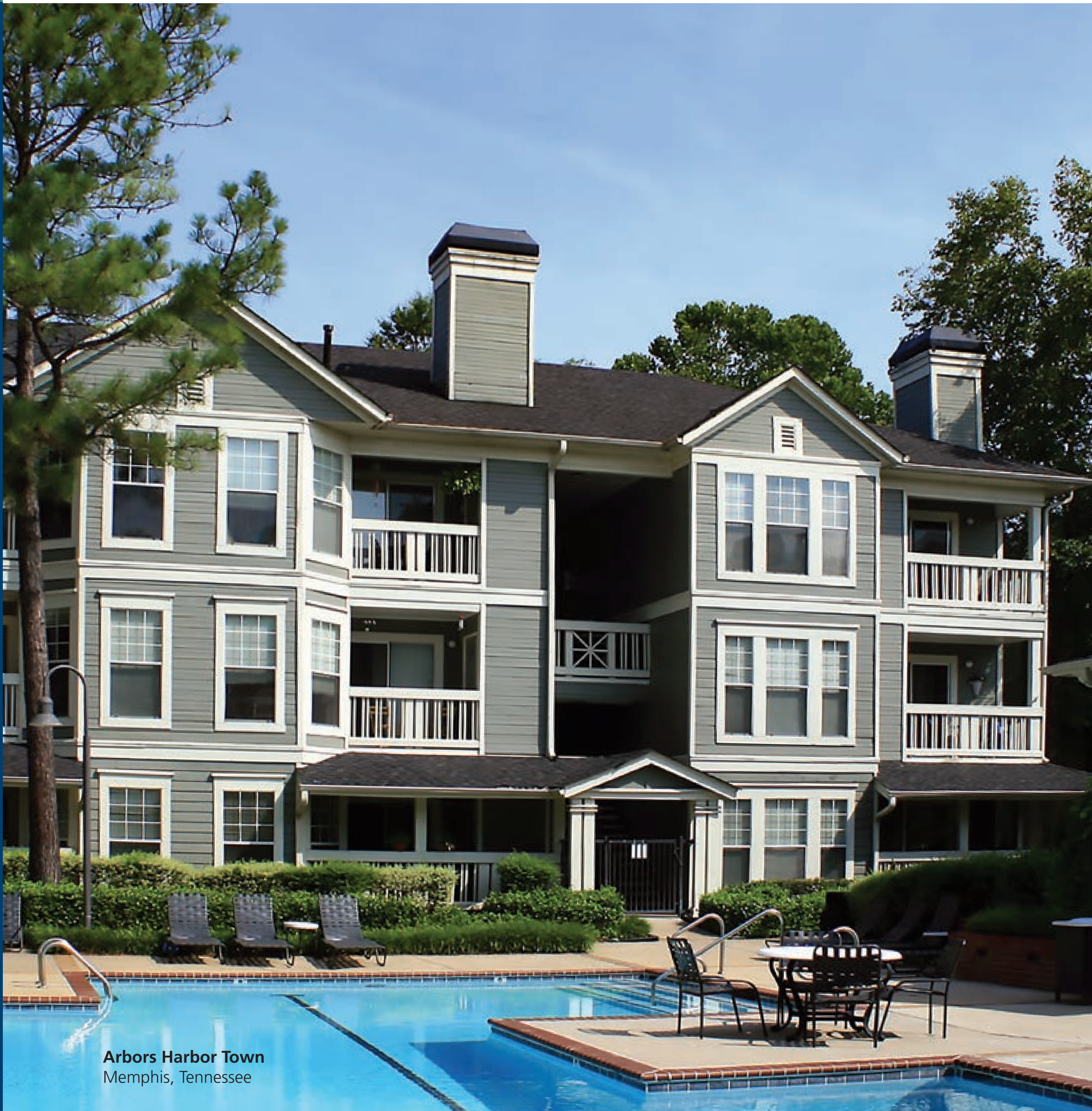
Behringer Harvard
OPPORTUNITY REIT II, INC.

2015 Annual Report



Arbors Harbor Town
Memphis, Tennessee

March 16, 2016

Dear Shareholder:

Structured as a finite-life investment program, since its inception the Company has employed a total return approach—capital appreciation plus current income—to drive value. Its successful value-add investment strategy has generated attractive property-level returns and has enabled the Company to return capital to shareholders through a series of special cash distributions.

Value Creation

On March 31, 2015, the Company paid a $1.00 per share special cash distribution to shareholders of record as of March 30, 2015. In accordance with the Company's valuation policy, on the record date the Company's estimated share value (ESV) was adjusted by the amount of the special distribution to $8.72 from $9.72. On November 20, 2015, the Board of Directors established a new ESV of $9.19, a 5.4% increase. The Board also authorized a $1.50 per share special cash distribution, which was paid on January 5, 2016 to shareholders of record as of December 31, 2015. Accordingly, on the December 31, 2015 record date, the ESV was adjusted to $7.69.

Over its life, the Company has paid to shareholders a total of $120.4 million in regular and special cash distributions, approximately 45% of the capital raised. This includes $1.19 per share of cumulative regular distributions* and a total of $3.50 per share of special cash distributions. As detailed in the table below, regular and special cash distributions together with the ESV suggest a total value of $12.38 per share, compared with an original offering price of $10.00 per share.

Total Value Creation Per Share

Adjusted ESV as of December 31, 2015	$7.69
Cumulative Regular Distributions*	1.19
Special Cash Distributions:	
May 2012	0.50
September 2014	0.50
March 2015	1.00
January 2016	1.50
Total Value	$12.38

Solid Portfolio Performance

In 2015, the Company sold four investments: Babcock Self Storage, the Holstenplatz and Alte Jakobstraße office buildings, and the Wimberly at Deerwood apartments. These asset sales generated double-digit simple average annual returns at the property level and produced an aggregate equity multiple of 1.6, before fees paid to the the Company's Advisor. In addition, a portion of the proceeds from these asset sales were distributed to shareholders as special cash distributions. The Board will continue to consider authorizing additional special cash distributions from time to time as investments are sold.

Simple Average Annual Returns on 2015 Asset Sales
(Property-level Returns)

Investments	Average Annual Returns**
Babcock Self Storage	30.1%
Alte Jakobstraße	12.6%
Holstenplatz	21.4%
Wimberly at Deerwood	18.0%
Aggregate Equity Multiple**	**1.6**

Conclusion

Management's ongoing focus is on maximizing value for the Company. This includes identifying the appropriate time to sell the Company's existing equity investments. As the Company continues to dispose of assets, the Board will consider authorizing additional special cash distributions from asset sales.

Sincerely,

Thomas P. Kennedy
President

*Regular distributions paid since inception per weighted average shares outstanding. The actual regular distributions a shareholder received will vary based on the date the shareholder invested.

**Before fees paid to the Company's Advisor.

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

FORM 10-K

Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended December 31, 2015

Commission File Number: 000-53650

Behringer Harvard Opportunity REIT II, Inc.
(Exact name of registrant as specified in its charter)

Maryland	**20-8198863**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
15601 Dallas Parkway, Suite 600, Addison, Texas	**75001**
(Address of principal executive offices)	(Zip Code)

(866) 655-3650
(Registrant's telephone number, including area code)

Securities registered pursuant to section 12(b) of the Act:
None

Securities registered pursuant to section 12(g) of the Act:
Common Stock, $.0001 par value per share
(Title of class)

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 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 (Do not check if a smaller reporting company) ☐ Smaller reporting company ☒

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

There is no established market for the Registrant's common stock. The Registrant has adopted an Amended and Restated Policy for Estimation of Common Stock Value (the "Valuation Policy") pursuant to which it has estimated the per share value of its common stock. As of October 31, 2014, the estimated per share value was $9.72. As of October 31, 2015, the estimated per share value was $9.19. For a full description of the methodologies used to estimate the value of the Registrant's common stock as of October 31, 2014 and October 31, 2015, see Part II, Item 5, "Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities-Market Information" included in the Registrant's Annual Report on Form 10-K for the year ended December 31, 2014 and this Annual Report on Form 10-K, respectively. As of December 31, 2015, in accordance with the Valuation Policy, the Registrant's estimated per share value went from $9.19 to $7.69 to give effect to the $1.50 cash distribution paid to stockholders of record as of December 31, 2015. There were approximately 25,691,443 shares of common stock held by non-affiliates as of June 30, 2015, the last business day of the Registrant's most recently completed second fiscal quarter. As of February 29, 2016, the registrant had 25,494,946 shares of common stock outstanding.

BEHRINGER HARVARD OPPORTUNITY REIT II, INC.
FORM 10-K
Year Ended December 31, 2015

Forward-Looking Statements

Certain statements in this Annual Report on Form 10-K constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act") and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). These forward-looking statements include discussion and analysis of the financial condition of Behringer Harvard Opportunity REIT II, Inc. and our subsidiaries (which may be referred to herein as the "Company," "we," "us" or "our"), including our ability to rent space on favorable terms, to address our debt maturities and to fund our liquidity requirements, to sell our assets when we believe advantageous to achieve our investment objectives, our anticipated capital expenditures, the amount and timing of anticipated future special cash distributions to our stockholders, the estimated per share value of our common stock, and other matters. Words such as "may," "anticipates," "expects," "intends," "plans," "believes," "seeks," "estimates," "would," "could," "should" and variations of these words and similar expressions are intended to identify forward-looking statements.

These forward-looking statements are not historical facts but reflect the intent, belief or current expectations of our management based on their knowledge and understanding of the business and industry, the economy and other future conditions. These statements are not guarantees of future performance, and we caution stockholders not to place undue reliance on forward-looking statements. Actual results may differ materially from those expressed or forecasted in the forward-looking statements due to a variety of risks, uncertainties and other factors, including but not limited to the factors listed and described under "Item 1A, Risk Factors" and elsewhere in this Annual Report on Form 10-K and the factors described below:

- market and economic challenges experienced by the U.S. and global economies or real estate industry as a whole and the local economic conditions in the markets in which our investments are located;
- the availability of cash flow from operating activities for special distributions, if any;
- conflicts of interest arising out of our relationships with our advisor and its affiliates;
- our ability to retain our executive officers and other key personnel of our advisor, our property manager and their affiliates;
- our level of debt and the terms and limitations imposed on us by our debt agreements;
- the availability of credit generally, and any failure to obtain debt financing at favorable terms or a failure to satisfy the conditions and requirements of that debt;
- our ability to make accretive investments in a diversified portfolio of assets;
- future changes in market factors that could affect the ultimate performance of our development or redevelopment projects, including but not limited to construction costs, plan or design changes, schedule delays, availability of construction financing, performance of developers, contractors and consultants and growth in rental rates and operating costs;
- our ability to secure leases at favorable rental rates;
- our ability to sell our assets at a price and on a timeline consistent with our investment objectives;
- impairment charges;
- unfavorable changes in laws or regulations impacting our business, our assets or our key relationships; and
- factors that could affect our ability to qualify as a real estate investment trust.

Forward-looking statements in this Annual Report on Form 10-K reflect our management's view only as of the date of this Report, and may ultimately prove to be incorrect. We undertake no obligation to update or revise forward-looking statements to reflect changed assumptions, the occurrence of unanticipated events or changes to future operating results, except as required by applicable law. We intend for these forward-looking statements to be covered by the applicable safe harbor provisions created by Section 27A of the Securities Act and Section 21E of the Exchange Act.

Cautionary Note

The representations, warranties, and covenants made by us in any agreement filed as an exhibit to this Annual Report on Form 10-K are made solely for the benefit of the parties to the agreement, including, in some cases, for the purpose of allocating risk among the parties to the agreement, and should not be deemed to be representations, warranties, or covenants to or with any other parties. Moreover, these representations, warranties, or covenants should not be relied upon as accurately describing or reflecting the current state of our affairs.

PART I

Item 1. Business

Organization

Behringer Harvard Opportunity REIT II, Inc. (which may be referred to as the "Company," "we," "us," or "our") was organized as a Maryland corporation on January 9, 2007 and has elected to be taxed, and currently qualifies, as a real estate investment trust ("REIT") for federal income tax purposes.

We were formed primarily to acquire and operate commercial real estate and real estate-related assets on an opportunistic and value-add basis. In particular, we have focused generally on acquiring commercial properties with significant possibilities for capital appreciation, such as those requiring development, redevelopment, or repositioning, those located in markets and submarkets with high growth potential, and those available from sellers who are distressed or face time-sensitive deadlines. We have acquired a wide variety of commercial properties, including office, industrial, retail, hospitality and multifamily. We have purchased existing, income-producing properties, and newly-constructed properties. We have also invested in a mortgage loan and a mezzanine loan. We are not actively seeking to purchase additional assets at this time, but may invest capital in our current assets in order to position them for sale in the normal course of business. We intend to hold the various real properties in which we have invested until such time as our board of directors determines that a sale or other disposition appears to be advantageous to achieve our investment objectives or until it appears that the objectives will not be met. Consistent with our investment objectives of commencing a liquidation within three to six years after the termination of our initial public offering, we have entered our disposition phase and our board of directors is in the process of considering the orderly disposition of our assets.

As of December 31, 2015, we had acquired 21 investments, including a mezzanine loan and a mortgage loan. Of these 21 investments, we have disposed of 12 investments through December 31, 2015, including the early repayment of a mortgage loan that we had originated and the sale of four investments during 2015. In addition, we sold eight of the nine medical office buildings comprising the Florida MOB Portfolio investment during 2013. The number of investment dispositions through December 31, 2015 does not reflect the sale of the eight buildings comprising the Original Florida MOB Portfolio. The Original Florida MOB Portfolio and Gardens Medical Pavilion, collectively, the Florida MOB Portfolio have been counted as one investment. As of December 31, 2015, we own an 80.8% interest in Gardens Medical Pavilion.

Substantially all of our business is conducted through Behringer Harvard Opportunity OP II LP, a limited partnership organized in Delaware (the "Operating Partnership"). As of December 31, 2015, our wholly-owned subsidiary, BHO II, Inc., a Delaware corporation, owned a 0.1% partnership interest in the Operating Partnership as its sole general partner. As of December 31, 2015, our wholly-owned subsidiary, BHO Business Trust II, a Maryland business trust, was the sole limited partner of the Operating Partnership and owned the remaining 99.9% interest in the Operating Partnership.

We are externally managed and advised by Behringer Harvard Opportunity Advisors II, LLC (the "Advisor"). The Advisor is responsible for managing our day-to-day affairs and for identifying and making investments on our behalf.

Our office is located at 15601 Dallas Parkway, Suite 600, Addison, Texas 75001, and our toll-free telephone number is (866) 655-3650. The name Behringer Harvard is the property of Behringer Harvard Holdings, LLC ("Behringer") and is used by permission.

Public Offerings of Common Stock

From January 21, 2008 until March 15, 2012 (for shares sold pursuant to our primary offering) and April 3, 2012 (for shares sold pursuant to our distribution reinvestment plan (the "DRP")), we conducted a public offering of our shares. Pursuant to our public offering, we raised gross offering proceeds of approximately $265.3 million from the sale of approximately 26.7 million shares, including shares sold pursuant to the DRP.

In connection with our initial capitalization, we issued 22,471 shares of our common stock and 1,000 shares of our convertible stock to Behringer on January 19, 2007. Behringer transferred its shares of convertible stock to one of its affiliates on April 2, 2010.

As of April 2012, when we terminated the offering, we had issued 26.7 million shares of our common stock, including 22,471 shares owned by Behringer and 2.2 million shares issued through the DRP. As of December 31, 2015, we had redeemed 1.1 million shares of our common stock and had 25.6 million shares of common stock outstanding. As of December 31, 2015, we had 1,000 shares of convertible stock outstanding held by an affiliate of Behringer.

Our common stock is not currently listed on a national securities exchange. The timing of a liquidity event will depend upon then prevailing market conditions. We are in the process of disposing of assets and can provide no assurances as to the timing of our ultimate liquidation. As we make disposals, we will liquidate and distribute the net proceeds to our stockholders. Economic or market conditions may, however, result in different holding periods for different assets.

2015 Highlights

During 2015, we completed the following key transactions:

- We sold Babcock Self Storage ("Babcock") on January 8 for a contract sales price of approximately $5.4 million. A portion of the proceeds from the sale were used to pay off in full the existing indebtedness of approximately $2.1 million associated with the self-storage facility.
- We sold Alte Jakobstraße ("AJS") on February 21 for a contract sales price of approximately €12.4 million (approximately $14.1 million). A portion of the proceeds from the sale were used to fully satisfy the existing indebtedness associated with the office building of approximately €5.7 million (approximately $6.5 million).
- On March 31, we paid a special cash distribution of $25.7 million, or $1.00 per share of common stock, funded from proceeds of asset sales.
- We sold Holstenplatz on September 1 for a contract sales price of approximately €16.4 million (approximately $18.4 million). We paid off the balance of the Holstenplatz debt of $8.1 million on its maturity date of April 30.
- We sold Wimberly at Deerwood ("Wimberly") on September 9 for a contract sales price of approximately $43.5 million. A portion of the proceeds from the sale of the asset were used to pay off in full the existing indebtedness of approximately $26.4 million secured by the multifamily property.
- We extended the debt secured by Courtyard Kauai Coconut Beach Hotel by 18 months, from its initial maturity date of November 9, 2015 to May 9, 2017. The balance of the debt at December 31, 2015 was $38 million.
- On November 20, our board of directors authorized a special cash distribution of $38.4 million, or $1.50 per share of common stock, funded from proceeds of asset sales. The special cash distribution was paid on January 5, 2016.
- During 2015, we recorded a non-cash impairment charge of $1.4 million on our investment in 22 Exchange, a student housing property, due to the current local market in Akron, Ohio.

For further information regarding our consolidated real estate properties, see Item 2.

Investment Objectives

Our primary investment objectives are:

- to realize growth in the value of our investments to enhance the value received upon our ultimate sale of such investments;
- to preserve, protect and return our investors' capital contribution; and
- to enable our investors to realize a return of their investment by liquidating and distributing net sales proceeds to investors.

Investment Policies

We have invested in commercial properties, such as office, industrial, retail, hospitality, multifamily, existing, income-producing properties, and newly-constructed properties that were initially identified as opportunistic and value-add investments with significant possibilities for capital appreciation due to their property specific characteristics or their market characteristics.

We have disposed of 12 of our original portfolio assets through December 31, 2015, including the early repayment of a mortgage loan that we had originated. We are in our disposition phase and expect to sell our remaining properties in an orderly manner. Economic or market conditions may cause us to hold our investments for longer periods of time or sell an investment at a lower than anticipated price.

We have generally made our real estate investments in fee title or a long-term leasehold estate through the Operating Partnership or indirectly through limited liability companies or through investments in joint ventures, partnerships, co-tenancies, or other co-ownership arrangements with the developers of the properties, affiliates of the Advisor, or other persons.

Borrowing Policies

There is no limitation on the amount we may invest in or borrow related to any single property or other investment. Under our charter, the maximum amount of our indebtedness cannot exceed 300% of our "net assets" (as defined by the Statement of Policy Regarding Real Estate Investment Trusts adopted by the North American Securities Administrators Association on May 7, 2007 (the "NASAA REIT Guidelines")) as of the date of any borrowing; however, we may exceed that limit if approved by a majority of our independent directors. In addition to our charter limitation, our board of directors has adopted a policy to generally limit our aggregate borrowings to approximately 75% of the aggregate value of our assets unless substantial justification exists that borrowing a greater amount is in our best interests. Our board of directors must review our aggregate borrowings at least quarterly. As of December 31, 2015, we had an aggregate debt leverage ratio of approximately 46.7% of the aggregate value of our assets.

Disposition Policies

As each of our investments reaches what we believe to be the asset's optimum value during the expected life of the program, we will consider disposing of the investment and may do so for the purpose of distributing the net sale proceeds to our stockholders or satisfying obligations of the Company. Consistent with our investment objectives of commencing a liquidation within three to six years after the termination of our initial public offering, we have entered our disposition phase and our board of directors is in the process of considering the orderly disposition of our assets. We can provide no assurances, however, as to the timing of our ultimate liquidation; as economic or market conditions may result in different holding periods. A property may be sold before or after the expected holding period if, in the judgment of our Advisor and the independent board, the sale of the property is in the best interests of the Company and its stockholders.

Distribution Policy

In order to qualify as a REIT, we are required to distribute at least 90% of our annual REIT taxable income to our stockholders. Distributions are authorized at the discretion of our board of directors based on its analysis of our performance over the previous periods and expectations of performance for future periods. These analyses may include actual and anticipated operating cash flow, changes in market capitalization rates for investments suitable for our portfolio, capital expenditure needs, general financial and market conditions, proceeds from asset sales and other factors that our board deems relevant. The board's decision will be substantially influenced by its obligation to ensure that we maintain our federal tax status as a REIT. We cannot provide assurance that we will pay distributions at any particular level, or at all. We expect that any future distributions authorized by our board of directors will be periodic, special distributions as opposed to regular monthly or quarterly distributions.

Historically, our board of directors declared distributions on a quarterly basis based on daily record dates, portions of which were paid on a monthly basis. During the first quarter of 2012, our board of directors determined to cease regular, monthly distributions in favor of payment of periodic special distributions.

Since 2012, our board of directors has declared a total of $77.1 million, or $3.00 per share of common stock, in special cash distributions, of which $38.7 million was paid to stockholders in 2014 and 2015. On January 5, 2016, we paid $38.4 million in special cash distributions; this special cash distribution was declared on November 20, 2015 and is included in the total of $77.1 million of special cash distributions noted above. The special cash distributions paid during 2015 and 2014 were paid with a portion of proceeds from asset sales. We did not pay any distributions in 2013.

We have paid, and may in the future pay, some or all of our distributions from sources other than operating cash flow. We have, for example, generated cash to pay special distributions from dispositions, the components of which may represent a return of capital and/or the gains on sale. In addition, from time to time, our Advisor may agree to waive or defer all or a portion of the acquisition, asset management, or other fees or incentives due to it, pay general administrative expenses or otherwise supplement investor returns, which may increase the amount of cash that we have available to pay special distributions to our stockholders.

Future special distributions authorized and paid at the discretion of the board of directors, are expected to be funded with proceeds from asset sales. Therefore, future special distributions may exceed cash flow from operating activities or funds from operations.

Competition

We are subject to significant competition in seeking tenants for the leasing of our properties and buyers for the sale of our properties. The competition for creditworthy tenants is intense, and we have been required to provide rent concessions, incur charges for tenant improvements, and provide other inducements. Without these inducements, we may not be able to continue to lease vacant space timely, or at all, which would adversely impact our results of operations. We also compete with sellers of similar properties when we sell properties, which may result in our receiving lower proceeds from the sale, or which may result in our not being able to sell such properties at a sales price that will achieve our original return objective. We compete for buyers and tenants that may be suitable for us with many third parties engaged in real estate investment activities including other REITs, specialty finance companies, savings and loan associations, banks, mortgage bankers, insurance companies, mutual funds, institutional investors, investment banking firms, lenders, hedge funds, governmental bodies, and other entities. Many of our competitors, including larger REITs, have greater financial resources than we have and generally may be able to accept more risk. They also may enjoy competitive advantages that result from, among other things, a lower cost of capital and enhanced operating efficiencies.

Regulations

Our investments are subject to various federal, state, and local laws, ordinances, and regulations (including those of foreign jurisdictions), including, among other things, zoning regulations, land use controls, environmental controls relating to air and water quality, noise pollution, and indirect environmental impacts such as increased motor vehicle activity. We believe that we have all permits and approvals necessary under current law to operate our investments.

Environmental

As an owner of real estate, we are subject to various environmental laws of federal, state, and local governments. Compliance with existing laws has not had a material adverse effect on our financial condition or results of operations, and management does not believe it will have such an impact in the future. However, we cannot predict the impact of unforeseen environmental contingencies or new or changed laws or regulations on properties in which we hold an interest.

Employees

We have no employees. The Advisor or other affiliates of Behringer perform a full range of real estate services for us, including asset management, accounting, legal, property management, and investor relations services.

We are dependent on affiliates of Behringer for services that are essential to us, including asset management, other general administrative responsibilities and asset disposition decisions. In the event that these companies were unable to provide these services to us, we would be required to provide such services ourselves or obtain such services from other sources.

Financial Information About Industry Segments

Our current business consists of owning, managing, operating, leasing, developing, investing in, and disposing of real estate assets. We internally evaluate all of our real estate assets as one reportable segment, and, accordingly, we do not report segment information.

Available Information

We electronically file annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and any amendments to those reports with the Securities Exchange Commission (the "SEC"). We also have filed with the SEC registration statements in connection with the Offerings. Copies of our filings with the SEC may be obtained from our website at *www.behringerinvestments.com* or at the SEC's website at *www.sec.gov*. Access to these filings is free of charge. We are not incorporating our website or any information from the website into this Annual Report on Form 10-K.

Item 1A. Risk Factors

The factors described below represent the principal risks of an investment in our shares and that could cause our actual results to differ materially from those presented in our forward-looking statements. Other factors may exist that we do not consider to be significant based on information that is currently available or that we are not currently able to anticipate. Our stockholders may be referred to as “you” or “your” in this Item 1A, “Risk Factors” section.

Risks Related to an Investment in Behringer Harvard Opportunity REIT II, Inc.

There is no public trading market for your shares; therefore, it will be difficult for you to sell your shares. If you are able to sell your shares, you may have to sell them at a substantial discount from the estimated value per share.

There is no public market for your shares and our charter does not require our directors to provide liquidity to our stockholders by a specified date, or at all. In addition, if you are able to sell your shares, the price you receive for the sale of any shares of our common stock is likely to be less than the estimated value per share.

We have adopted a share redemption program; however, our share redemption program includes numerous restrictions on your ability to sell your shares to us, and our board of directors may reject any request for redemption of shares or amend, suspend or terminate our share redemption program at any time. From April 1, 2012 through May 15, 2014, our board of directors suspended accepting (“Ordinary Redemptions”), or those redemptions not submitted upon a stockholder’s death, qualifying disability or confinement to a long-term care facility (which are defined in the share redemption program and are referred to as “Exceptional Redemptions”). Although our board of directors has resumed considering Ordinary Redemption requests, the cash available for redemptions (Ordinary and Exceptional) is limited to no more than $10 million in any twelve-month period. Our board of directors may determine to suspend accepting Ordinary Redemptions again at any point in the future or reduce the dollar amount of redemptions in any twelve-month period, and we can provide no assurances that the $10 million of funds available for redemptions will be sufficient to honor all redemption requests submitted.

Therefore, it will be difficult for you to sell your shares promptly or at all. You may not be able to sell your shares in the event of an emergency, and, if you are able to sell your shares, you may have to sell them at a substantial discount from the estimated value per share. It is also likely that your shares would not be accepted as the primary collateral for a loan.

We may not successfully implement our exit strategy, in which case you may have to hold your investment for an indefinite period.

Consistent with our investment objectives of commencing a liquidation within three to six years after the termination of our initial public offering, we have entered our disposition phase and our board of directors is in the process of considering the orderly disposition of our assets. If we are unable to conduct an orderly liquidation, we may seek to have our shares listed on a national securities exchange. If we do not begin the process of liquidating or listing our shares by July 2017, our charter requires that we hold a stockholders meeting to vote on a proposal for our orderly liquidation unless a majority of our board of directors and a majority of our independent directors vote to defer such a meeting beyond the sixth anniversary of the termination of the initial public offering.

Market conditions and other factors could cause us to delay our liquidation or to delay the listing of our shares on a national securities exchange beyond July 2017. If so, our board of directors and our independent directors may conclude that it is not in our best interests to hold a stockholders meeting for the purpose of voting on a proposal for our orderly liquidation. Our charter permits our board of directors, with the concurrence of a majority of our independent directors, to defer such a stockholder vote indefinitely. Therefore, if we are not successful in implementing our exit strategy, your shares will continue to be illiquid and you may, for an indefinite period of time, be unable to convert your investment into cash easily with minimum loss.

The estimated value per share of our common stock may not reflect the value that stockholders will receive for their investment.

On November 20, 2015, our board of directors approved an estimated per share value of our common stock of $9.19 based on the estimated value of our assets less the estimated value of our liabilities, divided by the number of shares outstanding, all as of October 31, 2015, as described under “Market for Registrant’s Common Equity, Related Stockholder Matters, and Issuer Purchases of Equity Securities-Market Information” included in Part II, Item 5. We provided this estimated value per share to assist broker-dealers in connection with their obligations under applicable Financial Industry Regulatory Authority (“FINRA”) rules with respect to customer account statements. As of December 31, 2015, the estimated value per share of our common stock was reduced by $1.50 per share, from $9.19 to $7.69, in accordance with the Amended and Restated

Policy for Estimation of Common Stock Value (the "Valuation Policy") to take into account the special cash distribution payable to our stockholders as of December 31, 2015. The special cash distribution was paid on January 5, 2016.

The estimated value per share was based upon consultation with the Advisor and an independent, third-party valuation advisory firm engaged by us, using what the board of directors deemed to be appropriate valuation methodologies and assumptions under current circumstances in accordance with the Valuation Policy.

FINRA rules provide no guidance on the methodology an issuer must use to determine its estimated value per share. As with any valuation methodology, our methodology is based upon a number of estimates and assumptions that may prove later to be inaccurate or incomplete. Further, different parties using different assumptions and estimates could derive a different estimated value per share, which could be significantly different from our board's estimated value per share. The estimated per share value determined by our board of directors neither represents the fair value of our assets less liabilities in accordance with generally accepted accounting principles in the U.S. ("GAAP"), nor does it represent the amount our shares would trade at on a national securities exchange or the amount a shareholder would obtain if he tried to sell his shares or if we liquidated our assets. Accordingly, with respect to the estimated value per share, the Company can give no assurance that:

- a stockholder would be able to resell his or her shares at this estimated value;
- a stockholder would ultimately realize distributions per share equal to the Company's estimated value per share upon liquidation of the Company's assets and settlement of its liabilities or a sale of the Company;
- the Company's shares would trade at the estimated value per share on a national securities exchange; or
- the methodologies used to estimate the Company's value per share would be acceptable to FINRA or under ERISA for compliance with their respective reporting requirements.

Further, the value of our shares will fluctuate over time in response to developments related to individual assets in our portfolio and the management of those assets and in response to the real estate and finance markets. Our primary investment objectives are to focus on the disposition of the properties remaining in our portfolio, while continuing to preserve capital and sustain and enhance property value. For a full description of the methodologies used to value our assets and liabilities in connection with the calculation of the estimated value per share, see Part II, Item 5, "Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities - Market Information."

We rely on affiliates of Behringer, including our Advisor, to manage our operations and our portfolio of real estate assets and any adverse changes in the financial health of Behringer could hinder our Advisor's ability to provide these services to us and consequently impair our operating results and negatively affect the return on your investment.

Behringer, through one or more of its subsidiaries, owns and controls our Advisor and our property manager, and the operations of our Advisor and our property manager rely substantially on Behringer. Behringer is largely dependent upon the fees and other compensation that it receives from the public programs it sponsors (including us) and other investment funds that it advises to conduct its operations.

In August 2012, TIER REIT, Inc. ("TIER REIT") (f/k/a Behringer Harvard REIT I, Inc.), a mature program sponsored by Behringer, completed a transition to self-management. As a result, TIER REIT no longer pays any fees to Behringer. In June 2015, TIER REIT terminated its administrative services agreement with Behringer and exercised a buy-out option with respect to its property management agreement. Monogram Residential Trust, Inc. (f/k/a Behringer Harvard Multifamily REIT I, Inc.) ("Monogram"), another public program sponsored by Behringer, completed a transition to a self-managed structure in June 2014 and as of June 2015, Behringer no longer receives any fees from Monogram.

Going forward, Behringer expects to rely on revenue from its current resources, including amounts received by Behringer as a result of and in connection with the self-management transactions described above, its balance sheet, and fee income from us and Behringer Harvard Opportunity REIT I, Inc., a mature program sponsored by Behringer that reported $306.3 million of assets as of September 30, 2015, and other investment funds advised by Behringer. Behringer Harvard Opportunity REIT I is in its disposition phase and as it sells assets, the fees payable to Behringer will be reduced accordingly. If Behringer's income and other resources are inadequate to cover its operating expenses, Behringer may need to secure additional capital or it may become unable to meet its obligations or it may be forced to scale back its operations and may not be able to continue to provide the same level of service that we have received to date. If this occurs, we might be required to find alternative service providers, which could result in a significant disruption of our business and may adversely affect the value of your investment in us. Further, given the non-solicitation agreements we have with our Advisor and property manager, it would be difficult for us to utilize any current employees that provide services to us.

If we lose or are unable to obtain key personnel, our ability to implement our investment strategies could be delayed or hindered.

Our success depends to a significant degree upon the continued contributions of certain executive officers and other key personnel, of us, our Advisor and its affiliates, including Thomas P. Kennedy, S. Jason Hall and Terri Warren Reynolds, each of whom would be difficult to replace. We do not have employment agreements with our executive officers and other key personnel, and we cannot guarantee that they will remain affiliated with us. Also, our executive officers and key personnel do not have employment agreements with our Advisor, and we cannot guarantee that such persons will remain affiliated with our Advisor. The departure of any of our key personnel could cause our operating results to suffer. We do not intend to separately maintain key person life insurance on any of our key personnel.

Further, we believe that our future success depends, in large part, upon our Advisor's and its affiliates' ability to hire and retain highly skilled managerial and operational personnel. Competition for persons with these skills is intense, and we cannot assure you that our Advisor will be successful in attracting and retaining such skilled personnel.

In addition, we have established, and intend in the future to establish, strategic relationships with firms that have special expertise in certain services or as to assets both nationally and in certain geographic regions. Maintaining these relationships will be important for us to manage and liquidate our assets. We cannot assure you that we will be successful in attracting and retaining such strategic relationships. If we lose or are unable to obtain the services of key personnel or do not establish or maintain appropriate strategic relationships, our ability to implement our investment strategies could be delayed or hindered.

We are restricted in our ability to replace our property manager, an affiliate of our Advisor.

Under the terms of our property management agreement, we may terminate the agreement upon 30 days' notice in the event of, and only in the event of, a showing of misconduct, negligence, or deliberate malfeasance by the property manager in performing its duties. Our board of directors may find the performance of our property manager to be unsatisfactory. However, unsatisfactory performance by the property manager may not constitute "misconduct, negligence, or deliberate malfeasance." As a result, we may be unable to terminate the property management agreement, which may have an adverse effect on the management and profitability of our properties.

Payment of fees and reimbursement of expenses to our Advisor and its affiliates will reduce cash available for investment and may adversely affect the return on your investment.

Our Advisor and its affiliates will perform services for us in connection with the management and leasing of our properties, the servicing of our mortgage, bridge, mezzanine or other loans, the administration of our other investments and the disposition of our assets. They will be paid substantial fees for these services. In addition, effective January 1, 2014, we reimburse our Advisor a flat fee for expenses it incurs with respect to administrative services. These fees and expense reimbursements will reduce the amount of cash available for investment and may adversely affect the return on your investment.

Our stockholders may not be able to sell their shares under our share redemption program and, if our stockholders are able to sell their shares under the program, they may not be able to recover the amount of their investment in our shares.

Our board of directors has adopted a share redemption program that permits stockholders to sell their shares back to us, subject to the significant conditions and limitations of the program. Our board of directors can amend the provisions of our share redemption program without the approval of our stockholders. The terms on which we redeem shares may differ between Ordinary Redemptions and Exceptional Redemptions. From April 1, 2012 to May 15, 2014 our board of directors suspended accepting Ordinary Redemptions. Although our board of directors has resumed considering Ordinary Redemption requests, the cash available for redemptions (Ordinary and Exceptional) is limited to no more than $10 million in any twelve-month period. Our board of directors may determine to suspend accepting redemptions at any time, and we can provide no assurances that the $10 million of funds available for redemptions will be sufficient to honor all redemption requests submitted.

Any shares approved for redemption will be redeemed on a periodic basis as determined from time to time by our board of directors, and no less frequently than annually. We will not redeem, during any twelve-month period, more than 5% of the weighted average number of shares outstanding during the twelve-month period immediately prior to the date of redemption. Further, we have no obligation to redeem shares if the redemption would violate the restrictions on distributions under Maryland law, which prohibits distributions that would cause a corporation to fail to meet statutory tests of solvency. The redemption limitations apply to all redemptions, whether Ordinary or Exceptional Redemptions. These limits may prevent us from accommodating all redemption requests made in any year or for a specific redemption date.

Under our share redemption program, the purchase price per share for the redeemed shares submitted as an Ordinary Redemption and an Exceptional Redemption will equal the lesser of 80% and 90%, respectively, of:

- the current estimated value per share (the "Valuation") as determined in accordance with the Valuation Policy; and
- the difference of (a) the average price per share the original purchaser or purchasers of shares paid to us for all of his or her shares (as adjusted for any stock dividends, combinations, splits, recapitalizations and the like with respect to our common stock) less (b) the aggregate distributions per share of any net sale proceeds from the sale of one or more of our assets, or other special distributions so designated by the board of directors, distributed to stockholders prior to the redemption date and declared from the date of first issue of such redeemed shares.

On November 20, 2015, our board of directors approved an estimated per share value of our common stock as of October 31, 2015 of $9.19. As of December 31, 2015, the estimated value per share of our common stock was reduced by $1.50 per share, from $9.19 to $7.69, in accordance with the Valuation Policy to take into account the special cash distribution authorized by our board of directors on November 20, 2015 to stockholders of record on December 31, 2015. For a full description of the methodologies and assumptions used to value our assets and liabilities in connection with the calculation of the estimated value per share, see Part II, Item 5, "Market for Registrant's Common Equity, Related Stockholder Matters, and Issuer Purchases of Equity Securities - Market Information." The value of our shares will fluctuate over time in response to developments related to individual assets in our portfolio and the management of those assets and in response to the real estate and finance markets. As such, other than with respect to the payment of any special cash distributions, which will reduce the estimated per share value, the estimated value per share does not take into account developments in our portfolio since November 20, 2015.

We currently expect to engage our Advisor and/or an independent valuation firm to update our estimated value per share annually, but we are not required to update our estimated value per share more frequently than every 18 months. Upon updating our estimated value per share, the redemption price per share will also change. Because of the restrictions of our share redemption program, our stockholders may not be able to sell their shares under the program, and if stockholders are able to sell their shares, depending upon the then current redemption price, they may not recover the amount of their investment in us.

Risks Related to Our Business

Development projects in which we invest may not be completed successfully or on time, and guarantors of the projects may not have the financial resources to perform their obligations under the guaranties they provide.

We have made equity investments in, acquired options to purchase interests in or made mezzanine loans to the owners of real estate development projects. Our return on these investments is dependent upon the projects being completed successfully, on budget and on time. To help ensure performance by the developers of properties that are under construction, completion of these properties is generally guaranteed either by a completion bond or performance bond. Our Advisor may rely upon the substantial net worth of the contractor or developer or a personal guarantee accompanied by financial statements showing a substantial net worth provided by an affiliate of the entity entering into the construction or development contract as an alternative to a completion bond or performance bond. For a particular investment, we may obtain guaranties that the project will be completed on time, on budget and in accordance with the plans and specifications and that the mezzanine loan will be repaid. However, we may not obtain such guaranties and cannot ensure that the guarantors will have the financial resources to perform their obligations under the guaranties they provide. We have managed these risks by ensuring, to the best of our ability, that we invested in projects with reputable, experienced and resourceful developers. If we are unable to manage these risks effectively, our results of operations, financial condition and your overall investment return will be adversely affected.

We provided a mezzanine loan for a multifamily development located in Denver, Colorado ("Prospect Park"). The initial loan amount was $13.7 million. The loan is secured by all of the membership interests of the borrower and subordinate to the senior construction lender (the "Senior Lender"). The owners of the developer provided us with a personal guaranty guaranteeing completion of the project and payment of cost overruns. Due to projected cost overruns in excess of the initial construction budget, an event of default was declared by the Senior Lender on April 28, 2014, and in accordance with our rights, we also declared an event of default. In order to remedy the events of default, the following terms were agreed upon, based on negotiations between the developer and borrower, the Senior Lender and us: (i) the borrower and developer covered cost overruns totaling $6.6 million; (ii) we increased our financing by $1.5 million to $15.3 million; and (iii) the Senior Lender increased the amount they financed by $4.4 million to $40 million. As of December 31, 2015, the outstanding principal balance under our mezzanine loan was $15.3 million. Both the senior loan and our mezzanine loan were in technical default at December 31, 2015 due to a delay in completion of the project. The Senior Lender and the Company are working on modifications of their respective loans to waive any event of default and extend the completion date. Currently, the borrower is funding any cost overruns. We expect the project to be fully completed in the second quarter of 2016. See Note 8, Investment in Unconsolidated Joint Venture, for additional information.

We are uncertain of our sources for funding of future capital needs, which could adversely affect the value of our investments.

Our ability to fund future property capital needs, such as tenant improvements, leasing commissions, and capital expenditures, will depend on our ability to borrow, to sell assets or interests in assets, and to generate additional cash flows from operations. We will establish capital reserves on a property-by-property basis, as we deem appropriate. In addition to any reserves we establish, a lender may require escrow of capital reserves in excess of our established reserves. If these reserves are insufficient to meet our cash needs, we may have to obtain financing from either affiliated or unaffiliated sources to fund our cash requirements. Accordingly, in the event that we develop a need for additional capital in the future for the improvement of our properties or for any other reason, we have not identified any sources for such funding, and we cannot assure you that such sources of funding will be available to us for potential capital needs.

