permits necessary for the use and operation of the Property and the certificate(s) of occupancy, if required, for the Property, all of which shall be in form and substance reasonably satisfactory to Lender.

(q) Engineering Report. Lender shall have received a current Engineering Report with respect to the Property, which report shall be in form and substance reasonably satisfactory to Lender.

(r) Environmental Report. Lender shall have received an Environmental Report (not more than six months old) with respect to the Property that discloses no material environmental contingencies with respect to the Property.

(s) Survey. Lender shall have received a Survey with respect to the Property in form and substance reasonably satisfactory to Lender.

(t) Appraisal. Lender shall have obtained an Appraisal of the Property satisfactory to Lender.

(u) Consents, Licenses, Approvals, etc. Lender shall have received copies of all consents, licenses and approvals, if any, required in connection with the execution, delivery and performance by Borrower, and the validity and enforceability, of the Loan Documents, and such consents, licenses and approvals shall be in full force and effect.

(v) Financial Information. Lender shall have received financial information relating to Sponsor, Borrower and the Property that is satisfactory to Lender.

(w) Annual Budget. Lender shall have received the Annual Budget for the current calendar year (and, if the Closing Date occurs in December, the Annual Budget for the next calendar year).

(x) Know Your Customer Rules. At least 10 days prior to the Closing Date, Lender shall have received all documentation and other information required by bank regulatory authorities under applicable "know-your-customer" and anti-money laundering rules and regulations, including the PATRIOT Act.

(y) Capital Expenditures for ACL Music Venue Property. Borrower shall deliver to Lender (1) financial statements and operating statements indicating Capital Expenditures made with respect to the ACL Music Venue Property for the past three (3) calendar years, and (2) a statement or schedule indicating future projections of Capital Expenditures to be made with respect to the ACL Music Venue Property for the following ten (10) calendar years.

(z) Additional Matters. Lender shall have received such other certificates, opinions, documents and instruments relating to the Loan as may have been reasonably requested by Lender. All corporate and other proceedings, all other documents (including all documents referred to in this Agreement and not appearing as exhibits to this Agreement) and all legal matters in connection with the Loan shall be reasonably satisfactory in form and substance to Lender.

ARTICLE IX
MISCELLANEOUS

9.1 Successors. Except as otherwise provided in this Agreement, whenever in this Agreement any of the parties to this Agreement is referred to, such reference shall be deemed to include the successors and permitted assigns of such party. All covenants, promises and agreements in this Agreement contained, by or on behalf of Borrower, shall inure to the benefit of Lender and its successors and assigns.

9.2 GOVERNING LAW.

(A) THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF TEXAS WITHOUT REGARD TO CHOICE OF LAW RULES TO THE EXTENT THE APPLICATION OF THE LAWS OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY.

(B) ANY LEGAL SUIT, ACTION OR PROCEEDING AGAINST LENDER OR BORROWER ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OF THE OTHER LOAN DOCUMENTS (OTHER THAN ANY ACTION IN RESPECT OF THE CREATION, PERFECTION OR ENFORCEMENT OF A LIEN OR SECURITY INTEREST CREATED PURSUANT TO ANY LOAN DOCUMENTS NOT GOVERNED BY THE LAWS OF THE STATE OF TEXAS OR NEW YORK) MAY BE INSTITUTED IN ANY FEDERAL OR STATE COURT IN NEW YORK, NEW YORK OR TRAVIS COUNTY, TEXAS. BORROWER AND LENDER HEREBY (i) IRREVOCABLY

WAIVE, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY OBJECTION THAT THEY MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN SUCH A COURT AND ANY CLAIM THAT ANY SUCH PROCEEDING BROUGHT IN SUCH A COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM, (ii) IRREVOCABLY SUBMIT TO THE JURISDICTION OF ANY SUCH COURT IN ANY SUCH SUIT, ACTION OR PROCEEDING, AND (iii) IRREVOCABLY CONSENT TO SERVICE OF PROCESS BY MAIL, PERSONAL SERVICE OR IN ANY OTHER MANNER PERMITTED BY APPLICABLE LAW, AT THE ADDRESS SPECIFIED IN SECTION 9.4 (AND AGREES THAT SUCH SERVICE AT SUCH ADDRESS IS SUFFICIENT TO CONFER PERSONAL JURISDICTION OVER ITSELF IN ANY SUCH SUIT, ACTION OR PROCEEDING IN ANY SUCH COURT, AND OTHERWISE CONSTITUTES EFFECTIVE AND BINDING SERVICE IN EVERY RESPECT).

9 . 3 Modification, Waiver in Writing. Neither this Agreement nor any other Loan Document may be amended, changed, waived, discharged or terminated, nor shall any consent or approval of Lender be granted hereunder, unless such amendment, change, waiver, discharge, termination, consent or approval is in writing signed by Lender.

9 . 4 Notices. All notices, consents, approvals and requests required or permitted hereunder or under any other Loan Document shall be given in writing by expedited prepaid delivery service, either commercial or United States Postal Service, with proof of delivery or attempted delivery, addressed as follows (except that any party hereto may change its address and other contact information for purposes hereof at any time by sending a written notice to the other parties to this Agreement in the manner provided for in this Section). A notice shall be deemed to have been given when delivered or upon refusal to accept delivery.

If to Lender: Goldman Sachs Mortgage Company
200 West Street
New York, New York 10282
Attention: Rene Theriault and J. Theodore Borter

with copies to: Goldman Sachs Mortgage Company
6011 Connection Drive, Suite 550
Irving, Texas 75039
Attention: General Counsel

and Winstead PC
201 North Tryon Street
Suite 2000
Charlotte, North Carolina 28202
Attention: Brian S. Short, Esq.

If to Borrower: Stratus Block 21, L.L.C.
212 Lavaca Street
Suite 300
Austin, Texas 78701
Attention: Beau Armstrong

with a copy to: Armbrust & Brown PLLC
100 Congress Avenue
Suite 1300
Austin, Texas 78701
Attention: Kenneth Jones, Esq.

9 . 5 TRIAL BY JURY. LENDER AND BORROWER, TO THE FULLEST EXTENT THAT THEY MAY LAWFULLY DO SO, HEREBY AGREE NOT TO ELECT A TRIAL BY JURY OF ANY ISSUE TRIABLE OF RIGHT BY JURY, AND WAIVE ANY RIGHT TO TRIAL BY JURY FULLY TO THE EXTENT THAT ANY SUCH RIGHT SHALL NOW OR HEREAFTER EXIST WITH REGARD TO THE LOAN DOCUMENTS, OR ANY CLAIM, COUNTERCLAIM OR OTHER ACTION ARISING IN CONNECTION THEREWITH. THIS WAIVER OF RIGHT TO TRIAL BY JURY IS GIVEN KNOWINGLY AND VOLUNTARILY BY LENDER AND BORROWER AND IS INTENDED TO ENCOMPASS INDIVIDUALLY EACH INSTANCE AND EACH ISSUE AS TO WHICH THE RIGHT TO A TRIAL BY JURY WOULD OTHERWISE ACCRUE. LENDER AND BORROWER ARE EACH HEREBY INDIVIDUALLY AUTHORIZED TO FILE A COPY OF THIS PARAGRAPH IN ANY PROCEEDING AS CONCLUSIVE EVIDENCE OF THIS WAIVER.

9 . 6 Headings. The Article and Section headings in this Agreement are included in this Agreement for convenience of reference only and shall not constitute a part of this Agreement for any other purpose.

9.7 Assignment and Participation.

(a) Except as expressly set forth in Article II, Borrower may not sell, assign or otherwise transfer any rights, obligations or other interest of Borrower in or under the Loan Documents.

(b) Lender and each assignee of all or a portion of the Loan shall have the right from time to time in its discretion and without the consent of Borrower to sell one or more of the Notes or Note Components or any interest therein (an "Assignment") and/or sell a participation interest in one or more of the Notes or Note Components (a "Participation"), provided, Borrower shall be provided with notice of any Assignment. Borrower shall reasonably cooperate with Lender, at Lender's request, in order to effectuate any such Assignment or Participation, and, subject to any restrictions set forth in Section 9.24 and the Approved Hotel SNDA, Borrower shall promptly provide such information, legal opinions and documents relating to each Required SPE, Sponsor, the Property, the Approved Property Manager, the Approved Hotel Operator, the Approved Music Venue Manager, and any Tenants as Lender may reasonably request in connection with such Assignment or Participation. In the case of an Assignment, (i) each assignee shall have, to the extent of such

Assignment, the rights, benefits and obligations of the assigning Lender as a "Lender" hereunder and under the other Loan Documents, (ii) the assigning Lender shall, to the extent that rights and obligations hereunder have been assigned by it pursuant to an Assignment, relinquish its rights and be released from its obligations under this Agreement, and (iii) one Lender shall serve as agent for all Lenders and shall be the sole Lender to whom notices, requests and other communications shall be addressed and the sole party authorized to grant or withhold consents hereunder on behalf of the Lenders (subject, in each case, to appointment of a Servicer, pursuant to Section 9.22, to receive such notices, requests and other communications and/or to grant or withhold consents, as the case may be). Goldman Sachs Mortgage Company or, upon the appointment of a Servicer, such Servicer, shall maintain, or cause to be maintained, as non-fiduciary agent for Borrower, a register on which it shall enter the name or names of the registered owner or owners from time to time of the Notes. Upon effectiveness of any Assignment of any Note in part, Borrower will promptly provide to the assignor and the assignee separate Notes in the amount of their respective interests (but, if applicable, with a notation thereon that it is given in substitution for and replacement of an original Note or any replacement thereof), and otherwise in the form of such Note, upon return of the Note then being replaced. Each potential or actual assignee, participant or investor in a Securitization, and each Rating Agency, shall be entitled to receive all information received by Lender under this Agreement. After the effectiveness of any Assignment, the party conveying the Assignment shall provide notice to Borrower and each Lender of the identity and address of the assignee. Notwithstanding anything in this Agreement to the contrary, after an Assignment, the assigning Lender (in addition to the assignee) shall continue to have the benefits of any indemnifications contained in this Agreement that such assigning Lender had prior to such assignment with respect to matters occurring prior to the date of such assignment.