We may suffer adverse consequences due to the financial difficulties, bankruptcy or insolvency of our tenants.

Economic conditions may cause the tenants in properties we own to experience financial difficulties, including bankruptcy, insolvency or a general downturn in their business. We cannot assure you that any tenant that files for bankruptcy protection will continue to pay us rent. A bankruptcy filing by, or relating to, one of our tenants or a lease guarantor would bar efforts by us to collect pre-bankruptcy debts from that tenant or lease guarantor, or its property, unless we receive an order permitting us to do so from the bankruptcy court. In addition, we cannot evict a tenant solely because of bankruptcy. The bankruptcy of a tenant or lease guarantor could delay our efforts to collect past due balances under the relevant leases, and could ultimately preclude collection of these sums. If a lease is assumed by the tenant in bankruptcy, all pre-bankruptcy balances due under the lease must be paid to us in full. If, however, a lease is rejected by a tenant in bankruptcy, we would have only a general, unsecured claim for damages. An unsecured claim would only be paid to the extent that funds are available and only in the same percentage as is paid to all other holders of general, unsecured claims. Restrictions under the bankruptcy laws further limit the amount of any other claims that we can make if a lease is rejected. As a result, it is likely that we would recover substantially less than the full value of the remaining rent during the term.

Market disruptions may adversely impact aspects of our operating results and operating condition.

Our business may be affected by market and economic challenges experienced by the U.S. and global economies or the real estate industry as a whole or by the local economic conditions in the markets which our properties are located. These conditions may materially affect the value and performance of our properties, and may affect our ability to pay special cash distributions, the availability or the terms of financing that we have or may anticipate utilizing, and our ability to make principal and interest payments on, or refinance, any outstanding debt when due. These challenging economic conditions may also impact the ability of certain of our tenants to enter into new leasing transactions or satisfy rental payments under existing leases. Specifically, global market disruptions may have many consequences including, but not limited to, these listed below:

- the financial condition of our tenants may be adversely affected, which may result in us having to increase concessions, reduce rental rates or make capital improvements beyond those contemplated at the time we acquired the properties in order to maintain occupancy levels or to negotiate for reduced space needs, which may result in a decrease in our occupancy levels;
- significant job losses may occur, which may decrease demand for our office space, our multifamily communities and our hospitality properties and result in lower occupancy levels, which will result in decreased revenues and which could diminish the value of our properties, which depend, in part, upon the cash flow generated by our properties;
- an increase in the number of bankruptcies or insolvency proceedings of our tenants and lease guarantors, which could delay our efforts to collect rent and any past due balances under the relevant leases and ultimately could preclude collection of these sums;
- credit spreads for major sources of capital may widen as investors demand higher risk premiums, resulting in lenders increasing the cost for debt financing;
- our ability to borrow on terms and conditions that we find acceptable, or at all, may be limited, which could result in our investment operations generating lower overall economic returns and a reduced level of cash flow, which could potentially impact our ability to make special cash distributions to our stockholders, reduce our ability to pursue acquisition opportunities if any, and increase our interest expense;
- a reduction in the amount of capital that is available to finance real estate, which, in turn, could lead to a decline in real estate values generally, slow real estate transaction activity, reduce the loan to value ratio upon which lenders are willing to lend, and result in difficulty refinancing our debt;
- the value of certain of our properties may have decreased below the amounts we paid for them, which may limit our ability to dispose of assets at attractive prices or to obtain debt financing secured by our properties and may reduce the availability of unsecured loans;

- one or more counterparties to our derivative financial instrument could default on their obligations to us, or could fail, increasing the risk that we may not realize the benefits of this instrument; and
- the value and liquidity of our short-term investments could be reduced as a result of the dislocation of the markets for our short-term investments and increased volatility in market rates for such investments or other factors.

Disruptions in the financial markets and adverse economic conditions could adversely affect the value of our investments.

Market volatility will likely make the valuation of our investment properties more difficult. There may be significant uncertainty in the valuation, or in the stability of the value, of our properties that could result in a substantial decrease in the value of our properties. As a result, we may not be able to recover the carrying amount of our properties, and we may be required to recognize impairment charges, which will reduce our reported earnings. During 2015, we recorded a non-cash impairment charge of $1.4 million on our investment in 22 Exchange, a student housing property, due to the current local market in Akron, Ohio.

If our sponsor, our Advisor or its affiliates waive or defer certain fees due to them, our results of operations and special distributions may be artificially high.

From time to time, our sponsor, our Advisor or its affiliates may agree to waive or defer all or a portion of the acquisition, asset management or other fees, compensation or incentives due to them, pay general administrative expenses, or otherwise supplement stockholder returns in order to increase the amount of cash available to support our operations. As a result, our net income and the amount available for special distributions may be artificially higher than normal and could be misleading in years when our sponsor, our Advisor, or its affiliates waive or defer such fees and incentives.

Your interest in the Company will be diluted if we or the Operating Partnership issues additional securities.

Stockholders do not have preemptive rights to any shares issued by us in the future. Our charter currently has authorized 400,001,000 shares of capital stock, of which 350,000,000 shares are designated as common stock, 1,000 shares are designated as convertible stock and 50,000,000 are designated as preferred stock. Subject to any limitations set forth under Maryland law, our board of directors may amend our charter to increase the number of authorized shares of capital stock, increase or decrease the number of shares of any class or series of stock designated, and may classify or reclassify any unissued shares without the necessity of obtaining stockholder approval. Shares will be issued in the discretion of our board of directors. Stockholders will likely experience dilution of their equity investment in us in the event that we: (i) sell shares of our common stock in the future; (ii) sell securities that are convertible into shares of our common stock; (iii) issue shares of our common stock in a private offering of securities to institutional investors; (iv) issue shares of common stock upon the conversion of our convertible stock; (v) issue shares of common stock upon the exercise of any options granted to our independent directors or employees of our Advisor and BHO II Management, our management company and an affiliate of our Advisor, or their affiliates; (vi) issue shares to our Advisor, its successors or assigns, in payment of an outstanding fee obligation as set forth under our advisory management agreement; or (vii) issue shares of our common stock to sellers of properties acquired by us in connection with an exchange of limited partnership interests of the Operating Partnership. In addition, the partnership agreement for the Operating Partnership contains provisions that allow, under certain circumstances, other entities, including other Behringer-sponsored programs, to merge into or cause the exchange or conversion of their interest for interests of the Operating Partnership. Because the limited partnership interests of the Operating Partnership may be exchanged for shares of our common stock, any merger, exchange or conversion between the Operating Partnership and another entity ultimately could result in the issuance of a substantial number of shares of our common stock, thereby diluting the percentage ownership interest of other stockholders.

Risks Related to Conflicts of Interest

We will be subject to conflicts of interest arising out of our relationships with our Advisor and its affiliates, including the material conflicts discussed below.

The Advisor and its affiliates, including all of our executive officers and some of our directors, will face conflicts of interest caused by their compensation arrangements with us, which could result in actions that are not in the long-term best interests of our stockholders.

Our Advisor and its affiliates and our property manager, are entitled to substantial fees from us under the terms of the advisory management agreement and property management agreement. These fees could influence our Advisor's advice to us, as well as the judgment of affiliates of our Advisor performing services for us. Among other matters, these compensation arrangements could affect their judgment with respect to:

- the continuation, renewal or enforcement of our agreements with our Advisor and its affiliates, including the advisory management agreement and the property management agreement;
- property sales, which reduce the asset management fee payable to our Advisor and may result in the issuance to our Advisor of shares of our common stock through the conversion of our convertible stock;
- borrowings to refinance our existing indebtedness, which increases the debt financing fees payable to our Advisor;
- determining the compensation paid to employees for services provided to us, which could be influenced in part by whether or not the Advisor is reimbursed by us for the related salaries and benefits; and
- whether and when we seek to sell the company or its assets, which sale may result in the issuance of shares of our common stock to our Advisor through the conversion of our convertible stock.

The fees our Advisor received in connection with transactions involving the purchase and management of an asset are based on the value of the investment, and not based on the quality of the investment or the quality of the services rendered to us. This may have influenced our Advisor to recommend riskier transactions to us.

In addition, the conversion feature of our convertible stock could cause us to make different investment or disposition decisions than we would otherwise make in order to avoid the stock conversion.

Our officers face conflicts of interest related to the positions they hold with entities affiliated with our Advisor, which could diminish the value of the services they provide to us.

Certain of our executive officers are also officers of our sponsor, Behringer, our Advisor, our property manager and other entities affiliated with our Advisor, including the advisors and fiduciaries to other Behringer-sponsored programs. As a result, these individuals owe fiduciary duties to these other entities and their investors, which may conflict with the fiduciary duties that they owe to us and our stockholders. Their loyalties to these other entities and investors could result in action or inaction that is detrimental to our business, which could harm the implementation of our business strategy and our investment and leasing opportunities. Conflicts with our business and interests are most likely to arise from involvement in activities related to (i) allocation of management time and services between us and the other entities, (ii) the timing and terms of the sale of an asset, (iii) development of our properties by affiliates of our Advisor, (iv) compensation to our Advisor, and (v) our relationship with our property manager. If we do not successfully implement our business strategy, we may be unable to maintain or increase the value of our assets and the overall return on your investment may be reduced.

Our Advisor's executive officers and key personnel and the executive officers and key personnel of Behringer-affiliated entities that conduct our day-to-day operations will face competing demands on their time, and this may cause our investment returns to suffer.

We rely upon the executive officers of our Advisor and the executive officers and employees of Behringer affiliated entities to conduct our day-to-day operations. These persons also conduct the day-to-day operations of other Behringer-sponsored programs and may have other business interests as well. Because these persons have competing interests on their time and resources, they may have conflicts of interest in allocating their time between our business and these other activities. During times of intense activity in other programs and ventures, they may devote less time and resources to our business than is necessary or appropriate. If this occurs, the returns on our investments may suffer.

Your investment will be diluted upon conversion of the convertible stock.

In connection with our organization, Behringer, an affiliate of our Advisor, purchased 1,000 shares of our convertible stock for an aggregate purchase price of $1,000. Behringer transferred its shares of convertible stock to one of its affiliates on April 2, 2010. Under limited circumstances, these shares may be converted into shares of our common stock, resulting in dilution of our stockholders' interest in us. Our convertible stock will convert into shares of common stock on one of two events. First, it will convert if we have paid distributions to common stockholders such that aggregate distributions are equal to

100% of the price at which we sold our outstanding shares of common stock plus an amount sufficient to produce a 10% cumulative, non-compounded, annual return at that price. Alternatively, the convertible stock will convert if we list our shares of common stock on a national securities exchange and, on the 31st trading day after listing, the value of our company based on the average trading price of our shares of common stock since the listing, plus prior distributions, combine to meet the same 10% return threshold for our common stockholders. Each of these two events is a "Triggering Event." Upon a Triggering Event, our convertible stock will, unless our advisory management agreement with our Advisor has been terminated or not renewed on account of a material breach by our Advisor, generally convert into shares of common stock with a value equal to the lesser of (A) 20% of the excess of our enterprise value plus the aggregate value of distributions paid to date on then outstanding shares of our common stock over the aggregate issue price of those outstanding shares plus a 10% cumulative, non-compounded, annual return on the issue price of those outstanding shares or (B) 15% of the excess of our enterprise value plus the aggregate value of distributions paid to date on then outstanding shares of our common stock over the aggregate issue price of those outstanding shares plus a 6% cumulative, non-compounded, annual return on the issue price of those outstanding shares. However, if our advisory management agreement with our Advisor expires without renewal or is terminated (other than because of a material breach by our Advisor) prior to a Triggering Event, then upon a Triggering Event the holder of the convertible stock will be entitled to a prorated portion of the number of shares of common stock determined by the foregoing calculation, where such proration is based on the percentage of time we were advised by our Advisor. As a result, following conversion, the holder of the convertible stock will be entitled to a portion of amounts distributable to our stockholders, which such amounts distributable to the holder could be significant.

Our Advisor can influence whether we terminate the advisory management agreement or allow it to expire without renewal, or whether our common stock is listed for trading on a national securities exchange. Accordingly, our Advisor can influence both the conversion of the convertible stock and the resulting dilution of other stockholders' interests.

General Risks Related to Investments in Real Estate

Our opportunistic and value-add property-acquisition strategy involved a higher risk of loss than more conservative investment strategies.

Our strategy for acquiring properties involved the acquisition of properties in markets that are depressed or overbuilt, and/or have high growth potential in real estate lease rates and sale prices. As a result of our investment in these types of markets, we will face increased risks relating to changes in local market conditions and increased competition for similar properties in the same market, as well as increased risks that these markets will not recover and the value of our properties in these markets will not increase, or will decrease, over time. For these and other reasons, we cannot assure you that we will be profitable or that we will realize growth in the value of our real estate properties, and as a result, your overall investment return may be adversely affected. Our approach to acquiring and operating income-producing properties involved more risk than comparable real estate programs that have a targeted holding period for investments that is longer than ours, utilize leverage to a lesser degree and/or employ more conservative investment strategies.

Our revenue and net income may vary significantly from one period to another due to opportunity-oriented investments, which could increase the variability of our cash available to support our operations.

Our opportunistic and value-add property investment strategy has included investments in properties in various phases of development, redevelopment or repositioning, which may cause our revenues and net income to fluctuate significantly from one period to another. Projects do not produce revenue while in development or redevelopment. During any period when our projects in development or redevelopment or those with significant capital requirements increase without a corresponding increase in stable revenue-producing properties, our revenues and net income will likely decrease. Many factors may have a negative impact on the level of revenues or net income produced by our portfolio of properties and projects, including higher than expected construction costs, failure to complete projects on a timely basis, failure of the properties to perform at expected levels upon completion of development or redevelopment, and increased borrowings necessary to fund higher than expected construction or other costs related to the project. Further, our net income and shareholders' equity could be negatively affected during periods with large portfolio investments, which generally require large cash outlays and may require the incurrence of additional financing. Any such reduction in our revenues and net income during such periods could cause a resulting decrease in our cash available to support our operations during the same periods.

Our operating results will be affected by economic and regulatory changes that have an adverse impact on the real estate market in general, and we cannot assure you that we will be profitable or that we will be able to sustain or enhance the value of our real estate properties.

Our operating results will be subject to risks generally incident to the ownership of real estate, including:

- changes in general economic or local conditions;
- changes in supply of or demand for similar or competing properties in an area;
- changes in interest rates and availability of permanent mortgage funds that may render the sale of a property difficult or unattractive;
- the illiquidity of real estate investments generally;
- changes in tax, real estate, environmental and zoning laws; and
- periods of high interest rates and tight money supply.

For these and other reasons, we cannot assure you that we will be profitable or that we will be able to sustain or enhance the value of our real estate properties.

If our investment portfolio lacks diversification, downturns relating to certain geographic regions, types of assets, industries or business sectors may have a more significant adverse impact on our assets and your overall investment return than if we had a diversified investment portfolio.

We are not required to observe specific diversification criteria. Therefore, our investments in target assets may be concentrated in certain asset types that are subject to higher risk of foreclosure, or secured by assets concentrated in a limited number of geographic locations or industries. For the year ended December 31, 2015, excluding Babcock, AJS, Holstenplatz and Wimberly sold in 2015, 38% and 20% of our total revenues were derived from our properties located in Hawaii and Texas, respectively. Additionally, excluding Babcock, AJS, Holstenplatz and Wimberly, 39%, 38%, 19% and 4% of our total revenues for the year ended December 31, 2015 were from our four asset types, multifamily, hotel, student housing and office buildings, respectively. At December 31, 2015, 10 non-cancelable leases representing 87% of our annualized base rent for our remaining consolidated office property, Gardens Medical Pavilion, were concentrated in the health care and social assistance industry. This does not include 22 Exchange which has 22,104 square feet of retail space. To the extent that our portfolio is concentrated in limited geographic regions, types of assets, industries or business sectors, downturns relating generally to such region, type of asset, industry or business sector may leave our profitability vulnerable to a downturn in such areas as a result of tenants defaulting on their lease obligations at a number of our properties within a short time period, which may reduce our net income and the value of our common stock and accordingly reduce our stockholders' overall return.

Properties that have significant vacancies could be difficult to sell, which could diminish the return on your investment.

A property may incur vacancies either by the continued default of tenants under their leases or the expiration of tenant leases. If vacancies continue for a long period of time, we may suffer reduced revenues. In addition, the value of the property could be diminished because the market value of a particular property will depend principally upon the value of the leases of such property.

Many of our investments will be dependent on tenants for revenue; lease expirations and terminations could adversely affect our operations and your overall investment return.

The success of our real property investments often will be materially dependent on the occupancy rates of our properties and the financial stability of our tenants. Leases at our remaining consolidated office property, Gardens Medical Pavilion, representing 3% and 20% of our annualized base rent and 3% and 14% of our rentable square footage will expire by the end of 2016 and 2017, respectively. This does not include 22 Exchange which has 22,104 square feet of retail space, nor does it include AJS or Holstenplatz which were sold in 2015. If we are unable to renew or extend the expiring leases under similar terms or are unable to negotiate new leases, or if our tenants default on lease payments, it would negatively impact our liquidity and consequently adversely affect our ability to fund our ongoing operations. A default by a significant tenant on its lease payments to us would cause us to lose the revenue associated with such lease and cause us to have to find an alternative source of revenue to meet mortgage payments and prevent a foreclosure if the property is subject to a mortgage. In the event of a tenant default, we may experience delays in enforcing our rights as landlord and may incur substantial costs in protecting our investment and re-letting our property. If significant leases are terminated, we cannot assure you that we will be able to lease the property for the rent previously received or sell the property without incurring a loss. Additionally, loans that we make generally will relate to real estate. As a result, the borrower's ability to repay the loan may be dependent on the financial stability of the tenants leasing the related real estate.

We may be unable to sell a property if or when we decide to do so, which could adversely impact our cash flow and results of operations.

We intend to hold the various real properties in which we invest until such time as our Advisor determines that a sale or other disposition appears to be advantageous to achieve our investment objectives or until it appears that such objectives will not be met. Otherwise, our Advisor, subject to approval of our board of directors, may exercise its discretion as to whether and when to sell a property, and we will have no obligation to sell properties at any particular time, except upon our liquidation. If we do not begin the process of liquidating our assets or listing our shares within six years of the termination of our initial public offering, our charter requires that we hold a stockholders meeting to vote on a proposal for our orderly liquidation unless a majority of our board of directors and a majority of our independent directors vote to defer such a meeting beyond the sixth anniversary of the termination of the initial public offering. The real estate market is affected, as discussed above, by many factors, such as general economic conditions, availability of financing, interest rates and other factors, including supply and demand, that are beyond our control. We cannot predict whether we will be able to sell any asset for the price or on the terms set by us, or whether any price or other terms offered by a prospective purchaser would be acceptable to us. We cannot predict the length of time needed to find a willing purchaser and to close the sale of an asset. If we are unable to sell an asset when we determine to do so, it could have a significant adverse effect on our cash flow and results of operations.

Our co-venture partners, co-tenants or other partners in co-ownership arrangements could take actions that decrease the value of an investment to us and lower your overall return.

We have entered into joint ventures with third parties for the acquisition, development or improvement of properties.

Such investments may involve risks not otherwise present with other forms of real estate investment, including, for example:

- the possibility that our co-venturer, co-tenant or partner in an investment might become bankrupt;
- the possibility that the investment requires additional capital that we and/or our partner do not have, which lack of capital could affect the performance of the investment and/or dilute our interest if the partner were to contribute our share of the capital;
- the possibility that a co-venturer, co-tenant or partner in an investment might breach a loan agreement or other agreement or otherwise, by action or inaction, act in a way detrimental to us or the investment;
- that such co-venturer, co-tenant or partner may at any time have economic or business interests or goals that are or that become inconsistent with our business interests or goals;
- the possibility that we may incur liabilities as the result of the action taken by our partner or co-investor;
- that such co-venturer, co-tenant or partner may be in a position to take action contrary to our instructions or requests or contrary to our policies or objectives, including our policy with respect to qualifying and maintaining our qualification as a REIT; or
- that such partner may exercise buy/sell rights that force us to either acquire the entire investment, or dispose of our share, at a time and price that may not be consistent with our investment objectives.

Any of the above might subject a property to liabilities in excess of those contemplated and thus reduce our returns on that investment.

Uninsured losses relating to real property or excessively expensive premiums for insurance coverage may adversely affect your returns.

Our Advisor will attempt to ensure that all of our properties are adequately insured to cover casualty losses. The nature of the activities at certain properties we have invested in, such as student housing, will expose us and our operators to potential liability for personal injuries and property damage claims. In addition, there are types of losses, generally catastrophic in nature, such as losses due to wars, acts of terrorism, earthquakes, pollution, environmental matters or extreme weather conditions such as hurricanes, floods and snowstorms that are uninsurable or not economically insurable, or may be insured subject to limitations, such as large deductibles or co-payments. Insurance risks associated with potential terrorist acts could sharply increase the premiums we pay for coverage against property and casualty claims. Mortgage lenders generally insist that specific coverage against terrorism be purchased by commercial property owners as a condition for providing mortgage, bridge or mezzanine loans. It is uncertain whether such insurance policies will be available, or available at reasonable cost, which could inhibit our ability to finance or refinance our properties. In such instances, we may be required to provide other financial support, either through financial assurances or self-insurance, to cover potential losses. We cannot assure you that we will have adequate coverage for such losses. In the event that any of our properties incurs a casualty loss that is not fully covered by insurance, the value of our assets will be reduced by the amount of any such uninsured loss. In addition, other than the capital reserve or other reserves we may establish, we have no source of funding to repair or reconstruct any uninsured damaged property, and we cannot assure you that any such sources of funding will be available to us for such purposes in the future.

Also, to the extent we must pay unexpectedly large amounts for insurance, we could suffer reduced earnings that may adversely affect the overall return on your investment.

Our operating results may be negatively affected by potential development and construction delays and result in increased costs and risks, which could diminish the return on your investment.

We have invested in the acquisition, development and/or redevelopment of properties upon which we, or a borrower, will develop and construct improvements. We could incur substantial capital obligations in connection with these types of investments. We will be subject to risks relating to uncertainties associated with rezoning for development and environmental concerns of governmental entities and/or community groups and our builder's ability to control construction costs or to build in conformity with plans, specifications and timetables. The builder's failure to perform may necessitate legal action by us to rescind the purchase or the construction contract or to compel performance. Performance may also be affected or delayed by conditions beyond the builder's control. Delays in completion of construction could also give tenants the right to terminate preconstruction leases for space at a newly developed project. We may incur additional risks when we make periodic progress payments or other advances to such builders prior to completion of construction. These and other such factors can result in increased costs of a project or loss of our investment. In addition, we will be subject to normal lease-up risks relating to newly constructed projects. Furthermore, we must rely upon projections of rental income and expenses and estimates of the fair market value of property upon completion of construction when agreeing upon a price to be paid for the property at the time of acquisition of the property. If our projections are inaccurate, we may pay too much for a property, and the return on our investment could suffer.

If we set aside insufficient capital reserves, we may be required to defer necessary capital improvements.

If we do not have enough capital reserves to supply needed funds for capital improvements throughout the life of the investment in a property, and there is insufficient cash available from our operations, we may be required to defer necessary improvements to the property, which may cause the property to suffer from a greater risk of obsolescence or a decline in value, or a greater risk of decreased cash flow as a result of fewer potential tenants being attracted to the property. If this happens, we may not be able to maintain projected rental rates for affected properties, and our results of operations may be negatively impacted.

Our student-housing properties are subject to an annual leasing cycle, short lease-up period, seasonal cash flows, changing university admission and housing policies, and other risks inherent in the student-housing industry, any of which could have a negative impact on your investment.

Student-housing properties generally have short-term leases of 12 months, ten months, nine months, or shorter. As a result, we may experience significantly reduced cash flows during the summer months from student-housing properties while most students are on vacation. Furthermore, student-housing properties must be almost entirely re-leased each year, exposing us to increased leasing risk. Student-housing properties are also typically leased during a limited leasing season that usually begins in August and ends in June of the following year. We would, therefore, be highly dependent on the effectiveness of our marketing and leasing efforts and personnel during this season.

Changes in university admission policies could also adversely affect us. For example, if a university reduces the number of student admissions or requires that a certain class of students, such as freshman, live in a university-owned facility, the demand for units at our student-housing properties may be reduced and our occupancy rates may decline. We rely on our relationships with colleges and universities for referrals of prospective student residents or for mailing lists of prospective student residents and their parents. Many of these colleges and universities own and operate their own competing on-campus facilities. Any failure to maintain good relationships with these colleges and universities could therefore have a material adverse effect on our ability to market our properties to students and their families.

Federal and state laws require colleges to publish and distribute reports of on-campus crime statistics, which may result in negative publicity and media coverage associated with crimes occurring on or in the vicinity of any student-housing properties. Reports of crime or other negative publicity regarding the safety of the students residing on, or near, our student-housing properties may have an adverse effect on our business.

We may face significant competition from university-owned student housing and from other residential properties that are in close proximity to student-housing properties we own, which could have a negative impact on our results of operations.

On-campus student housing has certain inherent advantages over off-campus student housing in terms of physical proximity to the university campus and integration of on-campus facilities into the academic community. Colleges and universities can generally avoid real estate taxes and borrow funds at lower interest rates than us.

We have invested in apartment communities with short-term apartment leases, which may expose us to the effects of declining market rent more quickly and could have a negative impact on our results of operations.

We expect that substantially all of our apartment leases will be for a term of one year or less. Because these leases generally permit the residents to leave at the end of the lease term without penalty, our rental revenues may be impacted by declines in market rents more quickly than if our leases were for longer terms.

To the extent we have invested in apartment communities, we will face competition from other apartment communities and the increased affordability of single-family homes, which may limit our profitability and returns to our stockholders.

Any apartment communities we have acquired will most likely compete with numerous housing alternatives in attracting residents, including other apartment communities, as well as single family homes and condominiums available to rent or purchase.

The residential apartment community industry is highly competitive. This competition could reduce occupancy levels and revenues at our apartment communities, which would adversely affect our operations. We expect to face competition from many sources, including from other apartment communities both in the immediate vicinity and the broader geographic market where our apartment communities are located. Overbuilding of apartment communities may occur. If so, this will increase the number of apartment units available and may decrease occupancy and apartment rental rates. In addition, increases in operating costs due to inflation may not be offset by increased apartment rental rates. We may be required to expend substantial sums to attract new residents.

To the extent we invest in apartment communities, we may face increased competition from single-family homes and condominiums for rent or purchase, which could limit our ability to retain residents, lease apartment units or increase or maintain rents.

Any apartment communities we have invested in may compete with numerous housing alternatives in attracting residents, including single-family homes and condominiums available for rent or purchase. Such competitive housing alternatives may become more prevalent in a particular area because of the tightening of mortgage lending underwriting criteria, homeowner foreclosures, the decline in single-family home and condominium sales, and the lack of available credit. The number of single-family homes and condominiums for rent in a particular area could limit our ability to retain residents, lease apartment units, or increase or maintain rents.

In addition, the increasing affordability of single-family homes and condominiums available to purchase caused by declining mortgage interest rates and government programs to promote home ownership could adversely affect our ability to retain our residents, lease apartment units and increase or maintain rental rates.

BHO II Management's failure to integrate its subcontractors into BHO II Management's operations in an efficient manner could reduce the return on your investment.

BHO II Management may rely on multiple subcontractors for on-site property management of our properties. If BHO II Management is unable to integrate these subcontractors into its operations in an efficient manner, BHO II Management may have to expend substantial time and money coordinating with these subcontractors, which could be a negative impact on the revenues generated from such properties.

We are dependent on the third-party manager of our hotel property.

In order to qualify as a REIT, we will not be able to operate our hotel property or participate in the decisions affecting the daily operations of our hotel. We will lease our hotel to a taxable REIT subsidiary ("TRS") in which we may own up to a 100% interest. Our TRS will enter into management agreements with eligible independent contractors that are not our subsidiaries or otherwise controlled by us to manage the hotel. Thus, independent hotel operators, under management agreements with our TRS, will control the daily operations of our hotel.

We will depend on these independent management companies to adequately operate our hotel as provided in the management agreement. We will not have the authority to require any hotel to be operated in a particular manner or to govern any particular aspect of the daily operations of any hotel (for instance, setting room rates). Thus, even if we believe our hotel is being operated inefficiently or in a manner that does not result in satisfactory occupancy rates, revenue per available room ("RevPar") and average daily rates ("ADR"), we may not be able to force the management company to change its method of operation of our hotel. We can only seek redress if a management company violates the terms of the applicable management agreement with the TRS, and then only to the extent of the remedies provided for under the terms of the management agreement. In the event that we need to replace any of our management companies, we may be required by the terms of the management agreement to pay substantial termination fees and may experience significant disruptions at the affected hotel.

We may have to make significant capital expenditures to maintain our lodging properties.

Hotels have an ongoing need for renovations and other capital improvements, including replacements of furniture, fixtures and equipment. Generally, we will be responsible for the costs of these capital improvements, which give rise to the following risks:

- cost overruns and delays;
- renovations can be disruptive to operations and can displace revenue at the hotels, including revenue lost while rooms under renovation are out of service;
- the cost of funding renovations and the possibility that financing for these renovations may not be available on attractive terms; and
- the risk that the return on our investment in these capital improvements will not be what we expect.

If we have insufficient cash flow from operations to fund needed capital expenditures, then we will need to borrow to fund future capital improvements.

General economic conditions and discretionary consumer spending may affect certain of the properties we have acquired and lower the return on your investment.

The operations of certain properties in which we have invested, such as our hotel property, will depend upon a number of factors relating to discretionary consumer spending. Unfavorable local, regional or national economic developments or uncertainties regarding future economic prospects as a result of terrorist attacks, military activity or natural disasters could reduce consumer spending in the markets in which we own properties and adversely affect the operation of those properties. Consumer spending on luxury goods, travel and other leisure activities such as boating, skiing and health and spa activities may decline as a result of lower consumer confidence levels, even if prevailing economic conditions are favorable. In an economic downturn, consumer discretionary spending levels generally decline, at times resulting in disproportionately large reductions in expenditures on luxury goods, travel and other leisure activities. Certain of the classes of properties that we own may be unable to maintain their profitability during periods of adverse economic conditions or low consumer confidence, which could in turn affect the ability of operators to make scheduled rent payments to us.

Seasonal revenue variations in certain asset classes will require the operators of such assets to manage cash flow properly over time to meet their non-seasonal scheduled rent payments to us.

Certain of the properties in which we have invested, including our hotel property, are generally seasonal in nature. As a result of the seasonal nature of certain industries that may be conducted on properties we have acquired, these businesses will experience seasonal variations in revenues that may require our operators to supplement revenue at their properties in order to be able to make scheduled rent payments to us. The failure of an operator or a tenant to manage its cash flow properly may result in such operator or tenant having insufficient cash on hand to make its scheduled payments to us during seasonally slow periods, which may adversely affect our cash available for special distributions to stockholders.

Adverse weather conditions may affect operations of certain of the properties we own or reduce our operators' ability to make scheduled rent payments to us, which could reduce our cash flow from such investments.

Adverse weather conditions may influence revenues at our hotel investment. These adverse weather conditions include hurricanes, tropical storms, high winds, heat waves, drought (or merely reduced rainfall levels), excessive rain and floods. For example, adverse weather could reduce the number of people that visit our hotel property. Our hotel property may be susceptible to damage from weather conditions such as hurricanes, which damage (including but not limited to property damage and loss of revenue) is not generally insurable at commercially reasonable rates. Poor weather conditions could also disrupt operations at our hotel property and may adversely affect both the value of our investment and the ability of our tenants and operators to make their scheduled rent payments to us.

Security breaches through cyber-attacks, cyber-intrusions, or otherwise, could disrupt our IT networks and related systems.

Risks associated with security breaches, whether through cyber-attacks or cyber-intrusions over the Internet, malware, computer viruses, attachments to e-mails, or otherwise, against persons inside our organization, persons with access to systems inside our organization, the U.S. government, financial markets or institutions, or major businesses, including tenants, could disrupt or disable networks and related systems, other critical infrastructures, and the normal operation of business. The risk of a security breach or disruption, particularly through cyber-attack or cyber-intrusion, including by computer hackers, foreign governments, and cyber-terrorists, has generally increased as the number, intensity, and sophistication of attempted attacks and intrusions from around the world have increased. Even though we may not be specifically targeted, cyber-attacks on the U.S. government, financial markets, financial institutions, or other major businesses, including tenants, could disrupt our normal business operations and networks, which may in turn have a material adverse impact on our financial condition and results of operations.

Our information technology ("IT") networks and related systems are essential to the operation of our business and our ability to perform day-to-day operations and they are subject to cybersecurity risks and threats. They also may be critical to the operations of certain of our tenants. Further, our Advisor provides our IT services, and there can be no assurance that their security efforts and measures will be effective or that attempted security breaches or disruptions would not be successful or damaging. It has been reported that unknown entities or groups have mounted cyber-attacks on businesses and other organizations solely to disable or disrupt computer systems, disrupt operations and, in some cases, steal data. Even the most well protected information, networks, systems, and facilities remain potentially vulnerable because the techniques used in such attempted security breaches evolve and generally are not recognized until launched against a target, and in some cases are designed not to be detected and, in fact, may not be detected. Due to the nature of cyber-attacks, breaches to our systems could go unnoticed for a prolonged period of time. These cybersecurity risks could disrupt our operations and result in downtime, loss of revenue, or the loss of critical data as well as result in higher costs to correct and remedy the effects of such incidents. If our systems for protecting against cyber incidents or attacks prove to be insufficient and an incident were to occur, it could have a material adverse effect on our business, financial condition, results of operations or cash flows. While, to date, we have not experienced a cyber-attack or cyber-intrusion, neither our Advisor nor we may be able to anticipate or implement adequate security barriers or other preventive measures. A security breach or other significant disruption involving our IT networks and related systems could:

- disrupt the proper functioning of our networks and systems and therefore our operations and/or those of certain of our tenants;
- result in misstated financial reports, violations of loan covenants, missed reporting deadlines and/or missed permitting deadlines;
- result in our inability to properly monitor our compliance with the rules and regulations regarding our qualification as a REIT;
- result in the unauthorized access to, and destruction, loss, theft, misappropriation, or release of proprietary, confidential, sensitive, or otherwise valuable information of ours or others, which others could use to compete against us or for disruptive, destructive, or otherwise harmful purposes and outcomes;
- result in our inability to maintain the building systems relied upon by our tenants for the efficient use of their leased space;
- require significant management attention and resources to remedy any damages that result;
- subject us to claims for breach of contract, damages, credits, penalties, or termination of leases or other agreements; or
- damage our reputation among our tenants and stockholders generally.

Any or all of the foregoing could have a material adverse effect on our results of operations, financial condition, and cash flows.

The costs of compliance with environmental laws and other governmental laws and regulations may adversely affect our income.

All real property and the operations conducted on real property are subject to federal, state and local laws and regulations relating to environmental protection and human health and safety. These laws and regulations generally govern wastewater discharges, air emissions, the operation and removal of underground and above-ground storage tanks, the use, storage, treatment, transportation and disposal of solid and hazardous materials, and the remediation of contamination associated with disposals. Some of these laws and regulations may impose joint and several liability on tenants, owners or operators for the costs of investigation or remediation of contaminated properties, regardless of fault or the legality of the original disposal. In addition, the presence of these substances, or the failure to properly remediate these substances, may adversely affect our ability to sell or rent such property or to use the property as collateral for future borrowing.

Compliance with new or more stringent laws or regulations or stricter interpretation of existing laws may require material expenditures by us. For example, various federal, regional and state laws and regulations have been implemented or are under consideration to mitigate the effects of climate change caused by greenhouse gas emissions. Among other things, “green” building codes may seek to reduce emissions through the imposition of standards for design, construction materials, water and energy usage and efficiency, and waste management. We are not aware of any such existing requirements that we believe will have a material impact on our current operations. However, future requirements could increase the costs of maintaining or improving our existing properties or developing new properties.

Discovery of previously undetected environmentally hazardous conditions may adversely affect our operating results.

Under various federal, state and local environmental laws, ordinances and regulations (including those of foreign jurisdictions), a current or previous owner or operator of real property may be liable for the cost of removal or remediation of hazardous or toxic substances on, under or in such property. The costs of removal or remediation could be substantial. Such laws often impose liability whether or not the owner or operator knew of, or was responsible for, the presence of such hazardous or toxic substances. Environmental laws also may impose restrictions on the manner in which property may be used or businesses may be operated, and these restrictions may require substantial expenditures. Environmental laws provide for sanctions in the event of noncompliance and may be enforced by governmental agencies or, in certain circumstances, by private parties. Certain environmental laws and common law principles could be used to impose liability for release of and exposure to hazardous substances, including asbestos-containing materials into the air, and third parties may seek recovery from owners or operators of real properties for personal injury or property damage associated with exposure to released hazardous substances.

In addition, when excessive moisture accumulates in buildings or on building materials, mold growth may occur, particularly if the moisture problem remains undiscovered or is not addressed over a period of time. Some molds may produce airborne toxins or irritants. Concern about indoor exposure to mold has been increasing, as exposure to mold may cause a variety of adverse health effects and symptoms, including allergic or other reactions. As a result, the presence of significant mold at any of our projects could require us to undertake a costly remediation program to contain or remove the mold from the affected property or development project, which would reduce our operating results.

The cost of defending against claims of liability, of compliance with environmental regulatory requirements, of remediating any contaminated property, or of paying personal injury claims could materially adversely affect our business, assets or results of operations and, consequently, amounts available for special distributions to stockholders.

We must comply with the Fair Housing Amendment Act, with respect to our investments in apartment communities, which may decrease our cash flow from operations.

We must comply with the Fair Housing Amendment Act of 1988 (“FHAA”), which requires that apartment communities first occupied after March 13, 1991 be accessible to handicapped residents and visitors. Compliance with the FHAA could require removal of structural barriers to handicapped access in a community, including the interiors of apartment units covered under the FHAA. Recently, there has been heightened scrutiny of multifamily housing communities for compliance with the requirements of the FHAA and an increasing number of substantial enforcement actions and private lawsuits have been brought against apartment communities to ensure compliance with these requirements. Noncompliance with the FHAA could result in the imposition of fines, awards of damages to private litigants, payment of attorneys’ fees and other costs to plaintiffs, substantial litigation costs and substantial costs of remediation.

If we sell properties by providing financing to purchasers, we will bear the risk of default by the purchaser.

When we decide to sell any of our properties, we intend to use commercially reasonable efforts to sell them for cash or in exchange for other property. However, in some instances we may sell our properties by providing financing to purchasers. If we provide financing to purchasers, we will bear the risk of default by the purchaser and will be subject to remedies provided by law, which could negatively impact our operating results. There are no limitations or restrictions on our ability to take purchase money obligations. We may, therefore, take a purchase money obligation secured by a mortgage as partial payment for the purchase price of a property. The terms of payment to us generally will be affected by custom in the area where the property being sold is located and the then-prevailing economic conditions. If we receive promissory notes or other property in lieu of cash from property sales, the distribution of the proceeds of sales to our stockholders, or their reinvestment in other assets, will be delayed until the promissory notes or other property are actually paid, sold, refinanced or otherwise disposed of. In some cases, we may receive initial down payments in cash and other property in the year of sale in an amount less than the selling price, and subsequent payments will be spread over a number of years. If any purchaser defaults under a financing arrangement with us, it could negatively impact our results of operations.

Risks Associated with Debt Financing

We incur mortgage indebtedness and other borrowings, which increases our business risks.

We have acquired real properties and other real estate-related investments by using either existing financing or borrowing new funds. We also may borrow funds for payment of special cash distributions to stockholders, in particular if necessary to satisfy the requirement that we distribute to stockholders at least 90% of our annual REIT taxable income, or otherwise as is necessary or advisable to assure that we maintain our qualification as a REIT for federal income tax purposes and/or avoid federal income tax.

There is no limitation on the amount we may invest in or borrow related to any single property or other investment. Under our charter, the maximum amount of our indebtedness shall not exceed 300% of our "net assets" (as defined in our charter) as of the date of any borrowing; however, we may exceed that limit if approved by a majority of our independent directors.

In addition to our charter limitation, our board of directors has adopted a policy to generally limit our aggregate borrowings to approximately 75% of the aggregate value of our assets unless substantial justification exists that borrowing a greater amount is in our best interests. Our policy limitation, however, does not apply to individual real estate assets. For these purposes, the value of our assets is based on methodologies and policies determined by the board of directors and may include, but do not require, independent appraisals.

We do not intend to incur mortgage debt on a particular real property unless we believe the property's projected cash flow is sufficient to service the mortgage debt. However, if there is a shortfall in cash flow available to service our mortgage debt, then our cash flow from operations will be adversely affected. In addition, incurring mortgage debt increases the risk of loss because (i) loss in investment value is generally borne entirely by the borrower until such time as the investment value declines below the principal balance of the associated debt and (ii) defaults on indebtedness secured by a property may result in foreclosure actions initiated by lenders and our loss of the property securing the loan that is in default. For tax purposes, a foreclosure of any of our properties would be treated as a sale of the property for a purchase price equal to the outstanding balance of the debt secured by the mortgage. If the outstanding balance of the debt secured by the mortgage exceeds our tax basis in the property, we would recognize taxable income on foreclosure, but would not receive any cash proceeds from the foreclosure. We may give full or partial guarantees to lenders of mortgage debt to the entities that own our properties. When we give a guaranty on behalf of an entity that owns one of our properties, we will be responsible to the lender for satisfaction of the debt if it is not paid by such entity. If any mortgages contain cross-collateralization or cross-default provisions, there is a risk that more than one real property may be affected by a default. If any of our properties are foreclosed upon due to a default, your overall investment return will be adversely affected. In addition, because our goal is to be in a position to liquidate our assets within three to six years after the termination of the initial public offering, our approach to investing in properties utilizing leverage in order to accomplish our investment objectives over this period of time may present more risks to investors than comparable real estate programs that have a longer intended duration and that do not utilize borrowing to the same degree.

If mortgage debt is unavailable at reasonable rates, we may not be able to refinance our properties, which could reduce the overall return on your investment.

When we place mortgage debt on properties, we run the risk of being unable to refinance the properties when the loans come due, or of being unable to refinance on favorable terms. If interest rates are higher when the properties are refinanced, we may not be able to finance the properties at reasonable rates and our income could be reduced. If this occurs, it would reduce the overall return on your investment, and it may prevent us from borrowing more money.

Lenders may require us to enter into restrictive covenants relating to our operations, which could limit our ability to make special cash distributions to our stockholders.

In connection with obtaining financing, a lender could impose restrictions on us that affect our ability to incur additional debt and our special distribution and operating policies. In general, we expect our loan agreements to restrict our ability to encumber or otherwise transfer our interest in the respective property without the prior consent of the lender. Loan documents we enter may contain other customary negative covenants that may limit our ability to further mortgage the property, discontinue insurance coverage, replace Behringer Harvard Opportunity Advisors II, LLC as our Advisor or impose other limitations. Any such restriction or limitation may have an adverse effect on our operations and our ability to make special distributions to our stockholders.

Interest-only indebtedness may increase our risk of default and ultimately may reduce our funds available for special cash distribution to our stockholders.

We have financed our property acquisitions using interest-only mortgage indebtedness. During the interest-only period, the amount of each scheduled payment will be less than that of a traditional amortizing mortgage loan. The principal balance of the mortgage loan will not be reduced (except in the case of prepayments) because there are no scheduled monthly payments of principal during this period. After the interest-only period, we will be required either to make scheduled payments of amortized principal and interest or to make a lump-sum or "balloon" payment at maturity. These required principal or balloon payments will increase the amount of our scheduled payments and may increase our risk of default under the related mortgage loan. If the mortgage loan has an adjustable interest rate, the amount of our scheduled payments also may increase at a time of rising interest rates. Increased payments and substantial principal or balloon maturity payments will reduce the funds available for special cash distribution to our stockholders because cash otherwise available for special distributions will be required to pay principal and interest associated with these mortgage loans.

Increases in interest rates could increase the amount of our debt payments and adversely affect the overall return on your investment.

We have incurred indebtedness that bears interest at a variable rate. In addition, from time to time we may pay mortgage loans or finance and refinance our properties in a rising interest rate environment. Accordingly, increases in interest rates could increase our interest costs, which could have an adverse effect on our operating cash flow. In addition, if rising interest rates cause us to need additional capital to repay indebtedness in accordance with its terms or otherwise, we may need to liquidate one or more of our investments at times that may not permit realization of the maximum return on such investments. Prolonged interest rate increases could also negatively impact our ability to make investments with positive economic returns.

Financing arrangements involving balloon payment obligations may adversely affect the overall return on your investment.

Some of our financing arrangements require us to make a lump-sum or balloon payment at maturity. Our ability to make a balloon payment at maturity is uncertain and may depend upon our ability to obtain additional financing or our ability to sell the property. At the time the balloon payment is due, we may not be able to refinance the balloon payment on terms as favorable as the original loan or sell the property at a price sufficient to make the balloon payment. The effect of a refinancing or sale could affect the rate of return to stockholders and the projected time of disposition of our assets. In addition, payments of principal and interest made to service our debts may leave us with insufficient cash to pay the distributions that we are required to pay to maintain our qualification as a REIT and/or avoid federal income tax. Any of these results would have a significant, negative impact on your investment.

We have broad authority to incur debt, and high debt levels could decrease the value of your investment.

Our board of directors has adopted a policy to generally limit our aggregate borrowings to approximately 75% of the aggregate value of our assets, but we may exceed this limit under some circumstances. Such debt may be at a level that is higher than real estate investment trusts with similar investment objectives or criteria. High debt levels could cause us to incur higher interest charges, could result in higher debt service payments, and could be accompanied by restrictive covenants. These factors could result in a decline in the value of your investment.

Risks Associated with Investments in Mortgage, Bridge and Mezzanine Loans

We have relatively less experience investing in mortgage, bridge, mezzanine or other loans as compared to investing directly in real property, which could adversely affect our return on loan investments.

The experience of our Advisor and its affiliates with respect to investing in mortgage, bridge, mezzanine or other loans is not as extensive as it is with respect to investments directly in real properties. Our less extensive experience with respect to mortgage, bridge, mezzanine or other loans could adversely affect our return on loan investments.

Our mortgage, bridge or mezzanine loans may be impacted by unfavorable real estate market conditions, which could decrease the value of those loans and the return on your investment.

We have invested in mortgage, bridge or mezzanine loans, and we are at risk of defaults on those loans caused by many conditions beyond our control, including local and other economic conditions affecting real estate values and interest rate levels. We do not know whether the values of the property securing the loans will remain at the levels existing on the dates we originated the loans. If the values of the underlying properties decline, our risk will increase because of the lower value of the security associated with such loans.

We have invested in a mezzanine loan in a multifamily development located in the energy hub of Denver, Colorado. The energy sector recently experienced a significant decline in oil prices, which could have an adverse impact on the results at this multifamily investment. Denver is headquarters to a number of energy companies. Job layoffs as a result of the downturn in oil prices could reduce the number of tenants available to lease a unit at the development project, which is expected to be completed in the second quarter of 2016.

Our mortgage, bridge or mezzanine loans will be subject to interest rate fluctuations, which could reduce our returns as compared to market interest rates and reduce the value of the loans in the event we sell them.

We have invested in fixed-rate, long-term mortgage, bridge or mezzanine loans. If interest rates rise, the loans could yield a return lower than then-current market rates. If interest rates decrease, we will be adversely affected to the extent that mortgage, bridge or mezzanine loans are prepaid, because we may not be able to make new loans at the previously higher interest rate. If we invest in variable-rate loans and interest rates decrease, our revenues also decrease. When interest rates increase on our variable-rate loans, the value of the loans we own at such time would decrease, which would lower the proceeds we would receive in the event we sell such assets. For these reasons, our returns on these types of loans and the value of your investment will be subject to fluctuations in interest rates.

Delays in liquidating defaulted mortgage, mezzanine or bridge loans could reduce our investment returns.

If there are defaults under our loans, we may not be able to repossess and sell quickly any properties securing such loans. The resulting time delay could reduce the value of our investment in the defaulted loans. An action to foreclose on a property securing a loan is regulated by state statutes and regulations and is subject to many of the delays and expenses of any lawsuit brought in connection with the foreclosure if the defendant raises defenses or counterclaims. In the event of default by a mortgagor, these restrictions, among other things, may impede our ability to foreclose on or sell the mortgaged property or to obtain proceeds sufficient to repay all amounts due to us on the loan.

The mezzanine loans in which we have invested involve greater risks of loss than senior loans secured by income-producing real properties.

We have invested in mezzanine loans that take the form of subordinated loans secured by second mortgages on the underlying real property or loans secured by a pledge of the ownership interests of either the entity owning the real property or the entity that owns the interest in the entity owning the real property. These types of investments involve a higher degree of risk than long-term senior mortgage lending secured by income producing real property because the investment may become unsecured as a result of foreclosure by the senior lender. If borrowers of these loans are real estate developers, our investments may involve additional risks, including dependence for repayment on successful completion and operation of the project, difficulties in estimating construction or rehabilitation costs and loan terms that often require little or no amortization. In the event of a bankruptcy of the entity providing the pledge of its ownership interests as security, we may not have full recourse to the assets of the entity, or the assets of the entity may not be sufficient to satisfy our mezzanine loan. If a borrower defaults on our loan or on debt senior to our loan, or in the event of a borrower bankruptcy, our loan will be satisfied only after the senior debt is paid in full. Where debt senior to our loan exists, the presence of intercreditor arrangements may limit our ability to amend our loan documents, assign our loans, accept prepayments, exercise our remedies (through “standstill periods”), and control decisions made in bankruptcy proceedings relating to borrowers. As a result, we may not recover some or all of our investment.

Returns on our mortgage, bridge or mezzanine loans may be limited by regulations.

The mortgage, bridge or mezzanine loans in which we invest, or that we may make, may be subject to regulation by federal, state and local authorities and/or regulation by foreign jurisdictions and subject to various laws and judicial and administrative decisions. We may determine not to make mortgage, bridge or mezzanine loans in any jurisdiction in which we believe we have not complied in all material respects with applicable requirements. If we decide not to make mortgage, bridge or mezzanine loans in several jurisdictions, it could reduce the amount of income we would otherwise receive.

Foreclosures create additional ownership risks that could adversely impact our returns on mortgage investments.

If we acquire property by foreclosure following defaults under our mortgage, bridge or mezzanine loans, we will have the economic and liability risks as the owner.

The liquidation of our assets may be delayed as a result of our investment in mortgage, bridge or mezzanine loans, which could delay special cash distributions to our stockholders.

The mezzanine and bridge loans we may originate or purchase will be particularly illiquid investments due to their short life, their unsuitability for securitization and the greater difficulty of recoupment in the event of a borrower's default. Any intended liquidation of us may be delayed beyond the time of the sale of all of our properties until all mortgage, bridge or mezzanine loans expire or are sold, because we may enter into mortgage, bridge or mezzanine loans with terms that expire after the date we intend to have sold all of our properties.

Risks Related to Our Operations

To hedge against exchange rate and interest rate fluctuations, we may use derivative financial instruments that may be costly and ineffective and may reduce the overall returns on your investment and affect cash available for special distributions to our stockholders.

We may use derivative financial instruments to hedge exposures to changes in exchange rates and interest rates on loans secured by our assets. Derivative instruments may include interest rate swap contracts, interest rate cap or floor contracts, futures or forward contracts, options or repurchase agreements. Our actual hedging decisions will be determined in light of the facts and circumstances existing at the time of the hedge and may differ from time to time. Our hedging may fail to protect or could adversely affect us because, among other things:

- interest rate hedging can be expensive, particularly during periods of rising and volatile interest rates;
- available interest rate hedging products may not correspond directly with the interest rate risk for which protection is sought;
- the duration of the hedge may not match the duration of the related liability or asset;
- the amount of income that a REIT may earn from hedging transactions to offset losses due to fluctuations in interest rates is limited by federal tax provisions governing REITs;
- the credit quality of the party owing money on the hedge may be downgraded to such an extent that it impairs our ability to sell or assign our side of the hedging transaction;
- the party owing money in the hedging transaction may default on its obligation to pay; and
- we may purchase a hedge that turns out not to be necessary, *i.e*., a hedge that is out of the money.

Any hedging activity we engage in may adversely affect our earnings, which could adversely affect cash available for special distributions to our stockholders. Therefore, while we may enter into such transactions to seek to reduce interest rate risks, unanticipated changes in interest rates may result in poorer overall investment performance than if we had not engaged in any such hedging transactions. In addition, the degree of correlation between price movements of the instruments used in a hedging strategy and price movements in the portfolio positions being hedged or liabilities being hedged may vary materially. Moreover, for a variety of reasons, we may not seek to establish a perfect correlation between such hedging instruments and the interest rate risk sought to be hedged. Any such imperfect correlation may prevent us from achieving the intended accounting treatment and may expose us to risk of loss.

To the extent that we use derivative financial instruments to hedge against exchange rate and interest rate fluctuations, we will be exposed to credit risk, basis risk and legal enforceability risks. In this context, credit risk is the failure of the counterparty to perform under the terms of the derivative contract. If the fair value of a derivative contract is positive, the counterparty owes us, which creates credit risk for us. Basis risk occurs when the index upon which the contract is based is more or less variable than the index upon which the hedged asset or liability is based, thereby making the hedge less effective. Finally, legal enforceability risks encompass general contractual risks, including the risk that the counterparty will breach the terms of, or fail to perform its obligations under, the derivative contract. If we are unable to manage these risks effectively, our results of operations, financial condition and your overall investment return will be adversely affected.

Hedging instruments often are not traded on regulated exchanges, guaranteed by an exchange or its clearing house, or regulated by any U.S. or foreign governmental authorities and involve risks and costs.

The cost of using hedging instruments increases as the period covered by the instrument increases and during periods of rising and volatile interest rates. We may increase our hedging activity and thus increase our hedging costs during periods when interest rates are volatile or rising and hedging costs have increased. In addition, hedging instruments involve risk since they often are not traded on regulated exchanges, guaranteed by an exchange or its clearing house, or regulated by any U.S. or foreign governmental authorities. Consequently, there are no requirements with respect to record keeping, financial responsibility or segregation of customer funds and positions. Furthermore, the enforceability of agreements underlying derivative transactions may depend on compliance with applicable statutory, commodity and other regulatory requirements and, depending on the identity of the counterparty, applicable international requirements. The business failure of a hedging counterparty with whom we enter into a hedging transaction will most likely result in a default. Default by a party with whom we enter into a hedging transaction may result in the loss of unrealized profits and force us to cover our resale commitments, if any, at the then current market price. It may not always be possible to dispose of or close out a hedging position without the consent of the hedging counterparty, and we may not be able to enter into an offsetting contract in order to cover our risk. We cannot be certain that a liquid secondary market will exist for hedging instruments purchased or sold, and we may be required to maintain a position until exercise or expiration, which could result in losses.

Complying with REIT requirements may limit our ability to hedge effectively.

The REIT provisions of the Internal Revenue Code may limit our ability to hedge our assets and operations. Under these provisions, any income that we generate from transactions intended to hedge our interest rate, inflation and/or currency risks will be excluded from gross income for purposes of the REIT 75% and 95% gross income tests if the instrument hedges (i) interest rate risk on liabilities incurred to carry or acquire real estate; (ii) risk of currency fluctuations with respect to any item of income or gain that would be qualifying income under the REIT 75% or 95% gross income tests; or (iii) to manage risk with respect to the termination of prior hedging transactions described in (i) and/or (ii) above, and in each case, such instrument is properly identified under applicable Treasury Regulations. Income from hedging transactions that do not meet these requirements will generally constitute nonqualifying income for purposes of both the REIT 75% and 95% gross income tests. As a result of these rules, we may have to limit our use of hedging techniques that might otherwise be advantageous, which could result in greater risks associated with interest rate or other changes than we would otherwise incur.

There can be no assurance that the direct or indirect effects of the Dodd-Frank Act and other applicable non-U.S. regulations will not have an adverse effect on our interest rate hedging activities.

Title VII of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "Dodd-Frank Act") imposed additional regulations on derivatives markets and transactions. Such regulations and, to the extent we trade with counterparties organized in non-US jurisdictions, any applicable regulations in those jurisdictions, are still being implemented, and will affect our interest rate hedging activities. While the full impact of regulation on our interest rate hedging activities cannot be fully assessed until all final rules and regulations are implemented, such regulation may affect our ability to enter into hedging or other risk management transactions, may increase our costs in entering into such transactions, and/or may result in us entering into such transactions on less favorable terms than prior to implementation of such regulation. For example, subject to an exception under the Dodd-Frank Act for end-users of swaps upon which we may seek to rely, we may be required to clear certain interest rate hedging transactions by submitting them to a derivatives clearing organization. In addition, to the extent we are required to clear any such transactions, we will be required to, among other things, post margin in connection with such transactions. The occurrence of any of the foregoing events may have an adverse effect on our business and our stockholders' return.

Potential reforms to Fannie Mae and Freddie Mac could adversely affect us.

There is significant uncertainty surrounding the futures of Fannie Mae and Freddie Mac. Through their lender originator networks, Fannie Mae and Freddie Mac are significant lenders to buyers of multifamily real estate. Fannie Mae and Freddie Mac have a mandate to support multifamily housing through their financing activities and any changes to their mandates, further reductions in their size or the scale of their activities, or loss of their key personnel could have a significant impact on us and may, among other things, adversely affect values for multifamily assets, interest rates, capital availability, and potential sales of multifamily communities which in turn could adversely affect our ability to dispose of our multifamily assets. Fannie Mae's and Freddie Mac's regulator has set overall volume limits on most of Fannie Mae's and Freddie Mac's lending activities. The regulator in the future could require Fannie Mae and Freddie Mac to focus more of their lending activities on small borrowers or properties the regulator deems affordable, which may or may not include our assets, which could also adversely impact us.

Risks Related to Our Corporate Structure

A limit on the number of shares a person may own may discourage a takeover.

Our charter, with certain exceptions, authorizes our directors to take such actions as are necessary and desirable to preserve our qualification as a REIT. Unless exempted by our board of directors, no person may own more than 9.8% of our outstanding shares of common or preferred stock. This restriction may have the effect of delaying, deferring or preventing a change in control of us, including an extraordinary transaction (such as a merger, tender offer or sale of all or substantially all of our assets) that might otherwise provide stockholders with the opportunity to receive a control premium for their shares.

Our charter permits our board of directors to issue stock with terms that may subordinate the rights of the holders of our current common stock or discourage a third party from acquiring us.

Our charter permits our board of directors to issue up to 400,001,000 shares of capital stock. Our board of directors, without any action by our stockholders, may (i) increase or decrease the aggregate number of shares, (ii) increase or decrease the number of shares of any class or series we have authority to issue, or (iii) classify or reclassify any unissued common stock or preferred stock and establish the preferences, conversion or other rights, voting powers, restrictions, limitations as to distributions, qualifications, or terms or conditions of redemption of any such stock. Thus, our board of directors could authorize the issuance of such stock with terms and conditions that could subordinate the rights of the holders of our current common stock or have the effect of delaying, deferring or preventing a change in control of us, including an extraordinary transaction (such as a merger, tender offer or sale of all or substantially all of our assets) that might provide a premium price for holders of our common stock.

Maryland law prohibits certain business combinations, which may make it more difficult for us to be acquired.

Under Maryland law, “business combinations” between a Maryland corporation and an interested stockholder or an affiliate of an interested stockholder are prohibited for five years after the most recent date on which the interested stockholder becomes an interested stockholder. These business combinations include a merger, consolidation, share exchange, or, in circumstances specified in the statute, an asset transfer or issuance or reclassification of equity securities. An interested stockholder is defined as:

- any person who beneficially owns 10% or more of the voting power of the then outstanding voting stock of the corporation; or
- an affiliate or associate of the corporation who, at any time within the two-year period prior to the date in question, was the beneficial owner of 10% or more of the voting power of the then outstanding voting stock of the corporation.

A person is not an interested stockholder under the statute if the board of directors approved in advance the transaction by which he/she otherwise would have become an interested stockholder. However, in approving a transaction, the board of directors may provide that its approval is subject to compliance, at or after the time of approval, with any terms and conditions determined by the board.

After the expiration of the five-year period described above, any business combination between a Maryland corporation and an interested stockholder must generally be recommended by the board of directors of the corporation and approved by the affirmative vote of at least:

- 80% of the votes entitled to be cast by holders of the then outstanding shares of voting stock of the corporation; and
- two-thirds of the votes entitled to be cast by holders of voting stock of the corporation, other than shares held by the interested stockholder with whom or with whose affiliate the business combination is to be effected or held by an affiliate or associate of the interested stockholder.

These super-majority vote requirements do not apply if the corporation’s common stockholders receive a minimum price, as defined under Maryland law, for their shares in the form of cash or other consideration in the same form as previously paid by the interested stockholder for its shares. Maryland law also permits various exemptions from these provisions, including business combinations that are exempted by the board of directors before the time that the interested stockholder becomes an interested stockholder. The business combination statute may discourage others from trying to acquire control of us and increase the difficulty of consummating any offer.

Maryland law also limits the ability of a third party to buy a large stake in us and exercise voting power in electing directors.

Maryland law provides a second anti-takeover statute, the Control Share Acquisition Act, which provides that “control shares” of a Maryland corporation acquired in a “control share acquisition” have no voting rights except to the extent approved by the corporation’s disinterested stockholders by a vote of two-thirds of the votes entitled to be cast on the matter. Shares of stock owned by interested stockholders, that is, by the acquirer, by officers or by directors who are employees of the corporation, are excluded from the vote on whether to accord voting rights to the control shares. “Control shares” are voting shares of stock that would entitle the acquirer to exercise voting power in electing directors within specified ranges of voting power. Control shares do not include shares the acquiring person is then entitled to vote as a result of having previously obtained stockholder approval. A “control share acquisition” means the acquisition of control shares. The control share acquisition statute does not apply to (i) shares acquired in a merger, consolidation or share exchange if the corporation is a party to the transaction or (ii) acquisitions approved or exempted by a corporation’s charter or bylaws. Our bylaws contain a provision exempting from the Control Share Acquisition Act any and all acquisitions by any person of shares of our stock. We can offer no assurance that this provision will not be amended or eliminated at any time in the future. This statute could have the effect of discouraging offers from third parties to acquire us and increasing the difficulty of successfully completing this type of offer by anyone other than our affiliates or any of their affiliates.

Our charter includes an anti-takeover provision that may discourage a stockholder from launching a tender offer for our shares.

Our charter provides that any tender offer made by a stockholder, including any "mini-tender" offer, must comply with most provisions of Regulation 14D of the Exchange Act. The offering stockholder must provide us notice of such tender offer at least ten business days before initiating the tender offer. If the offering stockholder does not comply with these requirements, we will have the right to redeem that stockholder's shares and any shares acquired in such tender offer. In addition, the non-complying stockholder shall be responsible for all of our expenses in connection with that stockholder's noncompliance. This provision of our charter may discourage a stockholder from initiating a tender offer for our shares and prevent a stockholder from receiving a premium price for his shares in such a transaction.

Stockholders have limited control over changes in our policies and operations.

Our board of directors determines our major policies, including our policies regarding financing, growth, debt capitalization, REIT qualification and distributions. Our board of directors may amend or revise these and other policies without a vote of the stockholders. Under our charter and the Maryland General Corporation Law, our stockholders currently have a right to vote only on the following matters:

- the election or removal of directors;
- any amendment of our charter, except that our board of directors may amend our charter without stockholder approval to:
    - change our name;
    - increase or decrease the aggregate number of our shares;
    - increase or decrease the number of our shares of any class or series that we have the authority to issue;
    - classify or reclassify any unissued shares by setting or changing the preferences, conversion or other rights, restrictions, limitations as to distributions, qualifications or terms and conditions of redemption of such shares;
    - effect reverse stock splits; and
    - after the listing of our shares of common stock on a national securities exchange, opting into any of the provisions of Subtitle 8 of Title 3 of the Maryland General Corporation Law;
- our liquidation and dissolution; and
- our being a party to any merger, consolidation, sale or other disposition of substantially all of our assets (notwithstanding that Maryland law may not require stockholder approval).

All other matters are subject to the discretion of our board of directors.

Our board of directors may change our investment policies and objectives generally and at the individual investment level without stockholder approval, which could alter the nature of your investment.

Our charter requires that our independent directors review our investment policies at least annually to determine that the policies we are following are in the best interests of the stockholders. In addition to our investment policies and objectives, we may also change our stated strategy for any investment in an individual property. These policies may change over time. The methods of implementing our investment policies may also vary, as new investment techniques are developed. Our investment policies, the methods for their implementation, and our other objectives, policies and procedures may be altered by our board of directors without the approval of our stockholders. As a result, the nature of your investment could change without your consent.

Our rights and the rights of our shareholders to take action against our directors and officers are limited.

Maryland law provides that a director or officer has no liability in that capacity if he or she performs his or her duties in good faith, in a manner he or she reasonably believes to be in our best interests and with the care that an ordinarily prudent person in a like position would use under similar circumstances. In addition, our charter eliminates our directors' and officers' liability to us and our shareholders for money damages except for liability resulting from actual receipt of an improper benefit or profit in money, property or services or active and deliberate dishonesty established by a final judgment and which is material to the cause of action. In addition, our charter requires us to indemnify our directors and officers to the maximum extent permitted by Maryland law for liability actually incurred in connection with any proceeding to which they may be made, or threatened to be made, a party, except to the extent that the act or omission of the director or officer was material to the matter giving rise to the proceeding and was either committed in bad faith or was the result of active and deliberate dishonesty, the director or officer actually received an improper personal benefit in money, property or services, or, in the case of any criminal proceeding, the director or officer had reasonable cause to believe that the act or omission was unlawful. As a result, we and our shareholders may have more limited rights against our directors and officers than might otherwise exist under common law. In addition, we may be obligated to fund the defense costs incurred by our directors and officers.

Federal Income Tax Risks

Failure to qualify as a REIT would adversely affect our operations and our ability to make special cash distributions.

In order for us to qualify as a REIT, we must satisfy certain requirements set forth in the Internal Revenue Code and Treasury Regulations and various factual matters and circumstances that are not entirely within our control. We intend to structure our activities in a manner designed to satisfy all of these requirements. However, if certain of our operations were to be recharacterized by the Internal Revenue Service, such recharacterization could jeopardize our ability to satisfy all of the requirements for qualification as a REIT and may affect our ability to continue to qualify as a REIT. In addition, new legislation, new regulations, administrative interpretations or court decisions could significantly change the tax laws with respect to qualifying as a REIT or the federal income tax consequences of qualifying.

Our qualification as a REIT depends upon our ability to meet, through investments, actual operating results, special distributions and satisfaction of specific stockholder rules, the various tests imposed by the Internal Revenue Code. We cannot assure you that we will satisfy the REIT requirements in the future. If we fail to qualify as a REIT for any taxable year, we will be subject to federal income tax on our taxable income for that year at corporate rates. In addition, we would generally be disqualified from treatment as a REIT for the four taxable years following the year of losing our REIT status. Losing our REIT status would reduce our net earnings available for investment or distribution to stockholders because of the additional tax liability. In addition, distributions to stockholders would no longer qualify for the dividends-paid deduction, and we would no longer be required to make distributions. If this occurs, we might be required to borrow funds or liquidate some investments in order to pay the applicable tax. Our failure to qualify as a REIT would adversely affect the return on your investment.

Qualification as a REIT is subject to the satisfaction of tax requirements and various factual matters and circumstances that are not entirely within our control. New legislation, regulations, administrative interpretations or court decisions could change the tax laws with respect to qualification as a REIT or the federal income tax consequences of being a REIT. Our failure to qualify as a REIT would adversely affect your return on your investment.

Our investment strategy may cause us to incur penalty taxes, lose our REIT status, or own and sell properties through taxable REIT subsidiaries, each of which would diminish the return to our stockholders.

In light of our opportunistic and value-add investment strategy and our current disposition strategy, it is possible that one or more sales of our properties may be considered “prohibited transactions” under the Internal Revenue Code. Any subdivision of property, such as the sale of condominiums, would almost certainly be considered such a prohibited transaction. If we are deemed to have engaged in a “prohibited transaction” (*i.e.*, we sell a property held by us primarily for sale in the ordinary course of our trade or business) all income that we derive from such sale would be subject to a 100% penalty tax. The Internal Revenue Code sets forth a safe harbor for REITs that wish to sell property without risking the imposition of the 100% penalty tax. A principal requirement of the safe harbor is that the REIT must hold the applicable property for not less than two years prior to its sale. Given our opportunistic and value-add investment strategy, along with our current disposition strategy, the sale of one or more of our properties may not fall within the prohibited transaction safe harbor.

If we desire to sell a property pursuant to a transaction that does not fall within the safe harbor, we may be able to avoid the 100% penalty tax if we acquired the property through a TRS or acquired the property and transferred it to a TRS for a non-tax business purpose prior to the sale (*i.e.*, for a reason other than the avoidance of taxes). However, there may be circumstances that prevent us from using a TRS in a transaction that does not qualify for the safe harbor. Additionally, even if it is possible to effect a property disposition through a TRS, we may decide to forgo the use of a TRS in a transaction that does not meet the safe harbor, based on our own internal analysis, the opinion of counsel or the opinion of other tax advisors that the disposition will not be subject to the 100% penalty tax. In cases where a property disposition is not effected through a TRS, the Internal Revenue Service could successfully assert that the disposition constitutes a prohibited transaction, in which event all of the net income from the sale of such property will be payable as a tax and none of the proceeds from such sale will be distributable by us to our stockholders or available for investment by us.

If we acquire a property that we anticipate will not fall within the safe harbor from the 100% penalty tax upon disposition, then we may acquire such property through a TRS in order to avoid the possibility that the sale of such property will be a prohibited transaction and subject to the 100% penalty tax. If we already own such a property directly or indirectly through an entity other than a TRS, we may contribute the property to a TRS if there is another, non-tax related business purpose for the contribution of such property to the TRS. Following the transfer of the property to a TRS, the TRS will operate the property and may sell such property and distribute the net proceeds from such sale to us, and we may distribute the net proceeds distributed to us by the TRS to our stockholders. Though a sale of the property by a TRS likely would eliminate the danger of the application of the 100% penalty tax, the TRS itself would be subject to a tax at the federal level, and potentially at the state and local levels, on the gain realized by it from the sale of the property, as well as on the income earned while the property is operated by the TRS. This tax obligation would diminish the amount of the proceeds from the sale of such property that would be distributable to our stockholders. As a result, the amount available for distribution to our stockholders would be substantially less than if the REIT had not operated and sold such property through the TRS and such transaction was not successfully characterized as a prohibited transaction. The maximum federal corporate income tax rate currently is 35%. Federal, state and local corporate income tax rates may be increased in the future, and any such increase would reduce the amount of the net proceeds available for distribution by us to our stockholders from the sale of property through a TRS after the effective date of any increase in such tax rates.

As a REIT, the value of the non-mortgage securities we hold in all of our TRSs may not exceed 25% (20% for taxable years after 2017) of the value of all of our assets at the end of any calendar quarter. If the Internal Revenue Service were to determine that the value of our interests in all of our TRSs exceeded this limit at the end of any calendar quarter, then we would fail to qualify as a REIT. If we determine it to be in our best interests to own a substantial number of our properties through one or more TRSs, then it is possible that the Internal Revenue Service may conclude that the value of our interests in our TRSs exceeds 25% (or 20%, as applicable) of the value of our total assets at the end of any calendar quarter and therefore cause us to fail to qualify as a REIT. Additionally, as a REIT, no more than 25% of our gross income with respect to any year may be from sources other than real estate. Distributions paid to us from a TRS are considered to be non-real estate income. Therefore, we may fail to qualify as a REIT if distributions from all of our TRSs, when aggregated with all other non-real estate income with respect to any one year, are more than 25% of our gross income with respect to such year. We will use all reasonable efforts to structure our activities in a manner intended to satisfy the requirements for our continued qualification as a REIT. Our failure to qualify as a REIT would adversely affect the return on your investment.

Certain fees paid to us may affect our REIT status.

Income received in the nature of fees or noncustomary services, in some cases, may not qualify as rental income and could be characterized by the Internal Revenue Service as non-qualifying income for purposes of satisfying the “income tests” required for REIT qualification. If this income were, in fact, treated as non-qualifying, and if the aggregate of such income and any other non-qualifying income in any taxable year ever exceeded 5% of our gross revenues for such year, we could lose our REIT status for that taxable year and the four taxable years following the year of losing our REIT status. We will use commercially reasonable efforts to structure our activities in a manner intended to satisfy the requirements for our continued qualification as a REIT. Our failure to qualify as a REIT would adversely affect the return on your investment.

If our operating partnership fails to maintain its status as a partnership, its income may be subject to taxation, which would reduce the cash available to us for distributions to our stockholders.

We intend to maintain the status of the Operating Partnership as a partnership for federal income tax purposes. However, if the Internal Revenue Service were to successfully challenge the status of the operating partnership as an entity taxable as a partnership, the Operating Partnership would be taxable as a corporation. In such event, this would reduce the amount of distributions that the operating partnership could make to us. This could also result in our losing REIT status, and becoming subject to a corporate level tax on our income. This would substantially reduce the cash available to us to make special distributions and the return on your investment. In addition, if any of the partnerships or limited liability companies through which the operating partnership owns its properties, in whole or in part, loses its characterization as a partnership for federal income tax purposes, it would be subject to taxation as a corporation, thereby reducing distributions to the operating partnership. Such a recharacterization of an underlying property owner could also threaten our ability to maintain REIT status.

In certain circumstances, we may be subject to federal, state and foreign taxes, which would reduce our cash available for distributions to our stockholders.

Even if we qualify and maintain our status as a REIT, we may become subject to federal and state taxes, including alternative minimum tax (“AMT”). In addition, we may be subject to foreign taxes on our investments. For example, if we have net income from a “prohibited transaction,” such income will be subject to a 100% penalty tax. We may not be able to make sufficient distributions to avoid excise taxes applicable to REITs. We may also decide to retain income we earn from the sale or other disposition of our assets and pay income tax directly on such income. In that event, our stockholders would be treated as if they earned that income and paid the tax on it directly. We may also be subject to state and local taxes, including potentially the “margin tax” in the State of Texas, on our income or property, either directly or at the level of the operating partnership or at the level of the other companies through which we indirectly own our assets. Any federal, state or foreign taxes paid by us will reduce the cash available to us for distributions (including special distributions) to our stockholders.

For the year ended December 31, 2015, we had federal taxable income of approximately $3.8 million as a result of the disposal of our Babcock, AJS, Holstenplatz and Wimberly investments. On March 31, we paid a special cash distribution of $25.7 million, or $1.00 per share of common stock, funded from proceeds of asset sales. In addition, on November 20, 2015, our board of directors authorized a special cash distribution of $38.4 million, or $1.50 per share of common stock, payable to stockholders of record on December 31, 2015. This special cash distribution, which represents a portion of proceeds from asset sales, was paid on January 5, 2016. At December 31, 2015, we had remaining federal NOL carryovers of approximately $13.1 million. The Company has continued to establish a valuation allowance against its deferred tax assets as the utilization of any deferred tax asset is not at a level of more likely than not that they will be realized prior to their expiration.

For the year ended December 31, 2014, we had federal taxable income of $4.2 million as a result of the disposal of 1875 Lawrence. The Company made special cash distributions of $13 million during the year and had remaining federal NOL carryovers of $13.1 million at December 31, 2014. The Company has continued to establish a valuation allowance against its deferred tax assets as the utilization of any deferred tax asset is not at a level of more likely than not that they will be realized prior to their expiration. The Company recorded an income tax benefit of $0.1 million during the year ended December 31, 2014 related to the overpayment of AMT tax for the year ended December 31, 2013. We recorded estimated AMT tax of $0.2 million for the year ended December 31, 2013 as a result of gains recognized on the sale of investments during the year. The Company recorded no provision for income tax, including AMT, during the year ended December 31, 2014.

If, in any taxable year, estimates of NOL (and amounts of NOL applied to reduce taxable income) are inaccurate, the Company may have to make adjusting distributions in the following taxable year. Such distributions are subject to complex and uncertain tax rules and may reduce cash available for distributions and/or cause the stockholders to incur tax.

Non-U.S. income or other taxes, and a requirement to withhold any non-U.S. taxes, may apply, and, if so, the amount of net cash from operations payable to you will be reduced.

We made two investments in real estate located outside the United States, AJS and Holstenplatz, which both sold in 2015. As a result, we were subject to foreign (*i.e*., non-U.S.) income taxes, withholding taxes, and other foreign taxes or similar impositions in connection with our ownership and sale of foreign real property or foreign securities. We recorded estimated foreign income tax of approximately $2.7 million as a result of the sale of our AJS and Holstenplatz investments during 2015. There can be no assurance that foreign tax authorities will not attempt to impose taxes higher than these estimates. The foreign income tax was calculated on gains recognized at the exchange rate in effect on the date of sale and calculated using current tax rates. The country in which the real property is located may impose such taxes regardless of whether we are profitable and in addition to any U.S. income tax or other U.S. taxes imposed on profits from our investments in such real property or securities. If a foreign country imposes income taxes on profits from our investment in foreign real property or foreign securities, you will not be eligible to claim a tax credit on your U.S. federal income tax returns to offset the income taxes paid to the foreign country, and the imposition of any foreign taxes in connection with our ownership and operation of foreign real property or our investment in securities of foreign entities will reduce the amounts distributable to you. Similarly, the imposition of withholding taxes by a foreign country will reduce the amounts distributable to you. We expect the organizational costs associated with non-U.S. investments, including costs to structure the investments so as to minimize the impact of foreign taxes, will be higher than those associated with U.S. investments. Moreover, we may be required to file income tax or other information returns in foreign jurisdictions as a result of our investments made outside of the U.S. Any organizational costs and reporting requirements will increase our administrative expenses and reduce the amount of cash available for special distributions to you. You are urged to consult with your own tax advisors with respect to the impact of applicable non-U.S. taxes and tax withholding requirements on an investment in our common stock.

Legislative or regulatory action could adversely affect the returns to our investors.

In recent years, numerous legislative, judicial and administrative changes have been made in the provisions of the federal income tax laws applicable to investments similar to an investment in shares of our common stock. Additional changes to the tax laws are likely to continue to occur, and we cannot assure you that any such changes will not adversely affect the taxation of a stockholder. Any such changes could have an adverse effect on an investment in our shares or on the market value or the resale potential of our assets. You are urged to consult with your own tax advisor with respect to the impact of recent legislation on your investment in our shares and the status of legislative, regulatory or administrative developments and proposals and their potential effect on an investment in our shares. You also should note that our counsel’s tax opinion is based upon existing law and Treasury Regulations, applicable as of the date of its opinion, all of which are subject to change, either prospectively or retroactively.

The tax rate on certain “qualified dividend income” is 20% for certain individuals, trusts and estates. REIT distributions generally do not qualify for “qualified dividend income” tax rate, therefore individuals, trusts and estates may be subject to a maximum tax rate of 39.6% on ordinary REIT dividends. For corporate stockholders, the maximum corporate tax rate for such distributions is 35%. As a REIT, we generally would not be subject to federal or state corporate income taxes on that portion of our ordinary income or capital gain that we distribute currently to our stockholders, and we thus expect to avoid the "double taxation" to which other corporations are typically subject. It is possible that future legislation would result in a REIT having fewer tax advantages, and it could become more advantageous for a company that invests in real estate to elect to be taxed for federal income tax purposes as a corporation. As a result, our charter provides our board of directors with the power, under certain circumstances, to revoke or otherwise terminate our REIT election and cause us to be taxed as a corporation, without the vote of our stockholders. Our board of directors has fiduciary duties to us and our stockholders and could only cause such changes in our tax treatment if it determines in good faith that such changes are in the best interests of our stockholders.

Equity participation in mortgage, bridge, mezzanine or other loans may result in taxable income and gains from these properties that could adversely impact our REIT status.

If we participate under a loan in any appreciation of the properties securing the mortgage loan or its cash flow and the Internal Revenue Service characterizes this participation as "equity," we might have to recognize income, gains and other items from the property for federal income tax purposes. This could affect our ability to qualify as a REIT.

Our investments in debt instruments may cause us to recognize "phantom income" for federal income tax purposes even though no cash payments have been received on the debt instruments.

We may acquire debt instruments in the secondary market for less than their face amount. The amount of such discount will generally be treated as "market discount" for federal income tax purposes. We may acquire distressed debt investments that are subsequently modified by agreement with the borrower. If the amendments to the outstanding debt are "significant modifications" under the applicable Treasury regulations, the modified debt may be considered to have been reissued to us in a debt-for-debt exchange with the borrower. This deemed reissuance may prevent the modified debt from qualifying as a good REIT asset if the underlying security has declined in value.

In general, we will be required to accrue original issue discount on a debt instrument as taxable income in accordance with applicable federal income tax rules even though no cash payments may be received on such debt instrument.

In the event a borrower with respect to a particular debt instrument encounters financial difficulty rendering it unable to pay stated interest as due, we may nonetheless be required to continue to recognize the unpaid interest as taxable income. Similarly, we may be required to accrue interest income with respect to investments in commercial mortgage-backed securities at the stated rate regardless of when their corresponding cash payments are received.

As a result of these factors, there is a significant risk that we may recognize substantial taxable income in excess of cash available for special distributions. In that event, we may need to borrow funds or take other action to satisfy the REIT distribution requirements for the taxable year in which this "phantom income" is recognized.

REIT distribution requirements could adversely affect our ability to execute our business plan.

We generally must distribute annually at least 90% of our REIT taxable income, subject to certain adjustments and excluding any net capital gain, in order to maintain our REIT qualification. To the extent that we satisfy this distribution requirement, but distribute less than 100% of our REIT taxable income, we will be subject to federal corporate income tax on our undistributed REIT taxable income. In addition, we will be subject to a 4% nondeductible excise tax if the actual amount that we pay out to our stockholders in a calendar year is less than a minimum amount specified under federal tax laws. We intend to make special distributions to our stockholders to comply with the REIT requirements of the Internal Revenue Code.

From time to time, we may generate taxable income greater than our taxable income for financial reporting purposes, or our taxable income may be greater than our cash flow available for special distributions to stockholders (for example, where a borrower defers the payment of interest in cash pursuant to a contractual right or otherwise). If we do not have other funds available in these situations we could be required to borrow funds, sell investments at disadvantageous prices or find another alternative source of funds to make special cash distributions sufficient to enable us to pay out enough of our taxable income to satisfy the REIT distribution requirement and to avoid corporate income tax and the 4% excise tax in a particular year. These alternatives could increase our costs or reduce our equity. Thus, compliance with the REIT requirements may hinder our ability to operate solely on the basis of maximizing profits.