(c) If, pursuant to this Section, any interest in this Agreement or any Note is transferred to any transferee, such transferee shall, promptly upon receipt of written request from Borrower, furnish to Borrower Form W-9, Form W-8BEN or Form W-8ECI, as applicable.

9.8 Severability. Wherever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement shall be prohibited by or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement. All covenants hereunder shall be given independent effect so that if a particular action or condition is not permitted by any of such covenants, the fact that it would be permitted by an exception to, or would otherwise be within the limitations of, another covenant shall not avoid the occurrence of a Default or an Event of Default if such action is taken or condition exists.

9.9 Preferences; Waiver of Marshalling of Assets. Lender shall have no obligation to marshal any assets in favor of Borrower or any other party or against or in payment of any or all of the obligations of Borrower pursuant to the Loan Documents. Lender shall have the continuing and exclusive right to apply or reverse and reapply any and all payments by Borrower to any portion of the obligations of Borrower hereunder and under the Loan Documents. If any payment to Lender is subsequently invalidated, declared to be fraudulent or preferential, set aside or required to be repaid to a trustee, receiver or any other party under any bankruptcy law, state or federal law, common law or equitable cause, then the obligations hereunder or portion thereof intended to be satisfied by such

payment shall be revived and continue in full force and effect, as if such payment had not been made. Borrower hereby waives any legal right otherwise available to Borrower that would require the sale of any Collateral either separate or apart from other Collateral, or require Lender to exhaust its remedies against any Collateral before proceeding against any other Collateral. Without limiting the foregoing, to the fullest extent permitted by law, Borrower hereby waives and shall not assert any rights in respect of a marshalling of Collateral, a sale in the inverse order of alienation, any homestead exemption, the administration of estates of decedents, or any other matters whatsoever to defeat, reduce or affect the right of Lender under the Loan Documents to a sale of the Collateral or any portion thereof in any sequence and any combination as determined by Lender in its sole discretion.

9.10 Remedies of Borrower. If a claim is made that Lender or its agents have unreasonably delayed acting or acted unreasonably in any case where by law or under this Agreement or the other Loan Documents, any of such Persons has an obligation to act promptly or reasonably, Borrower agrees that no such Person shall be liable for any monetary damages, and Borrower's sole remedy shall be limited to commencing an action seeking specific performance, injunctive relief and/or declaratory judgment; provided, however, that the forgoing shall not prevent Borrower from obtaining a monetary judgment against Lender if it is determined by a court of competent jurisdiction that Lender is found to have (x) materially breached the covenants set forth in Sections 5.7 or 5.10 herein which consequently results in liability to Borrower, (y) intentionally misapplied or unreasonably withheld funds under this Agreement or any other Loan Document, or (z) Lender acted with gross negligence, bad faith or willful misconduct. Notwithstanding anything herein to the contrary, Borrower shall not assert, and hereby waives, any claim against Lender and/or its affiliates, directors, employees, attorneys, agents or sub-agents, on any theory of liability, for special, indirect, consequential or punitive damages (whether or not the claim therefor is based on contract, tort or duty imposed by any applicable Legal Requirement) arising out of, as a result of, or in any way related to, the Loan Agreement or any other Loan Document or any agreement or instrument contemplated hereby or thereby or referred to herein or therein, the transactions contemplated hereby or thereby, the Loan or the use of the proceeds thereof or any act or omission or event occurring in connection therewith, and Borrower hereby waives, releases and agrees not to sue upon any such claim for any such damages, whether or not accrued and whether or not known or suspected to exist in its favor.

9.11 Offsets, Counterclaims and Defenses. All payments made by Borrower hereunder or under the other Loan Documents shall be made irrespective of, and without any deduction for, any offsets or counterclaims or defenses. Borrower waives the right to assert a counterclaim, other than a mandatory or compulsory counterclaim, in any action or proceeding brought against it by Lender arising out of or in any way connected with the Notes, this Agreement, the other Loan Documents or the Indebtedness. Any assignee of Lender's interest in the Loan shall take the same free and clear of all offsets, counterclaims or defenses against the assigning Lender.

9.12 No Joint Venture. Nothing in this Agreement is intended to create a joint venture, partnership, tenancy-in-common, or joint tenancy relationship between Borrower and Lender, nor to grant Lender any interest in the Property other than that of mortgagee or lender.

9.13 Conflict; Construction of Documents. In the event of any conflict between the provisions of this Agreement and the provisions of the other Loan Documents, the provisions of this Agreement shall prevail. The parties acknowledge that they were each represented by competent counsel in connection with the negotiation, drafting and execution of the Loan Documents and that the Loan Documents shall not be subject to the principle of construing their meaning against the party that drafted same.

9.14 Brokers and Financial Advisors. Borrower represents that neither it nor Sponsor has dealt with any financial advisors, brokers, underwriters, placement agents, agents or finders in connection with the transactions contemplated by this Agreement other than HFF LP (and any commissions payable in connection therewith shall be paid solely by Borrower or Sponsor). Borrower shall indemnify and hold Lender harmless from and against any and all claims, liabilities, costs and expenses of any kind in any way relating to or arising from a claim by any Person that such Person acted on behalf of Borrower in connection with the transactions contemplated in this Agreement. The provisions of this Section shall survive the expiration and termination of this Agreement and the repayment of the Indebtedness.

9.15 Counterparts. This Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall be an original, but all of which shall together constitute one and the same instrument. Copies of originals, including copies delivered by facsimile, pdf or other electronic means shall have the same import and effect as original counterparts and shall be valid, enforceable and binding for the purposes of this Agreement.

9.16 Estoppel Certificates.

(a) Borrower shall execute, acknowledge and deliver to Lender, within five days after receipt of Lender's written request therefor at any time from time to time, a statement in writing setting forth (A) the Principal Indebtedness, (B) the date on which installments of interest and/or principal were last paid, (C) any known offsets or defenses to the payment of the Indebtedness, (D) that the Notes, this Agreement, the Security Instrument and the other Loan Documents are valid, legal and binding obligations and have not been modified or if modified, giving particulars of such modification, (E) that neither Borrower nor, to Borrower's knowledge, Lender, is in default under the Loan Documents (or specifying any such default), (F) that all Leases are in full force and effect in all material respects and have not been modified (except in accordance with the Loan Documents), (G) whether or not, to Borrower's knowledge, any of the Tenants under the Leases are in material default under the Leases (setting forth the specific nature of any such material defaults) and (H) such other matters as Lender may reasonably request. Any prospective purchaser of any interest in a Loan shall be permitted to rely on such certificate.

(b) Upon Lender's written request, Borrower shall use commercially reasonable efforts to obtain from each Tenant and thereafter promptly deliver to Lender duly executed estoppel certificates from any one or more Tenants specified by Lender, attesting to such facts regarding the Leases as Lender may reasonably require, including attestations that each Lease covered thereby is in full force and effect with no material defaults thereunder on the part of any party, that rent has not been paid more than one month in advance, except as security, and that the Tenant claims no defense or offset against the full and timely performance of its obligations under the Lease. Borrower shall

not be required to deliver such certificates more frequently than one time in any 12-month period, other than the 12-month period during which a Securitization occurs or is attempted.

9.17 General Indemnity; Payment of Expenses.

(a) Borrower, at its sole cost and expense, shall protect, indemnify, reimburse, defend and hold harmless Lender and its officers, partners, members, directors, trustees, advisors, employees, agents, sub-agents, affiliates, successors, participants and assigns of any and all of the foregoing (collectively, the "Indemnified Parties") for, from and against any and all Damages of any kind or nature whatsoever that may be imposed on, incurred by, or asserted against any of the Indemnified Parties, in any way relating to or arising out of Lender's interest in the Loan; provided, however, that no Indemnified Party shall have the right to be indemnified hereunder to the extent that such Damages have been found by a final, non-appealable judgment of a court of competent jurisdiction to have resulted from the gross negligence or willful misconduct of such Indemnified Party.

(b) If for any reason (including violation of law or public policy) the undertakings to defend, indemnify, pay and hold harmless set forth in this Section are unenforceable in whole or in part or are otherwise unavailable to an Indemnified Party or insufficient to hold it harmless, then Borrower shall contribute to the amount paid or payable by Indemnified Party as a result of any Damages the maximum amount Borrower is permitted to pay under Legal Requirements. The obligations of Borrower under this Section will be in addition to any liability that Borrower may otherwise have hereunder and under the other Loan Documents.

(c) To the extent any Indemnified Party has notice of a claim for which it intends to seek indemnification hereunder, such Indemnified Party shall give prompt written notice thereof to Borrower, provided that failure by Lender to so notify Borrower will not relieve Borrower of its obligations under this Section, except to the extent that Borrower suffers actual prejudice as a result of such failure. In connection with any claim for which indemnification is sought hereunder, Borrower shall have the right to defend the applicable Indemnified Party (if requested by the applicable Indemnified Party, in the name of such Indemnified Party) from such claim by attorneys and other professionals reasonably approved by the applicable Indemnified Party. Upon assumption by Borrower of any defense pursuant to the immediately preceding sentence, Borrower shall have the right to control such defense, provided that the Applicable Indemnified Party shall have the right to reasonably participate in such defense and Borrower shall not consent to the terms of any compromise or settlement of any action defended by Borrower in accordance with the foregoing without the prior consent of the applicable Indemnified Party, unless such compromise or settlement (i) includes an unconditional release of the applicable Indemnified Party from all liability arising out of such action and (ii) does not include a statement as to or an admission of fault, culpability or a failure to act, by or on behalf of the applicable Indemnified Party. The applicable Indemnified Party shall have the right to retain its own counsel if (i) Borrower shall have failed to employ counsel reasonably satisfactory to the applicable Indemnified Party in a timely manner, or (ii) the applicable Indemnified Party shall have been advised by counsel that there are actual or potential material conflicts of interest between Borrower and the applicable Indemnified Party, including situations in which there are one

or more legal defenses available to the applicable Indemnified Party that are different from or additional to those available to Borrower. So long as Borrower is conducting the defense of any action defended by Borrower in accordance with the foregoing in a prudent and commercially reasonable manner, Lender and the applicable Indemnified Party shall not compromise or settle such action defended without Borrower's consent, which shall not be unreasonably withheld or delayed. Upon demand, Borrower shall pay or, in the sole discretion of the applicable Indemnified Party, reimburse the applicable Indemnified Party for the payment of reasonable fees and disbursements of attorneys, engineers, environmental consultants, laboratories and other professionals retained by the Applicable Indemnified Party in accordance with this Section in connection with defending any claim subject to indemnification hereunder.

(d) Any amounts payable to Lender by reason of the application of this Section shall be secured by the Security Instrument and shall become immediately due and payable and shall bear interest at the Default Rate from the date Damages are sustained by the Indemnified Parties until paid.

(e) The provisions of and undertakings and indemnification set forth in this Section shall survive the satisfaction and payment in full of the Indebtedness and termination of this Agreement.

(f) Subject to the express terms of the Cooperation Agreement which details certain expenses which Lender has agreed to incur without reimbursement, Borrower shall reimburse Lender upon receipt of written notice from Lender for (i) all out-of-pocket costs and expenses incurred by Lender (or any of its affiliates) in connection with the origination of the Loan, including legal fees and disbursements, accounting fees, and the costs of the Appraisal, the Engineering Report, the Title Insurance Policy, the Survey, the Environmental Report and any other third-party diligence materials which are evidenced on the closing statement prepared by Lender and executed by Borrower on or prior to the Closing Date or such other reasonable out-of-pocket costs and expenses which relate to the foregoing; (ii) all out-of-pocket costs and expenses incurred by Lender (or any of its affiliates) in connection with (A) monitoring Borrower's ongoing performance of and compliance with Borrower's agreements and covenants contained in this Agreement and the other Loan Documents on its part to be performed or complied with after the Closing Date, including confirming compliance with environmental and insurance requirements, (B) the negotiation, preparation, execution, delivery and administration of any consents, amendments, waivers or other modifications to this Agreement and the other Loan Documents and any other documents or matters relating hereto (including Leases, Material Agreements, and Permitted Encumbrances), (C) filing, registration and recording fees and expenses and other similar expenses incurred in creating and perfecting the Liens in favor of Lender pursuant to this Agreement and the other Loan Documents (including the filing, registration or recording of any instrument of further assurance) and all federal, state, county and municipal, taxes (including, if applicable, intangible taxes), search fees, title insurance premiums, duties, imposts, assessments and charges arising out of or in connection with the execution and delivery of the Loan Documents, any mortgage supplemental thereto, any security instrument with respect to the Collateral or any instrument of further assurance, (D) enforcing or preserving any rights, in response to third party claims or the prosecuting or defending of any action or proceeding or other litigation, in each case against, under or affecting Borrower, this Agreement, the other Loan Documents or any Collateral, and (E) the satisfaction of any Rating Condition in respect of any matter required or

requested by Borrower hereunder; and (iii) all actual out-of-pocket costs and expenses (including attorney's fees and, if the Loan has been Securitized, special servicing fees) incurred by Lender (or any of its affiliates) in connection with the enforcement of any obligations of Borrower, or a Default by Borrower, under the Loan Documents, including any actual or attempted foreclosure, deed-in-lieu of foreclosure, refinancing, restructuring, settlement or workout and any insolvency or bankruptcy proceedings (including any applicable transfer taxes). Without limiting the foregoing, Borrower shall pay all costs, expenses and fees of Lender and its Servicer, operating advisor and securitization trustee resulting from Defaults or reasonably imminent defaults by Borrower or requests by Borrower (including enforcement expenses and any liquidation fees, workout fees, special servicing fees, operating advisor consulting fees or any other similar fees and interest payable on advances made by the Servicer or the securitization trustee with respect to delinquent debt service payments or expenses of curing Borrower's defaults under the Loan Documents, and any expenses paid by Servicer or a trustee in respect of the protection and preservation of any Property, such as payment of taxes and insurance premiums); and the costs of all property inspections and/or appraisals (or any updates to any existing inspection or appraisal) that Servicer may be required to obtain due to a request by Borrower or the occurrence of a Default.

9.18 No Third-Party Beneficiaries. This Agreement and the other Loan Documents are solely for the benefit of Lender and Borrower, and nothing contained in this Agreement or the other Loan Documents shall be deemed to confer upon anyone other than Lender, Borrower and Indemnified Parties any right to insist upon or to enforce the performance or observance of any of the obligations contained herein or therein. All conditions to the obligations of Lender to make the Loan hereunder are imposed solely and exclusively for the benefit of Lender, and no other Person shall have standing to require satisfaction of such conditions in accordance with their terms or be entitled to assume that Lender will refuse to make the Loan in the absence of strict compliance with any or all thereof, and no other Person shall under any circumstances be deemed to be a beneficiary of such conditions, any or all of which may be freely waived in whole or in part by Lender if, in Lender's sole discretion, Lender deems it advisable or desirable to do so.

9.19 Recourse.

(a) Subject to the qualifications herein, Lender shall not enforce the liability and obligation of Borrower to pay the Indebtedness or perform and observe the other obligations set forth in this Agreement and the other Loan Documents by any action or proceeding wherein a deficiency judgment or judgment establishing personal liability shall be sought against Borrower or any of its affiliates, or against any Exculpated Person, except for foreclosure actions or any other appropriate actions or proceedings to the extent required to fully exercise Lender's remedies in respect of, and to realize upon, the Collateral, and except for any actions to enforce the (i) Indemnified Liabilities, (ii) the liabilities of Borrower under this Agreement (other than the repayment of the Loan), the Cooperation Agreement any required completion guaranty required pursuant to Section 5.23 and any indemnities set forth in the Loan Documents and (iii) the liabilities and indemnities of Sponsor (and any replacement guarantor or indemnitor) under this Environmental Indemnity, the Guaranty, the Guaranty of Completion, any completion guaranty required pursuant to Section 5.23 and the Cooperation Agreement.

(b) Borrower shall indemnify Lender and hold Lender harmless from and against any and all Damages to Lender (including the legal and other expenses of enforcing the obligations of Borrower under this Section and Sponsor under the Guaranty) to the extent resulting from or arising out of any of the following (the "Indemnified Liabilities"), which Indemnified Liabilities shall be guaranteed by Sponsor pursuant to the Guaranty:

(i) any intentional or grossly negligent physical Waste at the Property committed or permitted by Borrower, Approved Music Venue Manager, Sponsor or any of their respective affiliates;

(ii) any fraud or intentional misrepresentation committed by Borrower, Approved Music Venue Manager, Sponsor or any of their respective affiliates;

(iii) any willful misconduct by Borrower, Approved Music Venue Manager, Sponsor or any of their respective affiliates (including (1) any litigation or other legal proceeding initiated by such Person in bad faith that delays, opposes impedes, obstructs, hinders, enjoins or otherwise interferes with or frustrates the efforts of Lender to exercise any rights and remedies available to Lender as provided herein and in the other Loan Documents during the continuance of an Event of Default and (2) any refusal by Borrower to comply with Section 5.9 hereof);

(iv) the misappropriation or misapplication by Borrower, Approved Music Venue Manager, Sponsor or any of their respective affiliates of any funds in violation of the Loan Documents (including misappropriation or misapplication of Revenues, security deposits and/or Loss Proceeds);

(v) any voluntary Debt or unauthorized Liens and encumbrances on the Collateral, if and to the extent the continued existence of such Debt, Liens and encumbrances are prohibited hereunder;

(vi) any breach by Borrower or Sponsor of any representation or covenant regarding environmental matters contained in this Agreement or in the Environmental Indemnity;

(vii) the failure to pay or maintain the Policies or pay the amount of any deductible required thereunder following a Casualty or other insurance claim, provided Lender permits cash flow from the Property to be applied for such purpose;

(viii) the failure of Borrower or Approved Music Venue Manager to be, and to at all times have been, a Single-Purpose Entity, regardless of whether such failure to have been a Single-Purpose Entity prior to the date hereof has been disclosed to Lender, and including any and all liabilities, contingent or otherwise, arising from or related to (x) the actions, conduct and/or operating history of Borrower or Approved Music Venue Manager, as appropriate (or any Person merged into Borrower or Approved Music Venue Manager, as appropriate) prior to the Closing Date and (y) Borrower's or Approved Music Venue's ownership (or the ownership of any Person merged into Borrower or Approved Music Venue Manager) of assets prior to the Closing Date that do not constitute a portion of the Collateral

and/or the filing by any Person of a motion for substantive consolidation in bankruptcy citing any such failure (for the avoidance of doubt, the recourse described in this clause shall be in addition to the full recourse for a substantive consolidation described below);

(ix) removal of personal property from the Property owned by Borrower, Approved Music Venue Manager or any of their affiliates during or in anticipation of an Event of Default, unless replaced with personal property of the same utility and of the same or greater value and utility;

(x) any fees or commissions paid by Borrower or Approved Music Venue Manager to any affiliate in violation of the terms of the Loan Documents;

(xi) any transfer taxes resulting from Lender's exercise of remedies following any Event of Default;

(xii) the contesting or opposition by Borrower, Approved Music Venue Manager, Sponsor or any of their respective affiliates of any motion filed by Lender for relief from the automatic stay in any bankruptcy proceeding of any Required SPE;

(xiii) unauthorized Transfer of the Collateral (including unauthorized Liens and encumbrances on the Collateral) in violation of the Loan Documents and in any event subject to Borrower's right to contest any Liens in accordance with the terms of this Agreement; and

(xiv) if (i) either (A) the Approved Hotel Operating Agreement or the Approved Music Venue Lease (or the right to operate the applicable portion of the Property thereunder) shall be cancelled, surrendered or terminated by Borrower or any affiliate of Borrower, or by reason of any failure of Borrower or any affiliate of Borrower to perform its obligations in connection therewith and shall not be replaced as required hereunder upon the expiration, cancellation surrender or termination of the Approved Hotel Operating Agreement or the Approved Music Venue Lease, as appropriate, or (B) Borrower materially amends or modifies the Approved Hotel Operating Agreement or the Approved Music Venue Lease without the prior written consent of Lender.