Risks Related to Investments by Benefit Plans Subject to ERISA and Certain Tax-Exempt Entities (including IRAs)

If the fiduciary of an employee pension benefit plan subject to ERISA (such as profit sharing, Section 401(k) or pension plan) or any other retirement plan or account fails to meet the fiduciary and other standards under ERISA or the Internal Revenue Code as a result of an investment in our stock, you could be subject to criminal and civil penalties.

There are special considerations that apply to employee benefit plans subject to ERISA (such as profit sharing, section 401(k) or pension plans) and other retirement plans or accounts subject to Section 4975 of the Internal Revenue Code (such as an IRA) that are investing in our shares. If you are investing the assets of such a plan or account in our common stock, you should satisfy yourself that:

- your investment is consistent with your fiduciary obligations and other duties under ERISA and the Internal Revenue Code;
- your investment is made in accordance with the documents and instruments governing your plan or IRA, including your plan's or account's investment policy;
- your investment satisfies the prudence and diversification requirements of Sections 404(a)(1)(B) and 404(a)(1)(C) of ERISA and other applicable provisions of ERISA and the Internal Revenue Code;
- your investment in our shares, for which no public trading market exists, is consistent with the liquidity needs of the plan or IRA;
- your investment will not produce an unrelated amount of "unrelated business taxable income" for the plan or IRA;
- you will be able to comply with the requirements under ERISA and the Internal Revenue Code to value the assets of the plan or IRA annually; and
- your investment will not constitute a prohibited transaction under Section 406 of ERISA or Section 4975 of the Internal Revenue Code.

With respect to the annual valuation requirements described above, we currently expect to provide an estimated value for our shares annually. For information regarding our estimated value per share, see Part II, Item 5, "Market for Registrant's Common Equity, Related Stockholder Matters, and Issuer Purchases of equity Securities - Market Information" of this Annual Report on Form 10-K. We can make no claim whether such estimated value will or will not satisfy the applicable annual valuation requirements under ERISA and the Internal Revenue Code. The Department of Labor or the Internal Revenue Service may determine that a plan fiduciary or an IRA custodian is required to take further steps to determine the value of our common stock. In the absence of an appropriate determination of value, a plan fiduciary or an IRA custodian may be subject to damages, penalties or other sanctions.

Failure to satisfy the fiduciary standards of conduct and other applicable requirements of ERISA and the Code may result in the imposition of civil and criminal penalties and could subject the fiduciary to claims for damages or for equitable remedies. In addition, if an investment in our shares constitutes a prohibited transaction under ERISA or the Code, the fiduciary or IRA owner who authorized or directed the investment or a related party may be subject to the imposition of excise taxes with respect to the amount invested. In the case of a prohibited transaction involving an IRA owner, the IRA may be disqualified and all of the assets of the IRA may be deemed distributed and subjected to tax. ERISA plan fiduciaries and IRA custodians should consult with counsel before making an investment in our common shares.

Item 1B. Unresolved Staff Comments.

Not applicable.

Item 2. Properties.

General

The following table presents certain additional information about our consolidated investments in real estate as of December 31, 2015:

Property Name	Location	Date Acquired	Approximate Rentable Square Footage or Number of Units and Beds	Description	Encumbrances (in 000's)	Ownership Interest	Occupancy at the end of 2015	Occupancy at the end of 2014	Effective Monthly Rent per Square Foot/Unit/ Bed for 2015[(1)]	Effective Monthly Rent per Square Foot/Unit/ Bed for 2014[(1)]
Gardens Medical Pavilion[(2)]	Palm Beach Gardens, Florida	October 20, 2010	75,374	Medical office	$13,298	80.8% (2)	62%	60%	$ 2.11	$ 1.21
Courtyard Kauai Coconut Beach Hotel	Kauai, Hawaii	October 20, 2010	311 Rooms (3)	Hotel	38,000	80%	82% (4)	82% (4)	n/a	n/a
River Club and the Townhomes at River Club	Athens, Georgia	April 25, 2011	1,128 beds (5)	Student housing	24,299	85%	96%	97%	383.62	362.72
Lakes of Margate	Margate, Florida	October 19, 2011	280 units	Multifamily	14,496	92.5%	95%	90%	1,218.84	1,127.98
Arbors Harbor Town	Memphis, Tennessee	December 20, 2011	345 units	Multifamily	25,130	94%	91%	91%	1,144.39	1,169.66
22 Exchange	Akron, Ohio	April 16, 2013	471 beds / 22,104 sq ft retail space	Student housing	19,500	90%	(6)	(6)	(7)	(7)
Parkside Apartments ("Parkside")	Sugar Land, Texas	August 8, 2013	240 units	Multifamily	10,469	90%	77%	83%	1,149.54	1,066.50
Lakewood Flats	Dallas, Texas	October 10, 2014	435 units	Multifamily	33,500	100%	94%	93%	1,189.74	1,168.13

(1) Effective monthly rent is calculated using leases in place as of December 31 and takes into account any rent concessions.
(2) We acquired a portfolio of eight medical office buildings, known as the Original Florida MOB Portfolio, on October 8, 2010. We acquired a medical office building known as Gardens Medical Pavilion on October 20, 2010. Collectively, the Original Florida MOB Portfolio and Gardens Medical Pavilion were referred to as the Florida MOB Portfolio. On September 20, 2013, we sold the Original Florida MOB Portfolio. As of December 31, 2015, we own approximately 80.8% of the ninth building, Gardens Medical Pavilion.
(3) The Courtyard Kauai Coconut Beach Hotel has 311 rooms and approximately 6,200 square feet of meeting space. Occupancy is for the entire year and is based on standard industry metrics, including rooms available for rent.
(4) Represents average occupancy for the year ended December 31.
(5) The River Club and the Townhomes at River Club consist of two student housing complexes with a total of 1,128 beds.
(6) 22 Exchange consists of a student housing complex with 471 beds and 22,104 square feet of retail space. At December 31, 2015 and 2014, occupancy for student housing was 94% and 83% and retail was 71% and 71%, respectively.
(7) Effective monthly rent per bed for student housing was $584.20 and $524.41 and effective monthly rent per square foot for the retail space was $1.40 at December 31, 2015 and 2014.

The following information generally applies to our consolidated investments in our real estate properties:

- we believe our real estate property is adequately covered by insurance and suitable for its intended purpose;
- our properties are located in markets where we are subject to competition in attracting new tenants and retaining current tenants; and
- depreciation is provided on a straight-line basis over the estimated useful life of the buildings.

Portfolio Diversification

As an opportunistic and value-add fund, we utilize a business model driven by investment strategy and expected performance characteristics. Accordingly, we have investments in several types of real estate, including office, hotel, multifamily and student housing.

The following table shows the total revenue of our real estate portfolio for the properties we consolidated in our financial statements as of December 31, 2015 ($ in thousands):

Property	Description	2015 Revenue(1)	Percentage of 2015 Revenue
Gardens Medical Pavilion	Medical office building	$ 1,897	4%
Courtyard Kauai Coconut Beach Hotel	Hotel	17,694	35%
Arbors Harbor Town	Multifamily	4,749	9%
Lakes of Margate	Multifamily	4,117	8%
Parkside	Multifamily	2,910	6%
Lakewood Flats	Multifamily	6,341	13%
River Club and the Townhomes at River Club	Student housing	5,100	10%
22 Exchange	Student housing	3,399	7%
Total, excluding properties sold and held for sale(2)		$ 46,207	92%
Babcock Self Storage(3)	Self-storage	8	—%
Alte Jakobstraße(3)	Office building	121	—%
Holstenplatz(3)	Office building	933	2%
Wimberly(3)	Multifamily	2,981	6%
Total revenues		$ 50,250	100%

(1) Includes revenues generated from tenant reimbursements. Tenant reimbursements generally include payment of real estate taxes, operating expenses, and common area maintenance and utility charges.

(2) We had no assets classified as held for sale at December 31, 2015.

(3) We sold Babcock, AJS, Holstenplatz and Wimberly in 2015. Babcock and AJS were classified as held for sale at December 31, 2014.

Geographic Diversification

The following table shows the geographic diversification of our real estate portfolio for those properties that we consolidate in our financial statements as of December 31, 2015. This table excludes revenues generated from tenant reimbursements and revenues for the four investments we sold in 2015 ($ in thousands):

Location	2015 Revenue(1)(2)	Percentage of 2015 Revenue
Hawaii	$ 17,694	40%
Florida	5,047	12%
Tennessee	4,538	10%
Georgia	5,020	11%
Texas	8,746	20%
Ohio	3,208	7%
	$ 44,253	100%

(1) 2015 Revenue includes revenue from our multifamily, hotel properties and student housing, excluding tenant reimbursements, without consideration of tenant contraction or termination rights. It also includes contractual base rental income of our office properties and does not take into account any rent concessions or prospective rent increases. Tenant reimbursements generally include payment of real estate taxes, operating expenses and common area maintenance and utility charges.

(2) This table does not include revenues of less than $0.1 million for Babcock, located in Texas, $0.1 million for AJS, located in Germany, $0.7 million for Holstenplatz, located in Germany, and $2.8 million for Wimberly, located in Colorado. We sold these four properties during 2015.

See Note 2, Summary of Significant Accounting Policies, to our Consolidated Financial Statements for information regarding how geographic concentration may be considered in the evaluation of our investments for impairment.

Future Lease Payments Table

The following table presents the future minimum base rental payments due to us under non-cancelable leases over the next ten years at Gardens Medical Pavilion, our only remaining office property as of December 31, 2015 (in thousands):

Year	Amount
2016	$ 1,246
2017	1,242
2018	936
2019	874
2020	880
2021	766
2022	701
2023	701
2024	613
2025	—
Thereafter	—

Portfolio Lease Expirations

The following table presents lease expirations for non-cancelable leases for our only remaining office property, Gardens Medical Pavilion, as of December 31, 2015 ($ in thousands):

Year of Expiration	Number of Leases Expiring	Annualized Base Rent[(1)]	Percent of Annualized Base Rent Expiring	Leased Rentable Sq. Ft.	Percent of Rentable Sq. Ft. Expiring
2016	1	$ 53	4%	2,377	4%
2017	3	371	24%	10,540	16%
2018	3	167	11%	7,383	11%
2019	—	—	—%	—	—%
2020	1	120	8%	4,370	7%
2021	1	76	5%	2,844	4%
2022	—	—	—%	—	—%
2023	1	127	8%	16,548	26%
2024	1	613	40%	20,433	32%
2025	—	—	—%	—	—%
Thereafter	—	—	—%	—	—%
Total	11	$ 1,527	100%	64,495	100%

(1) Represents the cash rental rate of base rents, excluding tenant reimbursements, in the final month prior to the expiration multiplied by 12, without consideration of tenant contraction or termination rights. Tenant reimbursements generally include payment of real estate taxes, operating expenses and common area maintenance and utility charges.

Item 3. Legal Proceedings.

We are not party to, and none of our properties are subject to, any material pending legal proceedings.

Item 4. Mine Safety Disclosure.

None

PART II

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

Market Information

There is no established public trading market for our common stock. Therefore, there is a risk that a stockholder may not be able to sell our stock at a time or price acceptable to the stockholder. Unless and until our shares are listed on a national securities exchange, it is not expected that a public market for the shares will develop.

Determination of Estimated Per Share Value

On November 20, 2015, pursuant to the Amended and Restated Policy for Estimation of Common Stock Value (the "Estimated Valuation Policy"), the board of directors of Behringer Harvard Opportunity REIT II, Inc. met and established an estimated per share value of the Company's common stock as of October 31, 2015 of $9.19. As of December 31, 2015, the estimated value per share of the Company's common stock was reduced by $1.50 per share, from $9.19 to $7.69, in accordance with the Valuation Policy to take into account the special cash distribution paid to stockholders of record as of December 31, 2015.

Process and Methodology

Our board of directors' objective in determining an estimated value per share is to arrive at an estimated value that it believes is reasonable, after consultation with our Advisor and an independent, third-party valuation and advisory firm, Capright Property Advisors, LLC ("Capright"), using what the board of directors deems to be appropriate valuation methodologies and assumptions under current circumstances in accordance with the Estimated Valuation Policy.

In arriving at an estimated value per share, our board of directors reviewed and considered the valuation analyses prepared by the Advisor and Capright. The Advisor presented a report to the board of directors with an estimated per share value. Capright provided our board of directors an opinion that the resulting "as-is" market value for the Company's properties, as calculated by the Advisor, and the other assets and liabilities as valued by the Advisor, along with the corresponding net asset value valuation methodologies and assumptions used by the Advisor to arrive at a recommended value of $9.19 per share as of October 31, 2015 were appropriate and reasonable. The board of directors conferred with the Advisor and a representative from Capright regarding the methodologies and assumptions used to reach their respective conclusions. The board of directors, which is responsible for determining the estimated per share value, considered all information provided in light of its own familiarity with our assets and unanimously approved an estimated value of $9.19 per share as of October 31, 2015.

Capright's opinion was subject to various limitations. In forming its opinion, Capright relied on information provided by our Advisor and third parties without independent verification. Our Advisor provided Capright with information regarding lease terms and the physical condition and capital expenditure requirements of each property. Capright did not perform engineering or structural studies or environmental studies of any of the properties, nor did they perform an independent appraisal of the other assets and liabilities included in our estimated value per share.

In forming their conclusion as to the "as-is" value of the real estate investments held by the Company as of October 31, 2015, Capright's opinion was subject to various limitations. For the appraisals of the Company's eight properties performed by Capright, the scope of their work included:

- Review of all property level information provided by the Advisor;
- Physical inspection of four of the properties to determine their physical condition and location attributes;
- Review of the historical performance of the Company's real estate investments and business plans related to operations of the investments; and
- Review of the applicable markets by means of publications and other resources to measure current market conditions, supply and demand factors, and growth patterns.

For the remaining real estate investment, our mezzanine loan, Capright reviewed the Advisor's valuation of the investment including accrued interest and the profit participation.

Capright also evaluated the following information to arrive at their opinion:

- Review of key market assumptions for mezzanine investments and mortgage liabilities, including but not limited to interest rates and collateral;
- Review of the data models prepared by the Advisor supporting the valuation for each investment;
- Review of Advisor calculations related to value allocations to noncontrolling interests and joint venture interests, preferred equity interests, and promoted interests, based on contractual terms and market assessments; and

- Review of valuation methodology used by the Advisor for other assets and liabilities.

Capright has acted as a valuation advisor to the Company in connection with this assignment. The compensation paid to Capright in connection with this assignment was not contingent upon the successful completion of any transaction or conclusion reached by Capright. Capright has rendered valuation advisory services to another Behringer-sponsored investment program previously for which it received usual and customary compensation. Capright may be engaged to provide financial advisory services to the Company, its Advisor, or other Behringer-sponsored investment programs or their affiliates in the future.

The estimated valuation of $9.19 per share as of October 31, 2015 reflects an increase from the estimated valuation of $8.72 per share, which was the estimated per share value established as of October 31, 2014 after adjustment for the $1.00 per share special distribution paid to shareholders of record on March 30, 2015. The major factors that contributed to the increase in the adjusted estimated share value were:

- the increased value of our participation in the estimated residual profit of a development project in which we are the mezzanine lender as a result of significant completion progress;
- the sale of Wimberly at Deerwood during 2015 for a sales price in excess of its estimated value in the 2014 estimated value per share calculation; and
- improved operating performance and the continued compression of capitalization rates among the multi-family assets in the portfolio.

These increases were partially offset by a decline in the equity value of certain real estate investments as a result of changes in the local markets in which they are located.

The following is a summary of the valuation methodologies used for each type of asset:

Investments in Real Estate. The Company has focused on acquiring commercial real estate properties in different asset classes generally requiring development, redevelopment, or repositioning. Due to the opportunistic and value-added nature of the Company's real estate investments, both Capright and our Advisor utilized a variety of valuation methodologies, each as appropriate for the asset type under consideration to assign an estimated value to each asset.

Our Advisor estimated the value of our investments in real estate utilizing multiple valuation methods, as appropriate for each asset, including an income approach using discounted cash flow analysis and a sales comparable analysis. The key assumptions used in the discounted cash flow approach were specific to each property type, market location, and quality of each property and were based on similar investors' return expectations and market assessments. The key assumptions are reflected in the table included under "Allocation of Estimated Value" below. In calculating values for our assets, our Advisor used balance sheet and cash flow estimates as of September 30, 2015.

In forming its opinion, Capright prepared appraisals on all eight of our consolidated investment properties in connection with the valuation. The appraisals estimated values by using discounted cash flow, comparable sales, or a weighting of these approaches in determining each property's value. The appraisals employed a range of terminal capitalization rates, discount rates, growth rates, and other variables that fell within ranges that Capright and the Advisor believed would be used by similar investors to value the properties we own. The assumptions used in developing these estimates were specific to each property (including holding periods) and were determined based upon a number of factors including the market in which the property is located, the specific location of the property within the market, property and market vacancy, tenant demand for space, and investor demand and return requirements.

While we and our Advisor believe that the approaches used by appraisers in valuing our real estate assets, including an income approach using discounted cash flow analysis and sales comparable analysis, is standard in the real estate industry, the estimated values for our investments in real estate may or may not represent current market values or fair values determined in accordance with GAAP. Real estate is currently carried at its amortized cost basis in our financial statements, subject to any adjustments applicable under GAAP.

Investment in Mezzanine Loan. The value of our mezzanine loan investment was valued at the outstanding principal balance plus accrued interest and the current estimated value of the profit participation. As significant progress has been completed on the development of the multifamily project, the value of the profit participation was derived by valuing the project using a discounted cash flow analysis. The loan is accounted for as an investment in unconsolidated joint venture on our condensed consolidated balance sheet at September 30, 2015 and December 31, 2015.

Mortgage Loans. Values for mortgage loans were estimated by the Advisor and reviewed by Capright using a discounted cash flow analysis, which used inputs based on the remaining loan terms and estimated current market interest rates for mortgage loans with similar characteristics, including remaining loan term and loan-to-value ratios. The current market interest rate was generally determined based on market rates for available comparable debt. The estimated current market interest rates for mortgage loans ranged from 1.7% to 5.2%.

Other Assets and Liabilities. For a majority of our other assets and liabilities (consisting of cash and cash equivalents, short-term investments, accounts payable, and other liabilities), the carrying values as of September 30, 2015, as adjusted for significant activity through October 31, 2015, were considered equal to fair value by the Advisor due to their cost-based characteristics or short maturities. In connection with our estimated valuation of operating properties, notes receivable, and mortgage loans payable, certain GAAP balances related to accumulated depreciation and amortization, straight-lining of rents, deferred revenues and expenses, and debt and notes receivable premiums and discounts have been eliminated as the accounts were already considered in the estimated values.

Noncontrolling Interests. In those situations where our consolidated assets and liabilities are held in joint venture structures in which other equity holders have an interest, the Advisor has valued those noncontrolling interests based on the terms of the joint venture agreement applied in the liquidation of the joint venture. The resulting noncontrolling interests are a deduction to the estimated value.

Common Stock Outstanding. In deriving an estimated per share value, the total estimated value was divided by 25.6 million, the total number of common shares outstanding as of October 31, 2015, on a fully diluted basis, which includes financial instruments that can be converted into a known or determinable number of common shares. As of the valuation date, none of the financial instruments that could be converted into common shares are currently convertible into a known or determinable number of common shares. The determination of the number of common shares outstanding used in the estimated value per share is the same as used in GAAP computations for per share amounts.

Our estimated value per share was calculated by aggregating the value of our assets, subtracting the value of our liabilities, and dividing the net total by the fully-diluted common stock outstanding. Our estimated value per share is effective as of October 31, 2015.

The estimated per share value does not reflect a liquidity discount for the fact that the shares are not traded on a national securities exchange, a discount for the non-assumability or prepayment obligations associated with certain of the Company's debt, or a discount for our corporate level overhead and other costs that may be incurred, including any costs related to the sale of the Company's assets. Different parties using different assumptions and estimates could derive a different estimated value per share, and these differences could be significant. The markets for real estate can fluctuate and values are expected to change in the future.

This value does not reflect "enterprise value," which could include premiums or discounts for:

- the size of our portfolio: although some buyers may pay more for a portfolio compared to prices for individual properties;
- the characteristics of our working capital, leverage, credit facility and other financial structures where some buyers may ascribe different values based on synergies, cost savings or other attributes;
- disposition and other expenses that would be necessary to realize the value;
- the provisions under our advisory agreement and our potential ability to secure the services of a management team on a long-term basis; or
- the potential difference in our share value if we were to list our shares on a national securities exchange.

Allocation of Estimated Value

The table below sets forth the calculation of the Company's estimated value per share as of October 31, 2015, as well as the calculation of the Company's prior estimated value per share as of October 31, 2014. The estimated valuation of $9.19 per share as of October 31, 2015, reflects an increase from the estimated valuation of $8.72 per share, which was the adjusted estimated per share value established as of October 31, 2014 after adjustment for the $1.00 per share special distribution paid to shareholders on March 31, 2015.

	October 31, 2015 Estimated Value per Share	October 31, 2014 Estimated Value per Share
Real estate:		
Operating[(1)]	$ 13.06	$ 16.19
Mezzanine loan investment[(2)]	0.82	0.53
Cash and cash equivalents	3.07	2.92
Restricted cash	0.16	0.17
Notes payable[(3)]	(7.03)	(8.78)
Other assets and liabilities	(0.30)	(0.20)
Noncontrolling interests	(0.59)	(1.11)
Estimated net asset value per share	$ 9.19	$ 9.72
Estimated enterprise value premium	—	—
Total estimated value per share[(4)]	$ 9.19	$ 9.72
Less: Special cash distribution[(5)]	—	(1.00)
Total estimated value per share, as adjusted	$ 9.19	$ 8.72

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(1) The following are the key assumptions (shown on a weighted average basis) which are used in the discounted cash flow models to estimate the value of the real estate assets we currently own.

	Hotel	Multifamily	Student Housing	Office
Exit capitalization rate	7.50%	6.04%	6.50%	7.00%
Discount rate	9.00%	7.04%	7.69%	8.25%
Annual market rent growth rate	3.00%	3.00%	3.08%	3.00%
Average holding period	10 years	10 years	10 years	10 years

The following are ranges of the key assumptions which are used in the discounted cash flow models to estimate the value of the real estate assets we currently own. The discounted cash flow analyses for our hotel asset is only one category as is our office asset, and therefore, no range of values is available.

	Multifamily	Student Housing
Exit capitalization rate	5.50% - 6.50%	6.50%
Discount rate	6.25% - 7.75%	7.50% - 8.00%

(2) Accounted for as an investment in unconsolidated joint venture on our consolidated balance sheet at September 30, 2015 and December 31, 2015.

(3) October 31, 2015 notes payable net of $(1.1 million) mark-to-market adjustment.

(4) As of October 31, 2015, we had 25,585,198 shares outstanding. The potential dilutive effect of our common stock equivalents does not affect our estimated per share value as there were no potentially dilutive securities outstanding at October 31, 2015.

(5) On March 31, 2015, we paid a $1.00 per share special cash distribution to stockholders of record on March 30, 2015.

The real estate assets we owned as of October 31, 2015 reflect an overall increase of 19.8% from the original purchase price (excluding acquisition costs and operating deficits), or amounts advanced under the mezzanine loan, plus post-acquisition capital investments.

While we believe that our assumptions utilized are reasonable, a change in these assumptions would affect the calculation of value of our real estate assets. The table below presents the estimated increase or decrease to our estimated value per share for a 25 basis point increase and decrease in the discount rates and capitalization rates. The table is only hypothetical to illustrate possible results if only one change in assumptions was made, with all other factors held constant. Further, each of these assumptions could change by more than 25 basis points or not change at all.

	Change in Estimated Value per Share	
Description	**Increase of 25 basis points**	**Decrease of 25 basis points**
Capitalization rate	$ (0.61)	$ 0.67
Discount rate	$ (0.27)	$ 0.22

Historical Estimated Values per Share

The historical reported estimated values per share of the Company's common stock approved by the board of directors are set forth below:

Estimated Value per Share	Effective Date of Valuation	Filing with the Securities and Exchange Commission
$9.72(1)	October 31, 2014	Current Report on Form 8-K filed December 2, 2014
$10.09(2)	August 1, 2013	Current Report on Form 8-K filed August 15, 2013

(1) Pursuant to our Estimated Valuation Policy, our estimated value per share was reduced to $8.72 in March 2015 as a result of the payment of a special cash distribution of $1.00 per share.

(2) Pursuant to our Estimated Valuation Policy, our estimated value per share was reduced to $9.59 in September 2014 as a result of the payment of a special cash distribution of $0.50 per share.

Limitations of Estimated Value Per Share

As with any valuation methodology, our methodology is based upon a number of estimates and assumptions that may prove later to be inaccurate or incomplete. Further, different parties using different assumptions and estimates could derive a different estimated value per share, which could be significantly different from our board's estimated value per share. The estimated per share value determined by our board of directors neither represents the fair value according to GAAP of our assets less liabilities, nor does it represent the amount our shares would trade at on a national securities exchange or the amount a shareholder would obtain if he tried to sell his shares or if we liquidated our assets. Accordingly, with respect to the estimated value per share, the Company can give no assurance that:

- a stockholder would be able to resell his or her shares at this estimated value;
- a stockholder would ultimately realize distributions per share equal to the Company's estimated value per share upon liquidation of the Company's assets and settlement of its liabilities or a sale of the Company;
- the Company's shares would trade at the estimated value per share on a national securities exchange; or
- the methodologies used to estimate the Company's value per share would be acceptable to FINRA or under ERISA for compliance with their respective reporting requirements.

For further information regarding the limitations of the estimated value per share, see the Estimated Valuation Policy filed as Exhibit 99.1 to the Company's Annual Report on Form 10-K for the year ended December 31, 2011 filed with the Securities and Exchange Commission on March 28, 2012. We currently intend to update our estimated per share value annually.

The estimated value of our shares was calculated as of a particular point in time. The value of the Company's shares will fluctuate over time in response to developments related to individual assets in the portfolio and the management of those assets and in response to the real estate and finance markets. There is no assurance of the extent to which the current estimated valuation should be relied upon for any purpose after its effective date regardless that it may be published on any statement issued by the Company or otherwise.

The Company is diligently working to secure new leases with quality tenants to: increase net operating income and the ultimate value of our assets; complete, market, and sell development assets; execute on other value creation strategies; and minimize expenses when possible.

Holders

As of February 29, 2016, we had 25,494,946 shares of common stock outstanding held by a total of 10,876 stockholders.

Distributions

We made an election to qualify as a REIT for federal income tax purposes commencing with our taxable year ended December 31, 2008. As a REIT, we must distribute at least 90% of our REIT taxable income to our stockholders annually. Our distributions to our stockholders have historically been declared on a quarterly basis and paid on a monthly basis. We have paid all or a portion of our distributions from cash on hand, borrowings, proceeds from the sale of assets and the proceeds of our offerings.

We have paid, and may in the future pay, some or all of our distributions from sources other than operating cash flow. We have, for example, generated cash to pay special distributions from dispositions, the components of which may represent a return of capital and/or the gains on sale. In addition, from time to time, our Advisor may agree to waive or defer all or a portion of the acquisition, asset management, or other fees or incentives due to it, pay general administrative expenses or otherwise supplement investor returns, which may increase the amount of cash that we have available to pay special distributions to our stockholders.

Our board of directors declared two special cash distributions during 2015, one on March 18 for a total of $25.7 million and one on November 20 for a total of $38.4 million, for an aggregate total of $64.1 million, or $2.50 per share of common stock. The Company paid the $25.7 million special cash distribution on March 31, 2015 and the $38.4 million special cash distribution on January 5, 2016. On August 8, 2014, our board of directors authorized a special cash distribution totaling $13 million, or $0.50 per share of common stock, which was paid on September 18, 2014. The special cash distributions paid during 2015 and 2014 were fully funded with a portion of proceeds from asset sales. We did not pay any distributions during the year ended December 31, 2013.

We expect any future distributions to be fully funded with proceeds from asset sales. For further discussion regarding our ability to sustain any level of our distributions, see Part I, Item 1A, "Risk Factors."

Recent Sales of Unregistered Securities

During the three months ended December 31, 2015, we did not sell any equity securities that were not registered under the Securities Act of 1933.

Securities Authorized for Issuance under Equity Compensation Plans

The following table provides information regarding our equity compensation plans as of December 31, 2015:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans	
Equity compensation plans approved by security holders	—	—	10,000,000	*
Equity compensation plans not approved by security holders	—	—	—	
Total	—	—	10,000,000	*

* All shares authorized for issuance pursuant to awards not yet granted under the Incentive Plan.

Share Redemption Program

Our board of directors has adopted a share redemption program that permits stockholders to sell their shares back to us, subject to the significant conditions and limitations of the program. Our board of directors can amend the provisions of our share redemption program at any time without the approval of our stockholders.

The terms on which we redeem shares may differ between redemptions upon a stockholder's death, "qualifying disability" (as defined in the share redemption program) or confinement to a long-term care facility (collectively, Exceptional Redemptions) and all other redemptions or Ordinary Redemptions. From April 1, 2012 through May 15, 2014, our board of directors suspended accepting Ordinary Redemptions. On May 15, 2014, our board of directors adopted the Third Amended and Restated Share Redemption Program and reopened the share redemption program for Ordinary Redemptions, to be effective on that date. In addition, for periods beginning on or after May 15, 2014, the cash available for redemptions was increased from $1 million to no more than $10 million in any twelve-month period. The redemption limitations apply to all redemptions, whether Ordinary or Exceptional Redemptions.

The per share redemption price for Ordinary Redemptions and Exceptional Redemptions is equal to the lesser of 80% and 90%, respectively, of (i) the current estimated per share value and (ii) the average price per share the investor paid for all of his shares (as adjusted for any stock dividends, combinations, splits, recapitalizations and the like with respect to our common stock) less the Special Distributions (as defined in the share redemption program).

Effective November 20, 2015, our estimated value per share was $9.19. As of December 31, 2015, the estimated value per share of our common stock was reduced by $1.50 per share, from $9.19 to $7.69, in accordance with the Valuation Policy to take into account the special cash distribution authorized by our board of directors on November 20, 2015, paid to stockholders of record as of December 31, 2015 on January 5, 2016. As a result, the redemption price for shares redeemed after December 31, 2015 will be based on the estimated value per share, as adjusted, of $7.69. For a full description of the methodologies used to estimate the value of our common stock as of October 31, 2015, see "Determination of Estimated Per Share Value" disclosed above.

Notwithstanding the redemption prices set forth above, our board of directors may determine, whether pursuant to formulas or processes approved or set by our board of directors, the redemption price of the shares, which may differ between Ordinary Redemptions and Exceptional Redemptions; provided, however, that we must provide at least 30 days' notice to stockholders before applying this new price determined by our board of directors.

Any shares approved for redemption will be redeemed on a periodic basis as determined from time to time by our board of directors, and no less frequently than annually. We will not redeem, during any twelve-month period, more than 5% of the weighted average number of shares outstanding during the twelve-month period immediately prior to the date of redemption. In addition, the cash available for redemptions is limited to no more than $10 million in any twelve-month period. The redemption limitations apply to all redemptions, whether Ordinary or Exceptional Redemptions.

Any Ordinary Redemption requests submitted while Ordinary Redemptions were suspended were returned to investors and must be resubmitted. We gave all stockholders notice that we were resuming Ordinary Redemptions, so that all stockholders would have an equal opportunity to submit shares for redemption. Any redemption requests are honored pro rata among all requests received based on funds available and are not honored on a first come, first served basis. During the three months ended December 31, 2015, our board of directors redeemed all 27 Ordinary Redemption requests received that complied with the applicable requirements and guidelines of the share redemption program for an aggregate of 66,455 shares redeemed for $0.4 million (approximately $6.36 per share). All redemptions were funded with cash on hand.

During the three months ended December 31, 2015, our board of directors redeemed all three Exceptional Redemption requests received that complied with the applicable requirements and guidelines of the share redemption program for an aggregate of 3,333 shares redeemed for less than $0.1 million (approximately $7.18 per share). All redemptions were funded with cash on hand.

During the quarter ended December 31, 2015, we redeemed shares as follows (including both Ordinary Redemptions and Exceptional Redemptions):

2015	Total Number of Shares Redeemed	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares That May Be Purchased Under the Plans or Programs
October	69,788	$ 6.40	69,788	(1)
November	—	—	—	
December	—	—	—	
	69,788	$ 6.40	69,788	(1)

(1) A description of the maximum number of shares that may be purchased under our redemption program is included in the narrative preceding this table.

Item 6. Selected Financial Data.

As of December 31, 2015, we had nine real estate investments, eight of which were consolidated. One of our consolidated properties is wholly owned and seven properties are consolidated through investments in joint ventures. During 2015, we sold four properties: Babcock Self Storage; the AJS and Holstenplatz office buildings; and the Wimberly multifamily property. The following data should be read in conjunction with our consolidated financial statements and the notes thereto and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Item 7.

The following table reflects a rollforward of the number of real estate investments we had beginning January 1, 2011 through December 31, 2015:

Year	Portfolio Beginning of Year	Acquisitions	Dispositions	Portfolio at Year-End	Unconsolidated at Year-End (1)
2011(2)	10	4	3	11	—
2012(3)	11	1	2	10	—
2013(4)	10	4	1	13	1
2014	13	1	1	13	1
2015	13	—	4	9	1

(1) The number of unconsolidated investments at year-end is included in the number of investments in the Portfolio at Year-End.
(2) The number of dispositions in 2011 includes receipt of prepayment of a loan receivable, an equity investment, and an 80% interest in a corporate headquarters and industrial warehouse facility.
(3) The number of dispositions in 2012 does not reflect the sale of one of four buildings in our Interchange Business Center investment. We sold the remaining three buildings at Interchange Business Center on April 12, 2013 and reflected the sale in 2013 as part of the disposition of the remaining buildings in 2013.
(4) The number of dispositions in 2013 does not reflect the sale of the Original Florida MOB Portfolio. This investment and Gardens Medical Pavilion, collectively, the Florida MOB Portfolio have been counted as one investment. As of December 31, 2015, we own an 80.8% interest in Gardens Medical Pavilion.

The selected data below has been derived from our audited consolidated financial statements ($ in thousands, except per share amounts):

	December 31,				
	2015	2014	2013	2012	2011
Total assets	$ 343,845	$ 409,691	$ 414,375	$ 379,066	$ 447,996
Notes payable	$ 178,692	$ 216,294	$ 212,037	$ 183,308	$ 239,757
Other liabilities[1]	48,574	16,841	9,549	9,225	11,235
Behringer Harvard Opportunity REIT II, Inc. equity	109,818	168,520	183,884	175,163	182,397
Noncontrolling interest	6,761	8,036	8,905	11,370	14,607
Total liabilities and equity	$ 343,845	$ 409,691	$ 414,375	$ 379,066	$ 447,996

(1) Other liabilities as of December 31, 2015 of $48.6 million include distributions payable of $38.4 million for a special cash distribution which was authorized by the board of directors on November 20, 2015 and paid out on January 5, 2016. Other liabilities as of December 31, 2014 of $16.8 million include obligations associated with real estate held for sale of $9.2 million related to Babcock and AJS.

	Year Ended December 31,				
	2015	2014	2013	2012	2011
Revenues	$ 50,250	$ 48,597	$ 43,389	$ 32,718	$ 21,822
Income (loss) from continuing operations, including gains on disposals[1]	7,677	(334)	(17,553)	(12,785)	(9,409)
Gains on disposals in continuing operations[1]	22,771	11,454	n/a	n/a	n/a
Income from discontinued operations, including gains on disposal	—	—	31,159	22,012	776
Impairment charge[2]	(1,417)	—	—	—	—
Net income (loss)	7,677	(334)	13,606	9,227	(8,633)
Add: Net (income) loss attributable to noncontrolling interest	(699)	331	(4,877)	(7,562)	882
Net income (loss) attributable to the Company	6,978	(3)	8,729	1,665	(7,751)
Basic and diluted income (loss) per share	$ 0.27	$ —	$ 0.34	$ 0.06	$ (0.32)
Distributions declared per share	$ 2.50	$ 0.50	$ —	$ 0.625	$ 0.50

(1) Effective April 1, 2014, we early adopted the revised guidance for discontinued operations. The Company does not view the sales of Babcock, AJS, Holstenplatz and Wimberly during 2015 or the sale of 1875 Lawrence in 2014 as a strategic shift. Therefore, the results of operations and gains on disposal of these investments are classified in income (loss) from continuing operations for the years ended December 31, 2015 and 2014.

(2) During 2015, we recorded a non-cash impairment charge of $1.4 million on our investment in 22 Exchange, a student housing property, due to the current local market in Akron, Ohio.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion and analysis should be read in conjunction with the accompanying consolidated financial statements and the notes thereto.

Executive Overview

We were formed primarily to acquire and operate commercial real estate and real estate-related assets on an opportunistic and value-add basis. In particular, we have focused generally on acquiring commercial properties with significant possibilities for capital appreciation, such as those requiring development, redevelopment or repositioning, those located in markets and submarkets with high growth potential, and those available from sellers who were distressed or faced time-sensitive deadlines. In addition, our opportunistic and value-add investment strategy has included investments in real estate-related assets that present opportunities for higher current income. We have acquired a wide variety of commercial properties, including office, industrial, retail, hospitality, and multifamily. We have purchased existing, income-producing properties and newly constructed properties. We have also invested in a mortgage loan and a mezzanine loan. We have made our investments in or in respect of real estate assets located in the United States and other countries based on our view of existing market conditions. We are not actively seeking to purchase additional assets at this time and have entered our disposition phase. Consistent with our investment objectives of commencing a liquidation within three to six years after the termination of our initial public offering, we have entered our disposition phase and our board of directors is in the process of considering the orderly disposition of our assets.

Market Outlook

During 2015, the U.S. economy grew at a modest rate. The Gross Domestic Product ("GDP") for 2015 grew at a rate of 2.4%, matching the growth in 2014, but showed signs of slowing in the fourth quarter. The slowdown during the fourth quarter reflects the struggling oil and gas sector and global economic concerns. Economists have forecasted modest economic growth of approximately 2% during 2016. Consumer confidence remained strong as a result of local unemployment and reduced fuel prices. The unemployment rate ended the year at a low 5%. Although consumer spending continued to drive growth, it also showed signs of slowing during the fourth quarter of 2015. Although short-term interest rates increased in December, many analysts think that economic weakness and global pressures will cause a slowdown in the pace of rate hikes during 2016.

As of December 31, 2015, we were invested in four multifamily properties. For the year ended December 31, 2015, excluding assets sold during the year, 39% of our total revenues were derived from our multifamily properties. The multifamily sector continued to perform well during 2015 and ended the year with the national multifamily vacancy rate at 4.2%. Home ownership rates continue to remain depressed which has contributed to rental demand. Strong job growth and positive general economic conditions supported increases in rental rates for the year. Many analysts are projecting continued multifamily rental growth, albeit at a slower pace particularly in markets with favorable job and income growth, where the demand fundamentals can absorb the supply. It is projected that supply totaling 285,000 units in 2016 will likely surpass demand, resulting in a nominal increase in vacancy.

We currently have a multifamily property located in Sugar Land, Texas, a suburb of Houston, and an investment in a multifamily development located in Denver, Colorado. Both Houston and Denver are energy hubs. The energy sector experienced a significant decline in oil prices in 2015 which resulted in industry job losses and slow local economic growth. As a result, Houston is projected to experience slow job growth during 2016 and future rent growth is expected to be stagnant. Denver is headquarters to a number of energy companies. Job layoffs as a result of the downturn in oil prices could reduce the number of tenants available to lease a unit at the development project which is expected to be completed in the second quarter of 2016. Continued downturn in the oil and gas industry could continue to have an adverse impact on the results at both of these multifamily investments.

Financing continues to be a favorable factor for the multifamily sector. As of the end of February 2016, five- and ten-year treasury rates, key benchmarks for multifamily financings, remain low at 1.2% and 1.7%, respectively. In addition to favorable general interest rates, positive macroeconomic conditions will continue to bring in additional lending sources.

As of December 31, 2015, we owned an interest in one hotel property. For the year ended December 31, 2015, excluding assets sold during the year, 38% of our total revenues were derived from our hotel property. The lodging industry saw modest performance increases during 2015 and is expected to see growth, but at lower levels, in 2016. During 2015, industry demand increased by 2.9% which was slightly offset by a 1.1% increase in supply. Smith Travel Research indicates that during 2015 the U.S. hotel industry's occupancy increased 1.7% to 65.6% while the national overall ADR increased 4.4% and RevPar grew 6.3%. During 2015, our hotel property, Courtyard Kauai Coconut Beach Hotel located in Kauai, Hawaii, experienced an increase in ADR of 5.1% and an increase in RevPar of 5.9% while occupancy remained constant year-over-year. Hawaii's economy is dependent on conditions in other local U.S. economies and Japan. Hawaii is expected to experience slight economic growth in 2016. Visitor arrivals to the islands are expected to grow 1.9% in 2016 while visitor expenditures are expected to grow 2.4% for the same period.