In addition to the foregoing, the Loan and all Indebtedness shall be fully recourse to Borrower and Sponsor, jointly and severally, if (i) there is any unauthorized Transfer of the Property or the Account Collateral (including unauthorized Liens and encumbrances on the Collateral) or Prohibited Change of Control or Prohibited Pledge, in each case, in violation of the Loan Documents and in any event subject to Borrower's right to contest any Liens in accordance with the terms of this Agreement, (ii) any petition for bankruptcy, insolvency, dissolution or liquidation under the Bankruptcy Code or any similar federal or state law is filed by, consented to, or acquiesced in by, any Required SPE, (iii) any Required SPE or any of their respective affiliates (including Sponsor) shall have colluded with other creditors to cause an involuntary filing under the Bankruptcy Code or similar federal or state law with respect to any Required SPE, or any Required SPE shall have terminated one or more of the Independent Directors for the purpose of facilitating a bankruptcy filing, or (iv) any Required SPE fails to be, and to at all times have been, a Single-Purpose Entity, which failure (as determined

by a court of competent jurisdiction cites as a contributing factor) results in a substantive consolidation of Borrower with any affiliate in a bankruptcy or similar proceeding.

(c) The foregoing limitations on personal liability shall in no way impair or constitute a waiver of the validity of the Notes, the Indebtedness secured by the Collateral, or the Liens on the Collateral, or the right of Lender, as mortgagee or secured party, to foreclose and/or enforce its rights with respect to the Collateral after an Event of Default. Nothing in this Agreement shall be deemed to be a waiver of any right which Lender may have under the Bankruptcy Code to file a claim for the full amount of the debt owing to Lender by Borrower or to require that all Collateral shall continue to secure all of the Indebtedness owing to Lender in accordance with the Loan Documents. Lender may seek a judgment on the Note (and, if necessary, name Borrower in such suit) as part of judicial proceedings to foreclose on any Collateral or as a prerequisite to any such foreclosure or to confirm any foreclosure or sale pursuant to power of sale thereunder, and in the event any suit is brought on the Notes, or with respect to any Indebtedness or any judgment rendered in such judicial proceedings, such judgment shall constitute a Lien on and may be enforced on and against the Collateral and the rents, profits, issues, products and proceeds thereof. Nothing in this Agreement shall impair the right of Lender to accelerate the maturity of the Note upon the occurrence of an Event of Default, nor shall anything in this Agreement impair or be construed to impair the right of Lender to seek personal judgments, and to enforce all rights and remedies under applicable law, jointly and severally against any indemnitors and guarantors to the extent allowed by any applicable Loan Documents. The provisions set forth in this Section are not intended as a release or discharge of the obligations due under the Note or under any Loan Documents, but are intended as a limitation, to the extent provided in this Section, on Lender's right to sue for a deficiency or seek a personal judgment except as required in order to realize on the Collateral.

9.20 Right of Set-Off. In addition to any rights now or hereafter granted under applicable law or otherwise, and not by way of limitation of any such rights, during the continuance of an Event of Default, Lender may from time to time, without presentment, demand, protest or other notice of any kind (all of such rights being hereby expressly waived), set-off and appropriate and apply any and all deposits (general or special) and any other indebtedness at any time held or owing by Lender (including branches, agencies or affiliates of Lender wherever located) to or for the credit or the account of Borrower against the obligations and liabilities of Borrower to Lender hereunder, under the Notes, the other Loan Documents or otherwise, irrespective of whether Lender shall have made any demand hereunder and although such obligations, liabilities or claims, or any of them, may be contingent or unmatured, and any such set-off shall be deemed to have been made immediately upon the occurrence of an Event of Default even though such charge is made or entered on the books of Lender subsequent thereto.

9.21 Exculpation of Lender. Lender neither undertakes nor assumes any responsibility or duty to Borrower or any other party to select, review, inspect, examine, supervise, pass judgment upon or inform Borrower or any third party of (a) the existence, quality, adequacy or suitability of Appraisals of the Property or other Collateral, (b) any environmental report, or (c) any other matters or items, including engineering, soils and seismic reports that are contemplated in the Loan Documents. Any such selection, review, inspection, examination and the like, and any other due diligence conducted by Lender, is solely for the purpose of protecting Lender's rights under the Loan

Documents, and shall not render Lender liable to Borrower or any third party for the existence, sufficiency, accuracy, completeness or legality thereof.

9.22 Servicer. Lender may delegate any and all rights and obligations of Lender hereunder and under the other Loan Documents to the Servicer upon written notice by Lender to Borrower, whereupon any notice or consent from the Servicer to Borrower, and any action by Servicer on Lender's behalf, shall have the same force and effect as if Servicer were Lender.

9.23 No Fiduciary Duty.

(a) Borrower acknowledges that, in connection with this Agreement, the other Loan Documents and the Transaction, Lender has relied upon and assumed the accuracy and completeness of all of the financial, legal, regulatory, accounting, tax and other information provided to, discussed with or reviewed by Lender for such purposes, and Lender does not assume any liability therefor or responsibility for the accuracy, completeness or independent verification thereof. Lender, its affiliates and their respective equityholders and employees (for purposes of this Section, the "Lending Parties") have no obligation to conduct any independent evaluation or appraisal of the assets or liabilities (including any contingent, derivative or off-balance sheet assets and liabilities) of Sponsor, Borrower or any other Person or any of their respective affiliates or to advise or opine on any related solvency or viability issues.

(b) It is understood and agreed that (i) the Lending Parties shall act under this Agreement and the other Loan Documents as an independent contractor, (ii) the Transaction is an arm's-length commercial transaction between the Lending Parties, on the one hand, and Borrower, on the other, (iii) each Lending Party is acting solely as principal and not as the agent or fiduciary of Borrower, Sponsor or their respective affiliates, stockholders, employees or creditors or any other Person and (iv) nothing in this Agreement, the other Loan Documents, the Transaction or otherwise shall be deemed to create (A) a fiduciary duty (or other implied duty) on the part of any Lending Party to Sponsor, Borrower, any of their respective affiliates, stockholders, employees or creditors, or any other Person or (B) a fiduciary or agency relationship between Sponsor, Borrower or any of their respective affiliates, stockholders, employees or creditors, on the one hand, and the Lending Parties, on the other. Borrower agrees that neither it nor Sponsor nor any of their respective affiliates shall make, and hereby waives, any claim against the Lending Parties based on an assertion that any Lending Party has rendered advisory services of any nature or respect, or owes a fiduciary or similar duty to Borrower, Sponsor or their respective affiliates, stockholders, employees or creditors. Nothing in this Agreement or the other Loan Documents is intended to confer upon any other Person (including affiliates, stockholders, employees or creditors of Borrower and Sponsor) any rights or remedies by reason of any fiduciary or similar duty.

(c) Borrower acknowledges that it has been advised that the Lending Parties are a full service financial services firm engaged, either directly or through affiliates in various activities, including securities trading, investment banking and financial advisory, investment management, principal investment, hedging, financing and brokerage activities and financial planning and benefits counseling for both companies and individuals. In the ordinary course of these activities, the Lending Parties may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and/or financial instruments (including loans) for their own account

and for the accounts of their customers and may at any time hold long and short positions in such securities and/or instruments. Such investment and other activities may involve securities and instruments of affiliates of Borrower, including Sponsor, as well as of other Persons that may (i) be involved in transactions arising from or relating to the Transaction, (ii) be customers or competitors of Borrower, Sponsor and/or their respective affiliates, or (iii) have other relationships with Borrower, Sponsor and/or their respective affiliates. In addition, the Lending Parties may provide investment banking, underwriting and financial advisory services to such other Persons. The Lending Parties may also co-invest with, make direct investments in, and invest or co-invest client monies in or with funds or other investment vehicles managed by other parties, and such funds or other investment vehicles may trade or make investments in securities of affiliates of Borrower, including Sponsor, or such other Persons. The Transaction may have a direct or indirect impact on the investments, securities or instruments referred to in this paragraph. Although the Lending Parties in the course of such other activities and relationships may acquire information about the Transaction or other Persons that may be the subject of the Transaction, the Lending Parties shall have no obligation to disclose such information, or the fact that the Lending Parties are in possession of such information, to Borrower, Sponsor or any of their respective affiliates or to use such information on behalf of Borrower, Sponsor or any of their respective affiliates.

(d) Borrower acknowledges and agrees that Borrower has consulted its own legal and financial advisors to the extent it deemed appropriate and that it is responsible for making its own independent judgment with respect to this Agreement, the other Loan Documents, the Transaction and the process leading thereto.

9.24 Borrower Information. Borrower shall make available to Lender all information concerning its business and operations that Lender may reasonably request. Subject to the confidentiality restrictions set forth in the Hotel Operating Agreement and provided that Lender shall direct such Persons to keep all non-public information confidential, Lender shall have the right to disclose any and all information provided to Lender by Borrower or Sponsor regarding Borrower, Sponsor, the Loan and the Property (i) to affiliates of Lender and to Lender's agents and advisors, (ii) to any actual or potential assignee, transferee or participant in connection with the contemplated Assignment, transfer, Participation or Securitization of all or any portion of the Loan or any participations therein, and to any investors or prospective investors in the Certificates, and their respective advisors and agents, including the operating advisor, or to any direct or indirect contractual counterparties (or the professional advisors thereto) to any swap or derivative transaction relating to Borrower and its obligations, or to any Person that is a pledgee or a party to a repurchase agreement with respect to the Loan, (iii) to any Rating Agency in connection with a Securitization or as otherwise required in connection with a disposition of the Loan, (iv) to any Person necessary or desirable in connection with the exercise of any remedies hereunder or under any other Loan Document following an Event of Default, (v) to any governmental agency, including the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the FDIC, the Securities and Exchange Commission and any other regulatory authority that may exercise authority over Lender or any investor in the Certificates (including the Servicer, the Securitization trustee and their respective agents and employees) or any representative thereof, and to the National Association of Insurance Commissioners, in each case if requested by such governmental agency or otherwise required to comply with the applicable rules and regulations of such governmental agency or if required pursuant

to legal or judicial process and (vi) in any Disclosure Document (as defined in the Cooperation Agreement). In addition, Lender may disclose the existence of this Agreement and the information about this Agreement to market data collectors, similar services providers to the lending industry, and service providers to Lender in connection with the administration and management of this Agreement and the other Loan Documents. Each party hereto (and each of their respective affiliates, employees, representatives or other agents) may disclose to any and all Persons, without limitation of any kind, the tax treatment and tax structure of the Transaction and all materials of any kind (including opinions and other tax analyses) that are provided to any such party relating to such tax treatment and tax structure. For the purpose of this Section, "tax structure" means any facts relevant to the federal income tax treatment of the Transaction but does not include information relating to the identity of any of the parties hereto or any of their respective affiliates.