As of December 31, 2015, a portion of our portfolio is invested in three public university student housing complexes, including two complexes located in Georgia and one complex located in Ohio. In student housing, unlike traditional multifamily housing, most leases typically commence and terminate on the same dates. In the case of our typical student housing leases, this date coincides with the commencement of the fall academic term with the leases typically terminating at the completion of the last summer school session of the academic year. As such, we must re-lease each property in its entirety each year during a highly compressed time period, resulting in significant turnover in our tenant population from year to year. As a result, we are highly dependent upon the effectiveness of our marketing and leasing efforts during the short annual leasing season that typically begins in January and ends in August of each year. Our properties' occupancy rates are therefore typically relatively stable during the August to July academic year, but are susceptible to fluctuation at the commencement of each new academic year, which may be greater than the fluctuation in occupancy rates experienced by traditional multifamily properties. Overall, enrollment is rising again at universities and supply is expected to decline in 2016 creating a balance in supply and demand. Some state universities continue to face many challenges, including reduced support from constrained state budgets, demands on institutional funds for academic and support services, lower enrollment and increased tuition costs. These challenges may lead to a decrease in occupancy and lower than anticipated revenues at our student housing properties.

Although the current outlook on financing trends appears relatively stable, there are risks. It is expected that the U.S. Federal Reserve may continue to increase interest rates during 2016, the timing and amount of the rate increase as well government spending levels and global economic concerns can affect the overall level of domestic economic growth. Any of these issues could slow growth, which could affect the amount of capital available or the costs charged for financings. As of December 31, 2015, our weighted average interest rate was 3.5%, compared to 3.3% at December 31, 2014.

Liquidity and Capital Resources

We had unrestricted cash and cash equivalents of $76.8 million at December 31, 2015. Our principal demands for funds going forward will be for the payment of (a) operating expenses, (b) interest and principal on our outstanding indebtedness, and (c) special distributions. Generally, we expect to meet cash needs for the payment of operating expenses and interest on our outstanding indebtedness from our cash flow from operations and to fund special distributions from our proceeds from asset sales. To the extent that our cash flow from operations is not sufficient to cover our operating expenses, interest on our outstanding indebtedness, redemptions or special distributions, we expect to use borrowings and asset sales to fund such needs.

We are not actively seeking to purchase additional properties, but may invest capital in our current assets in order to position them for sale in the normal course of business. We intend to hold the various real properties in which we have invested until such time as our board of directors determines that a sale or other disposition appears to be advantageous to achieve our investment objectives or until it appears that the objectives will not be met. We sold 1875 Lawrence in 2014, Babcock and AJS in the first quarter of 2015, and Holstenplatz and Wimberly in the third quarter of 2015. We are in the process of disposing of assets. On March 31, 2015, we paid a special cash distribution, which represents a portion of proceeds from asset sales, of $25.7 million, or $1.00 per share of common stock. On November 20, 2015, our board of directors authorized a special cash distribution of $38.4 million, or $1.50 per share of common stock, funded from proceeds of asset sales. The special cash distribution was paid on January 5, 2016.

We continually evaluate our liquidity and ability to fund future operations and debt obligations. As anticipated, we extended our debt secured by Courtyard Kauai Coconut Beach Hotel by 18 months from its initial maturity date of November 9, 2015 to May 9, 2017. The balance of the debt at December 31, 2015 was $38 million. The next debt maturity for the Company is January 2018. In addition to our debt obligations, we consider other factors in evaluating our liquidity. For example, to the extent our portfolio is concentrated in certain geographic regions and types of assets, downturns relating generally to such regions and assets may result in tenants defaulting on their lease obligations at a number of our properties within a short time period. Such defaults could negatively affect our liquidity and adversely affect our ability to fund our ongoing operations. For the year ended December 31, 2015, excluding the four investments we sold in 2015, 38% and 20% of our total revenues were derived from our properties located in Hawaii and Texas, respectively. Additionally, excluding the four properties sold in 2015, 39% of our total revenues were from our multifamily properties and 38% were from our hotel property.

We may, but are not required to, establish capital reserves from cash flow generated by operating properties and other investments, or net sales proceeds from the sale of our properties and other investments. Capital reserves are typically utilized for non-operating expenses such as tenant improvements, leasing commissions, and major capital expenditures. Alternatively, a lender may establish its own criteria for escrow of capital reserves.

We have borrowed money to acquire properties and make other investments. Under our charter, the maximum amount of our indebtedness is limited to 300% of our "net assets" (as defined by our charter) as of the date of any borrowing; however, we may exceed that limit if approved by a majority of our independent directors. In addition to our charter limitation, our board of directors has adopted a policy to generally limit our aggregate borrowings to approximately 75% of the aggregate value of our assets unless substantial justification exists that borrowing a greater amount is in our best interests. Our policy limitation, however, does not apply to individual real estate assets.

Commercial real estate debt markets may experience volatility and uncertainty as a result of certain related factors, including the tightening of underwriting standards by lenders and credit rating agencies, macro-economic issues related to fiscal, tax and regulatory policies, and global financial issues. Should the overall cost of borrowings increase, either by increases in the index rates or by increases in lender spreads, we will need to factor such increases into the economics of our developments and investments. This may result in our investment operations generating lower overall economic returns and a reduced level of cash flow, which could potentially impact our ability to make special distributions to our stockholders. In addition, disruptions in the debt markets may reduce the amount of capital that is available to finance real estate, which in turn could: (i) lead to a decline in real estate values generally; (ii) slow real estate transaction activity; (iii) reduce the loan to value ratio upon which lenders are willing to extend debt; and (iv) result in difficulty in refinancing debt as it becomes due, all of which may reasonably be expected to have a material adverse impact on the value of real estate investments and the revenues, income or cash flow from the operations of real properties and mortgage loans.

Debt Financings

From time to time, we have obtained mortgage, bridge or mezzanine loans for acquisitions and investments, as well as property development. In the future, we may obtain financing for property development or at such time as determined to be necessary for our existing real estate assets, depending on multiple factors.

At December 31, 2015, our notes payable balance was $178.7 million and had a weighted average interest rate of 3.5% compared to a balance of $216.3 million, excluding $9.1 million of contractual obligations on real estate held for sale, and a weighted average interest rate of 3.3% at December 31, 2014. We have guaranteed payment of certain recourse liabilities with respect to certain customary nonrecourse carveouts as set forth in the guaranties in favor of the unaffiliated lenders with respect to the Courtyard Kauai Coconut Beach Hotel, 22 Exchange, and Parkside notes payable.

During the year ended December 31, 2015, we used a portion of the proceeds from the sales of Babcock, AJS and Wimberly to pay off in full the existing indebtedness related to the properties for an aggregate total of $35 million. In addition, we paid off the Holstenplatz debt of $8.1 million on April 30, 2015, its maturity date, and sold the property on September 1, 2015. We disbursed a total of $43.1 million to pay off the debt on the four properties disposed of in 2015.

Our loan agreements stipulate that we comply with certain reporting and financial covenants. These covenants include, among other things, maintaining minimum debt service coverage ratios, loan to value ratios, and liquidity. As of December 31, 2015, we believe we were in compliance with the debt covenants under our loan agreements.

One of our principal short-term and long-term liquidity requirements includes the repayment of maturing debt. The following table provides information with respect to the contractual maturities and scheduled principal repayments of our indebtedness as of December 31, 2015. Interest payments on variable rate debt are based on rates in effect as of December 31, 2015. The table does not represent any extension options (in thousands):

	Payments Due by Period(1)						
Description	**2016**	**2017**	**2018**	**2019**	**2020**	**Thereafter**	**Total**
Principal payments—fixed rate debt	$ 1,912	$ 2,135	$ 46,845	$ 24,309	$ 13,772	$ 17,813	$ 106,786
Principal payments—variable rate debt	—	38,000	—	33,500	—	—	71,500
Interest payments—fixed rate debt	5,052	4,940	3,308	1,579	784	1,665	17,328
Interest payments—variable rate debt	1,190	845	655	602	—	—	3,292
Total(2)	$ 8,154	$ 45,920	$ 50,808	$ 59,990	$ 14,556	$ 19,478	$ 198,906

(1) Does not include approximately $0.4 million of unamortized premium related to debt we assumed on our acquisition of Parkside.
(2) Does not include assumptions for any available extension options.

Results of Operations

Year ended December 31, 2015 as compared to the year ended December 31, 2014

As of December 31, 2015, we had nine real estate investments, eight of which were consolidated (one wholly owned and seven properties consolidated through investments in joint ventures). We sold four properties during 2015.

As of December 31, 2014, we had 13 real estate investments, including AJS and Babcock, which were classified as held for sale in our consolidated balance sheet, 12 of which were consolidated (two wholly owned and ten properties consolidated through investments in joint ventures). We completed one acquisition and sold one property during 2014.

The following table provides summary information about our results of operations for the years ended December 31, 2015 and 2014 ($ in thousands):

Description	Year ended December 31, 2015	Year ended December 31, 2014	Increase (Decrease)	Percentage Change	$ Change due to Acquisitions[(1)]	$ Change due to Dispositions[(2)]	$ Change due to Same Store[(3)]
Rental revenue	$ 32,556	$ 32,226	$ 330	1.0 %	$ 4,956	$ (4,494)	$ (132)
Hotel revenue	17,694	16,371	1,323	8.1 %	—	—	1,323
Property operating expenses	11,503	11,288	215	1.9 %	1,087	(1,111)	239
Hotel operating expenses	12,498	11,954	544	4.6 %	—	—	544
Interest expense, net	6,791	7,833	(1,042)	(13.3)%	527	(1,410)	(159)
Real estate taxes	6,127	5,388	739	13.7 %	1,138	(583)	184
Impairment charge	1,417	—	1,417	100.0 %	—	—	1,417
Property management fees	1,650	1,642	8	0.5 %	135	(153)	26
Asset management fees[(4)]	2,702	2,368	334	14.1 %	332	(272)	274
General and Administrative	3,620	4,076	(456)	(11.2)%	n/a	n/a	n/a
Acquisition expense	—	1,307	(1,307)	(100.0)%	(1,307)	—	—
Depreciation and amortization	14,950	14,362	588	4.1 %	2,448	(2,072)	212
Loss on early extinguishment of debt	732	454	278	61.2 %	—	278	—
Other loss	777	38	739	1,944.7 %	—	739	—
Gain on sale of real estate	22,771	11,454	11,317	98.8 %	—	11,317	—
Income tax benefit (expense)	(2,726)	101	(2,827)	n/a	n/a	n/a	n/a

(1) Represents the dollar amount increase (decrease) for the year ended December 31, 2015 compared to the year ended December 31, 2014 related to the acquisition of Lakewood Flats on October 10, 2014.

(2) Represents the dollar amount increase (decrease) for the year ended December 31, 2015 compared to the year ended December 31, 2014 related to the dispositions of 1875 Lawrence on May 30, 2014, Babcock on January 8, 2015, AJS on February 21, 2015, Holstenplatz on September 1, 2015, and Wimberly on September 9, 2015.

(3) Represents the dollar amount increase (decrease) for the year ended December 31, 2015 compared to the year ended December 31, 2014 with respect to real estate and real estate-related investments owned by us during the entire periods presented (“Same Store”). Same Store for the periods ended December 31, 2015 and 2014 include Gardens Medical Pavilion, River Club and the Townhomes at River Club, Lakes of Margate, Arbors Harbor Town Courtyard Kauai Coconut Beach Hotel, 22 Exchange, and Parkside.

(4) Asset management fees payable to the Advisor are an obligation of the Company, and as such, asset management fees associated with all investments owned during the period are classified in continuing operations. Therefore, the amounts above include asset management fees associated with any property owned during a particular period, including those related to our disposed properties.

The following table reflects rental revenue and property operating expenses for the years ended December 31, 2015 and 2014 for (i) our Same Store operating portfolio; (ii) our acquisition of Lakewood Flats in 2014; (iii) our dispositions of Babcock on January 8, 2015, AJS on February 21, 2015, Holstenplatz on September 1, 2015, Wimberly on September 9, 2015, and 1875 Lawrence on May 30, 2014 (in thousands):

	Year Ended December 31,		
Description	**2015**	**2014**	**Change**
Rental revenue			
Same Store	$ 22,172	$ 22,304	$ (132)
Acquisition	6,341	1,385	4,956
Dispositions	4,043	8,537	(4,494)
Total rental revenue	$ 32,556	$ 32,226	$ 330
Property operating expenses			
Same Store	$ 8,325	$ 8,086	$ 239
Acquisition	1,408	321	1,087
Dispositions	1,770	2,881	(1,111)
Total property operating expenses	$ 11,503	$ 11,288	$ 215

The tables below reflect occupancy and effective monthly rental rates for our Same Store operating properties and occupancy and ADR for Courtyard Kauai Coconut Beach Hotel:

	Occupancy (%)		Effective Monthly Rent per Square Foot/Unit/Bed ($)[1]		
	Year Ended December 31,		Year Ended December 31,		
Property	**2015**	**2014**	**2015**	**2014**	
Gardens Medical Pavilion	62%	60%	$ 2.11	$ 1.21	per sq ft
River Club and the Townhomes at River Club	96%	97%	383.62	362.72	per bed
Lakes of Margate	95%	90%	1,218.84	1,127.98	per unit
Arbors Harbor Town	91%	91%	1,144.39	1,169.66	per unit
22 Exchange	94%	83%	584.20	524.41	per bed
Parkside	77%	83%	1,149.54	1,066.50	per unit

(1) Effective monthly rent is calculated as in-place contracted monthly rental revenue, including any premiums due for short-term or month-to-month leases, less any concessions or discounts.

	Occupancy (%)[1]		ADR ($)	
	Year Ended December 31,		Year Ended December 31,	
Property	**2015**	**2014**	**2015**	**2014**
Courtyard Kauai Coconut Beach Hotel	82%	82%	$ 140.34	$ 133.50

(1) Represents average occupancy for the year ended December 31. The Courtyard Kauai Coconut Beach Hotel has 311 rooms and approximately 6,200 square feet of meeting space. Occupancy is for the entire year and is based on standard industry metrics, including rooms available for rent.

Continuing Operations

Our results of operations for the respective periods presented reflect decreases in some categories and increases in others. During the year ended December 31, 2015, we had decreases in rental revenue and property operating expenses of $4.5 million and $1.1 million, respectively, from the impact of the five dispositions in 2014 and 2015. Our rental revenue and property operating expenses increased $5 million and $1.1 million, respectively, due to the acquisition of Lakewood Flats in October 2014. Management expects decreases in most categories in the future as we dispose of additional real estate and real estate-related assets. We are not actively seeking to purchase additional assets at this time, but may invest capital in our current assets in order to position them for sale in the normal course of business.

Revenues. Revenues for the year ended December 31, 2015, including Courtyard Kauai Coconut Beach Hotel, were $50.3 million, an increase of $1.7 million from the year ended December 31, 2014. Same Store rental revenue (including our hotel revenue) for the years ended December 31, 2015 and 2014 was $39.9 million and $38.7 million, respectively, while rental revenue from our Lakewood Flats acquisition in 2014 was $6.3 million for the year ended December 31, 2015 compared to the 2014 partial year of $1.4 million. Rental revenue from Babcock, AJS, Holstenplatz and Wimberly disposed of in 2015 and 1875 Lawrence disposed of in 2014 was $4 million and $8.5 million for the years ended December 31, 2015 and 2014, respectively.

The change in revenue is primarily due to:

- an increase in rental revenue of $5 million as a result of our 2014 acquisition of Lakewood Flats. This increase was partially offset by decreases of approximately $4.5 million related to our dispositions in 2014 and 2015 and $0.1 million related to our Same Store operations; and
- an increase in hotel revenue of $1.3 million, or 8%, at the Courtyard Kauai Coconut Beach Hotel due to a 5.1% increase in ADR, resulting in a 5.9% increase in RevPar year-over-year. The occupancy rate remained constant. The improvements in ADR and RevPar are primarily the result of improved operating performance.

Property Operating Expenses. Property operating expenses for the years ended December 31, 2015 and 2014 were $11.5 million and $11.3 million, respectively. The increase of $0.2 million was primarily due to increases of $1.1 million and $0.2 million for the acquisition of Lakewood Flats and our Same Store operations, respectively. These increases were partially offset by a decrease of $1.1 million related to our 2014 and 2015 dispositions.

Hotel Operating Expenses. Hotel operating expenses for the years ended December 31, 2015 and 2014 were $12.5 million and $12 million, respectively. The increase in hotel operating expenses was primarily due to increases of $0.2 million in food and beverage costs and sales and marketing costs incurred during 2015 at the Courtyard Kauai Coconut Beach Hotel.

Interest Expense, net. Interest expense for the years ended December 31, 2015 and 2014 was $6.8 million and $7.8 million, respectively. The approximate $1 million decrease was primarily due to a decrease of $1.4 million related to our dispositions in 2014 and 2015 and a decrease of $0.2 million related to our Same Store operations. These decreases were partially offset by an increase of $0.5 million related to our acquisition of Lakewood Flats in the fourth quarter of 2014. For the years ended December 31, 2015 and 2014, we capitalized interest of $0.5 million in connection with our equity method investment in Prospect Park which is currently under development.

Real Estate Taxes. Real estate taxes were $6.1 million and $5.4 million for the years ended December 31, 2015 and 2014, respectively. Our 2014 acquisition accounted for an increase of $1.1 million in real estate taxes while the five dispositions in 2014 and 2015 accounted for a $0.6 million decrease.

Impairment Charge. Due to the current local market in Akron, Ohio, we recorded a non-cash impairment charge of $1.4 million on our investment in 22 Exchange, a student housing property, during the year ended December 31, 2015. In estimating the fair value of 22 Exchange, we used management's internal discounted cash flow analysis prepared with consideration of the current local market. There were no impairment charges recorded during the year ended December 31, 2014.

Property Management Fees. Property management fees, which are based on revenues, were $1.6 million for the years ended December 31, 2015 and 2014, respectively, and were composed of property management fees paid to unaffiliated third parties and our property manager or its affiliates.

Asset Management Fees. Asset management fees for the years ended December 31, 2015 and 2014 were $2.7 million and $2.4 million, respectively, and were composed of asset management fees paid to our Advisor and third parties with respect to our investments. Pursuant to the Fourth Advisory Agreement, effective January 1, 2014, our monthly asset management fees payable to the Advisor are one-twelfth of 0.7% and based on the value for each asset as determined in connection with our establishment and publication of an estimated value per share. Assets acquired after the publication of an estimated value per share were valued at the contract purchase price of the asset plus amounts expended in connection with the development, construction or improvement of an asset. The $0.3 million increase in asset management fees for the year ended December 31, 2015 was due to $0.3 million of fees waived by the Advisor in the second quarter of 2014 for fees previously accrued during 2013. Without this one-time adjustment, asset management fees for the year ended December 31, 2014 would have been approximately $2.7 million. Asset management fees for the years ended December 31, 2015 and 2014 include fees related to our disposed properties. We expensed $0.3 million and $0.6 million in asset management fees related to disposed properties during the years ended December 31, 2015 and 2014, respectively.

General and Administrative Expenses. General and administrative expenses for the years ended December 31, 2015 and 2014 were $3.6 million and $4.1 million, respectively, and were composed of audit fees, legal fees, board of directors' fees, and other administrative expenses. The decrease of approximately $0.5 million during the year ended December 31, 2015 was primarily due to decreases of $0.2 million and $0.1 million in legal fees associated with our joint ventures and administrative service fees payable to the Advisor, respectively.

Acquisition Expense. Acquisition expense for the year ended December 31, 2014 of $1.3 million was primarily due to expenses incurred as a result of our acquisition of Lakewood Flats. We did not have any acquisitions in 2015.

Depreciation and Amortization. Depreciation and amortization for the years ended December 31, 2015 and 2014 were $15 million and $14.4 million, respectively. We had year-over-year increases of approximately $2.5 million for the acquisition of Lakewood Flats in 2014 and $0.2 million related to our Same Store operations. These increases were partially offset by a year-over-year decrease of $2.1 million due to the 2014 and 2015 dispositions.

Loss on Early Extinguishment of Debt. During the year ended December 31, 2015, we recorded losses on early extinguishment of debt totaling $0.7 million as a result of the payoff of debt secured by three investments we sold during 2015. We recorded $0.6 million on our Wimberly investment and less than $0.1 million on our AJS and Babcock investments. The total charge of $0.7 million was composed of the write-off of deferred financing fees of $0.3 million and early termination fees of $0.4 million. During the year ended December 31, 2014, we recorded a loss on early extinguishment of debt of $0.5 million related to the sale of our 1875 Lawrence property which was composed of the write-off of deferred financing fees of $0.4 million and an early termination fee of $0.1 million.

Other loss. During 2015, we recorded currency translation adjustments totaling approximately $0.8 million related to the cash proceeds from the sale of our foreign assets during the year ended December 31, 2015.

Gain on Sale of Real Estate. During the year ended December 31, 2015, we recorded gains on sale for our 2015 dispositions of $2 million for Babcock, $3.3 million for AJS, $8.6 million for Holstenplatz, and $8.9 million for Wimberly. The gain on sale of AJS, which was located in Berlin, Germany, is net of a cumulative translation adjustment ("CTA") of $0.6 million. The gain on sale of Holstenplatz, which was located in Hamburg, Germany, includes a CTA credit of $0.4 million. During the year ended December 31, 2014, we recorded a gain on sale of approximately $11.5 million for 1875 Lawrence. As discussed in Note 6, Real Estate and Real Estate-Related Investments, we did not view the disposals of Babcock, AJS, Holstenplatz, Wimberly, and 1875 Lawrence as a strategic shift and the results of operations are presented in continuing operations.

Income Tax Benefit (Expense). During 2015, we recorded a provision for income tax of approximately $1.7 million as a result of foreign income tax related to the sale of AJS. In addition, we recorded a provision for income tax of approximately $1 million as a result of foreign income tax related to the sale of Holstenplatz during 2015. The foreign income tax related to both dispositions was calculated on gains recognized at the exchange rate in effect on the date of sale and calculated using current tax rates. We recorded an income tax benefit of $0.1 million during the year ended December 31, 2014 primarily due to a partial recovery of estimated alternative minimum tax expense of $0.2 million recorded in 2013.

Year ended December 31, 2014 as compared to the year ended December 31, 2013

As of December 31, 2014, we had 13 real estate investments, including AJS and Babcock which were classified as held for sale in our consolidated balance sheet, 12 of which were consolidated (two wholly owned and ten properties consolidated through investments in joint ventures). We completed one acquisition and sold one property during 2014.

As of December 31, 2013, we had 13 real estate investments, 12 of which were consolidated (two wholly owned and ten properties consolidated through investments in joint ventures). During 2013, we completed four investments including an investment in an unconsolidated joint venture. In 2013, we sold the remaining three industrial buildings at Interchange Business Center and the original eight medical office buildings known as the Original Florida MOB Portfolio which are included in discontinued operations.

The following table provides summary information about our results of operations for the years ended December 31, 2014 and 2013 ($ in thousands):

Description	Year ended December 31, 2014	Year ended December 31, 2013	Increase (Decrease)	Percentage Change	$ Change due to Acquisitions(1)	$ Change due to Dispositions(2)	$ Change due to Same Store(3)	$ Change due to Held for Sale(4)
Rental revenue	$ 32,226	$ 28,517	$ 3,709	13.0 %	$ 4,918	$ (1,808)	$ 601	$ (2)
Hotel revenue	16,371	14,872	1,499	10.1 %	—	—	1,499	—
Property operating expenses	11,288	9,792	1,496	15.3 %	1,813	(712)	408	(13)
Hotel operating expenses	11,954	11,363	591	5.2 %	—	—	591	—
Interest expense, net	7,833	7,844	(11)	(0.1)%	693	(613)	(82)	(9)
Real estate taxes	5,388	4,716	672	14.2 %	995	(456)	86	47
Property management fees	1,642	1,521	121	8.0 %	183	(74)	15	(3)
Asset management fees(5)	2,368	3,478	(1,110)	(31.9)%	108	(630)	(540)	(48)
General and Administrative	4,076	4,243	(167)	(3.9)%	n/a	n/a	n/a	n/a
Acquisition expense	1,307	3,998	(2,691)	(67.3)%	(2,691)	—	—	—
Depreciation and amortization	14,362	13,978	384	2.7 %	1,166	(960)	172	6
Gain on sale of real estate	11,454	—	11,454	100.0 %	—	11,454	—	—
Income tax benefit (expense)	101	(183)	284	n/a	n/a	n/a	n/a	n/a

(1) Represents the dollar amount increase (decrease) for the year ended December 31, 2014 compared to the year ended December 31, 2013 related to real estate and real estate-related investments acquired on or after January 1, 2013.

(2) Represents the dollar amount increase (decrease) for the year ended December 31, 2014 compared to the year ended December 31, 2013 related to the disposition of 1875 Lawrence on May 30, 2014.

(3) Represents the dollar amount increase (decrease) for the year ended December 31, 2014 compared to the year ended December 31, 2013 with respect to real estate and real estate-related investments owned by us during the entire periods presented ("Same Store"). Same Store for the periods ended December 31, 2014 and 2013 include Holstenplatz, Gardens Medical Pavilion, River Club and the Townhomes at River Club, Lakes of Margate, Arbors Harbor Town, and Courtyard Kauai Coconut Beach Hotel.

(4) Represents the dollar amount increase (decrease) for the year ended December 31, 2014 compared to the year ended December 31, 2013 related to Babcock and AJS which were classified as real estate held for sale as of December 31, 2014.

(5) Asset management fees payable to the Advisor are an obligation of the Company, and as such, asset management fees associated with all investments owned during the period are classified in continuing operations. Therefore, the amount above includes asset management fees associated with any property owned during a particular period, including those related to our disposed properties.

The following table reflects rental revenue and property operating expenses for the years ended December 31, 2014 and 2013 for (i) our Same Store operating portfolio; (ii) our acquisition of Lakewood Flats in 2014; (iii) our acquisitions in 2013 of Wimberly at Deerwood, 22 Exchange and Parkside Apartments; (iv) our disposition of 1875 Lawrence on May 30, 2014, which is included in continuing operations; and (v) Babcock and AJS, our properties in real estate held for sale at December 31, 2014 (in thousands):

	Year Ended December 31,		
Description	**2014**	**2013**	**Change**
Rental revenue			
Same Store	$ 17,674	$ 17,073	$ 601
Acquisitions	11,632	6,714	4,918
Dispositions	1,043	2,851	(1,808)
Real Estate Held for Sale	1,877	1,879	(2)
Total rental revenue	$ 32,226	$ 28,517	$ 3,709
Property operating expenses			
Same Store	$ 6,185	$ 5,777	$ 408
Acquisitions	3,962	2,149	1,813
Dispositions	648	1,360	(712)
Real Estate Held for Sale	493	506	(13)
Total property operating expenses	$ 11,288	$ 9,792	$ 1,496

The tables below reflect occupancy and effective monthly rental rates for our Same Store operating properties and occupancy and ADR for Courtyard Kauai Coconut Beach Hotel:

	Occupancy (%)		Effective Monthly Rent per Square Foot/Unit/Bed ($)(2)		
	Year Ended December 31,		Year Ended December 31,		
Property(1)	**2014**	**2013**	**2014**	**2013**	
Holstenplatz(3)	100%	100%	$ 1.18	$ 1.39	per sq ft
Gardens Medical Pavilion	60%	80%	1.21	2.47	per sq ft
River Club and the Townhomes at River Club	97%	76%	362.72	416.80	per bed
Lakes of Margate	90%	93%	1,127.98	1,112.98	per unit
Arbors Harbor Town	91%	94%	1,169.66	1,139.49	per unit

(1) Occupancy and effective monthly rental rates for our held for sale properties were as follows: Babcock - 83% and 79% and $101.63 per unit and $101.74 per unit; and AJS - 100% and 99% and $0.93 per square foot and $1.23 per square foot at December 31, 2014 and 2013, respectively.

(2) Effective monthly rent is calculated as in-place contracted monthly rental revenue, including any premiums due for short-term or month-to-month leases, less any concessions or discounts.

(3) The exchange rates in effect on December 31, 2014 and 2013 were $1.24 and $1.38, respectively.

	Occupancy (%)(1)		ADR ($)	
	Year Ended December 31,		Year Ended December 31,	
Property	**2014**	**2013**	**2014**	**2013**
Courtyard Kauai Coconut Beach Hotel	82%	80%	$ 133.50	$ 124.35

(1) Represents average occupancy for the year ended December 31. The Courtyard Kauai Coconut Beach Hotel has 311 rooms and approximately 6,200 square feet of meeting space. Occupancy is for the entire year and is based on standard industry metrics, including rooms available for rent.

Continuing Operations

Our results of operations for the respective periods presented primarily reflect increases in most categories due to the acquisition of one consolidated property in October 2014 and three consolidated properties and one equity investment during the year ended December 31, 2013, offset by the disposal in May 2014 of one consolidated property.

Revenues. Revenues for the year ended December 31, 2014 were $48.6 million, an increase of $5.2 million from the year ended December 31, 2013. Same Store rental revenue for the years ended December 31, 2014 and 2013 were $17.7 million and $17.1 million, respectively, while rental revenue from acquisitions were $11.6 million and $6.7 million, respectively, and rental revenue from 1875 Lawrence, which was disposed of in 2014 and is classified in continuing operations, was $1 million and $2.9 million, respectively. The change in revenue is primarily due to:

- an increase in rental revenue of $4.9 million as a result of our acquisition of Lakewood Flats on October 10, 2014 and our 2013 acquisitions of Wimberly, 22 Exchange, and Parkside in the first, second and third quarters, respectively, and an increase of $0.6 million for investments we owned during the entire periods presented, partially offset by a decrease of $1.8 million related to the disposition of 1875 Lawrence in 2014. The increase in revenues for Same Stores was primarily due to increases of $0.3 million, $0.2 million, and $0.2 million at Lakes of Margate, Arbors Harbor Town, and River Club and the Townhomes at River Club, respectively; and
- an increase in hotel revenue of $1.5 million at the Courtyard Kauai Coconut Beach Hotel due to a 2% increase in occupancy rate and a 7% increase in ADR, resulting in a 9% increase in RevPar year over year. These improvements are primarily the result of improved operating performance.

Property Operating Expenses. Property operating expenses for the years ended December 31, 2014 and 2013 were $11.3 million and $9.8 million, respectively. The increase of $1.5 million was primarily due to an increase of $1.8 million related to acquisitions while Same Store increased by $0.4 million. These increases were partially offset by a decrease of $0.7 million due to the disposal of 1875 Lawrence in May 2014.

Hotel Operating Expenses. Hotel operating expenses for the years ended December 31, 2014 and 2013 were $12 million and $11.4 million, respectively. The increase in hotel operating expenses was due to additional costs as a result of the increased occupancy at Courtyard Kauai Coconut Beach Hotel.

Interest Expense, net. Interest expense remained constant at $7.8 million in each of the years ended December 31, 2014 and 2013. An increase of $0.7 million related to acquisitions was offset by decreases related to the disposition in 2014 included in continuing operations and Same Store. For the years ended December 31, 2014 and 2013 we capitalized interest of $0.5 million and $0.3 million, respectively, in connection with our equity method investment in Prospect Park.

Real Estate Taxes. Real estate taxes were $5.4 million and $4.7 million for the years ended December 31, 2014 and 2013, respectively. Acquisitions and Same Store accounted for increases of $1 million and $0.1 million, respectively, while the disposition of 1875 Lawrence in 2014 resulted in a decrease of $0.5 million.

Property Management Fees. Property management fees, which are based on revenues, for the years ended December 31, 2014 and 2013 were $1.6 million and $1.5 million, respectively, and were comprised of property management fees paid to unaffiliated third parties and our property manager or its affiliates. Annual property management fees for 2014 increased over 2013, primarily due to our acquisition of Lakewood Flats on October 10, 2014 and our acquisition of three properties in 2013.

Asset Management Fees. Asset management fees for the years ended December 31, 2014 and 2013 were $2.4 million and $3.5 million, respectively, and were comprised of asset management fees paid to our Advisor and third parties with respect to our investments. Our monthly asset management fees payable to the Advisor were one-twelfth of 1.0% and based on the higher of cost or value for each asset in 2013. Pursuant to the Fourth Advisory Agreement, effective January 1, 2014, our monthly asset management fee payable to the Advisor was reduced to one-twelfth of 0.7% and based on the value for each asset as determined in connection with our establishment and publication of an estimated value per share. Assets acquired after the publication of an estimated value per share will be valued at the contract purchase price of the asset plus amounts expended in connection with the development, construction or improvement of an asset until the next estimated per share value is determined. The $1.1 million decrease in asset management fees for the year ended December 31, 2014 was primarily due to a decrease of $0.6 million due to the disposition of 1875 Lawrence in 2014 and Interchange Business Center and the Original Florida MOB Portfolio in 2013 and a decrease of $0.5 million in Same Store due to fees waived by the Advisor in the second quarter of 2014 for fees previously accrued during 2013 of approximately $0.3 million and the change in rate effective January 1, 2014. Without this one-time adjustment of $0.3 million and a decrease in asset management fees of $1 million related to the reduction in the rate to 0.7% of the value for each asset, asset management fees for the year ended December 31, 2014 would have been approximately $3.7 million. Asset management fees payable to the Advisor are an obligation of the Company, and as such, asset management fees associated with all investments owned during the period are classified in continuing operations. Asset management fees for the years ended December 31, 2014 and 2013 include such fees related to our disposed properties. We expensed $0.1 million and $0.8 million in asset management fees related to disposed properties during the years ended December 31, 2014 and 2013, respectively.

General and Administrative Expenses. General and administrative expenses for the years ended December 31, 2014 and 2013 were $4.1 million and $4.2 million, respectively, and were comprised of auditing fees, legal fees, board of directors fees, and other administrative expenses. The $0.1 million decrease in general and administrative expenses for the year ended December 31, 2014 was primarily due to a decrease in legal expenses associated with our joint ventures.

Acquisition Expense. Acquisition expense for the year ended December 31, 2014 of $1.3 million was primarily due to expenses incurred as a result of our acquisition of Lakewood Flats. Acquisition expense of $4 million, net of amounts capitalized, for the year ended December 31, 2013 was primarily due to expenses incurred as a result of our acquisitions of Wimberly, 22 Exchange, and Parkside in 2013. Acquisition costs capitalized related to our equity method investment in Prospect Park for the year ended December 31, 2013 was $0.4 million.

Depreciation and Amortization. Depreciation and amortization for the years ended December 31, 2014 and 2013 were $14.4 million and $14 million, respectively. We had year-over-year increases of $1.2 million for the acquisitions of Lakewood Flats in 2014 and Wimberly, 22 Exchange, and Parkside in 2013 and $0.2 million for Same Store. These increases were partially offset by an approximate $1 million decrease year-over-year due to the disposition of 1875 Lawrence in 2014.

Gain on Sale of Real Estate. Gain on sale of real estate for the year ended December 31, 2014 was approximately $11.5 million and represents the gain recognized from the sale of the 1875 Lawrence office building on May 30, 2014. As discussed in Note 6, Real Estate and Real Estate Related Investments, the disposition of 1875 Lawrence was not considered a discontinued operation and the results of operations are presented in continuing operations. Sales of real estate during 2013 were considered discontinued operations.

Income Tax Benefit (Expense). We recorded an income tax benefit of $0.1 million during the year ended December 31, 2014 related to the overpayment of AMT tax for the year ended December 31, 2013. We recorded AMT expense of $0.2 million for the year ended December 31, 2013 as a result of asset sales during the year.

Cash Flow Analysis

Fiscal year ended December 31, 2015 as compared to the year ended December 31, 2014

During the year ended December 31, 2015, net cash provided by operating activities was $5.1 million compared to net cash provided of $1.5 million for the year ended December 31, 2014. The favorable increase of $3.6 million is primarily due to $1.3 million in acquisition expense incurred in 2014 for the acquisition of Lakewood Flats and an increase in working capital items. We acquired one asset in 2014 compared to none in 2015.

During the year ended December 31, 2015, net cash provided by investing activities was $73.9 million compared to net cash used of $23 million during the year ended December 31, 2014. In 2015, we received aggregate sales proceeds of $79.1 million from the sales of Babcock, AJS, Holstenplatz, and Wimberly. During 2014, we purchased Lakewood Flats for $60.4 million and sold 1875 Lawrence for $46.3 million.

During the year ended December 31, 2015, net cash used in financing activities was $74.7 million compared to net cash used of $0.1 million for the same period of 2014. During the year ended December 31, 2015, we paid off the existing indebtedness totaling approximately $35.2 million associated with the Babcock, AJS, and Wimberly investments with proceeds from the sales of the three investments. In addition, we paid off the Holstenplatz debt of approximately $8.1 million on the maturity date of April 30, 2015. During the year ended December 31, 2014, we received proceeds from notes payable of $33.5 million related to the acquisition of Lakewood Flats on October 10, 2014. This receipt was partially offset by the pay-off of existing indebtedness of approximately $15.6 million from the sale of 1875 Lawrence on May 30, 2014. On March 30, 2015, we paid a special cash distribution to stockholders totaling $25.7 million and on September 18, 2014, we paid a special cash distribution to stockholders totaling $13 million.

Fiscal year ended December 31, 2014 as compared to the year ended December 31, 2013

During the year ended December 31, 2014, net cash provided by operating activities was $1.5 million compared to net cash used of $1.1 million for the year ended December 31, 2013. The favorable increase of $2.6 million is primarily the result of a reduction in acquisition expenses. We acquired one asset in 2014 compared to three acquisitions in 2013.

During the year ended December 31, 2014, net cash used in investing activities was $23 million compared to net cash used of $11.3 million during the year ended December 31, 2013. During 2014, we purchased Lakewood Flats for $60.4 million and sold 1875 Lawrence for $46.3 million. In 2013, we acquired three properties and invested in an unconsolidated joint venture, which together total $89 million, and sold the remaining three buildings at Interchange Business Center and the Original Florida MOB Portfolio for aggregate sales proceeds of $83.5 million.

During the year ended December 31, 2014, net cash used in financing activities was $0.1 million compared to net cash provided by financing activities of $29.5 million for the year ended December 31, 2013. We received proceeds from notes payable of $33.5 million related to the acquisition of Lakewood Flats on October 10, 2014. This receipt was partially offset by the pay-off of existing indebtedness of approximately $15.6 million from the sale of 1875 Lawrence on May 30, 2014 and the payment of a special cash distribution to stockholders totaling $13 million on September 18, 2014. During the year ended December 31, 2013, we received proceeds from notes payable of $47.7 million related to the acquisitions of Wimberly, 22 Exchange, and Parkside. These 2013 receipts were partially offset by the pay-off of existing indebtedness of approximately $11.3 million from the sale of the three remaining industrial buildings at Interchange Business Center. Our distributions to noncontrolling interest holders, net of contributions, decreased from $7.3 million for the year ended December 31, 2013 to $0.5 million for the year ended December 31, 2014.

Funds from Operations

Funds from operations ("FFO") is a non-GAAP financial measure that is widely recognized as a measure of REIT operating performance. We use FFO as defined by the National Association of Real Estate Investment Trusts ("NAREIT") in the April 2002 "White Paper of Funds From Operations" which is net income (loss), computed in accordance with GAAP, excluding extraordinary items, as defined by GAAP, and gains (or losses) from sales of property and impairments of depreciable real estate (including impairments of investments in unconsolidated joint ventures and partnerships which resulted from measurable decreases in the fair value of the depreciable real estate held by the joint venture or partnership), plus depreciation and amortization on real estate assets, and after adjustments for unconsolidated partnerships, joint ventures, subsidiaries, and noncontrolling interests as one measure to evaluate our operating performance. In October 2011, NAREIT clarified the FFO definition to exclude impairment charges of depreciable real estate (including impairments of investments in unconsolidated joint ventures and partnerships which resulted from measurable decreases in the fair value of the depreciable real estate held by the joint venture or partnership).

Historical cost accounting for real estate assets in accordance with GAAP implicitly assumes that the value of real estate diminishes predictably over time. Since real estate values have historically risen or fallen with market conditions, many industry investors and analysts have considered the presentation of operating results for real estate companies that use historical cost accounting alone to be insufficient. As a result, our management believes that the use of FFO, together with the required GAAP presentations, provides a more complete understanding of our performance.

We believe that FFO is helpful to investors and our management as a measure of operating performance because it excludes depreciation and amortization, gains and losses from property dispositions, impairments of depreciable assets, and extraordinary items, and as a result, when compared year to year, reflects the impact on operations from trends in occupancy rates, rental rates, operating costs, development activities, general and administrative expenses, and interest costs, which is not immediately apparent from net income.

FFO should not be considered as an alternative to net income (loss), as an indication of our liquidity, nor as an indication of funds available to fund our cash needs, including our ability to make distributions and should be reviewed in connection with other GAAP measurements. Additionally, the exclusion of impairments limits the usefulness of FFO as a historical operating performance measure since an impairment charge indicates that operating performance has been permanently affected. FFO is not a useful measure in evaluating net asset value because impairments are taken into account in determining net asset value but not in determining FFO. Our FFO as presented may not be comparable to amounts calculated by other REITs that do not define these terms in accordance with the current NAREIT definition or that interpret the definition differently.

Our calculation of FFO for the years ended December 31, 2015, 2014 and 2013 is presented below ($ and number of shares in thousands, except per share amounts):

	2015		2014		2013	
Description	**Amount**	**Per Share**	**Amount**	**Per Share**	**Amount**	**Per Share**
Net income (loss) attributable to the Company	$ 6,978	$ 0.27	$ (3)	$ —	$ 8,729	$ 0.34
Adjustments for:						
Real estate depreciation and amortization(1)	13,556	0.53	13,056	0.50	15,150	0.58
Gain on sale of real estate(2)	(21,579)	(0.84)	(11,454)	(0.44)	(26,004)	(1.00)
Impairment expense(3)	1,263	0.05	—	—	—	—
Income tax expense associated with real estate sale(4)	2,662	0.10	—	—	—	—
NAREIT Defined Funds from Operations (FFO) attributable to common stockholders	$ 2,880	$ 0.11	$ 1,599	$ 0.06	$ (2,125)	$ (0.08)
GAAP weighted average shares:						
Basic and diluted		25,688		25,943		26,035

(1) Includes our consolidated amount, as well as our pro rata share of those unconsolidated investments which we account for under the equity method of accounting, and the noncontrolling interest adjustment for the third-party partners' share.

(2) For the year ended December 31, 2015, includes our proportionate share of the gain on sale of real estate related to the Babcock, AJS, Holstenplatz and Wimberly investments. The gain on sale of AJS is net of a cumulative foreign currency translation loss of approximately $0.6 million due to the substantial liquidation of AJS. The gain on sale of Holstenplatz includes a CTA credit of approximately $0.4 million due to the substantial liquidation of Holstenplatz. For the year ended December 31, 2014, includes our gain on sale of the 1875 Lawrence office building. For the year ended December 31, 2013, includes our proportionate share of the gain on sale of real estate related to the remaining three buildings at Interchange Business Center and the Original Florida MOB Portfolio.

(3) During the year ended December 31, 2015, we recorded a $1.4 million non-cash impairment charge to reduce the carrying value of 22 Exchange, one of our student housing investments, to its estimated fair value. The noncontrolling interest portion of the charge was approximately $0.2 million.

(4) During 2015, we recorded estimated provision for income tax of approximately $1.7 million and $1 million as a result of foreign income tax related to the sales of AJS and Holstenplatz, respectively.

Provided below is additional information related to selected items included in net income (loss) above, which may be helpful in assessing our operating results.

- Straight-line rental revenue of less than $0.1 million, $0.2 million, and $0.4 million was recognized for the years ended December 31, 2015, 2014 and 2013, respectively. The noncontrolling interest portion of straight-line rental revenue for the years ended December 31, 2015, 2014 and 2013 was less than $0.1 million.
- Net below-market lease amortization of less than $0.1 million was recognized as an increase to rental revenue for the year ended December 31, 2015. Net above-market lease amortization of less than $0.1 million was recognized as a decrease to rental revenue for the years ended December 31, 2014 and 2013. The noncontrolling interest portion of the net below-market lease amortization for the year ended December 31, 2015 and the net above-market lease amortization for the years ended December 31, 2014 and 2013 was less than $0.1 million.
- Amortization of deferred financing costs of $0.7 million, $0.8 million and $0.9 million was recognized as interest expense for our notes payable for the years ended December 31, 2015, 2014 and 2013, respectively.
- During the years ended December 31, 2015, 2014 and 2013, we recognized loss on early extinguishment of debt of $0.7 million, $0.5 million and $0.3 million, respectively, comprised of the write-off of deferred financing fees of $0.3 million, $0.4 million and $0.1 million and an early termination fee of $0.4 million, $0.1 million and $0.2 million, respectively. The loss on early extinguishment of debt we recognized in 2013 was reported in discontinued operations.
- We recognized acquisition expense of $1.3 million and $4 million during the years ended December 31, 2014 and 2013, respectively. Acquisition expense for the year ended December 31, 2014 of $1.3 million was primarily due to expenses incurred as a result of our acquisition of Lakewood Flats. Acquisition expense, net of amounts capitalized, for the year ended December 31, 2013 of $4 million was primarily due to expenses incurred as a result of three of our acquisitions. Capitalized acquisition costs related to our equity method investment in Prospect Park for the year ended December 31, 2013 was $0.4 million. We did not acquire any properties during the year ended December 31, 2015.

In addition, cash flows generated from FFO may be used to fund all or a portion of certain capitalizable items that are excluded from FFO, such as capital expenditures and payments of principal on debt, each of which may impact the amount of cash available for special distributions to our stockholders.

Distributions

Distributions are authorized at the discretion of our board of directors based on its analysis of our performance over the previous periods and expectations of performance for future periods. These analyses may include actual and anticipated operating cash flow, changes in market capitalization rates for investments suitable for our portfolio, capital expenditure needs, general financial and market conditions, proceeds from asset sales and other factors that our board deems relevant. The board's decision will be substantially influenced by its obligation to ensure that we maintain our federal tax status as a REIT. We cannot provide assurance that we will pay distributions at any particular level, or at all. We expect that any future distributions authorized by our board of directors will be periodic, special distributions as opposed to regular monthly or quarterly distributions.

On November 20, 2015, our board of directors authorized a special cash distribution of $38.4 million, or $1.50 per share of common stock, payable to stockholders of record as of December 31, 2015. The Company paid this special cash distribution on January 5, 2016. On March 18, 2015, our board of directors authorized a special cash distribution of $25.7 million, or $1.00 per share of common stock, payable to stockholders of record as of March 30, 2015. This special cash distribution was paid on March 31, 2015. On August 8, 2014, our board of directors authorized a special cash distribution of $13 million, or $0.50 per share of common stock, payable to stockholders of record as of September 15, 2014. This special cash distribution was paid on September 18, 2014. These special cash distributions represented a portion of proceeds from asset sales.

We have paid and may in the future pay some or all of our distributions from sources other than operating cash flow. We have utilized cash from refinancing and dispositions, the components of which may represent a return of capital and/or the gains on sale. In addition, from time to time, our Advisor may agree to waive or defer all or a portion of the acquisition, asset management or other fees or incentives due to it, pay general administrative expenses or otherwise supplement investor returns which may increase the amount of cash that we have available to pay distributions to our stockholders.

Future special distributions authorized and paid at the discretion of the board of directors, are expected to be funded with proceeds from asset sales; however, future special distributions may exceed cash flow from operating activities or funds from operations.

Total distributions paid to stockholders during the year ended December 31, 2015 were $25.7 million and were fully funded with proceeds from asset sales. Total distributions paid to stockholders during the year ended December 31, 2014 were $13 million and were fully funded with proceeds from asset sales. We did not pay any distributions to stockholders during the year ended December 31, 2013. For further discussion on distribution payments, see Item 5, "Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities—Distributions."

During 2015 and 2014, our special cash distributions paid were classified as follows for federal income tax purposes:

Description	2015	2014
Ordinary income	—	—
Capital gains	25.8%	58.4%
Return of capital	74.2%	41.6%
Total	100.0%	100.0%

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements that are reasonably likely to have a current or future material effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates include such items as purchase price allocation for real estate acquisitions, impairment of long-lived assets, depreciation and amortization, and allowance for doubtful accounts. Actual results could differ from those estimates.

Below is a discussion of the accounting policies that we consider to be critical in that they may require complex judgment in their application or require estimates about matters that are inherently uncertain.

Principles of Consolidation and Basis of Presentation

Our consolidated financial statements include our accounts and the accounts of other subsidiaries over which we have control. All inter-company transactions, balances, and profits have been eliminated in consolidation. Interests in entities acquired will be evaluated based on applicable GAAP, which includes the requirement to consolidate entities deemed to be variable interest entities ("VIE") in which we are the primary beneficiary. If the interest in the entity is determined not to be a VIE, then the entity will be evaluated for consolidation based on legal form, economic substance, and the extent to which we have control, substantive participating rights or both under the respective ownership agreement. For entities in which we have less than a controlling interest or entities which we are not deemed to be the primary beneficiary, we account for the investment using the equity method of accounting.

There are judgments and estimates involved in determining if an entity in which we have made an investment is a VIE and, if so, whether we are the primary beneficiary. The entity is evaluated to determine if it is a VIE by, among other things, calculating the percentage of equity being risked compared to the total equity of the entity. Determining expected future losses involves assumptions of various possibilities of the results of future operations of the entity, assigning a probability to each possibility and using a discount rate to determine the net present value of those future losses. A change in the judgments, assumptions, and estimates outlined above could result in consolidating an entity that should not be consolidated or accounting for an investment using the equity method that should in fact be consolidated, the effects of which could be material to our financial statements.

Real Estate

Upon the acquisition of real estate properties, we recognize the assets acquired, the liabilities assumed and any noncontrolling interest as of the acquisition date, measured at their fair values. The acquisition date is the date on which we obtain control of the real estate property. The assets acquired and liabilities assumed may consist of land, inclusive of associated rights, buildings, assumed debt, identified intangible assets and liabilities and asset retirement obligations. Identified intangible assets generally consist of above-market leases, in-place leases, in-place tenant improvements, in-place leasing commissions and tenant relationships. Identified intangible liabilities generally consist of below-market leases. Goodwill is recognized as of the acquisition date and measured as the aggregate fair value of consideration transferred and any noncontrolling interests in the acquiree over the fair value of the identifiable net assets acquired. Likewise, a bargain purchase gain is recognized in current earnings when the aggregate fair value of consideration transferred and any noncontrolling interests in the acquiree is less than the fair value of the identifiable net assets acquired. Acquisition-related costs are expensed in the period incurred. Initial valuations are subject to change until our information is finalized, which is no later than twelve months from the acquisition date.

The fair value of the tangible assets acquired, consisting of land and buildings, is determined by valuing the property as if it were vacant, and the "as-if-vacant" value is then allocated to land and buildings. Land values are derived from appraisals, and building values are calculated as replacement cost less depreciation or management's estimates of the fair value of these assets using discounted cash flow analyses or similar methods believed to be used by market participants. The value of hotels and all other buildings is depreciated over the estimated useful lives of 39 years and 25 years, respectively, using the straight-line method.

We determine the fair value of assumed debt by calculating the net present value of the scheduled mortgage payments using interest rates for debt with similar terms and remaining maturities that management believes we could obtain at the date of the debt assumption. Any difference between the fair value and stated value of the assumed debt is recorded as a discount or premium and amortized over the remaining life of the loan using the effective interest method.

We determine the value of above-market and below-market leases for acquired properties based on the present value (using an interest rate that reflects the risks associated with the leases acquired) of the difference between (1) the contractual amounts to be paid pursuant to the in-place leases and (2) management's estimate of current market lease rates for the corresponding in-place leases, measured over a period equal to (a) the remaining non-cancelable lease term for above-market leases, or (b) the remaining non-cancelable lease term plus any below-market fixed rate renewal options that, based on a qualitative assessment of several factors, including the financial condition of the lessee, the business conditions in the industry in which the lessee operates, the economic conditions in the area in which the property is located, and the ability of the lessee to sublease the property during the renewal term, are reasonably assured to be exercised by the lessee for below-market leases. We record the fair value of above-market and below-market leases as intangible assets or intangible liabilities, respectively, and amortize them as an adjustment to rental income over the determined lease term.

The total value of identified real estate intangible assets acquired is further allocated to in-place leases, in-place tenant improvements, in-place leasing commissions and tenant relationships based on our evaluation of the specific characteristics of each tenant's lease and our overall relationship with that respective tenant. The aggregate value for tenant improvements and leasing commissions is based on estimates of these costs incurred at inception of the acquired leases, amortized through the date of acquisition. The aggregate value of in-place leases acquired and tenant relationships is determined by applying a fair value model. The estimates of fair value of in-place leases include an estimate of carrying costs during the expected lease-up periods for the respective spaces considering existing market conditions. In estimating the carrying costs that would have otherwise been incurred had the leases not been in place, we include such items as real estate taxes, insurance, and other operating expenses as well as lost rental revenue during the expected lease-up period based on existing market conditions. The estimates of the fair value of tenant relationships also include costs to execute similar leases, including leasing commissions, legal fees, and tenant improvements as well as an estimate of the likelihood of renewal as determined by management on a tenant-by-tenant basis.

We amortize the value of in-place leases, in-place tenant improvements and in-place leasing commissions to expense over the initial term of the respective leases. In no event does the amortization period for intangible assets or liabilities exceed the remaining depreciable life of the building. Should a tenant terminate its lease, the unamortized portion of the acquired lease intangibles related to that tenant would be charged to expense.

Real Estate Held for Sale and Discontinued Operations

We classify properties as held for sale when certain criteria are met, in accordance with GAAP. At that time, we present the assets and obligations of the property held for sale separately in our consolidated balance sheet and we cease recording depreciation and amortization expense related to that property. Properties held for sale are reported at the lower of their carrying amount or their estimated fair value, less estimated costs to sell. During the fourth quarter of 2014, we entered into sales contracts for Babcock, a self-storage facility in Texas, and AJS, an office buildings located in Berlin, Germany, and classified Babcock and AJS as real estate held for sale in our consolidated balance sheet at December 31, 2014. We sold Babcock on January 8, 2015 and AJS on February 21, 2015. We did not have any properties classified as held for sale at December 31, 2015.

Effective as of April 1, 2014, we early adopted the revised guidance in Accounting Standards Update No. 2014-08 regarding discontinued operations. For sales of real estate or assets classified as held for sale after April 1, 2014, we evaluate whether a disposal transaction meets the criteria of a strategic shift and will have a major effect on our operations and financial results to determine if the results of operations and gains on sale of real estate will be presented as part of our continuing operations or as discontinued operations in our consolidated statements of operations. If the disposal represents a strategic shift, it will be classified as discontinued operations for all periods presented; if not, it will be presented in continuing operations.

Investment in Unconsolidated Joint Venture

We provide funding to third party developers for the acquisition, development and construction of real estate ("ADC Arrangement"). Under an ADC Arrangement, we may participate in the residual profits of the project through the sale or refinancing of the property. We evaluate this arrangement to determine if it has characteristics similar to a loan or if the characteristics are more similar to a joint venture or partnership such as participating in the risks and rewards of the project as an owner or an investment partner. When we determine that the characteristics are more similar to a jointly-owned investment or partnership, we account for the arrangement as an investment in an unconsolidated joint venture under the equity method of accounting or a direct investment (consolidated basis of accounting) instead of applying loan accounting. The ADC Arrangement is reassessed at each reporting period.

Investment Impairment

For all of our real estate and real estate-related investments, we monitor events and changes in circumstances indicating that the carrying amounts of the real estate assets may not be recoverable. Examples of the types of events and circumstances that would cause management to assess our assets for potential impairment include, but are not limited to: a significant decrease in the market price of an asset; a significant adverse change in the manner in which the asset is being used; an accumulation of costs in excess of the acquisition basis plus construction of the property; major vacancies and the resulting loss of revenues; natural disasters; a change in the projected holding period; legitimate purchase offers and changes in the global and local markets or economic conditions. Our assets may at times be concentrated in limited geographic locations and, to the extent that our portfolio is concentrated in limited geographic locations, downturns specifically related to such regions may result in tenants defaulting on their lease obligations at those properties within a short time period, which may result in asset impairments. When such events or changes in circumstances are present, we assess potential impairment by comparing estimated future undiscounted operating cash flows expected to be generated over the life of the asset and from its eventual disposition to the carrying amount of the asset. These projected cash flows are prepared internally by the Advisor and reflect in-place and projected leasing activity, market revenue and expense growth rates, market capitalization rates, discount rates, and changes in economic and other relevant conditions. The Company's Principal Executive Officer and Principal Financial Officer, as well as a panel of asset managers and financial analysts of the Advisor, review these projected cash flows to assure that the valuation is prepared using reasonable inputs and assumptions that are consistent with market data or with assumptions that would be used by a third-party market participant and assume the highest and best use of the investment. We consider trends, strategic decisions regarding future development plans, and other factors in our assessment of whether impairment conditions exist. In the event that the carrying amount exceeds the estimated future undiscounted operating cash flows, we recognize an impairment loss to adjust the carrying amount of the asset to estimated fair value. While we believe our estimates of future cash flows are reasonable, different assumptions regarding factors such as market rents, economic conditions, and occupancy rates could significantly affect these estimates.

In evaluating our investments for impairment, management may use appraisals and make estimates and assumptions, including, but not limited to, the projected date of disposition of the properties, the estimated future cash flows of the properties during our ownership, and the projected sales price of each of the properties. A future change in these estimates and assumptions could result in understating or overstating the carrying value of our investments, which could be material to our financial statements. In addition, we may incur impairment charges on assets classified as held for sale in the future if the carrying amount of the asset upon classification as held for sale exceeds the estimated fair value, less costs to sell.

We also evaluate our investments in unconsolidated joint ventures at each reporting date. If we believe there is an other than temporary decline in market value, we will record an impairment charge based on these evaluations. We assess potential impairment by comparing our portion of estimated future undiscounted operating cash flows expected to be generated by the joint venture over the life of the joint venture's assets to the carrying amount of the joint venture. In the event that the carrying amount exceeds our portion of estimated future undiscounted operating cash flows, we recognize an impairment loss to adjust the carrying amount of the joint venture to its estimated fair value.

During 2015, we recorded a non-cash impairment charge of $1.4 million on our investment in 22 Exchange, a student housing property, due to the current local market in Akron, Ohio. In estimating the fair value of 22 Exchange, we used management's internal discounted cash flow analysis prepared with consideration of the current local market. There were no impairment charges recorded during the years ended December 31, 2014 and 2013.

We believe the carrying value of our operating real estate is currently recoverable. However, if market conditions worsen unexpectedly or if changes in our strategy significantly affect any key assumptions used in our fair value calculations, we may need to take charges in future periods for impairments related to our existing investments. Any such non-cash charges would have an adverse effect on our consolidated financial position and results of operations.

New Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued an update ("ASU 2014-09") to ASC Topic 606, Revenue from Contracts with Customers. ASU 2014-09 outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most of the existing revenue recognition guidance. ASU 2014-09 requires an entity to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services and also requires certain additional disclosures. ASU 2014-09 is effective for public companies for interim and annual reporting periods beginning after December 15, 2017, as adjusted by a one-year deferral of the new revenue standard, confirmed by FASB in the July 2015 meeting. In addition, early adoption will be permitted as of the original effective date in ASU 2014-09, which for public companies was annual reporting periods beginning after December 15, 2016, including interim reporting periods within those annual periods. Either full retrospective adoption or modified retrospective adoption is permitted. We are currently evaluating the impact of the adoption of ASU 2014-09 on our consolidated financial statements.

In August 2014, the FASB issued an update ("ASU 2014-15"), Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern. ASU 2014-15 requires management's assessment of a company's ability to continue as a going concern and provide related footnote disclosures when conditions give rise to substantial doubt about a company's ability to continue as a going concern within one year from the financial statement issuance date. ASU 2014-15 applies to all companies and is effective for the annual period ending after December 15, 2016, and all annual and interim periods thereafter. We do not believe the adoption of this guidance will have a material impact on our disclosures.

In January 2015, the FASB issued ("ASU 2015-01"), Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items. ASU 2015-01 eliminates the concept of an extraordinary item from U.S. GAAP. An entity is no longer required to (i) segregate an extraordinary item from the results of ordinary operations; (ii) separately present an extraordinary item on its income statement, net of tax, after income from continuing operations; and (iii) disclose income taxes and earnings per share data applicable to an extraordinary item. ASU 2015-01 does not affect disclosure guidance for events or transactions that are unusual in nature or infrequent in occurrence. ASU 2015-01 is effective for interim and annual reporting periods in fiscal years that begin after December 15, 2015. The adoption of ASU 2015-01, effective January 1, 2016, will not have a material impact on our consolidated financial position, results of operations, or cash flows.

In February 2015, the FASB issued an update ("ASU 2015-02") to ASC Topic 810, Amendments to the Consolidation Analysis. ASU 2015-02 makes several modifications to the consolidation guidance for VIEs and general partners' investments in limited partnerships, as well as modifications to the evaluation of whether limited partnerships are VIEs or voting interest entities. The amendments in ASU 2015-02 are effective for public companies in interim and annual reporting periods in fiscal years beginning after December 15, 2015. Adoption of ASU 2015-02, effective January 1, 2016, may result in additional disclosures, however, we do not believe this adoption will impact the status of our eight consolidated investments and one unconsolidated joint venture as of December 31, 2015.

In April 2015, the FASB issued an update ("ASU 2015-03") to ASC Topic 835, Interest - Imputation of Interest, Simplifying the Presentation of Debt Issuance Costs. The amendments in ASU 2015-03 require debt issuance costs related to a recognized debt liability to be presented in the balance sheet as a direct deduction from the carrying amount of the related debt liability, consistent with debt discounts, instead of being presented as a deferred charge. The recognition and measurement guidance for debt issuance costs are not affected by the amendments in this updated guidance. ASU 2015-03 is effective for public companies in interim and annual reporting periods beginning after December 15, 2015. The new guidance requires retrospective application. As of December 31, 2015, we have $1.7 million of net deferred financing costs that would be reclassified from assets to a reduction in the carrying amount of our debt. The adoption of this guidance, effective January 1, 2016, will change the classification of deferred financing fees on our balance sheet, but it will not otherwise have an impact on our financial statements.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

Foreign Currency Exchange Risk

As of December 31, 2015, we maintained approximately $12.5 million in Euro-denominated accounts. We sold our two European investments in 2015, AJS in February and Holstenplatz in September, and we have no foreign investments remaining as of December 31, 2015.

Interest Rate Risk

We may be exposed to interest rate changes primarily as a result of long-term debt used to acquire properties and make loans and other permitted investments. Our management's objectives, with regard to interest rate risks, are to limit the impact of interest rate changes on earnings and cash flows and to lower overall borrowing costs. To achieve these objectives, we will borrow primarily at fixed rates or variable rates with the lowest margins available and in some cases, with the ability to convert variable rates to fixed rates. With regard to variable rate financing, we will assess interest rate cash flow risk by continually identifying and monitoring changes in interest rate exposures that may adversely impact expected future cash flows and by evaluating hedging opportunities. We may enter into derivative financial instruments such as options, forwards, interest rate swaps, caps, or floors to mitigate our interest rate risk on a related financial instrument or to effectively lock the interest rate portion of our variable rate debt. Of our $178.7 million in notes payable at December 31, 2015, $71.5 million represented debt subject to variable interest rates. If our variable interest rates increased 100 basis points, we estimate that total annual interest cost, including interest expensed and interest capitalized, would increase by $0.7 million.

Our interest rate cap which is classified as an asset had a nominal fair value within prepaid expenses and other assets at December 31, 2015. A 100 basis point decrease in interest rates would not result in a decrease in the fair value of our remaining interest rate cap. A 100 basis point increase in interest rates would result in a nominal increase in the fair value of our interest rate cap.

Item 8. Financial Statements and Supplementary Data.

The information required by this Item 8 is included in our Consolidated Financial Statements beginning on page F-1 of this Annual Report on Form 10-K.

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

None.

Item 9A. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

As required by Rule 13a-15(b) and Rule 15d-15(b) under the Exchange Act, our management, including our principal executive officer and principal financial officer, evaluated, as of December 31, 2015, the effectiveness of our disclosure controls and procedures as defined in Exchange Act Rule 13a-15(e) and Rule 15d-15(e). Based on that evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective, as of December 31, 2015, to provide reasonable assurance that information required to be disclosed by us in this report is recorded, processed, summarized and reported within the time periods specified by the rules and forms of the Exchange Act and is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosures.

We believe, however, that a controls system, no matter how well designed and operated, cannot provide absolute assurance that the objectives of the controls system are met, and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud or error, if any, within a company have been detected.

Management's Annual Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)). Our management, including our principal executive officer and principal financial officer, evaluated, as of December 31, 2015, the effectiveness of our internal control over financial reporting using the criteria established in *Internal Control—New Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that evaluation, our principal executive officer and principal financial officer concluded that our internal controls, as of December 31, 2015, were effective.

Changes in Internal Control over Financial Reporting

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

Item 9B. Other Information.

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

Directors

Because our directors take a critical role in guiding our strategic direction and overseeing our management, they must demonstrate broad-based business and professional skills and experiences, concern for the long-term interests of our stockholders, and personal integrity and judgment. In addition, our directors must have time available to devote to board activities and to enhance their knowledge of our industry. As described further below, we believe our directors have the appropriate mix of experiences, qualifications, attributes, and skills required of our board members in the context of the current needs of our company.

Robert S. Aisner, 69, has served as one of our directors since inception, and as Chairman of the Board since February 2013. Mr. Aisner served as our Principal Executive Officer from January 2015 through March 2015, our Chief Executive Officer from June 2008 through January 2012, as our President from our inception in January 2007 through January 2012, and as Vice Chairman of the Board from January 2012 through February 2013 when he was appointed as Chairman of the Board. From July 2005 through June 2008, Mr. Aisner served as our Chief Operating Officer. In addition, Mr. Aisner serves as a director of Monogram Residential Trust, Inc. (formerly Behringer Harvard Multifamily REIT I, Inc.), a New York Stock Exchange-listed REIT (MORE-NYSE), and served as a director of TIER REIT, Inc. (formerly, Behringer Harvard REIT I, Inc.) from 2003 through February 23, 2016. Furthermore, Mr. Aisner serves as a Class II Director of Priority Senior Secured Income Fund, Inc., a closed-end management investment company jointly advised by Behringer and Prospect Capital Management, LLC. Mr. Aisner is also Chief Executive Officer of our Advisor and Chief Executive Officer of Behringer, our sponsor.

Mr. Aisner has over 40 years of commercial real estate experience with acquiring, managing and disposing of properties located in the United States and other countries, including Germany, the Netherlands, England, the Bahamas and Australia. In addition to Mr. Aisner's commercial real estate experience, as an officer and director of Behringer-sponsored programs and their advisors, Mr. Aisner has overseen the acquisition, structuring and management of various types of real estate-related loans, including mortgages and mezzanine loans. From 1996 until joining Behringer in 2003, Mr. Aisner served as: (i) Executive Vice President of AMLI Residential Properties Trust, formerly a New York Stock Exchange-listed REIT that focused on the development, acquisition and management of upscale apartment communities and an advisor and asset manager for institutional investors with respect to their multifamily real estate investment activities; (ii) President of AMLI Management Company, which oversaw all of AMLI's apartment operations in 80 communities; (iii) President of the AMLI Corporate Homes division that managed AMLI's corporate housing properties; (iv) Vice President of AMLI Residential Construction, a division of AMLI that performed real estate construction services; and (v) Vice President of AMLI Institutional Advisors, the AMLI division that served as institutional advisor and asset manager for institutional investors with respect to their multifamily real estate activities. Mr. Aisner also served on AMLI's Executive Committee and Investment Committee. From 1994 until 1996, Mr. Aisner owned and operated Regents Management, Inc., which had both a multifamily development and construction group and a general commercial property management group. Mr. Aisner is a member of the Board of Directors of the Association of Foreign Investors in Real Estate (AFIRE), the Board of Directors of the National Multi-Housing Council (NMHC), the Urban Land Institute (ULI) and the Pension Real Estate Association (PREA). From 1984 to 1994, Mr. Aisner served as Vice President of HRW Resources, Inc., a real estate development and management company. Mr. Aisner received a Bachelor of Arts degree from Colby College and a Masters of Business Administration degree from the University of New Hampshire.

Our board of directors has concluded that Mr. Aisner is qualified to serve as one of our directors for reasons including his more than 40 years of commercial real estate experience. This experience allows him to offer valuable insight and advice with respect to our investments and investment strategies. In addition, as the Chief Executive Officer of our Advisor and with prior experience as an executive officer of a New York Stock Exchange-listed REIT, Mr. Aisner is able to direct the board of directors to the critical issues facing our company. Further, as a director of Monogram Residential Trust, Inc., and a former director of Behringer Harvard Opportunity REIT I, Inc. and TIER REIT, Inc., he has an understanding of the requirements of serving on a public company board.

Andreas K. Bremer, 59, has served as one of our independent directors since November 2007. Mr. Bremer currently serves as Executive Vice President of International Capital, LLC, a position he has held since 2005. Mr. Bremer joined International Capital as its Chief Financial Officer in October 2002. International Capital specializes in acquisition, disposition, management and administration of commercial investment properties, and Mr. Bremer is responsible for all financial aspects of the company's operations. Before joining International Capital, Mr. Bremer was the Chief Financial Officer of ATLASwerks®, a leading communication software company in Dallas. He acted as a corporate finance consultant for two years at McKinsey & Co. in both the Dallas and New York offices and served as Vice President of Finance and Treasurer at Paging Network, Inc. Mr. Bremer started his career at COMMERZBANK AG in Germany and spent seven of his 13-year tenure at the company's New York and Atlanta offices. Mr. Bremer has over 25 years of financial and general management experience with extensive knowledge of corporate finance and commercial lending both in the United States and other countries, particularly Germany and holds a degree as CCIM. Mr. Bremer has served as Chairman of the German International School in Dallas since 2009. He was the Director of the Texas Warburg Chapter of the American Council on Germany in Dallas and, as Knight of Justice, is a member of the Order of St. John. Mr. Bremer received a law degree from the Johannes-Gutenberg University in Mainz, Germany.

Our board of directors has concluded that Mr. Bremer is qualified to serve as one of our directors for reasons including his more than 25 years of financial and general management experience, including international corporate finance and commercial lending. Mr. Bremer has served in various financial management positions and has significant experience in acquisition, disposition, management, and administration of commercial real estate investments. In addition, Mr. Bremer's international background brings a unique perspective to our board.

Michael D. Cohen, 41, has served as one of our directors since February 2013. Mr. Cohen also serves as a director of Behringer Harvard Opportunity REIT I Inc., a director of Monogram Residential Trust, Inc., a New York Stock Exchange-listed REIT (MORE-NYSE), as President of Vertical Capital Income Fund (VCAPX), a closed-end interval mutual fund, as President of Behringer and as Executive Vice President of our Advisor. Mr. Cohen also works closely with Behringer Securities to develop institutional investments and manage relationships with the company's institutional investors. Mr. Cohen joined Behringer in 2005 from Crow Holdings, the investment office of the Trammell Crow family, where he concentrated on the acquisition and management of the firm's office, retail, and hospitality assets. Mr. Cohen began his career in 1997 at Harvard Property Trust and Behringer Partners, predecessor companies to Behringer. He received a Bachelor of Business Administration degree from the University of the Pacific in Stockton, California, and a Master of Business Administration degree from Texas Christian University in Fort Worth, Texas. He is a member of the Association of Foreign Investors in Real Estate.

Our board of directors has concluded that Mr. Cohen is qualified to serve as one of our directors for reasons including his significant experience in commercial real estate, which allows him to provide valuable investment advice.

Diane S. Detering-Paddison, 56, has served as one of our independent directors since June 2009. Ms. Detering-Paddison serves as President of 4word, www.4wordwomen.org, a not-for-profit organization she founded that connects, leads and supports professional Christian women and enables them to reach their potential. From February 2010 until June 2014, Ms. Detering-Paddison served as Chief Strategy Officer of Cassidy Turley, one of the nation's largest commercial real estate service providers. Prior to joining Cassidy Turley, Ms. Detering-Paddison served as the Chief Operating Officer of ProLogis, an owner, manager, and developer of distribution facilities, from June 2008 until January 2009. Prior to that, Ms. Detering-Paddison was with CB Richard Ellis and Trammell Crow Company for over 20 years. During her time there, she served as Senior Vice President, Corporate and Investor Client Accounts from April 2001 until December 2004, Chief Operating Officer, Global Services from January 2005 until December 2006, and President, Global Corporate Services - Client Accounts from December 2006 until May 2008. Ms. Detering-Paddison was part of a ten member executive team that managed the merger between Trammell Crow Company and CB Richard Ellis in December 2006. Ms. Detering-Paddison serves on the Salvation Army national advisory board. Ms. Detering-Paddison is the author of "Work, Love, Pray." Ms. Detering-Paddison holds a Master of Business Administration degree from the Harvard Graduate School of Business and a Bachelor of Science degree from Oregon State University where she graduated as Valedictorian.

Our board of directors has concluded that Ms. Detering-Paddison is qualified to serve as one of our directors for reasons including her more than 20 years of management experience with large commercial real estate companies, including Trammell Crow Company, CB Richard Ellis, ProLogis, and Cassidy Turley. With her background, Ms. Detering-Paddison brings substantial insight and experience with respect to the commercial real estate industry.

Jeffrey P. Mayer, 59, has served as one of our independent directors since November 2007 and is chairman of our audit committee. Mr. Mayer is currently a consultant serving the real estate industry. He also is the owner of Mayer Financial Consulting, LLC and is the firm's sole employee. This firm was started in 2011 to provide consulting services to individuals and businesses primarily dealing with financial investments and real estate. From 2000 until 2007, Mr. Mayer was the Chief Financial Officer of ClubCorp, Inc., a holding company that owns and operates premier golf and business clubs and destination golf resorts. He previously served as Chief Financial Officer of Bristol Hotels & Resorts in Dallas, a position he held from 1996 until the company's acquisition by Bass PLC in early 2000. Prior to joining Bristol, he was Corporate Controller at Host Marriott Corporation (formerly Marriott Corporation) and, prior to that, held various senior financial positions at Marriott Corporation. Mr. Mayer is a member of the National Association of Corporate Directors. He also serves as treasurer and board member of the Georgia Chapter of The American Foundation for Suicide Prevention. He was a board member of the Dallas Children's Advocacy Center and chairman of its audit committee. A graduate of the College of William & Mary, he began his career as an accountant with Arthur Andersen LLP.

Our board of directors has concluded that Mr. Mayer is qualified to serve as one of our directors and as Chairman of our Audit Committee for reasons including his more than 30 years of accounting and finance experience in the commercial real estate industry. In particular, Mr. Mayer has served as Chief Financial Officer for two commercial real estate companies and has significant management experience relating to preparing and reviewing financial statements and coordinating with external auditors. Mr. Mayer continues to provide consulting services to the commercial real estate industry and is in tune with current industry trends and issues.

Cynthia Pharr Lee, 67, has served as one of our independent directors since November 2007. Ms. Lee has served as President of C. Pharr & Company, a marketing communications consulting firm since 1993, providing strategic brand, marketing and public relations services to many real estate, construction and design firms, in addition to other corporate clients. From 1994 through February 2014, Ms. Lee served as a member of the board of directors of CEC Entertainment, Inc. (CEC-NYSE) and its audit and compensation committees. A co-founder of Texas Women Ventures Fund, Ms. Lee serves on the Fund's Investment Advisory Committee. Ms. Lee is a former president of Executive Women of Dallas and former national chairman of the Counselor's Academy of the Public Relations Society of America. From May 1989 through February 1993, Ms. Lee was President and Chief Executive Officer of Tracy Locke/Pharr Public Relations, a division of Omnicom (NYSE). She received her Bachelor of Science degree in English (summa cum laude) and her Master of Arts degree in English from Mississippi State University.

Our board of directors has concluded that Ms. Lee is qualified to serve as one of our directors for reasons including her more than 20 years of management experience in the public relations and marketing communications industry, with significant experience working with commercial real estate and construction firms. Ms. Lee has also served on the board of directors and audit committee of a New York Stock Exchange listed company, which allows her to provide valuable knowledge and insight into management issues. In addition, Ms. Lee's background complements that of our other board members and brings a unique perspective to our board.

Executive Officers

In addition, the following individuals serve as our executive officers:

Thomas P. Kennedy, 58, has served as the Company's President since April 2015. Mr. Kennedy also serves as President of Behringer Harvard Opportunity REIT I, Inc. Prior to joining the Company, Mr. Kennedy served as Chief Financial Officer and Chief Operating Officer of UrbanAmerica Advisors, LLC, a registered investment advisor that focuses on renewing and redeveloping neglected metropolitan districts across the United States ("UAA") since March 2008. From March 2006 through March 2008, Mr. Kennedy served as a Manager of an investment fund managed by TriLyn Investment Management, LLC, a privately held investment management firm. From January 2004 through February 2006, Mr. Kennedy served as a Managing Director of The Greenwich Group International, LLC, a real estate investment banking company. Mr. Kennedy began his career in 1982 at Equitable Real Estate Management, Inc. (a predecessor of Lend Lease Real Estate Advisors—US) as an accountant and rose to become Principal Managing Director and a member the management committee of Lend Lease Real Estate Advisors—US, a position he held through February 2003. Mr. Kennedy holds a Bachelor of Science degree in Accounting from Manhattan College.

S. Jason Hall, 49, was elected our Chief Financial Officer in October 2014. Mr. Hall also serves as Senior Vice President and Chief Accounting Officer of the Company, positions he has held since September 2013 and as Treasurer, a position he has held since January 2012. From 2010 to 2012, Mr. Hall also served as the Company's Senior Controller and Director of Financial Reporting. He also serves in similar positions for other Behringer Harvard-sponsored programs and as Treasurer and Principal Financial Officer of Vertical Capital Income Fund (VCAPX), a closed-end interval mutual fund. He began his tenure with the Company in January 2005 as an SEC Reporting Manager. Prior to joining Behringer, from 2000 to 2004, Mr. Hall served in various accounting positions including two years as Corporate Controller for Aegis Communications Group, Inc. At that time, Aegis Communications was publicly traded on the NASDAQ exchange and was the seventh-largest provider of outsourced customer care services in the United States. From 1991 to 2000, Mr. Hall was Corporate Controller of a private distribution company for five years and also spent three years in public accounting. Mr. Hall holds a Bachelor of Business Administration degree in Finance from Angelo State University and a Master of Business Administration degree in Accounting from Tarleton State University. Mr. Hall is a Certified Public Accountant in the State of Texas.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires each director, officer, and individual beneficially owning more than 10% of a registered security of the Company to file with the SEC, within specified time frames, initial statements of beneficial ownership (Form 3) and statements of changes in beneficial ownership (Forms 4 and 5) of common stock of the Company. These specified time frames require the reporting of changes in ownership within two business days of the transaction giving rise to the reporting obligation. Reporting persons are required to furnish us with copies of all

Section 16(a) forms filed with the SEC. Based solely on a review of the copies of such forms furnished to the Company during and with respect to the fiscal year ended December 31, 2015 or written representations that no additional forms were required, to the best of our knowledge, all required Section 16(a) filings were timely and correctly made by reporting persons during 2015.

Code of Ethics

Our board of directors has adopted a Code of Business Conduct Policy that is applicable to all members of our board of directors, our executive officers and employees of our Advisor and its affiliates. We have posted the policy on the website maintained for us at *www.behringerinvestments.com*. If, in the future, we amend, modify or waive a provision in the Code of Business Conduct Policy, we may, rather than filing a Current Report on Form 8-K, satisfy the disclosure requirement by promptly posting such information on the website maintained for us as necessary.

Audit Committee Financial Expert

The Audit Committee consists of independent directors Jeffrey P. Mayer, the chairman, Andreas K. Bremer, Diane S. Detering-Paddison, and Cynthia Pharr Lee. Our board of directors has determined that Mr. Mayer is an "audit committee financial expert," as defined by the rules of the SEC. The biography of Mr. Mayer, including his relevant qualifications, is previously described in this Item 10.

Item 11. Executive Compensation.

Executive Compensation

We do not directly compensate our named executive officers, nor do we reimburse our Advisor for compensation paid to our named executive officers, for services rendered to us. Pursuant to the Fourth Amended and Restated Advisory Management Agreement, we pay certain management fees to our Advisor and its affiliates to compensate the Advisor for the services it provides in our day-to-day management. In addition, we reimburse certain expenses of the Advisor and its affiliates, including reimbursement for the costs of salaries and benefits of certain of their employees.

Reimbursement for the costs of salaries and benefits of our Advisor's employees relate to compensation paid to our Advisor's employees that provide services to us such as accounting, administrative or legal, for which our Advisor or its affiliates are not entitled to compensation in the form of a separate fee. A description of the fees that we pay to our Advisor and other affiliates is found in Item 13 below. Therefore, we do not have, nor has our board of directors or compensation committee considered, a compensation policy or program for our executive officers, and thus we have not included a Compensation Discussion and Analysis in this Annual Report on Form 10-K.

Directors' Compensation

We pay each of our directors who are not an employee of the Company, the Advisor or their affiliates an annual retainer of $25,000. In addition, we pay the chairperson of the Audit Committee an annual retainer of $10,000 and the chairpersons of our Nominating and Compensation Committees annual retainers of $5,000 each. These retainers are payable quarterly in arrears. In addition, we pay each non-employee director (a) $1,000 for each board of directors or committee meeting attended in person, (b) $500 for each board of directors or committee meeting attended by telephone, and (c) $500 for each written consent considered by the director.

All directors receive reimbursement of reasonable out-of-pocket expenses incurred in connection with attendance at meetings of our board of directors. If a director is also an employee of us, or an employee of the Advisor or its affiliates, we do not pay compensation for services rendered as a director.

Director Compensation Table

The following table sets forth certain information with respect to our director compensation during the fiscal year ended December 31, 2015:

Name	Fees Earned[(1)]
Robert S. Aisner	—
Michael D. Cohen	—
Andreas K. Bremer	$ 49,000
Diane S. Detering-Paddison	$ 40,500
Jeffrey P. Mayer	$ 49,000
Cynthia Pharr Lee	$ 43,500
Michael J. O'Hanlon[(2)]	—

(1) Includes fees earned for services rendered in 2015, regardless of when paid.
(2) Mr. O'Hanlon resigned from the board of directors on January 5, 2015.

Incentive Award Plan

Our 2007 Amended and Restated Incentive Award Plan (the "Incentive Award Plan") was approved by the board of directors and stockholders on December 19, 2007. The Incentive Award Plan is administered by our Compensation Committee and provides for equity awards to our employees, directors and consultants and those of our Advisor and its affiliates. The Incentive Award Plan authorizes the grant of non-qualified and incentive stock options, restricted stock awards, restricted stock units, stock appreciation rights, dividend equivalents and other stock-based awards. A total of 10,000,000 shares have been authorized and reserved for issuance under our Incentive Award Plan. No awards have been issued under the Incentive Award Plan, and we currently have no plans to issue any awards under the Incentive Award Plan.