9.25 PATRIOT Act Records. Lender hereby notifies Borrower that pursuant to the requirements of the PATRIOT Act, it is required to obtain, verify and record information that identifies Borrower and Sponsor, which information includes the name and address of Borrower and Sponsor and other information that will allow Lender to identify Borrower or Sponsor in accordance with the PATRIOT Act.

9.26 Prior Agreements. THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS CONTAIN THE ENTIRE AGREEMENT OF THE PARTIES HERETO AND THERETO IN RESPECT OF THE TRANSACTIONS CONTEMPLATED HEREBY AND THEREBY, AND ALL PRIOR AGREEMENTS AMONG OR BETWEEN SUCH PARTIES, WHETHER ORAL OR WRITTEN, INCLUDING ANY TERM SHEETS, CONFIDENTIALITY AGREEMENTS AND COMMITMENT LETTERS, ARE SUPERSEDED BY THE TERMS OF THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS (EXCEPT THAT ANY ORIGATION FEE SPECIFIED IN ANY TERM SHEET, COMMITMENT LETTER OR FEE LETTER SHALL BE AN OBLIGATION OF BORROWER AND SHALL BE PAID AT CLOSING, AND ANY INDEMNIFICATIONS, FLEX PROVISION, EXIT FEES AND THE LIKE PROVIDED FOR THEREIN SHALL SURVIVE THE CLOSING).

9.27 Publicity. If the Loan is made, Lender may issue press releases, advertisements and other promotional materials describing in general terms or in detail Lender's participation in such transaction, and may utilize photographs of the Property in such promotional materials. Borrower shall not make any references to Lender in any press release, advertisement or promotional material issued by Borrower or Sponsor, unless Lender shall have approved of the same in writing prior to the issuance of such press release, advertisement or promotional material, provided, Borrower shall not be restricted from including in any filings information related to the Loan as required by the Securities and Exchange Commission.

9.28 Delay Not a Waiver. Neither any failure nor any delay on the part of Lender in insisting upon strict performance of any term, condition, covenant or agreement, or exercising any right, power, remedy or privilege hereunder, under any other Loan Document, or under any other instrument given as security therefor, shall operate as or constitute a waiver thereof, nor shall a single or partial exercise thereof preclude any other future exercise, or the exercise of any other right, power, remedy or privilege. In particular, and not by way of limitation, by accepting payment after the due date of any

amount payable hereunder or under any other Loan Document, Lender shall not be deemed to have waived any right either to require prompt payment when due of all other amounts due under this Agreement, the Note or the other Loan Documents, or to declare a default for failure to effect prompt payment of any such other amount.

9.29 Schedules and Exhibits Incorporated. The Schedules and Exhibits annexed hereto are hereby incorporated herein as a part of this Agreement with the same effect as if set forth in the body hereof.

9.30 Borrower Right of Contest. Notwithstanding anything to the contrary contained herein, Borrower shall have the right to contest in good faith by appropriate action or proceeding any Legal Requirements, Insurance Requirements, payment of Trade Payables and/or the amount, validity or application in whole or in part of any taxes, assessments and/or governmental charges, provided that, in each case, (i) such contest is promptly initiated and continuously conducted in good faith with due diligence, (ii) at the time of the commencement of any such contest, and during the pendency of such contest, no Event of Default shall be continuing, (iii) such contest could not affect the priority of the Security Instrument or reasonably be expected to result in a Material Adverse Effect, (iv) Borrower shall provide Lender with regular updates regarding the status of such contest, (v) in the case of a contest of taxes, assessments and/or governmental charges, such contest shall suspend the collection or payment thereof and (vi) in the case of the contest of any Insurance Requirement, the failure of Borrower to comply therewith during such contest shall not impair the validity of any insurance required to be maintained by Borrower hereunder or the right to full payment of any claims under any of the Policies. Notwithstanding the immediately preceding sentence, Borrower shall promptly comply with any contested Legal Requirement or Insurance Requirement or pay (or provide an acceptable bond with respect to) any contested Trade Payables, taxes, assessments and/or governmental charges, and compliance therewith or payment thereof shall not be further deferred or delayed, if at any time, in Lender's reasonable judgment, (x) the Property or any portion thereof shall be in imminent danger of being forfeited or lost or (y) Lender is likely to be subject to civil or criminal damages as a result thereof. If such contest is terminated or discontinued adversely to Borrower, Borrower shall comply with or pay, and thereafter deliver to Lender reasonable evidence of Borrower's compliance with or payment of, such contested Legal Requirements, Insurance Requirements, Trade Payables and/or taxes, assessments and/or governmental charges, as the case may be.

9.31 **SPECIFIC NOTICE REGARDING INDEMNITIES. IT IS EXPRESSLY AGREED AND UNDERSTOOD THAT THIS AGREEMENT INCLUDES INDEMNIFICATION PROVISIONS WHICH, IN CERTAIN CIRCUMSTANCES, COULD INCLUDE AN INDEMNIFICATION BY BORROWER OF LENDER FROM CLAIMS OR LOSSES ARISING AS A RESULT OF LENDER'S OWN NEGLIGENCE.**

*[Remainder of page intentionally left blank;
Signature Pages to follow.]*

Lender and Borrower are executing this Agreement as of the date first above written.

LENDER:

GOLDMAN SACHS MORTGAGE COMPANY,
a New York limited partnership

By: /s/ Will Waters

Name: Will Waters

Title: Authorized Representative

LOAN AGREEMENT – Signature Page

BORROWER:

STRATUS BLOCK 21, L.L.C.,
a Delaware limited liability company

By: STRATUS BLOCK 21 MANAGER, L.L.C.,
a Texas limited liability company,
its Manager

By: /s/ Erin D. Pickens
Name: Erin D. Pickens
Title: Senior Vice President

JOINDER

Approved Music Venue Manager executes this Agreement in order to acknowledge and agree to the representations and covenants set forth herein which pertain specifically to Approved Music Venue Manager and its operations at the ACL Music Venue Property and the Showcase Venue Space and to agree to the terms and conditions set forth herein as it pertains to the ACL Music Venue Account and the Approved Music Venue Lease.

BLOCK 21 SERVICE COMPANY LLC,
a Texas limited liability company

By: /s/ Erin D. Pickens
Name: Erin D. Pickens
Title: Senior Vice President

LOAN AGREEMENT – Signature Page

Exhibit A

Organizational Chart

[Organizational Chart for Borrower follows this cover page.]

{W0673139.10} EXHIBIT A, Organizational Chart – Cover Page
49125-481/Block 21 (TX)

Exhibit B **Form of Tenant Notice**

[BORROWER'S LETTERHEAD]

_____, 20__

Re: Lease dated _____, 20__ between _____, as Landlord, and
_____, as Tenant, concerning premises known as
_____ (the "Building").

Dear Tenant:

The undersigned hereby directs and authorizes you to make all rental payments and other amounts payable by you pursuant to your lease as follows:

(x) If the payment is made by wire transfer, you shall transfer the applicable funds to the following account:

Bank:
Account Name
Account No.:
ABA No.:
Contact:

(y) If the payment is made by check, you shall deliver your payment to the following address: **[LOCKBOX ADDRESS]**.

Only GOLDMAN SACHS MORTGAGE COMPANY, a New York limited partnership or its successors and assigns, may by written notice to you rescind or modify the instructions contained herein.

Thank you in advance for your cooperation and if you have any questions, please call _____ at
(____) ____-_____.

Very truly yours,

Schedule A

Property

TRACT 1: Office Master Unit, together with a 4.7622% undivided interest in and to the common elements appurtenant thereto, Venue Master Unit, together with a 11.8505% undivided interest in and to the common elements appurtenant thereto, Parking Master Unit, together with a 4.2597% undivided interest in and to the common elements appurtenant thereto, Commercial Master Unit 1, together with a 0.3114% undivided interest in and to the common elements appurtenant thereto, Commercial Master Unit 2, together with a 0.1049% undivided interest in and to the common elements appurtenant thereto, Commercial Master Unit 3, together with a 0.0218% undivided interest in and to the common elements appurtenant thereto, Commercial Master Unit 4, together with a 1.8068% undivided interest in and to the common elements appurtenant thereto, Commercial Master Unit 5, together with a 0.0960% undivided interest in and to the common elements appurtenant thereto, Commercial Master Unit 6, together with a 1.2229% undivided interest in and to the common elements appurtenant thereto, Shared Facilities Master Unit together with a 1.0000% undivided interest in and to the common elements appurtenant thereto, and Hotel Master Unit together with a 29.7916% undivided interest in and to the common elements appurtenant thereof, of BLOCK 21 MASTER CONDOMINIUMS, a condominium project in Travis County, Texas, according to the Declaration of Condominium and amendments thereto, recorded under Document No. 2010182735 of the Official Public Records of Travis County, Texas, as affected by Scrivener's Affidavit recorded under Document No. 2011009045 of the Official Public Records of Travis County, Texas and Management Certificate of Block 21 Condominium Community, Inc. recorded under Document No. 2011011873 of the Official Public Records of Travis County, Texas, and as further amended by Affidavit Regarding Block 21 Master Condominiums recorded simultaneously herewith in the Official Public Records of Travis County, Texas.

TRACT 2: Easement Estate appurtenant to Tract 1 as created and defined in Article 4 of Declaration of Condominium Regime for BLOCK 21 MASTER CONDOMINIUMS, recorded under Document No. 2010182735 of the Official Public Records of Travis County, Texas and Article 3 of Declaration of Condominium Regime for BLOCK 21 CONDOMINIUMS recorded under Document No. 2010182736 of the Official Public Records of Travis County, Texas, SAVE AND EXCEPT any easements located on Tract 1.

Schedule B

Exception Report

- Section 4.13 – (a) David Boyett vs. CJUF II Stratus Block 21 LLC, filed May 18, 2015 in the District Court of Travis County, Texas (Case Number D1GN15-001945) – re: personal injury; and (b) City of Austin v. Travis County Central Appraisal District, et. al. under Cause No. D-1-GN-15-003492 in the 126th Judicial District Court of Travis County, Texas.

- Section 4.14 – The following Persons have possessory interest in the Property or right to occupy the same: (i) Persons having rights pursuant to the provisions of the Leases, the Approved Music Venue Lease, the KLRU Agreement, the Approved Hotel Operating Agreement and the sponsorship and artists' contracts which have been entered for use of the ACL Music Venue Property or the Showcase Venue Space, (ii) Persons having rights pursuant to the Permitted Exceptions including the Declaration (Master) and the Declaration (Hotel-Residential), (iii) Persons having rights pursuant to the valet parking agreement for use of the Parking Master Unit under the Declaration (Master), (iv) Show Bureau LLC, a Texas limited liability company, for event promotion and services business related to the ACL Music Venue Property and the Showcase Venue Space; and (v) Stageside Productions LLC, a Texas limited liability company, for audio and video music production and distribution business related to the ACL Music Venue Property and the Showcase Venue Space.

In accordance with Section 19 of that certain Commercial Lease between CJUF II Stratus Block 21 LLC and Starbucks Corporation dated July 29, 2013, Starbucks has certain early termination rights at the expiration of 60 full calendar months of the Term.

In accordance with Section 3(g) of that certain Lease between CJUF II Stratus Block 21 LLC and Urban Outfitters, Inc. dated April 12, 2011, Urban Outfitters, Inc. has certain early termination rights if it is prohibited from operating its business in the premises by certain governmental and quasi-governmental authorities.

-Section 4.17

(a) Prior to the Closing Date, Borrower did not have two (2) Independent Directors and was not subject to a non-consolidation opinion.

(b) Borrower previously owned the 100% membership interest in each of the following entities, the ownership in which was transferred to an indirect owner of Borrower on or immediately prior to the Closing Date: (i) Block 21 Service Company LLC, a Texas limited liability company, and (ii) Show Bureau LLC, a Texas limited liability company. In addition, Borrower previously owned a membership interest in Stageside Productions LLC, a Texas limited liability company, with a capital interest of 100% and a net profits interest of 40%, the ownership in which was transferred to an indirect owner of Borrower on or prior to the Closing Date.

-Section 4.35 – In accordance with the terms of the Approved Hotel Operating Agreement, the Hotel Property is subject to an ongoing PIP, the terms of which have been provided to Lender. Funds related to the completion of the PIP are being escrowed or reserved with the Approved Hotel Operator and the completion of the PIP is subject to the Guaranty of Completion.

-Section 4.41

BLOCK 21 MASTER CONDOMINIUMS, a condominium project in Travis County, Texas, according to the Declaration of Condominium and amendments thereto, recorded under Document No. 2010182735 of the Official Public Records of Travis County, Texas, is affected by Scrivener's Affidavit recorded under Document No. 2011009045 of the Official Public Records of Travis County, Texas and Affidavit Regarding Block 21 Master Condominiums entered by Borrower and to be recorded on or about the Closing Date in the Official Records of Travis County, Texas.

BLOCK 21 CONDOMINIUMS, a condominium project in Travis County, Texas, according to the Declaration of Condominium and amendments thereto, recorded under Document No. 2010182736 of the Official Public Records of Travis County, Texas, is affected by Scrivener's Affidavit recorded under Document No. 2011009046 of the Official Public Records of Travis County, Texas and First Amendment to Declaration of Condominium Regime for Block 21 Condominiums, recorded under Document No. 2011020755 of the Official Public Records of Travis County, Texas.

Condominium Regime For Block 21 Master Condominiums Master Condominium Association Management Agreement Between Block 21 Master Condominium Community, Inc. and W. Hotel Management, Inc. dated effective January 7, 2011 and Condominium Regime For Block 21 Condominiums Subordinate Condominium Association Management Agreement Between Block 21 Condominium Community, Inc. and W Hotel Management, Inc. dated effective January 7, 2011.

Schedule C

Rent Roll

Rent Roll for the Commercial Property follows this cover page.

SCHEDULE C, Rent Roll – Cover Page

Schedule D

Material Agreements

- Approved Hotel Operating Agreement
- Approved Property Management Agreement
- Approved Music Venue Lease
- Condominium Documents
- PIP
- KLRU Agreement
- Facilities Use Agreement

SCHEDULE D, Material Agreements – Solo Page

Schedule E

Approved Replacement Hotel Operators

Hilton Hotels & Resorts
Hyatt Hotels & Resorts
Intercontinental Hotels Group LP
Marriott International, Inc.

SCHEDULE E, Approved Replacement Hotel Operators – Solo Page

Schedule F

Allocated Loan Amounts

1	Hotel Property	\$93,000,000
2	ACL Music Venue Property	\$37,000,000
3	Commercial Property	\$20,000,000

SCHEDULE F, Allocated Loan Amounts – Solo Page

Schedule G

Approved Music Venue Construction

- Capital Expenditures necessary to finish out the vacant retail suite on the ground floor of the ACL Music Venue Property.
- Construction of a new digital sign or improvements to the existing digital sign on the exterior of the ACL Music Venue Property.

SCHEDULE G, Approved Music Venue Construction – Solo Page

PROMISSORY NOTE (A-1)

STRATUS BLOCK 21, L.L.C.

\$ 110,000,000.00

Austin, Texas

February 1, 2016

FOR VALUE RECEIVED, the undersigned, **STRATUS BLOCK 21, L.L.C.**, a Delaware limited liability company (the "Maker"), promises to pay to the order of **GOLDMAN SACHS MORTGAGE COMPANY**, a New York limited partnership, and its successors and registered assigns (the holder of this Note from time to time, or any portion hereof, is hereinafter referred to as the "Holder") or to such other account pursuant to such other wiring instruction as the Holder may from time to time designate in writing, the original principal amount of ONE HUNDRED TEN MILLION AND NO/100 DOLLARS (\$110,000,000.00), or so much thereof as may be outstanding from time to time (the "Principal Amount"), together with interest thereon and all other amounts payable to the Holder under the Loan Documents with respect to the Loan, such principal, interest and other amounts to be payable as provided in the Loan Agreement (as defined below) and the other Loan Documents. Capitalized terms used herein but not otherwise defined herein shall have the meanings assigned to such terms in the Loan Agreement.

This Promissory Note (Note A-1) (this "Note"), together with that certain Promissory Note (Note A-2) ("Note A-2") of even date herewith in the original principal amount of \$40,000,000.00, made by Maker in favor of Holder (this Note and Note A-2, collectively, the "Amended Notes"), are collectively given by Maker in substitution for, and amend, renew, restate and replace in its entirety, but do not constitute a novation or extinguishment of the indebtedness evidenced by, that certain Promissory Note in the principal amount of \$150,000,000.00, dated as of January 5, 2016 (the "Original Note"), made by Maker in favor of Holder.

The Original Note is the Note referred to in that certain Loan Agreement, dated as of January 5, 2016, between the Maker, as borrower, and the Holder, as lender (as amended, modified or supplemented and in effect from time to time, the "Loan Agreement") and evidences the Loan made by the Holder thereunder. Pursuant to Section 1.1(c) of the Loan Agreement, the Original Note has been split into two (2) separate notes (this Note and Note A-2). From and after the date hereof, all rights, duties and obligations of Maker and of Holder with respect to the Original Note and indebtedness evidenced thereby shall be governed, controlled and construed in accordance with the terms and provisions of this Note and Note A-2, respectively, all as more particularly set forth herein and therein, as applicable. Holder will place a notation on the face of the Original Note indicating that such Original Note has been amended, renewed, restated and replaced collectively by the Amended Notes and will deliver the Original Note to Maker in exchange for the Amended Notes.

Reference to the Loan Agreement is hereby made for a statement of the rights of the Holder and the duties and obligations of the Maker, but neither this reference to the Loan Agreement nor any provision thereof shall affect or impair the absolute and unconditional obligation of the Maker to pay the principal, interest and other amounts payable with respect to

this Note when due. The Principal Amount shall bear interest at the rates provided for in the Loan Agreement.

This Note is secured by the Security Instrument and the other security interests and liens granted in the Loan Agreement and in other Loan Documents.

The principal sum evidenced by this Note, together with accrued interest and other sums or amounts due hereunder, shall become immediately due and payable at the option of the Holder upon the occurrence and during the continuation of any Event of Default in accordance with the provisions of the Loan Agreement.

With respect to the amounts due and payable pursuant to this Note, the Maker waives demand, presentment and notice, except for notices required by the Loan Documents.

In no event shall the amount of interest (and any other sums or amounts that are deemed to constitute interest under applicable Legal Requirements) due or payable hereunder (including interest calculated at the Default Rate) exceed the maximum rate of interest designated by applicable Legal Requirements (the "Maximum Amount"), and in the event such excess payment is inadvertently paid by the Maker or inadvertently received by the Holder, then such excess sum shall be credited as a payment of principal on this Note, and if in excess of the outstanding Principal Amount of this Note, shall be immediately returned to the Maker upon such determination. It is the express intent hereof that the Maker not pay and the Holder not receive, directly or indirectly, interest in excess of the Maximum Amount.

Other than as expressly set forth in the Loan Documents, this Note may not be assigned in whole or in part by the Maker. The Holder shall have the right from time to time at its discretion to assign this Note, in whole or in part, only by registration of such assignment on a register maintained as provided in the Loan Agreement. Maker's obligations in connection with any such assignment shall be as set forth in the Loan Documents.