Compensation Committee Interlocks and Insider Participation

No member of our compensation committee served as an officer or employee of the Company or any of our subsidiaries during the fiscal year ended December 31, 2015 or formerly served as an officer of the Company or any of our subsidiaries. In addition, during the fiscal year ended December 31, 2015, none of our executive officers served as a director or member of a compensation committee (or other board committee performing equivalent functions or, in the absence of any such committee, the entire board of directors) of any entity that has one or more executive officers or directors serving as a member of our board of directors or compensation committee.

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

Equity Compensation Plan Information

The following table provides information regarding our equity compensation plans as of December 31, 2015:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans
Equity compensation plans approved by security holders	—	—	10,000,000*
Equity compensation plans not approved by security holders	—	—	—
Total	—	—	10,000,000*

* All shares authorized for issuance pursuant to awards not yet granted under the Incentive Award Plan.

Security Ownership of Certain Beneficial Owners

The following table sets forth information as of February 29, 2016 regarding the beneficial ownership of our common stock by each person known by us to own 5% or more of the outstanding shares of common stock, each of our directors, each of our executive officers, and our directors and executive officers as a group:

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership[1]	Percentage of Class
Robert S. Aisner[2]	—	—
Andreas K. Bremer[2]	—	—
Michael D. Cohen[2][3]	2,762	*
Diane S. Detering-Paddison[2]	—	—
Jeffrey P. Mayer[2]	—	—
Cynthia Pharr Lee[2]	—	—
S. Jason Hall[2]	—	—
All directors and executive officers as a group (seven persons)	2,762	*

* Represents less than 1%

(1) Beneficial ownership is determined in accordance with the rules of the SEC and generally includes voting or investment power with respect to securities and shares issuable pursuant to options, warrants and similar rights held by the respective person or group that may be exercised within 60 days following February 29, 2016. Except as otherwise indicated by footnote, and subject to community property laws where applicable, the persons named in the table above have sole voting and investment power with respect to all shares of common stock shown as beneficially owned by them.

(2) The address of Messrs. Aisner, Bremer, Cohen, Mayer and Hall, and Mmes. Detering-Paddison and Pharr Lee is c/o Behringer Harvard Opportunity REIT II, Inc., 15601 Dallas Parkway, Suite 600, Addison, Texas 75001.

(3) Includes 2,762 shares owned by a trust for the benefit of Mr. Cohen's spouse. Mr. Cohen disclaims beneficial ownership of such shares.

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

Policies and Procedures for Transactions with Related Persons

We do not currently have written formal policies and procedures for the review, approval or ratification of transactions with related persons, as defined by Item 404 of Regulation S-K of the Exchange Act. Under that definition, transactions with related persons are transactions in which we were or are a participant and the amount involved exceeds $120,000 and in which any related person had or will have a direct or indirect material interest. Related parties include any executive officers, directors, director nominees, beneficial owners of more than 5% of our voting securities, immediate family members of any of the foregoing persons, and any firm, corporation or other entity in which any of the foregoing persons is employed and in which such person has 10% or greater beneficial ownership interest.

However, in order to reduce or eliminate certain potential conflicts of interest, our charter contains a number of restrictions relating to (1) transactions we enter into with our Advisor and its affiliates, (2) certain future offerings, and (3) allocation of investment opportunities among affiliated entities. As a general rule, any related party transactions must be approved by a majority of the directors (including a majority of independent directors) not otherwise interested in the transaction. In determining whether to approve or authorize a particular related party transaction, these persons will consider whether the transaction between us and the related party is fair and reasonable to us.

Related Party Transactions

Advisor

The Advisor and certain of its affiliates may receive fees and compensation in connection with the acquisition, management, and sale of our assets based on the advisory management agreement, as amended and restated.

Fourth Amended and Restated Advisory Management Agreement

On June 6, 2014, we entered into the Fourth Amended and Restated Advisory Management Agreement (the "Fourth Advisory Agreement") with our Advisor to, among other things, revise the acquisition and advisory fees, asset management fee, and the debt financing fee that may be paid to the Advisor and to fix certain expense reimbursement provisions. The Fourth Advisory Agreement was effective as of January 1, 2014. Effective as of June 6, 2015, we entered into the First Amendment to Fourth Amended and Restated Advisory Management Agreement to (i) reduce the administrative services fee to be paid to the

Advisor for calendar year 2015 from $1.8 million to $1.5 million and (ii) reimburse the Advisor for certain due diligence services provided in connection with asset dispositions or debt financings separately from the administrative services fee. In addition, we renewed the term of the Fourth Advisory Agreement for one year. As amended, the Fourth Advisory Agreement will expire on June 6, 2016. In all other material respects, the terms of the Fourth Advisory Agreement remain unchanged. The following discussion reflects the terms of the Fourth Advisory Agreement, as amended, and the fees and expenses paid or reimbursed to the Advisor thereunder since January 1, 2014.

The Advisor or its affiliates receive acquisition and advisory fees of 1.5% of the amount paid in respect of the purchase, development, construction, or improvement of each asset we acquire, including any debt attributable to those assets. In addition, the Advisor and its affiliates will also receive acquisition and advisory fees of 1.5% of the funds advanced in respect of a loan investment. We incurred acquisition and advisory fees payable to the Advisor of less than $0.1 million and $1 million for the years ended December 31, 2015 and 2014, respectively, as a result of improvements made to our assets and one acquisition in 2014. We had no acquisitions during the year ended December 31, 2015.

The Advisor or its affiliates also receive an acquisition expense reimbursement in the amount of (i) 0.25% of the funds paid for purchasing an asset, including any debt attributable to the asset, plus 0.25% of the funds budgeted for development, construction, or improvement in the case of assets that we acquire and intend to develop, construct, or improve or (ii) 0.25% of the funds advanced in respect of a loan investment. We also pay third parties, or reimburse the Advisor or its affiliates, for any investment-related expenses due to third parties in the case of a completed investment, including, but not limited to, legal fees and expenses, travel and communication expenses, costs of appraisals, accounting fees and expenses, third-party brokerage or finder's fees, title insurance, premium expenses, and other closing costs.

In addition, acquisition expenses for which we will reimburse the Advisor include any payments approved in advance by our board of directors made to (i) a prospective seller of an asset, (ii) an agent of a prospective seller of an asset, or (iii) a party that has the right to control the sale of an asset intended for investment by us that are not refundable and that are not ultimately applied against the purchase price for such asset. Previously, to the extent the Advisor or its affiliates directly provided services, formerly provided or usually provided by third parties, including, without limitation, accounting services related to the preparation of audits required by the Securities and Exchange Commission, property condition reports, title services, title insurance, insurance brokerage or environmental services related to the preparation of environmental assessments in connection with a completed investment, the direct employee costs and burden to the Advisor of providing these services was included as acquisition expenses for which we reimbursed the Advisor. Pursuant to the Fourth Advisory Agreement, effective January 1, 2014, such services will no longer be included as acquisition expenses for which the Company will reimburse the Advisor.

In addition, the Advisor is responsible for paying all of the expenses it incurs associated with persons employed by the Advisor to the extent that they are dedicated to making investments for us, such as wages and benefits of the investment personnel. The Advisor and its affiliates are also responsible for paying all of the investment-related expenses that we or the Advisor or its affiliates incur that are due to third parties or related to the additional services provided by the Advisor as described above with respect to investments we do not make, other than certain non-refundable payments made in connection with any acquisition. We incurred less than $0.1 million and $0.2 million in acquisition expense reimbursements during the years ended December 31, 2015 and 2014, respectively.

Beginning January 1, 2014, we pay the Advisor or its affiliates a debt financing fee of 0.5% of the amount available under any loan or line of credit made available to us and will pay directly all third party costs associated with obtaining the debt financing. We incurred debt financing fees of $0.2 million for the year ended December 31, 2014. We incurred no debt financing fees for the year ended December 31, 2015.

We pay the Advisor or its affiliates a development fee in an amount that is usual and customary for comparable services rendered to similar projects in the geographic market of the project if such affiliate provides the development services and if a majority of our independent directors determines that such development fee is fair and reasonable to us. We incurred no such fees for the years ended December 31, 2015 and 2014.

Pursuant to the Fourth Advisory Agreement, we pay the Advisor or its affiliates a monthly asset management fee which, effective January 1, 2014, was reduced to one-twelfth of 0.7% of the value of each asset. The value of our assets will be the value as determined in connection with the establishment and publication of an estimated value per share unless the asset was acquired after our publication of an estimated value per share (in which case the value of the asset will be the contract purchase price of the asset). In addition, pursuant to the Fourth Advisory Agreement, the Advisor agreed to waive asset management fees previously accrued during the period from August 2013 to December 2013 of $0.3 million. Therefore, we reversed this accrual in the second quarter of 2014. For the years ended December 31, 2015 and 2014, we expensed $2.5 million and $2.2 million, respectively, of asset management fees payable to the Advisor. The totals for the years ended December 31, 2015 and 2014 include asset management fees related to our disposed properties.

Under the Fourth Advisory Agreement, beginning January 1, 2014, instead of reimbursing the Advisor for specific expenses paid or incurred in connection with providing services to us, we pay the Advisor an administrative services fee based on a budget of expenses prepared by the Advisor. The administrative services fee is intended to reimburse for all costs associated with providing services to us under the Fourth Advisory Agreement. On June 6, 2015, we amended the Fourth Advisory Agreement to reduce the administrative services fee from $1.8 million for calendar year 2014 to $1.5 million for calendar year 2015. The administrative services fee is payable in four equal quarterly installments within 45 days of the end of each calendar quarter. For the years ended December 31, 2015 and 2014, we incurred and expensed such costs for administrative services of approximately $1.5 million and $1.8 million, respectively. In addition, effective January 1, 2015, the amended Fourth Advisory Agreement includes a provision to reimburse the Advisor for certain due diligence services provided in connection with asset dispositions or debt financings separately from the administrative services fee. We incurred $0.1 million for such costs during the year ended December 31, 2015.

Notwithstanding the fees and cost reimbursements payable to our Advisor pursuant to the Fourth Advisory Agreement, under our charter we may not reimburse the Advisor for any amount by which our operating expenses (including the asset management fee) at the end of the four preceding fiscal quarters exceeds the greater of: (i) 2% of our average invested assets, or (ii) 25% of our net income determined without reduction for any additions to reserves for depreciation, bad debts or other similar non-cash reserves and excluding any gain from the sale of our assets for that period unless a majority of our independent directors determines that such excess expenses are justified based on unusual and non-recurring factors. For the four fiscal quarters ended December 31, 2015 and 2014, our total operating expenses (including the asset management fee) were not excessive.

Property Manager

We pay our property manager and affiliate of the Advisor, Behringer Harvard Opportunity II Management Services, LLC ("BHO II Management"), or its affiliates, fees for the management, leasing, and construction supervision of our properties. Effective January 1, 2014, we entered into the First Amendment to the Amended and Restated Property Management and Leasing Agreement, which reduced the property management fee paid to 4.0% of gross revenues of the properties managed by BHO II Management or its affiliates. We pay BHO II Management or its affiliates an oversight fee equal to 0.5% of the gross revenues of the property managed for any property for which we contract directly with a third-party property manager. In no event will BHO II Management or its affiliates receive both a property management fee and an oversight fee with respect to any particular property. In the event we own a property through a joint venture that does not pay BHO II Management directly for its services, we will pay BHO II Management a management fee or oversight fee, as applicable, based only on our economic interest in the property. We incurred and expensed property management fees or oversight fees to BHO II Management of approximately $0.6 million for each of the years ended December 31, 2015 and 2014.

We pay the Advisor or its affiliates a construction management fee in an amount not to exceed 5% of all hard construction costs incurred in connection with, but not limited to capital repairs and improvements, major building reconstruction and tenant improvements, if such affiliate supervises construction performed by or on behalf of us or our affiliates. We incurred no construction management fees for the year ended December 31, 2015. We incurred $0.1 million of construction management fees for the year ended December 31, 2014.

We are dependent on the Advisor and BHO II Management for certain services that are essential to us, including asset acquisition and disposition decisions, property management and leasing services, and other general administrative responsibilities. In the event that these companies were unable to provide us with their respective services, we would be required to obtain such services from other sources.

Independence

Although our shares are not listed for trading on any national securities exchange and therefore our board of directors is not subject to the independence requirements of the NYSE or any other national securities exchange, our board has evaluated whether our directors are "independent" as defined by the NYSE. The NYSE standards provide that to qualify as an independent director, in addition to satisfying certain bright-line criteria, the board of directors must affirmatively determine that a director has no material relationship with us (either directly or as a partner, stockholder or officer of an organization that has a relationship with us).

Consistent with these considerations, after review of all relevant transactions or relationships between each director, or any of his or her family members, and the Company, our senior management and our independent registered public accounting firm, the board has determined that the majority of the members of our board, and each member of our audit committee, compensation committee and nominating committee, is "independent" as defined by the NYSE.

Item 14. Principal Accounting Fees and Services.

Independent Registered Public Accounting Firm

Deloitte & Touche LLP has served as our independent registered public accounting firm since January 2007. Our management believes that it is knowledgeable about our operations and accounting practices and well qualified to act as our independent registered public accounting firm.

Audit and Non-Audit Fees

The following table presents fees for professional services rendered by our independent registered public accounting firm, Deloitte & Touche LLP, the member firms of Deloitte Touche Tohmatsu, and their respective affiliates (collectively, "Deloitte & Touche") for the years ended December 31, 2015 and 2014 (in thousands):

	2015	2014
Audit Fees[(1)]	$ 557	$ 550
Audit-Related Fees[(2)]	7	—
Tax Fees[(3)]	6	80
All Other Fees	—	—
Total Fees	$ 570	$ 630

(1) Audit fees consist principally of fees for the audit of our annual consolidated financial statements and review of our consolidated financial statements included in our quarterly reports on Form 10-Q.
(2) Audit-related fees consist of professional services performed in connection with our filing on Form 8-K in connection with certain property dispositions.
(3) Tax fees consist principally of assistance with matters related to tax compliance, tax planning and tax advice.

Our audit committee considers the provision of these services to be compatible with maintaining the independence of Deloitte & Touche LLP.

Audit Committee's Pre-Approval Policies and Procedures

Our audit committee must approve any fee for services to be performed by the Company's independent registered public accounting firm in advance of the service being performed. For proposed projects using the services of the Company's independent registered public accounting firm that are expected to cost under $100,000, our audit committee will be provided information to review and must approve each project prior to commencement of any work. For proposed projects using the services of the Company's independent registered public accounting firm that are expected to cost $100,000 and over, our audit committee will be provided with a detailed explanation of what is being included, and asked to approve a maximum amount for specifically identified services in each of the following categories: (1) audit fees; (2) audit-related fees; (3) tax fees; and (4) all other fees for any services allowed to be performed by the independent registered public accounting firm. If additional amounts are needed, our audit committee must approve the increased amounts prior to the previously approved maximum being reached and before the work may continue. Approval by our audit committee may be made at its regularly scheduled meetings or otherwise, including by telephonic or other electronic communications. The Company will report the status of the various types of approved services and fees, and cumulative amounts paid and owed, to our audit committee on a regular basis. Our audit committee has considered the independent registered public accounting firm's non-audit services provided to the Company and has determined that such services are compatible with maintaining its independence.

Our audit committee approved all of the services provided by, and fees paid to, Deloitte & Touche LLP during the years ended December 31, 2015 and 2014.

PART IV

Item 15. Exhibits, Financial Statement Schedules.

(a) List of Documents Filed.

1. Financial Statements

The list of the financial statements filed as part of this Annual Report on Form 10-K is set forth on page F-1 herein.

2. Financial Statement Schedules

Schedule II—Valuation and Qualifying Accounts and Reserves

Schedule III—Real Estate and Accumulated Depreciation

3. Exhibits

The list of exhibits filed as part of this Annual Report on Form 10-K is submitted in the Exhibit Index following the financial statements in response to Item 601 of Regulation S-K.

(b) Exhibits.

The exhibits filed in response to Item 601 of Regulation S-K are listed in the Exhibit Index attached hereto.

(c) Financial Statement Schedules.

All financial statement schedules, except for Schedules II, and III (see (a) 2. above), have been omitted because the required information of such schedules is not present, is not present in amounts sufficient to require a schedule, or is included in the financial statements.

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.

	Behringer Harvard Opportunity REIT II, Inc.
Dated: March 16, 2016	By: /s/ THOMAS P. KENNEDY
	Thomas P. Kennedy *President* *Principal Executive Officer*

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 dates indicated.

March 16, 2016	/s/ THOMAS P. KENNEDY
	Thomas P. Kennedy *President* *Principal Executive Officer*
March 16, 2016	/s/ ROBERT S. AISNER
	Robert S. Aisner *Chairman of the Board of Directors*
March 16, 2016	/s/ S. JASON HALL
	S. Jason Hall *Chief Financial Officer* *Principal Financial Officer*
March 16, 2016	/s/ MICHAEL D. COHEN
	Michael D. Cohen *Director*
March 16, 2016	/s/ ANDREAS K. BREMER
	Andreas K. Bremer *Director*
March 16, 2016	/s/ JEFFREY P. MAYER
	Jeffrey P. Mayer *Director*
March 16, 2016	/s/ CYNTHIA PHARR LEE
	Cynthia Pharr Lee *Director*
March 16, 2016	/s/ DIANE S. DETERING-PADDISON
	Diane S. Detering-Paddison *Director*

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Behringer Harvard Opportunity REIT II, Inc.
Addison, Texas

We have audited the accompanying consolidated balance sheets of Behringer Harvard Opportunity REIT II, Inc. and subsidiaries (the "Company") as of December 31, 2015 and 2014, and the related consolidated statements of operations and comprehensive income (loss), equity and cash flows for each of the three years in the period ended December 31, 2015. Our audits also included the financial statement schedules listed in the Index at Item 15. These financial statements and financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements and financial statement schedules 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. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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, such consolidated financial statements present fairly, in all material respects, the financial position of Behringer Harvard Opportunity REIT II, Inc. and subsidiaries as of December 31, 2015 and 2014, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2015, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly in all material respects the information set forth therein.

As discussed in Note 2 to the consolidated financial statements, during 2014 the Company early adopted Financial Accounting Standards Board ("FASB") Accounting Standards Update No. 2014-08 ("ASU 2014-08"), Presentation of Financial Statements and Property, Plant, and Equipment (Topics 205 and 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity.

/s/ Deloitte & Touche LLP

Dallas, Texas
March 16, 2016

Behringer Harvard Opportunity REIT II, Inc.
Consolidated Balance Sheets
As of December 31, 2015 and 2014
(in thousands, except shares)

	2015	2014
Assets		
Real estate		
Land and improvements, net	$ 51,382	$ 60,374
Buildings and improvements, net	185,213	228,650
Real estate under development	176	274
Total real estate	236,771	289,298
Assets associated with real estate held for sale	—	12,951
Cash and cash equivalents	76,815	72,949
Restricted cash	4,581	4,199
Accounts receivable, net	2,426	2,208
Prepaid expenses and other assets	1,078	1,402
Investment in unconsolidated joint venture	14,482	13,973
Furniture, fixtures and equipment, net	5,702	8,244
Deferred financing fees, net	1,656	2,617
Lease intangibles, net	334	1,850
Total assets	$ 343,845	$ 409,691
Liabilities and Equity		
Notes payable	$ 178,692	$ 216,294
Accounts payable	479	702
Payables to related parties	433	466
Acquired below-market leases, net	80	210
Distributions payable to noncontrolling interest	52	19
Distributions payable	38,378	—
Income taxes payable	986	—
Accrued and other liabilities	8,166	6,232
Obligations associated with real estate held for sale	—	9,212
Total liabilities	227,266	233,135
Commitments and contingencies	—	—
Equity		
Preferred stock, $.0001 par value per share; 50,000,000 shares authorized, none outstanding	—	—
Convertible stock, $.0001 par value per share; 1,000 shares authorized, 1,000 outstanding	—	—
Common stock, $.0001 par value per share; 350,000,000 shares authorized, 25,585,198 and 25,801,669 shares issued and outstanding at December 31, 2015 and 2014, respectively	3	3
Additional paid-in capital	229,796	231,240
Accumulated distributions and net loss	(119,609)	(62,477)
Accumulated other comprehensive loss	(372)	(246)
Total Behringer Harvard Opportunity REIT II, Inc. equity	109,818	168,520
Noncontrolling interest	6,761	8,036
Total equity	116,579	176,556
Total liabilities and equity	$ 343,845	$ 409,691

See Notes to Consolidated Financial Statements.

Behringer Harvard Opportunity REIT II, Inc.
Consolidated Statements of Operations and Comprehensive Income (Loss)
For the Years Ended December 31, 2015, 2014 and 2013
(in thousands, except per share amounts)

	2015	2014	2013
Revenues			
Rental revenue	$ 32,556	$ 32,226	$ 28,517
Hotel revenue	17,694	16,371	14,872
Total revenues	50,250	48,597	43,389
Expenses:			
Property operating expenses	11,503	11,288	9,792
Hotel operating expenses	12,498	11,954	11,363
Interest expense, net	6,791	7,833	7,844
Real estate taxes	6,127	5,388	4,716
Impairment charge	1,417	—	—
Property management fees	1,650	1,642	1,521
Asset management fees	2,702	2,368	3,478
General and administrative	3,620	4,076	4,243
Acquisition expense	—	1,307	3,998
Depreciation and amortization	14,950	14,362	13,978
Total expenses	61,258	60,218	60,933
Interest income, net	149	224	128
Loss on early extinguishment of debt	(732)	(454)	—
Other income (loss)	(777)	(38)	46
Loss from continuing operations before gain on sale of real estate and income tax benefit (expense)	(12,368)	(11,889)	(17,370)
Gain on sale of real estate	22,771	11,454	—
Income tax benefit (expense)	(2,726)	101	(183)
Income (loss) from continuing operations	7,677	(334)	(17,553)
Income from discontinued operations, including gains on disposition	—	—	31,159
Net income (loss)	7,677	(334)	13,606
Noncontrolling interest in continuing operations	(699)	331	577
Noncontrolling interest in discontinued operations	—	—	(5,454)
Net (income) loss attributable to noncontrolling interest	(699)	331	(4,877)
Net income (loss) attributable to the Company	$ 6,978	$ (3)	$ 8,729
Amounts attributable to the Company			
Continuing operations	$ 6,978	$ (3)	$ (16,976)
Discontinued operations	—	—	25,705
Net income (loss) attributable to the Company	$ 6,978	$ (3)	$ 8,729
Weighted average shares outstanding:			
Basic and diluted	25,688	25,943	26,035
Net income (loss) per share			
Continuing operations	$ 0.27	$ —	$ (0.65)
Discontinued operations	—	—	0.99
Basic and diluted income per share	$ 0.27	$ —	$ 0.34
Distributions declared per common share	$ 2.50	$ 0.50	$ —
Comprehensive income (loss):			
Net income (loss)	$ 7,677	$ (334)	$ 13,606
Other comprehensive income (loss):			
Reclassification of unrealized loss on interest rate derivatives to net income	—	58	123
Reclassification of unrealized loss on currency translation to net income	250	—	—
Foreign currency translation gain (loss)	(376)	(791)	262
Total other comprehensive income (loss)	(126)	(733)	385
Comprehensive income (loss)	7,551	(1,067)	13,991
Comprehensive (income) loss attributable to noncontrolling interest	(699)	320	(4,890)
Comprehensive income (loss) attributable to common shareholders	$ 6,852	$ (747)	$ 9,101

See Notes to Consolidated Financial Statements.

Behringer Harvard Opportunity REIT II, Inc.
Consolidated Statements of Equity
For the Years Ended December 31, 2015, 2014 and 2013
(in thousands)

	Convertible Stock		Common Stock						
	Number of Shares	Par Value	Number of Shares	Par Value	Additional Paid-in Capital	Accumulated Distributions and Net (Loss)	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interest	Total Equity
Balance at January 1, 2013	1	$ —	26,060	$ 3	$ 233,283	$ (58,249)	$ 126	$ 11,370	$ 186,533
Net income						8,729		4,877	13,606
Redemption of common stock			(44)		(380)				(380)
Contributions from noncontrolling interest								4,655	4,655
Distributions to noncontrolling interest								(12,010)	(12,010)
Other comprehensive income:									
Reclassification of unrealized loss on interest rate derivatives to net income							110	13	123
Foreign currency translation gain							262		262
Balance at December 31, 2013	1	$ —	26,016	$ 3	$ 232,903	$ (49,520)	$ 498	$ 8,905	$ 192,789
Net loss						(3)		(331)	(334)
Redemption of common stock			(214)		(1,663)				(1,663)
Distributions declared on common stock ($0.50 per share)						(12,954)			(12,954)
Contributions from noncontrolling interest								273	273
Distributions to noncontrolling interest								(822)	(822)
Other comprehensive income (loss):									
Reclassification of unrealized loss on interest rate derivatives to net income							47	11	58
Foreign currency translation loss							(791)		(791)
Balance at December 31, 2014	1	$ —	25,802	$ 3	$ 231,240	$ (62,477)	$ (246)	$ 8,036	$ 176,556
Net income						6,978		699	7,677
Redemption of common stock			(217)		(1,444)				(1,444)
Distributions declared on common stock ($2.50 per share)						(64,110)			(64,110)
Contributions from noncontrolling interest								538	538
Distributions to noncontrolling interest								(2,512)	(2,512)
Other comprehensive income (loss):									
Reclassification of unrealized loss on currency translation to net income							250		250
Foreign currency translation loss							(376)		(376)
Balance at December 31, 2015	1	$ —	25,585	$ 3	$ 229,796	$ (119,609)	$ (372)	$ 6,761	$ 116,579

See Notes to Consolidated Financial Statements.

Behringer Harvard Opportunity REIT II, Inc.
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2015, 2014 and 2013
(in thousands)

	2015	2014	2013
Cash flows from operating activities:			
Net income (loss)	$ 7,677	$ (334)	$ 13,606
Adjustments to reconcile net income (loss) to net cash flows provided by (used in) operating activities:			
Depreciation and amortization	14,762	14,217	16,507
Amortization of deferred financing fees	689	779	949
Gain on sale of real estate	(22,771)	(11,454)	(31,558)
Loss on early extinguishment of debt	732	454	265
Loss on derivatives	26	215	94
Impairment charge	1,417	—	—
Change in operating assets and liabilities:			
Accounts receivable	384	(235)	(373)
Prepaid expenses and other assets	297	(358)	458
Accounts payable	(223)	210	(1,246)
Income taxes payable	1,121	—	—
Accrued and other liabilities	1,099	(1,305)	549
Net payables to related parties	(33)	(375)	277
Addition of lease intangibles	(80)	(313)	(631)
Cash provided by (used in) operating activities	5,097	1,501	(1,103)
Cash flows from investing activities:			
Acquisition deposits reimbursed	—	500	247
Acquisition deposits paid	—	—	(500)
Purchases of real estate	—	(60,433)	(74,685)
Investment in unconsolidated joint venture	(509)	(1,988)	(14,429)
Return of investment in unconsolidated joint ventures	—	—	2,444
Proceeds from sale of real estate	79,075	46,300	83,506
Additions of property and equipment	(4,258)	(8,566)	(8,043)
Change in restricted cash	(382)	1,144	133
Cash provided by (used in) investing activities	73,926	(23,043)	(11,327)
Cash flows from financing activities:			
Financing costs	(492)	(670)	(1,228)
Proceeds from notes payable	—	33,500	47,710
Payments on notes payable	(45,094)	(17,791)	(12,987)
Purchase of interest rate derivatives	(6)	(7)	(133)
Redemptions of common stock	(1,444)	(1,663)	(380)
Offering costs received from related party	—	—	3,832
Distributions paid to common shareholders	(25,732)	(12,954)	—
Contributions received from noncontrolling interest holders	538	273	4,655
Distributions paid to noncontrolling interest holders	(2,480)	(822)	(11,990)
Cash provided by (used in) financing activities	(74,710)	(134)	29,479
Effect of exchange rate changes on cash and cash equivalents	(447)	(252)	76
Net change in cash and cash equivalents	3,866	(21,928)	17,125
Cash and cash equivalents at beginning of year	72,949	94,877	77,752
Cash and cash equivalents at end of year	$ 76,815	$ 72,949	$ 94,877

See Notes to Consolidated Financial Statements.

Behringer Harvard Opportunity REIT II, Inc.
Notes to Consolidated Financial Statements

1. Business and Organization

Business

Behringer Harvard Opportunity REIT II, Inc. (which may be referred to as the "Company," "we," "us," or "our") was organized as a Maryland corporation on January 9, 2007 and has elected to be taxed, and currently qualifies, as a real estate investment trust ("REIT") for federal income tax purposes.

We were formed primarily to acquire and operate commercial real estate and real estate-related assets on an opportunistic and value-add basis. In particular, we have focused generally on acquiring commercial properties with significant possibilities for capital appreciation, such as those requiring development, redevelopment, or repositioning, those located in markets and submarkets with high growth potential, and those available from sellers who are distressed or face time-sensitive deadlines. We have acquired a wide variety of commercial properties, including office, industrial, retail, hospitality and multifamily. We have purchased existing, income-producing properties, and newly-constructed properties. We have also invested in a mortgage loan and a mezzanine loan. We are not actively seeking to purchase additional assets at this time, but may invest capital in our current assets in order to position them for sale in the normal course of business. We intend to hold the various real properties in which we have invested until such time as our board of directors determines that a sale or other disposition appears to be advantageous to achieve our investment objectives or until it appears that the objectives will not be met. Consistent with our investment objectives of commencing a liquidation within three to six years after the termination of our initial public offering, we have entered our disposition phase and our board of directors is in the process of considering the orderly disposition of our assets.

As of December 31, 2015, we had nine real estate investments, eight of which were consolidated in our consolidated financial statements (one wholly owned and seven properties consolidated through investments in joint ventures). We sold four properties in 2015; Babcock Self Storage ("Babcock") on January 8, Alte Jakobstraße ("AJS") on February 21, Holstenplatz on September 1, and Wimberly at Deerwood ("Wimberly") on September 9.

Substantially all of our business is conducted through Behringer Harvard Opportunity OP II LP, a limited partnership organized in Delaware (the "Operating Partnership"). As of December 31, 2015, our wholly-owned subsidiary, BHO II, Inc., a Delaware corporation, owned a 0.1% partnership interest in the Operating Partnership as its sole general partner. As of December 31, 2015, our wholly-owned subsidiary, BHO Business Trust II, a Maryland business trust, was the sole limited partner of the Operating Partnership and owned the remaining 99.9% interest in the Operating Partnership.

We are externally managed and advised by Behringer Harvard Opportunity Advisors II, LLC (the "Advisor"). The Advisor is responsible for managing our day-to-day affairs and for identifying and making investments on our behalf.

Organization

We commenced a public offering of our common stock on January 21, 2008, including shares offered pursuant to our distribution reinvestment plan (the "DRP"). We terminated the primary component of the public offering effective March 15, 2012 and the DRP component of the offering effective April 3, 2012. We raised gross offering proceeds of approximately $265.3 million from the sale of approximately 26.7 million shares under the offering.

In connection with our initial capitalization, we issued 22,471 shares of our common stock and 1,000 shares of our convertible stock to Behringer Harvard Holdings, LLC ("Behringer") on January 19, 2007. Behringer transferred its shares of convertible stock to one of its affiliates on April 2, 2010.

As of December 31, 2015, we had issued 26.7 million shares of our common stock, including 22,471 shares owned by Behringer and 2.2 million shares issued through the distribution reinvestment plan. As of December 31, 2015, we had redeemed 1.1 million shares of our common stock and had 25.6 million shares of common stock outstanding. As of December 31, 2015, we had 1,000 shares of convertible stock outstanding held by an affiliate of Behringer.

Our common stock is not currently listed on a national securities exchange. The timing of a liquidity event will depend upon then prevailing market conditions. We are in the process of disposing of assets and can provide no assurances as to the timing of our ultimate liquidation. As we make disposals, we will liquidate and distribute the net proceeds to our stockholders. Economic or market conditions may, however, result in different holding periods for different assets.

2. Summary of Significant Accounting Policies

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates include such items as purchase price allocation for real estate acquisitions, impairment of long-lived assets, depreciation and amortization, and allowance for doubtful accounts. Actual results could differ from those estimates.

Principles of Consolidation and Basis of Presentation

Our consolidated financial statements include our accounts and the accounts of other subsidiaries over which we have control. All inter-company transactions, balances, and profits have been eliminated in consolidation. Interests in entities acquired will be evaluated based on applicable GAAP, which includes the requirement to consolidate entities deemed to be variable interest entities ("VIE") in which we are the primary beneficiary. If the interest in the entity is determined not to be a VIE, then the entity will be evaluated for consolidation based on legal form, economic substance, and the extent to which we have control, or substantive participating rights or both under the respective ownership agreement. For entities in which we have less than a controlling interest or entities which we are not deemed to be the primary beneficiary, we account for the investment using the equity method of accounting.

There are judgments and estimates involved in determining if an entity in which we have made an investment is a VIE and, if so, whether we are the primary beneficiary. The entity is evaluated to determine if it is a VIE by, among other things, calculating the percentage of equity being risked compared to the total equity of the entity. Determining expected future losses involves assumptions of various possibilities of the results of future operations of the entity, assigning a probability to each possibility and using a discount rate to determine the net present value of those future losses. A change in the judgments, assumptions, and estimates outlined above could result in consolidating an entity that should not be consolidated or accounting for an investment using the equity method that should in fact be consolidated, the effects of which could be material to our financial statements.

In the Notes to Consolidated Financial Statements, all dollar and share amounts in tabulation are in thousands of dollars and shares, respectively, unless otherwise noted.

Real Estate

Upon the acquisition of real estate properties, we recognize the assets acquired, the liabilities assumed and any noncontrolling interest as of the acquisition date, measured at their fair values. The acquisition date is the date on which we obtain control of the real estate property. The assets acquired and liabilities assumed may consist of land, inclusive of associated rights, buildings, assumed debt, identified intangible assets and liabilities and asset retirement obligations. Identified intangible assets generally consist of above-market leases, in-place leases, in-place tenant improvements, in-place leasing commissions and tenant relationships. Identified intangible liabilities generally consist of below-market leases. Goodwill is recognized as of the acquisition date and measured as the aggregate fair value of the consideration transferred and any noncontrolling interests in the acquiree over the fair value of the identifiable net assets acquired. Likewise, a bargain purchase gain is recognized in current earnings when the aggregate fair value of the consideration transferred and any noncontrolling interests in the acquiree is less than the fair value of the identifiable net assets acquired. Acquisition-related costs are expensed in the period incurred. Initial valuations are subject to change until our information is finalized, which is no later than twelve months from the acquisition date.

The fair value of the tangible assets acquired, consisting of land and buildings, is determined by valuing the property as if it were vacant, and the "as-if-vacant" value is then allocated to land and buildings. Land values are derived from appraisals, and building values are calculated as replacement cost less depreciation or management's estimates of the fair value of these assets using discounted cash flow analyses or similar methods believed to be used by market participants. The value of hotels and all other buildings is depreciated over the estimated useful lives of 39 years and 25 years, respectively, using the straight-line method.

We determine the fair value of assumed debt by calculating the net present value of the scheduled mortgage payments using interest rates for debt with similar terms and remaining maturities that management believes we could obtain at the date of the debt assumption. Any difference between the fair value and stated value of the assumed debt is recorded as a discount or premium and amortized over the remaining life of the loan using the effective interest method.

We determine the value of above-market and below-market leases for acquired properties based on the present value (using an interest rate that reflects the risks associated with the leases acquired) of the difference between (1) the contractual amounts to be paid pursuant to the in-place leases and (2) management's estimate of current market lease rates for the corresponding in-place leases, measured over a period equal to (a) the remaining non-cancelable lease term for above-market leases, or (b) the remaining non-cancelable lease term plus any below-market fixed rate renewal options that, based on a qualitative assessment of several factors, including the financial condition of the lessee, the business conditions in the industry in which the lessee operates, the economic conditions in the area in which the property is located, and the ability of the lessee to sublease the property during the renewal term, are reasonably assured to be exercised by the lessee for below-market leases. We record the fair value of above-market and below-market leases as intangible assets or intangible liabilities, respectively, and amortize them as an adjustment to rental income over the determined lease term.

The total value of identified real estate intangible assets acquired is further allocated to in-place leases, in-place tenant improvements, in-place leasing commissions and tenant relationships based on our evaluation of the specific characteristics of each tenant's lease and our overall relationship with that respective tenant. The aggregate value for tenant improvements and leasing commissions is based on estimates of these costs incurred at inception of the acquired leases, amortized through the date of acquisition. The aggregate value of in-place leases acquired and tenant relationships is determined by applying a fair value model. The estimates of fair value of in-place leases include an estimate of carrying costs during the expected lease-up periods for the respective spaces considering existing market conditions. In estimating the carrying costs that would have otherwise been incurred had the leases not been in place, we include such items as real estate taxes, insurance and other operating expenses as well as lost rental revenue during the expected lease-up period based on existing market conditions. The estimates of the fair value of tenant relationships also include costs to execute similar leases including leasing commissions, legal fees and tenant improvements as well as an estimate of the likelihood of renewal as determined by management on a tenant-by-tenant basis.

We amortize the value of in-place leases, in-place tenant improvements and in-place leasing commissions to expense over the initial term of the respective leases. In no event does the amortization period for intangible assets or liabilities exceed the remaining depreciable life of the building. Should a tenant terminate its lease, the unamortized portion of the acquired lease intangibles related to that tenant would be charged to expense.

As of December 31, 2015 and 2014, accumulated depreciation and amortization related to our consolidated investments in real estate assets and intangibles were as follows:

December 31, 2015	Buildings and Improvements	Land and Improvements	Lease Intangibles	Acquired Below-Market Leases
Cost	$ 211,635	$ 54,068	$ 3,083	$ (184)
Less: depreciation and amortization	(26,422)	(2,686)	(2,749)	104
Net	$ 185,213	$ 51,382	$ 334	$ (80)

December 31, 2014	Buildings and Improvements	Land and Improvements	Lease Intangibles	Acquired Below-Market Leases
Cost[(1)]	$ 252,812	$ 62,447	$ 4,551	$ (469)
Less: depreciation and amortization[(1)]	(24,162)	(2,073)	(2,701)	259
Net	$ 228,650	$ 60,374	$ 1,850	$ (210)

(1) Excludes Babcock and AJS which were classified as held for sale as of December 31, 2014. These two properties sold on January 8, 2015 and February 21, 2015, respectively. Net book values included in assets associated with real estate held for sale in the consolidated balance sheet were buildings and improvements of $9.6 million, land and improvements of $3.2 million, lease intangibles of $0.2 million and acquired below-market leases of less than $0.1 million. See Note 7, Real Estate Held for Sale.

Anticipated net amortization expense associated with the acquired lease intangibles for each of the following five years ended December 31 is as follows:

Year	Lease / Other Intangibles
2016	$ 36
2017	20
2018	(14)
2019	(12)
2020	(10)

Real Estate Held for Sale and Discontinued Operations

We classify properties as held for sale when certain criteria are met in accordance with GAAP. At that time, we present the assets and obligations of the property held for sale separately in our consolidated balance sheet and we cease recording depreciation and amortization expense related to that property. Properties held for sale are reported at the lower of their carrying amount or their estimated fair value, less estimated costs to sell. During the fourth quarter of 2014, we entered into sales contracts for Babcock, a self-storage facility in Texas, and AJS, an office building located in Berlin, Germany, and classified Babcock and AJS as real estate held for sale in our consolidated balance sheet at December 31, 2014. We sold Babcock on January 8, 2015 and AJS on February 21, 2015. We did not have any properties classified as held for sale at December 31, 2015.

Effective as of April 1, 2014, we early adopted the revised guidance in Accounting Standards Update No. 2014-08 regarding discontinued operations. For sales of real estate or assets classified as held for sale after April 1, 2014, we will evaluate whether a disposal transaction meets the criteria of a strategic shift and will have a major effect on our operations and financial results to determine if the results of operations and gains on sale of real estate will be presented as part of our continuing operations or as discontinued operations in our consolidated statements of operations. If the disposal represents a strategic shift, it will be classified as discontinued operations for all periods presented; if not, it will be presented in continuing operations.

Cash and Cash Equivalents

We consider investments in highly liquid money market funds or investments with original maturities of three months or less to be cash equivalents. The carrying amount of cash and cash equivalents reported on the balance sheet approximates fair value.

Restricted Cash

As required by our lenders, restricted cash is held in escrow accounts for anticipated capital expenditures, real estate taxes and other reserves for our consolidated properties. Capital reserves are typically utilized for non-operating expenses such as tenant improvements, leasing commissions and major capital expenditures. Alternatively, a lender may require its own formula for an escrow of capital reserves.