The Holder shall not by any act, delay, omission or otherwise be deemed to have amended, modified, supplemented, waived, extended, discharged or terminated any of its rights or remedies, except by an amendment, modification, supplement, waiver, extension, discharge or termination in writing and signed by the appropriate parties, as may be applicable pursuant to the Loan Agreement. All rights and remedies of the Holder under the terms of this Note and applicable statutes or rules of law shall be cumulative, and may be exercised successively or concurrently. The Maker agrees that there are no defenses, equities or setoffs with respect to the obligations set forth herein.

Wherever possible, each provision of this Note shall be interpreted in such manner as to be effective and valid under applicable Legal Requirements, but if any provision of this Note shall be prohibited by or invalid under applicable Legal Requirements, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Note.

The Holder may, at its option, release any Collateral given to secure the indebtedness evidenced hereby, and no such release shall impair the obligations of the Maker to the Holder under this Note and the other Loan Documents.

This Note shall be governed by, and construed in accordance with, the laws of the State of Texas.

ANY LEGAL SUIT, ACTION OR PROCEEDING AGAINST THE HOLDER OR THE MAKER ARISING OUT OF OR RELATING TO THIS NOTE MAY BE INSTITUTED IN ANY FEDERAL OR STATE COURT IN NEW YORK, NEW YORK OR TRAVIS COUNTY, TEXAS. THE MAKER, AND BY ACCEPTANCE OF THIS NOTE, THE HOLDER, HEREBY (i) IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY OBJECTION WHICH IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN SUCH A COURT AND ANY CLAIM THAT ANY SUCH PROCEEDING BROUGHT IN SUCH A COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM, AND (ii) IRREVOCABLY SUBMITS TO THE JURISDICTION OF ANY SUCH COURT IN ANY SUIT, ACTION OR PROCEEDING.

THE MAKER AND, BY ACCEPTANCE HEREOF, THE HOLDER, TO THE FULLEST EXTENT THAT EACH MAY LAWFULLY DO SO, WAIVE TRIAL BY JURY IN ANY ACTION OR PROCEEDING (INCLUDING, WITHOUT LIMITATION, ANY TORT ACTION), BROUGHT BY EITHER PARTY HERETO WITH RESPECT TO THIS NOTE OR THE OTHER LOAN DOCUMENTS.

The provisions of this Note shall be subject to the provisions of the Loan Agreement including Section 9.19 of the Loan Agreement, the provisions of which are incorporated herein by this reference as if fully set forth herein.

*[Remainder of page intentionally left blank;
Signature page follows.]*

IN WITNESS WHEREOF, the Maker has caused this Note to be executed as of the day and year first above written.

MAKER:

STRATUS BLOCK 21, L.L.C.,

a Delaware limited liability company

By:STRATUS BLOCK 21 MANAGER, L.L.C.,

a Texas limited liability company,

its Manager

By: /s/ Erin D. Pickens

Name:Erin D. Pickens

Title:Senior Vice President

PROMISSORY NOTE (A-2)

STRATUS BLOCK 21, L.L.C.

\$ 40,000,000.00

Austin, Texas

February 1, 2016

FOR VALUE RECEIVED, the undersigned, **STRATUS BLOCK 21, L.L.C.**, a Delaware limited liability company (the "**Maker**"), promises to pay to the order of **GOLDMAN SACHS MORTGAGE COMPANY**, a New York limited partnership, and its successors and registered assigns (the holder of this Note from time to time, or any portion hereof, is hereinafter referred to as the "**Holder**") or to such other account pursuant to such other wiring instruction as the Holder may from time to time designate in writing, the original principal amount of FORTY MILLION AND NO/100 DOLLARS (\$40,000,000.00), or so much thereof as may be outstanding from time to time (the "**Principal Amount**"), together with interest thereon and all other amounts payable to the Holder under the Loan Documents with respect to the Loan, such principal, interest and other amounts to be payable as provided in the Loan Agreement (as defined below) and the other Loan Documents. Capitalized terms used herein but not otherwise defined herein shall have the meanings assigned to such terms in the Loan Agreement.

This Promissory Note (Note A-2) (this "**Note**"), together with that certain Promissory Note (Note A-1) ("**Note A-1**") of even date herewith in the original principal amount of \$110,000,000.00, made by Maker in favor of Holder (this Note and Note A-1, collectively, the "**Amended Notes**"), are collectively given by Maker in substitution for, and amend, renew, restate and replace in its entirety, but do not constitute a novation or extinguishment of the indebtedness evidenced by, that certain Promissory Note in the principal amount of \$150,000,000.00, dated as of January 5, 2016 (the "**Original Note**"), made by Maker in favor of Holder.

The Original Note is the Note referred to in that certain Loan Agreement, dated as of January 5, 2016, between the Maker, as borrower, and the Holder, as lender (as amended, modified or supplemented and in effect from time to time, the "**Loan Agreement**") and evidences the Loan made by the Holder thereunder. Pursuant to Section 1.1(c) of the Loan Agreement, the Original Note has been split into two (2) separate notes (this Note and Note A-1). From and after the date hereof, all rights, duties and obligations of Maker and of Holder with respect to the Original Note and indebtedness evidenced thereby shall be governed, controlled and construed in accordance with the terms and provisions of this Note and Note A-1, respectively, all as more particularly set forth herein and therein, as applicable. Holder will place a notation on the face of the Original Note indicating that such Original Note has been amended, renewed, restated and replaced collectively by the Amended Notes and will deliver the Original Note to Maker in exchange for the Amended Notes.

Reference to the Loan Agreement is hereby made for a statement of the rights of the Holder and the duties and obligations of the Maker, but neither this reference to the Loan Agreement nor any provision thereof shall affect or impair the absolute and unconditional obligation of the Maker to pay the principal, interest and other amounts payable with respect to

this Note when due. The Principal Amount shall bear interest at the rates provided for in the Loan Agreement.

This Note is secured by the Security Instrument and the other security interests and liens granted in the Loan Agreement and in other Loan Documents.

The principal sum evidenced by this Note, together with accrued interest and other sums or amounts due hereunder, shall become immediately due and payable at the option of the Holder upon the occurrence and during the continuation of any Event of Default in accordance with the provisions of the Loan Agreement.

With respect to the amounts due and payable pursuant to this Note, the Maker waives demand, presentment and notice, except for notices required by the Loan Documents.

In no event shall the amount of interest (and any other sums or amounts that are deemed to constitute interest under applicable Legal Requirements) due or payable hereunder (including interest calculated at the Default Rate) exceed the maximum rate of interest designated by applicable Legal Requirements (the "Maximum Amount"), and in the event such excess payment is inadvertently paid by the Maker or inadvertently received by the Holder, then such excess sum shall be credited as a payment of principal on this Note, and if in excess of the outstanding Principal Amount of this Note, shall be immediately returned to the Maker upon such determination. It is the express intent hereof that the Maker not pay and the Holder not receive, directly or indirectly, interest in excess of the Maximum Amount.

Other than as expressly set forth in the Loan Documents, this Note may not be assigned in whole or in part by the Maker. The Holder shall have the right from time to time at its discretion to assign this Note, in whole or in part, only by registration of such assignment on a register maintained as provided in the Loan Agreement. Maker's obligations in connection with any such assignment shall be as set forth in the Loan Documents.

The Holder shall not by any act, delay, omission or otherwise be deemed to have amended, modified, supplemented, waived, extended, discharged or terminated any of its rights or remedies, except by an amendment, modification, supplement, waiver, extension, discharge or termination in writing and signed by the appropriate parties, as may be applicable pursuant to the Loan Agreement. All rights and remedies of the Holder under the terms of this Note and applicable statutes or rules of law shall be cumulative, and may be exercised successively or concurrently. The Maker agrees that there are no defenses, equities or setoffs with respect to the obligations set forth herein.

Wherever possible, each provision of this Note shall be interpreted in such manner as to be effective and valid under applicable Legal Requirements, but if any provision of this Note shall be prohibited by or invalid under applicable Legal Requirements, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Note.

The Holder may, at its option, release any Collateral given to secure the indebtedness evidenced hereby, and no such release shall impair the obligations of the Maker to the Holder under this Note and the other Loan Documents.

This Note shall be governed by, and construed in accordance with, the laws of the State of Texas.

ANY LEGAL SUIT, ACTION OR PROCEEDING AGAINST THE HOLDER OR THE MAKER ARISING OUT OF OR RELATING TO THIS NOTE MAY BE INSTITUTED IN ANY FEDERAL OR STATE COURT IN NEW YORK, NEW YORK OR TRAVIS COUNTY, TEXAS. THE MAKER, AND BY ACCEPTANCE OF THIS NOTE, THE HOLDER, HEREBY (i) IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY OBJECTION WHICH IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN SUCH A COURT AND ANY CLAIM THAT ANY SUCH PROCEEDING BROUGHT IN SUCH A COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM, AND (ii) IRREVOCABLY SUBMITS TO THE JURISDICTION OF ANY SUCH COURT IN ANY SUIT, ACTION OR PROCEEDING.

THE MAKER AND, BY ACCEPTANCE HEREOF, THE HOLDER, TO THE FULLEST EXTENT THAT EACH MAY LAWFULLY DO SO, WAIVE TRIAL BY JURY IN ANY ACTION OR PROCEEDING (INCLUDING, WITHOUT LIMITATION, ANY TORT ACTION), BROUGHT BY EITHER PARTY HERETO WITH RESPECT TO THIS NOTE OR THE OTHER LOAN DOCUMENTS.

The provisions of this Note shall be subject to the provisions of the Loan Agreement including Section 9.19 of the Loan Agreement, the provisions of which are incorporated herein by this reference as if fully set forth herein.

*[Remainder of page intentionally left blank;
Signature page follows.]*

IN WITNESS WHEREOF, the Maker has caused this Note to be executed as of the day and year first above written.

MAKER:

STRATUS BLOCK 21, L.L.C.,

a Delaware limited liability company

By:STRATUS BLOCK 21 MANAGER, L.L.C.,

a Texas limited liability company,

its Manager

By: /s/ Erin D. Pickens

Name:Erin D. Pickens

Title:Senior Vice President

List of Subsidiaries of
Stratus Properties Inc.

Entity	Organized	Name Under Which It Does Business
Stratus Properties Operating Co., L.P.	Delaware	Same
Stratus Block 21 LLC	Delaware	Same
Stratus Block 21 Investments, L.P.	Texas	Same

Consent of Independent Registered Public Accounting Firm

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (No. 333-169057) of our reports dated March 15, 2016 relating to the consolidated financial statements and schedule and the effectiveness of internal control over financial reporting both of which appear in this Form 10-K.

/s/ BKM Sowan Horan, LLP

Austin, Texas

March 15, 2016

Stratus Properties Inc.

Secretary's Certificate

I, Douglas N. Currault II, Assistant Secretary of Stratus Properties Inc. (the "Corporation"), a corporation organized and existing under the laws of the State of Delaware, do hereby certify that the following resolution was duly adopted by the Board of Directors of the Corporation at a meeting held on February 10, 1993, and that such resolution has not been amended, modified or rescinded and is in full force and effect:

RESOLVED, That any report, registration statement or other form filed on behalf of this corporation pursuant to the Securities Exchange Act of 1934, or any amendment to any such report, registration statement or other form, may be signed on behalf of any director or officer of this corporation pursuant to a power of attorney executed by such director or officer.

IN WITNESS WHEREOF, I have hereunto signed my name and affixed the seal of the Corporation on March 10, 2016.

/s/ Douglas N. Currault II
Douglas N. Currault II
Assistant Secretary

Seal

POWER OF ATTORNEY

BE IT KNOWN: That the undersigned, in his capacity or capacities as an officer and/or a member of the Board of Directors of Stratus Properties Inc., a Delaware corporation (the "Company"), does hereby make, constitute and appoint KENNETH N. JONES, his true and lawful attorney-in-fact with full power of substitution, to execute, deliver and file, for and on behalf of him, in his name and in his capacity or capacities as aforesaid, an Annual Report of the Company on Form 10-K for the year ended December 31, 2015, and any amendment or amendments thereto and any other document in support thereof or supplemental thereto, and the undersigned hereby grants to said attorney, full power and authority to do and perform each and every act and thing whatsoever that said attorney may deem necessary or advisable to carry out fully the intent of the foregoing as the undersigned might or could do personally or in the capacity or capacities as aforesaid, hereby ratifying and confirming all acts and things which said attorney may do or cause to be done by virtue of this Power of Attorney.

EXECUTED on March 10, 2016.

/s/ William H. Armstrong III

William H. Armstrong III

POWER OF ATTORNEY

BE IT KNOWN: That the undersigned, in his capacity or capacities as an officer and/or a member of the Board of Directors of Stratus Properties Inc., a Delaware corporation (the "Company"), does hereby make, constitute and appoint WILLIAM H. ARMSTRONG III and KENNETH N. JONES, and each of them acting individually, his true and lawful attorney-in-fact with power to act without the others and with full power of substitution, to execute, deliver and file, for and on behalf of him, in his name and in his capacity or capacities as aforesaid, an Annual Report of the Company on Form 10-K for the year ended December 31, 2015, and any amendment or amendments thereto and any other document in support thereof or supplemental thereto, and the undersigned hereby grants to said attorneys, and each of them, full power and authority to do and perform each and every act and thing whatsoever that said attorney or attorneys may deem necessary or advisable to carry out fully the intent of the foregoing as the undersigned might or could do personally or in the capacity or capacities as aforesaid, hereby ratifying and confirming all acts and things which said attorney or attorneys may do or cause to be done by virtue of this Power of Attorney.

EXECUTED on March 10, 2016.

/s/ James E. Joseph

James E. Joseph

POWER OF ATTORNEY

BE IT KNOWN: That the undersigned, in his capacity or capacities as an officer and/or a member of the Board of Directors of Stratus Properties Inc., a Delaware corporation (the "Company"), does hereby make, constitute and appoint WILLIAM H. ARMSTRONG III and KENNETH N. JONES, and each of them acting individually, his true and lawful attorney-in-fact with power to act without the others and with full power of substitution, to execute, deliver and file, for and on behalf of him, in his name and in his capacity or capacities as aforesaid, an Annual Report of the Company on Form 10-K for the year ended December 31, 2015, and any amendment or amendments thereto and any other document in support thereof or supplemental thereto, and the undersigned hereby grants to said attorneys, and each of them, full power and authority to do and perform each and every act and thing whatsoever that said attorney or attorneys may deem necessary or advisable to carry out fully the intent of the foregoing as the undersigned might or could do personally or in the capacity or capacities as aforesaid, hereby ratifying and confirming all acts and things which said attorney or attorneys may do or cause to be done by virtue of this Power of Attorney.

EXECUTED on March 10, 2016.

/s/ James C. Leslie

James C. Leslie

POWER OF ATTORNEY

BE IT KNOWN: That the undersigned, in his capacity or capacities as an officer and/or a member of the Board of Directors of Stratus Properties Inc., a Delaware corporation (the "Company"), does hereby make, constitute and appoint WILLIAM H. ARMSTRONG III and KENNETH N. JONES, and each of them acting individually, his true and lawful attorney-in-fact with power to act without the others and with full power of substitution, to execute, deliver and file, for and on behalf of him, in his name and in his capacity or capacities as aforesaid, an Annual Report of the Company on Form 10-K for the year ended December 31, 2015, and any amendment or amendments thereto and any other document in support thereof or supplemental thereto, and the undersigned hereby grants to said attorneys, and each of them, full power and authority to do and perform each and every act and thing whatsoever that said attorney or attorneys may deem necessary or advisable to carry out fully the intent of the foregoing as the undersigned might or could do personally or in the capacity or capacities as aforesaid, hereby ratifying and confirming all acts and things which said attorney or attorneys may do or cause to be done by virtue of this Power of Attorney.

EXECUTED on March 10, 2016.

/s/ Michael D. Madden

Michael D. Madden

POWER OF ATTORNEY

BE IT KNOWN: That the undersigned, in his capacity or capacities as an officer and/or a member of the Board of Directors of Stratus Properties Inc., a Delaware corporation (the "Company"), does hereby make, constitute and appoint WILLIAM H. ARMSTRONG III and KENNETH N. JONES, and each of them acting individually, his true and lawful attorney-in-fact with power to act without the others and with full power of substitution, to execute, deliver and file, for and on behalf of him, in his name and in his capacity or capacities as aforesaid, an Annual Report of the Company on Form 10-K for the year ended December 31, 2015, and any amendment or amendments thereto and any other document in support thereof or supplemental thereto, and the undersigned hereby grants to said attorneys, and each of them, full power and authority to do and perform each and every act and thing whatsoever that said attorney or attorneys may deem necessary or advisable to carry out fully the intent of the foregoing as the undersigned might or could do personally or in the capacity or capacities as aforesaid, hereby ratifying and confirming all acts and things which said attorney or attorneys may do or cause to be done by virtue of this Power of Attorney.

EXECUTED on March 10, 2016.

/s/ Charles W. Porter

Charles W. Porter

POWER OF ATTORNEY

BE IT KNOWN: That the undersigned, in his capacity or capacities as an officer and/or a member of the Board of Directors of Stratus Properties Inc., a Delaware corporation (the "Company"), does hereby make, constitute and appoint WILLIAM H. ARMSTRONG III and KENNETH N. JONES, and each of them acting individually, his true and lawful attorney-in-fact with power to act without the others and with full power of substitution, to execute, deliver and file, for and on behalf of him, in his name and in his capacity or capacities as aforesaid, an Annual Report of the Company on Form 10-K for the year ended December 31, 2015, and any amendment or amendments thereto and any other document in support thereof or supplemental thereto, and the undersigned hereby grants to said attorneys, and each of them, full power and authority to do and perform each and every act and thing whatsoever that said attorney or attorneys may deem necessary or advisable to carry out fully the intent of the foregoing as the undersigned might or could do personally or in the capacity or capacities as aforesaid, hereby ratifying and confirming all acts and things which said attorney or attorneys may do or cause to be done by virtue of this Power of Attorney.

EXECUTED on March 10, 2016.

/s/ C. Donald Whitmire, Jr.

C. Donald Whitmire, Jr.

POWER OF ATTORNEY

BE IT KNOWN: That the undersigned, in her capacity or capacities as an officer and/or a member of the Board of Directors of Stratus Properties Inc., a Delaware corporation (the "Company"), does hereby make, constitute and appoint WILLIAM H. ARMSTRONG III and KENNETH N. JONES, and each of them acting individually, her true and lawful attorney-in-fact with power to act without the others and with full power of substitution, to execute, deliver and file, for and on behalf of her, in her name and in her capacity or capacities as aforesaid, an Annual Report of the Company on Form 10-K for the year ended December 31, 2015, and any amendment or amendments thereto and any other document in support thereof or supplemental thereto, and the undersigned hereby grants to said attorneys, and each of them, full power and authority to do and perform each and every act and thing whatsoever that said attorney or attorneys may deem necessary or advisable to carry out fully the intent of the foregoing as the undersigned might or could do personally or in the capacity or capacities as aforesaid, hereby ratifying and confirming all acts and things which said attorney or attorneys may do or cause to be done by virtue of this Power of Attorney.

EXECUTED on March 10, 2016.

/s/ Erin D. Pickens

Erin D. Pickens

Certification

I, William H. Armstrong III, certify that:

1. I have reviewed this annual report on Form 10-K of Stratus Properties Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 15, 2016

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

Certification

I, Erin D. Pickens, certify that:

1. I have reviewed this annual report on Form 10-K of Stratus Properties Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 15, 2016

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

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

In connection with the Annual Report on Form 10-K of Stratus Properties Inc. (the "Company") for the year ending December 31, 2015, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), William H. Armstrong III, as Chairman of the Board, President and Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. § 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.

Date: March 15, 2016

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

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

This certification shall not be deemed filed by the Company for purposes of § 18 of the Securities Exchange Act of 1934, as amended.

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

In connection with the Annual Report on Form 10-K of Stratus Properties Inc. (the “Company”) for the year ending December 31, 2015, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), Erin D. Pickens, as Senior Vice President and Chief Financial Officer of the Company, hereby certifies, pursuant to 18 U.S.C. § 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.

Date: March 15, 2016

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

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

This certification shall not be deemed filed by the Company for purposes of § 18 of the Securities Exchange Act of 1934, as amended.