Investment Impairment

For all of our real estate and real estate related investments, we monitor events and changes in circumstances indicating that the carrying amounts of the real estate assets may not be recoverable. Examples of the types of events and circumstances that would cause management to assess our assets for potential impairment include, but are not limited to: a significant decrease in the market price of an asset; a significant adverse change in the manner in which the asset is being used; an accumulation of costs in excess of the acquisition basis plus construction of the property; major vacancies and the resulting loss of revenues; natural disasters; a change in the projected holding period; legitimate purchase offers and changes in the global and local markets or economic conditions. Our assets may at times be concentrated in limited geographic locations and, to the extent that our portfolio is concentrated in limited geographic locations, downturns specifically related to such regions may result in tenants defaulting on their lease obligations at those properties within a short time period, which may result in asset impairments. When such events or changes in circumstances are present, we assess potential impairment by comparing estimated future undiscounted operating cash flows expected to be generated over the life of the asset and from its eventual disposition to the carrying amount of the asset. These projected cash flows are prepared internally by the Advisor and reflect in-place and projected leasing activity, market revenue and expense growth rates, market capitalization rates, discount rates, and changes in economic and other relevant conditions. The Company's principal executive officer and principal financial officer, as well as a panel of asset managers and financial analysts of the Advisor, review these projected cash flows to assure that the valuation is prepared using reasonable inputs and assumptions that are consistent with market data or with assumptions that would be used by a third-party market participant and assume the highest and best use of the investment. We consider trends, strategic decisions regarding future development plans, and other factors in our assessment of whether impairment conditions exist. In the event that the carrying amount exceeds the estimated future undiscounted operating cash flows, we recognize an impairment loss to adjust the carrying amount of the asset to estimated fair value. While we believe our estimates of future cash flows are reasonable, different assumptions regarding factors such as market rents, economic conditions, and occupancy rates could significantly affect these estimates.

In evaluating our investments for impairment, management may use appraisals and make estimates and assumptions, including, but not limited to, the projected date of disposition of the properties, the estimated future cash flows of the properties during our ownership, and the projected sales price of each of the properties. A future change in these estimates and assumptions could result in understating or overstating the carrying value of our investments, which could be material to our financial statements. In addition, we may incur impairment charges on assets classified as held for sale in the future if the carrying amount of the asset upon classification as held for sale exceeds the estimated fair value, less costs to sell.

We also evaluate our investments in unconsolidated joint ventures at each reporting date. If we believe there is an other than temporary decline in market value, we will record an impairment charge based on these evaluations. We assess potential impairment by comparing our portion of estimated future undiscounted operating cash flows expected to be generated by the joint venture over the life of the joint venture's assets to the carrying amount of the joint venture. In the event that the carrying amount exceeds our portion of estimated future undiscounted operating cash flows, we recognize an impairment loss to adjust the carrying amount of the joint venture to its estimated fair value.

During the year ended December 31, 2015, we recorded a non-cash impairment charge of $1.4 million to reduce the carrying value of 22 Exchange, one of our student housing investments, to its estimated fair value. In estimating the fair value of 22 Exchange, we used management's internal discounted cash flow analysis prepared with consideration of the current local market. There were no impairment charges recorded during the years ended December 31, 2014 and 2013.

We believe the carrying value of our operating real estate assets and our investment in an unconsolidated joint venture is currently recoverable. However, if market conditions worsen unexpectedly or if changes in our strategy significantly affect any key assumptions used in our fair value calculations, we may need to take charges in future periods for impairments related to our existing investments. Any such non-cash charges would have an adverse effect on our consolidated financial position and results of operations.

Investment in Unconsolidated Joint Venture

We provide funding to third-party developers for the acquisition, development and construction of real estate ("ADC Arrangement"). Under an ADC Arrangement, we may participate in the residual profits of the project through the sale or refinancing of the property. We evaluate this arrangement to determine if it has characteristics similar to a loan or if the characteristics are more similar to a joint venture or partnership such as participating in the risks and rewards of the project as an owner or an investment partner. When we determine that the characteristics are more similar to a jointly-owned investment or partnership, we account for the arrangement as an investment in an unconsolidated joint venture under the equity method of accounting or a direct investment (consolidated basis of accounting) instead of applying loan accounting. The ADC Arrangement is reassessed at each reporting period. See Note 8, Investment in Unconsolidated Joint Venture, for further discussion.

Revenue Recognition

We recognize rental income generated from leases of our operating properties on a straight-line basis over the terms of the respective leases, including the effect of rent holidays, if any. Straight-line rent was income of less than $0.1 million recognized in rental revenues for the year ended December 31, 2015. Straight-line rent was income of $0.2 million, and $0.4 million recognized in rental revenues for the years ended December 31, 2014 and 2013, respectively, and included amounts recognized in discontinued operations for the year ended December 31, 2013. Leases associated with our multifamily, student housing, hotel and self-storage assets are generally short-term in nature, and thus have no straight-line rent. Net below-market lease amortization of less than $0.1 million was recognized in rental revenues for the year ended December 31, 2015. Net above-market lease amortization of less than $0.1 million was recognized in rental revenues for the year ended December 31, 2014. Net above-market lease amortization of less than $0.1 million was recognized in rental revenues for the year ended December 31, 2013 and included amounts recognized in discontinued operations.

Hotel revenue is derived from the operations of the Courtyard Kauai Coconut Beach Hotel and consists primarily of guest room, food and beverage, and other ancillary revenues such as laundry and parking. Hotel revenue is recognized as the services are rendered.

Accounts Receivable

Accounts receivable primarily consist of receivables related to our consolidated properties of $2.4 million and $2.2 million as of December 31, 2015 and 2014, respectively, and included straight-line rental revenue receivables of $0.3 million and $0.6 million as of December 31, 2015 and 2014, respectively.

Prepaid Expenses and Other Assets

Prepaid expenses and other assets of $1.1 million and $1.4 million as of December 31, 2015 and 2014, respectively, included prepaid directors' and officers' insurance, as well as prepaid insurance of our consolidated properties.

Furniture, Fixtures, and Equipment

Furniture, fixtures, and equipment are recorded at cost and are depreciated according to the Company's capitalization policy, which uses the straight-line method over their estimated useful lives of five to seven years. Furniture, fixtures and equipment associated with properties classified as held for sale are not depreciated. Maintenance and repairs are charged to operations as incurred. Accumulated depreciation associated with our furniture, fixtures, and equipment was $8.1 million and $6.4 million as of December 31, 2015 and 2014, respectively.

Deferred Financing Fees

Deferred financing fees are recorded at cost and are amortized to interest expense of our notes payable using a straight-line method that approximates the effective interest method over the life of the related debt. Accumulated amortization of deferred financing fees was $2.5 million and $2.2 million as of December 31, 2015 and 2014, respectively.

Derivative Financial Instruments

Our objective in using derivatives is to add stability to interest expense and to manage our exposure to interest rate movements or other identified risks and to minimize the variability caused by foreign currency translation risk related to our net investment in foreign real estate. To accomplish these objectives, we use various types of derivative instruments to manage fluctuations in cash flows resulting from interest rate risk attributable to changes in the benchmark interest rate of LIBOR. These instruments include LIBOR-based interest rate swaps and caps. For our net investments in foreign real estate, we may use foreign exchange put/call options to eliminate the impact of foreign currency exchange movements on our financial position.

We measure our derivative instruments and hedging activities at fair value and record them as an asset or liability, depending on our rights or obligations under the applicable derivative contract. Changes in fair value of derivative instruments not designated as hedges are recognized in earnings in the affected period.

As of December 31, 2015, we do not have any derivatives designated as net investment hedges, fair value hedges or cash flow hedges. No derivatives were being used for trading or speculative purposes. See Note 4, Assets and Liabilities Measured at Fair Value, and Note 11, Derivative Instruments and Hedging Activities, for further information regarding our derivative financial instruments.

Income Taxes

We have elected to be taxed as a REIT under Sections 856 through 860 of the Internal Revenue Code of 1986, as amended (the "Code"), and have qualified as a REIT since the year ended December 31, 2008. To qualify as a REIT, we must meet a number of organizational and operational requirements, including a requirement that we distribute at least 90% of our REIT taxable income to our stockholders. As a REIT, we generally will not be subject to federal income tax at the corporate level. We are organized and operate in such a manner as to qualify for taxation as a REIT under the Code and intend to continue to operate in such a manner, but no assurance can be given that we will operate in a manner so as to qualify or remain qualified as a REIT. Taxable income from non-REIT activities managed through a taxable REIT subsidiary ("TRS") is subject to applicable federal, state, and local income and margin taxes. We have no taxable income associated with a TRS. Our operating partnerships are flow-through entities and are not subject to federal income taxes at the entity level.

As a result of the sale of two foreign investments during 2015, AJS and Holstenplatz, we recorded estimated foreign income tax of approximately $2.7 million. The foreign income tax was calculated on gains recognized at the exchange rate in effect on the date of sale and calculated using current tax rates.

We have reviewed our tax positions under GAAP guidance that clarify the relevant criteria and approach for the recognition and measurement of uncertain tax positions. The guidance prescribes a recognition threshold and measurement attribute for the financial statement recognition of a tax position taken, or expected to be taken, in a tax return. A tax position may only be recognized in the financial statements if it is more likely than not that the tax position will be sustained upon examination. We believe it is more likely than not that the tax positions taken relative to our federal tax status as a REIT will be sustained in any tax examination.

Foreign Currency Translation

For our international investments where the functional currency is other than the U.S. dollar, assets and liabilities are translated using period-end exchange rates, while the statement of operations amounts are translated using the average exchange rates for the respective period. Gains and losses resulting from the change in exchange rates from period to period are reported separately as a component of other comprehensive income (loss) (“OCI”). Gains and losses resulting from foreign currency transactions are included in the consolidated statements of operations and comprehensive income (loss).

The Euro is the functional currency for the operations of AJS and Holstenplatz. We sold AJS in February 2015 and Holstenlatz in September 2015. We also maintain a Euro-denominated bank account that is translated into U.S. dollars at the current exchange rate at each reporting period. For the three years ended December 31, 2015, 2014, and 2013, the cumulative foreign currency translation adjustment was a loss of $0.4 million, a loss of $0.8 million and a gain of $0.3 million, respectively.

When the Company has substantially liquidated its investment in a foreign entity, the cumulative translation adjustment (“CTA”) balance is required to be released into earnings. In accordance with ASU 2013-05, upon disposal of the property, we would recognize the CTA as an adjustment to the gain on sale. During the first quarter of 2015, we recognized a CTA of approximately $0.6 million as a reduction to the gain on sale of our AJS office building, which we sold on February 21, 2015. We sold our wholly owned investment in the Holstenplatz office building, located in Hamburg, Germany, on September 1, 2015. We recognized a CTA credit of approximately $0.4 million as an increase to the gain on sale of Holstenplatz. With the sale of Holstenplatz, we no longer have foreign operations.

Other Comprehensive Income (Loss)

Items of other comprehensive income (loss) consist of gains and losses affecting equity that are excluded from net income (loss) under GAAP. The components of OCI consist of cumulative foreign currency translation gains and losses and the unrealized gain on derivative instruments.

Stock-Based Compensation

We have adopted a stock-based incentive award plan for our directors and consultants and for employees, directors and consultants of our affiliates. We have not issued any stock-based awards under the plan as of December 31, 2015.

Concentration of Credit Risk

At December 31, 2015 and 2014, we had cash and cash equivalents deposited in certain financial institutions in excess of federally insured levels. We have diversified our cash and cash equivalents among several banking institutions in an attempt to minimize exposure to any one of these entities. We regularly monitor the financial stability of these financial institutions and believe that we are not exposed to any significant credit risk in cash and cash equivalents or restricted cash.

Geographic and Asset Type Concentration

Our investments in target assets may at times be concentrated in certain asset types that are subject to higher risk of foreclosure, or secured by assets concentrated in a limited number of geographic locations. For the year ended December 31, 2015, excluding Babcock and AJS (which were sold in the first quarter of 2015) and Holstenplatz and Wimberly (which were sold in the third quarter of 2015), 38% and 20% of our total revenues were derived from our properties located in Hawaii and Texas, respectively. Additionally, excluding our properties sold in 2015, 39%, 38%, and 19% of our total revenues for the year ended December 31, 2015 were from our multifamily, hotel, and student housing investments, respectively. To the extent that our portfolio is concentrated in limited geographic regions or types of assets, downturns relating generally to such region or type of asset may result in defaults on a number of our investments within a short time period, which may reduce our net income and the value of our common stock and accordingly limit our ability to fund our operations.

Noncontrolling Interest

Noncontrolling interest represents the noncontrolling ownership interest's proportionate share of the equity in our consolidated real estate investments. Income and losses are allocated to noncontrolling interest holders based generally on their ownership percentage. In certain instances, our joint venture agreement provides for liquidating distributions based on achieving certain return metrics ("promoted interest"). If a property reaches a defined return threshold, then it will result in distributions to noncontrolling interest which is different from the standard pro-rata allocation percentage.

Earnings per Share

Net income (loss) per share is calculated based on the weighted average number of common shares outstanding during each period. The weighted average shares outstanding used to calculate both basic and diluted loss per share were the same for each of the three years ended December 31, 2015, 2014 and 2013, as there were no potentially dilutive securities outstanding.

Reportable Segments

GAAP establishes standards for reporting financial and descriptive information about an enterprise's reportable segments. We have determined that we have one reportable segment, with activities related to the ownership, development and management of real estate assets. Our chief operating decision maker evaluates operating performance on an individual property level. Therefore, our properties are aggregated into one reportable segment.

Subsequent Events

We have evaluated subsequent events for recognition or disclosure in our consolidated financial statements.

3. New Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued an update ("ASU 2014-09") to ASC Topic 606, Revenue from Contracts with Customers. ASU 2014-09 outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most of the existing revenue recognition guidance. ASU 2014-09 requires an entity to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services and also requires certain additional disclosures. ASU 2014-09 is effective for public companies for interim and annual reporting periods beginning after December 15, 2017, as adjusted by a one-year deferral of the new revenue standard, confirmed by FASB in the July 2015 meeting. In addition, early adoption will be permitted as of the original effective date in ASU 2014-09, which for public companies was annual reporting periods beginning after December 15, 2016, including interim reporting periods within those annual periods. Either full retrospective adoption or modified retrospective adoption is permitted. We are currently evaluating the impact of the adoption of ASU 2014-09 on our consolidated financial statements.

In August 2014, the FASB issued an update ("ASU 2014-15"), Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern. ASU 2014-15 requires management's assessment of a company's ability to continue as a going concern and provide related footnote disclosures when conditions give rise to substantial doubt about a company's ability to continue as a going concern within one year from the financial statement issuance date. ASU 2014-15 applies to all companies and is effective for the annual period ending after December 15, 2016, and all annual and interim periods thereafter. We do not believe the adoption of this guidance will have a material impact on our disclosures.

In January 2015, the FASB issued ("ASU 2015-01"), Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items. ASU 2015-01 eliminates the concept of an extraordinary item from U.S. GAAP. An entity is no longer required to (i) segregate an extraordinary item from the results of ordinary operations; (ii) separately present an extraordinary item on its income statement, net of tax, after income from continuing operations; and (iii) disclose income taxes and earnings per share data applicable to an extraordinary item. ASU 2015-01 does not affect disclosure guidance for events or transactions that are unusual in nature or infrequent in occurrence. ASU 2015-01 is effective for interim and annual reporting periods in fiscal years that begin after December 15, 2015. The adoption of ASU 2015-01, effective January 1, 2016, will not have a material impact our consolidated financial position, results of operations, or cash flows.

In February 2015, the FASB issued an update ("ASU No. 2015-02") to ASC Topic 810, Amendments to the Consolidation Analysis. ASU 2015-02 makes several modifications to the consolidation guidance for VIEs and general partners' investments in limited partnerships, as well as modifications to the evaluation of whether limited partnerships are VIEs or voting interest entities. The amendments in ASU 2015-02 are effective for public companies in interim and annual reporting periods in fiscal years beginning after December 15, 2015. Adoption of ASU 2015-02, effective January 1, 2016, may result in additional disclosures, however, we do not believe this adoption will impact the status of our eight consolidated investments and one unconsolidated joint venture as of December 31, 2015.

In April 2015, the FASB issued an update ("ASU 2015-03") to ASC Topic 835, Interest - Imputation of Interest, Simplifying the Presentation of Debt Issuance Costs. The amendments in ASU 2015-03 require debt issuance costs related to a recognized debt liability to be presented in the balance sheet as a direct deduction from the carrying amount of the related debt liability, consistent with debt discounts, instead of being presented as a deferred charge. The recognition and measurement guidance for debt issuance costs are not affected by the amendments in this updated guidance. ASU 2015-03 is effective for public companies in interim and annual reporting periods beginning after December 15, 2015. The new guidance requires retrospective application. As of December 31, 2015, we have $1.7 million of net deferred financing costs that would be reclassified from assets to a reduction in the carrying amount of our debt. The adoption of this guidance, effective January 1, 2016, will change the classification of deferred financing fees on our balance sheet, but it will not otherwise have an impact on our financial statements.

4. Assets and Liabilities Measured at Fair Value

Fair value measurements are determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Levels 1 and 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy) has been established.

Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets and liabilities that we have the ability to access. Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs may include quoted prices for similar assets and liabilities in active markets, as well as inputs that are observable for the asset or liability (other than quoted prices), such as interest rates, foreign exchange rates, and yield curves that are observable at commonly quoted intervals. Level 3 inputs are unobservable inputs for the asset or liability that are typically based on an entity's own assumptions, as there is little, if any, related market activity. In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. Our assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

Recurring Fair Value Measurements

Currently, we use interest rate swaps and caps to manage our interest rate risk. The valuation of these instruments is determined using widely accepted valuation techniques, including discounted cash flow analysis on the expected cash flows of each derivative. This analysis reflects the contractual terms of the derivatives, including the period to maturity, and uses observable market-based inputs, including interest rate curves, implied volatilities, and foreign currency exchange rates.

We incorporate credit valuation adjustments to appropriately reflect both our own nonperformance risk and the respective counterparty's nonperformance risk in the fair value measurements. Although we have determined that the majority of the inputs used to value our derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with our derivatives utilize Level 3 inputs, such as estimates of current credit spreads, to evaluate the likelihood of default by itself and its counterparties. However, as of December 31, 2015, we have assessed the significance of the impact of the credit valuation adjustments on the overall valuation of our derivative positions and have determined that the credit valuation adjustments are not significant to the overall valuation of our derivatives. As a result, we have determined that our derivative valuations in their entirety are classified in Level 2 of the fair value hierarchy.

The following fair value hierarchy table presents information about our assets measured at fair value on a recurring basis as of December 31, 2015 and 2014:

December 31, 2015	Level 1	Level 2	Level 3	Total
Assets				
Derivative financial instruments	$ —	$ 2	$ —	$ 2

December 31, 2014	Level 1	Level 2	Level 3	Total
Assets				
Derivative financial instruments	$ —	$ 28	$ —	$ 28

Courtyard Kauai Coconut Beach Hotel was our only remaining asset with an interest rate cap as of December 31, 2015 and it had a nominal value.

Derivative financial instruments classified as assets are included in prepaid expenses and other assets on the balance sheet.

Nonrecurring Fair Value Measurements

During the year ended December 31, 2015, we recorded a $1.4 million non-cash impairment charge as a result of a measurable decrease in the fair value of 22 Exchange, one of our student housing investments. In estimating the fair value of 22 Exchange, we used management's internal discounted cash flow analysis prepared with consideration of the current local market. The discounted cash flow estimate is considered Level 3 under the fair value hierarchy described above.

The following fair value hierarchy table presents information about our assets measured at fair value on a nonrecurring basis during the year ended December 31, 2015:

As of December 31, 2015	Level 1	Level 2	Level 3	Total Fair Value	Loss
Assets					
Buildings and improvements, net(1)	$ —	$ —	$ 25,000	$ 25,000	$ (1,417)

(1) We recorded a non-cash impairment charge of $1.4 million during the year ended December 31, 2015 as a result of a measurable decrease in the fair value of 22 Exchange, one of our student housing investments.

Quantitative Information about Level 3 Fair Value Measurements

Description	Fair Value at December 31, 2015 (in 000s)	Valuation Techniques	Unobservable Input	Range (Weighted Average)
Buildings and improvements, net(1)	$ 25,000	Discounted cash flow	Discount rate Terminal capitalization rate	7.5% - 8.0% 6.5% - 7.5%

(1) Due to the current local market in Akron, Ohio, we recorded a non-cash impairment charge of $1.4 million on our investment in 22 Exchange, a student housing property, during the year ended December 31, 2015.

There were no impairment charges recorded during the years ended December 31, 2014 and 2013.

5. Financial Instruments not Reported at Fair Value

We determined the following disclosure of estimated fair values using available market information and appropriate valuation methodologies. However, considerable judgment is necessary to interpret market data and develop the related estimates of fair value. The use of different market assumptions or only estimation methodologies may have a material effect on the estimated fair value amounts.

As of December 31, 2015 and 2014, management estimated that the carrying value of cash and cash equivalents, restricted cash, accounts receivable, prepaid expenses and other assets, accounts payable, accrued expenses, other liabilities, payables/receivables from related parties, and distributions payable were at amounts that reasonably approximated their fair value based on their highly-liquid nature and short-term maturities. The notes payable of $178.7 million as of December 31, 2015 and $216.3 million, excluding $9.1 million of contractual obligations on real estate held for sale as of December 31, 2014, have a fair value of approximately $179.3 million and $217.1 million as of December 31, 2015 and 2014, respectively, based upon interest rates for debt with similar terms and remaining maturities that management believes we could obtain. The fair value of the notes payable is categorized as a Level 2 basis. The fair value is estimated using a discounted cash flow analysis valuation on the borrowing rates currently available for loans with similar terms and maturities. The fair value of the notes payable was determined by discounting the future contractual interest and principal payments by a market rate. Disclosure about fair value of financial instruments is based on pertinent information available to management as of December 31, 2015 and 2014.

6. Real Estate and Real Estate-Related Investments

As of December 31, 2015, we consolidated eight real estate assets. The following table presents certain information about our consolidated investments as of December 31, 2015:

Property Name	Description	Location	Date Acquired	Ownership Interest
Gardens Medical Pavilion(1)	Medical office building	Palm Beach Gardens, Florida	October 20, 2010(1)	80.8%
Courtyard Kauai Coconut Beach Hotel	Hotel	Kauai, Hawaii	October 20, 2010	80%
River Club and the Townhomes at River Club	Student housing	Athens, Georgia	April 25, 2011	85%
Lakes of Margate	Multifamily	Margate, Florida	October 19, 2011	92.5%
Arbors Harbor Town	Multifamily	Memphis, Tennessee	December 20, 2011	94%
22 Exchange	Student housing	Akron, Ohio	April 16, 2013	90%
Parkside Apartments ("Parkside")	Multifamily	Sugar Land, Texas	August 8, 2013	90%
Lakewood Flats	Multifamily	Dallas, Texas	October 10, 2014	100%

(1) We acquired a portfolio of eight medical office buildings, known as the Original Florida MOB Portfolio, on October 8, 2010. We acquired a medical office building known as Gardens Medical Pavilion on October 20, 2010. Collectively, the Original Florida MOB Portfolio and Gardens Medical Pavilion were referred to as the Florida MOB Portfolio. The Florida MOB Portfolio consisted of nine medical office buildings. On September 20, 2013, we sold the Original Florida MOB Portfolio. As of December 31, 2015, we own approximately 80.8% of the remaining building, Gardens Medical Pavilion.

During the year ended December 31, 2015, we recorded a non-cash impairment charge of $1.4 million as a result of a measurable decrease in the fair value of our 22 Exchange investment. See Note 4, Assets and Liabilities Measured at Fair Value - Nonrecurring Fair Value Measurements, for additional information.

Real Estate Asset Dispositions

1875 Lawrence

On May 30, 2014, we sold 1875 Lawrence for a contract sales price of approximately $46.7 million. We recorded a gain on sale of real estate property of $11.5 million and loss on early extinguishment of debt of $0.5 million, which was comprised of the write-off of deferred financing fees of $0.4 million and an early termination fee of $0.1 million. A portion of the proceeds from the sale were used to pay off in full the existing indebtedness of approximately $15.6 million associated with the office building. The disposal of the 1875 Lawrence property does not represent a strategic shift; therefore, it is presented in continuing operations in the consolidated statements of operations for the years ended December 31, 2014 and 2013.

Babcock Self Storage

On January 8, 2015, we sold Babcock for a contract sales price of approximately $5.4 million. We recorded a gain on sale of real estate of $2 million and loss on early extinguishment of debt of less than $0.1 million, which was composed of the write-off of deferred financing fees and an early termination fee. A portion of the proceeds from the sale were used to pay off in full the existing indebtedness of approximately $2.1 million associated with the storage facility. Babcock was classified as held for sale on our consolidated balance sheet at December 31, 2014.

Alte Jakobstraße

On February 21, 2015, we sold AJS, which is located in Berlin, Germany, for a contract sales price of approximately €12.4 million (approximately $14.1 million). We recorded a gain on sale of real estate of approximately $3.3 million, which is net of a CTA charge of approximately $0.6 million. We recognized a loss on early extinguishment of debt of less than $0.1 million, which was composed of the write-off of deferred financing fees and an early termination fee. A portion of the proceeds from the sale were used to fully satisfy the existing indebtedness associated with the property of approximately €5.7 million (approximately $6.5 million). The Company recorded a provision for income tax of approximately $1.7 million during 2015 as a result of foreign income tax related to the sale. AJS was classified as held for sale on our consolidated balance sheet at December 31, 2014.

Holstenplatz

On September 1, 2015, we sold Holstenplatz, which is located in Hamburg, Germany, for a contract sales price of approximately €16.4 million (approximately $18.4 million). We paid off the balance of the Holstenplatz debt of $8.1 million on its maturity date of April 30, 2015. We recorded a gain on sale of real estate of approximately $8.6 million, which includes a CTA credit of approximately $0.4 million. The Company recorded a provision for income tax of approximately $1 million as a result of foreign income tax related to the sale.

The foreign income tax for our AJS and Holstenplatz sales were calculated on gains recognized at the exchange rate in effect on the sale dates of February 21, 2015 and September 1, 2015, respectively, and were calculated using current tax rates. All U.S. dollar amounts related to the AJS and Holstenplatz sales were based on the exchange rate in effect on their respective sale dates.

Wimberly at Deerwood

On September 9, 2015, we sold Wimberly at Deerwood, a 322-unit multifamily community in Jacksonville, Florida, for a contract sales price of approximately $43.5 million. We recorded a gain on sale of real estate of $8.9 million and loss on early extinguishment of debt of $0.6 million, which was composed of the write-off of deferred financing fees of $0.3 million and an early termination fee of $0.3 million. A portion of the proceeds from the sale of the asset were used to pay off in full the existing indebtedness of approximately $26.4 million secured by the property.

Sale of Real Estate Reported in Continuing Operations

The following table presents our sale of real estate for the years ended December 31, 2015 and 2014 (in millions):

Date of Sale	Property	Ownership Interest	Sales Contract Price		Net Cash Proceeds(1)		Gain on Sale of Real Estate	
May 30, 2014	1875 Lawrence	100%	$	46.7	$	46.3	$	11.5
January 8, 2015	Babcock Self Storage	85%	$	5.4	$	5.2	$	2.0
February 21, 2015	Alte Jakobstraße	99.7%	$	14.1	$	13.0	$	3.3
September 1, 2015	Holstenplatz	100%	$	18.4	$	18.0	$	8.6
September 9, 2015	Wimberly	95%	$	43.5	$	42.9	$	8.9

(1) A portion of the net cash proceeds was used to pay off the property-associated debt of $15.6 million, $2.1 million, $6.5 million and $26.4 million for 1875 Lawrence, Babcock, AJS and Wimberly, respectively. The Holstenplatz debt was paid off on April 30, 2015.

The Company does not view any of the four 2015 disposals or the 2014 disposal as a strategic shift. Therefore, the results of operations for Babcock, AJS, Holstenplatz, and Wimberly are presented in continuing operations in the consolidated statements of operations for the years ended December 31, 2015, 2014, and 2013 and the results of operations for 1875 Lawrence are included in continuing operations for the years ended December 31, 2014 and 2013.

The following table presents net income attributable to the Company for the three years ended December 31, 2015, 2014 and 2013 related to Babcock, AJS, Holstenplatz, Wimberly, and 1875 Lawrence. Net income for the year ended December 31, 2015 includes the gains on sale of Babcock, AJS, Holstenplatz, and Wimberly for a total of $22.8 million. Net income for the year ended December 31, 2014 includes the gain on sale of 1875 Lawrence of $11.5 million (in millions):

	For the Year Ended December 31,					
Description	2015		2014		2013	
Net income (loss) attributable to the Company	$	17.4	$	9.3	$	(3.6)

Discontinued Operations

Effective as of April 1, 2014, we early adopted the revised guidance in Accounting Standards Update No. 2014-08 regarding discontinued operations. Accordingly, we have no discontinued operations for the years ended December 31, 2015 and 2014. See Note 16, Discontinued Operations, for additional disclosures regarding discontinued operations for the year ended December 31, 2013.

7. Real Estate Held for Sale

As of December 31, 2014, Babcock and AJS were classified as real estate held for sale on our consolidated balance sheet. We sold both of these properties in the first quarter of 2015. The Company does not view the sales of Babcock and AJS as a strategic shift. Therefore, the results of operations for the two properties are presented in continuing operations for the years ended December 31, 2015, 2014 and 2013. See Note 6, Real Estate and Real Estate-Related Investments, under the caption *Sales of Real Estate Reported in Continuing Operations.*

We did not have any real estate assets classified as held for sale as of December 31, 2015.

The major classes of assets and liabilities associated with our real estate held for sale as of December 31, 2014 were as follows:

Description	Amount	
Land and improvements, net	$	3,195
Building and improvements, net		9,581
Lease intangibles, net		175
Assets associated with real estate held for sale	$	12,951
Notes payable	$	9,122
Other		90
Obligations associated with real estate held for sale	$	9,212

8. Investment in Unconsolidated Joint Venture

On May 24, 2013, we (the "Lender") provided mezzanine financing totaling $13.7 million, (the "Initial Advance") to an unaffiliated third-party entity (the "Borrower") that owns an apartment complex under development in Denver, Colorado ("Prospect Park"). The Borrower also has a senior construction loan with a third-party construction lender (the "Senior Lender"), in an aggregate original principal amount of $35.6 million. The senior construction loan is guaranteed by the owners of the developer. We also have a personal guaranty from the owners of the developer guaranteeing completion of the project and payment of cost overruns. Our mezzanine loan is secured by all of the membership interests of the Borrower and is subordinate to the senior construction loan. Our Initial Advance has an annual stated interest rate of 10% for the first three years of the term, followed by two one-year extension options at which point the annual interest rate would increase to 14%. We evaluated this ADC Arrangement and determined that the characteristics are similar to a jointly-owned investment or partnership. Accordingly, the investment was accounted for as an unconsolidated joint venture under the equity method of accounting instead of loan accounting since we will participate in the residual interests through the sale or refinancing of the property.

As a result of projected cost overruns, an event of default was declared by the Senior Lender on April 28, 2014, and we declared an event of default under the mezzanine loan agreement on May 5, 2014. The events of default were cured by the Borrower and developer, agreeing to cover cost overruns totaling $6.6 million, increasing our financing by $1.5 million (the "Additional Advance") at an annual interest rate of 18%, and the Senior Lender increasing their loan to $40 million. The terms of our Initial Advance remained the same under the amended loan agreement.

Both the senior loan and our mezzanine loan were in technical default at December 31, 2015 due to a delay in completion of the project. The Senior Lender and the Company are working on modifications of their respective loans to waive any event of default and extend the completion date. As of December 31, 2015, the outstanding principal balance under our mezzanine loan was $15.3 million. Currently, the borrower is funding any cost overruns. We expect the project to be fully completed in the second quarter of 2016.

We considered the impact of these events on the accounting treatment and determined the ADC Arrangement will continue to be accounted for as an unconsolidated joint venture under the equity method of accounting. We will continue to monitor this situation and any impact these events might have on our ability to ultimately realize our investment. The ADC Arrangement is reassessed at each reporting period.

In connection with this investment, we capitalized acquisition-related costs and fees totaling $0.4 million during the year ended December 31, 2013. Interest capitalized for the years ended December 31, 2015, 2014, and 2013 was $0.5 million, $0.5 million and $0.3 million, respectively. For the years ended December 31, 2015, 2014 and 2013, we recorded no equity in earnings (losses) of unconsolidated joint venture related to our investment in Prospect Park.

The following table sets forth our ownership interest in Prospect Park:

	Ownership Interest at December 31,		Carrying Amount at December 31,	
Property Name	**2015**	**2014**	**2015**	**2014**
Prospect Park	N/A	N/A	$14,482	$13,973

9. Notes Payable

The following table sets forth information on our notes payable as of December 31, 2015 and 2014:

Description	2015		2014		Interest Rate		Maturity Date
Courtyard Kauai Coconut Beach Hotel[1]	38,000		38,000		30-day LIBOR + .95%	[2]	5/9/2017
Florida MOB Portfolio—Gardens Medical Pavilion	13,298		13,678		4.9%		1/1/2018
River Club and the Townhomes at River Club	24,299		24,664		5.26%		5/1/2018
Lakes of Margate	14,496		14,723		5.49% and 5.92%		1/1/2020
Arbors Harbor Town	25,130		25,591		3.985%		1/1/2019
22 Exchange	19,500		19,500		3.93%		5/5/2023
Parkside[3]	10,469		10,828		5%		6/1/2018
Lakewood Flats	33,500		33,500		30-day LIBOR + 1.5%	[2]	11/5/2019
Holstenplatz[4]	—		9,125		3.887%		4/30/2015
Wimberly[5]	—		26,685		30-day LIBOR + 2.28%	[2]	3/1/2023
	$ 178,692		$ 216,294				
Notes Payable included with Obligations related to real estate held for sale:							
Babcock Self Storage	n/a	[6]	2,137	[6]	5.80%		8/30/2018
Alte Jakobstraße	n/a	[6]	6,985	[6]	2.3%		12/30/2015
	n/a		$ 9,122				
Total notes payable obligations	$ 178,692		$ 225,416				

(1) As anticipated, we extended our debt secured by Courtyard Kauai Coconut Beach Hotel by 18 months from its initial maturity date of November 9, 2015 to May 9, 2017.
(2) 30-day London Interbank Offer Rate ("LIBOR") was 0.43% at December 31, 2015.
(3) Includes approximately $0.4 million of unamortized premium related to debt we assumed at acquisition.
(4) We paid off the balance of the Holstenplatz debt on April 30, 2015. We sold the investment in September 2015.
(5) We sold Wimberly in September 2015 and a portion of the sales proceeds was used to pay off the existing indebtedness in full.
(6) As of December 31, 2014, Babcock and AJS were classified as real estate held for sale on our consolidated balance sheet. The properties were sold in the first quarter of 2015 and a portion of the sales proceeds for each property were used to pay off the existing indebtedness in full.

At December 31, 2015, our notes payable balance was $178.7 million and consisted of the notes payable related to our consolidated properties. We have guaranteed payment of certain recourse liabilities with respect to certain customary nonrecourse carveouts as set forth in the guaranties in favor of the unaffiliated lenders with respect to the Courtyard Kauai Coconut Beach Hotel, 22 Exchange, and Parkside notes payable. Interest capitalized for the years ended December 31, 2015, 2014 and 2013 was $0.5 million, $0.5 million, and $0.3 million respectively, in connection with our equity method investment in Prospect Park.

As anticipated, we extended our debt secured by Courtyard Kauai Coconut Beach Hotel by 18 months from its initial maturity date of November 9, 2015 to May 9, 2017. The loan will continue to bear interest at a variable annual rate of 30-day LIBOR plus 0.95% and requires monthly payments of interest only during its term, with the unpaid principal and interest due at maturity.

On January 8, 2015, we sold our Babcock property to an unaffiliated third party. We used a portion of the proceeds from the sale to fully satisfy the existing indebtedness of approximately $2.1 million. On February 21, 2015, we sold AJS, located in Berlin, Germany, to an unaffiliated third party and used a portion of the proceeds from the sale to payoff in full the existing indebtedness of approximately €5.7 million, or approximately $6.5 million based on the exchange rate in effect on February 21, 2015. Babcock and AJS were classified as held for sale on our consolidated balance sheet as of December 31, 2014.

We paid off the Holstenplatz debt of approximately $8.1 million on its maturity date of April 30, 2015. The property was classified as real estate held for sale on our condensed consolidated balance sheet as of June 30, 2015 and we sold it on September 1, 2015. On September 9, 2015, we sold Wimberly to an unaffiliated third party and used a portion of the proceeds from the sale to fully satisfy the existing indebtedness of approximately $26.4 million.

We are subject to customary affirmative, negative, and financial covenants and representations, warranties, and borrowing conditions, all as set forth in our loan agreements, including, among other things, maintaining minimum debt service coverage ratios, loan to value ratios and liquidity. As of December 31, 2015, we believe we were in compliance with the covenants under our loan agreements.

The following table summarizes our contractual obligations for principal payments as of December 31, 2015:

Year	Amount Due[(1)]
2016	$ 1,912
2017	40,135
2018	46,845
2019	57,809
2020	13,772
Thereafter	17,813
Total contractual obligations for principal payments	$ 178,286
Unamortized premium	406
Total notes payable	$ 178,692

(1) Our debt secured by Courtyard Kauai Coconut Beach Hotel, with a principal balance of $38 million at December 31, 2015, was scheduled to mature on November 9, 2015. As anticipated, we extended the term of the loan by 18 months to May 9, 2017. The loan requires monthly payments of interest only during its remaining term, with the unpaid principal and interest due at maturity.

10. Leasing Activity

Future minimum base rental payments of our remaining office property due to us under non-cancelable leases in effect as of December 31, 2015 are as follows:

Year	Amount Due
2016	$ 1,246
2017	1,242
2018	936
2019	874
2020	880
Thereafter	2,781
Total	$ 7,959

The schedule above does not include rental payments due to us from our multifamily, hotel, and student housing properties, as leases associated with these properties typically are for periods of one year or less. We have one remaining office property at December 31, 2015, Gardens Medical Pavilion, located in Palm Beach Gardens, Florida.

11. Derivative Instruments and Hedging Activities

We may be exposed to the risk associated with variability of interest rates that might impact our cash flows and the results of operations. The hedging strategy of entering into interest rate caps and swaps, therefore, is to eliminate or reduce, to the extent possible, the volatility of cash flows. As of December 31, 2015, we had one remaining interest rate cap and it was not designated as a hedging instrument. We had an interest rate cap associated with the debt on our Wimberly property, however this debt was paid off when the property sold on September 9, 2015.

As anticipated, during 2015 we extended our debt secured by Courtyard Kauai Coconut Beach Hotel by 18 months from its initial maturity date of November 9, 2015 to May 9, 2017. The loan requires monthly payments of interest only during its remaining term, with the unpaid principal and interest due at maturity. The loan had a principal balance of $38 million at December 31, 2015. We also renewed and extended the term of the interest rate cap related to the debt secured by Courtyard Kauai Coconut Beach Hotel for an additional term of 18 months with a maturity date of May 15, 2017.

Derivative instruments classified as assets were reported at their combined fair values of less than $0.1 million in prepaid expenses and other assets at December 31, 2015 and 2014. During the year ended December 31, 2014, we recorded a reclassification of unrealized loss to interest expense of less than $0.1 million to adjust the carrying amount of the interest rate caps. During the year ended December 31, 2015, we had no reclassification of unrealized loss to interest expense. The reclassification out of OCI in our statement of equity for the year ended December 31, 2014 was due to all derivatives being designated as non-hedging instruments as of January 1, 2013.

The following table summarizes the notional value of our one remaining derivative financial instrument. The notional value provides an indication of the extent of our involvement in this instrument, but does not represent exposure to credit, interest rate, or market risks:

Type / Description	Notional Value	Interest Rate / Strike Rate	Index	Maturity
Not Designated as Hedging Instruments				
Interest rate cap - Courtyard Kauai Coconut Beach Hotel	$ 38,000	3.00%	30-day LIBOR	May 15, 2017

The table below presents the fair value of our derivative financial instruments, as well as their classification on the consolidated balance sheets as of December 31, 2015 and 2014, respectively:

Derivatives not designated as hedging instruments:	Balance Sheet Location	Asset Derivatives 2015(1)	Asset Derivatives 2014
Interest rate derivative contracts	Prepaid expenses and other assets	$ 2	$ 28

(1) Courtyard Kauai Coconut Beach Hotel interest rate cap had a nominal value and was our only remaining asset with an interest rate cap as of December 31, 2015.

The table below presents the effect of our derivative financial instruments on the consolidated statements of operations for the years ended December 31, 2015 and 2014:

Derivatives Not Designated as Hedging Instruments
Amount of Loss
Year ended December 31,

2015	2014
$26	$215

12. Commitments and Contingencies

Income Taxes

We have maintained and intend to maintain our election as a REIT under the Code. In order for us to continue to qualify as a REIT we must meet a number of organizational and operational requirements, including a requirement to distribute annual dividends to our shareholders equal to a minimum of 90% of our REIT taxable income, computed without regard to the dividends paid deduction and our net capital gains. As a REIT, we generally will not be subject to federal income tax on our taxable income at the corporate level to the extent such income is distributed to our shareholders annually. Any current year taxable income generated by the Company may be offset by carrying forward unused prior year net operating losses ("NOLs"). If our taxable income after application of NOL carryforwards exceeds our dividends in a tax year, REIT tax rules allow us to designate dividends from the subsequent tax year in order to avoid current taxation on undistributed income. If we fail to qualify as a REIT in any taxable year, we will be subject to federal and state income taxes at regular corporate rates, including any applicable alternative minimum tax ("AMT"). In addition, we may not be able to requalify as a REIT for the four subsequent taxable years. Taxable income from non-REIT activities managed through taxable REIT subsidiaries is subject to applicable federal, state, and local income and margin taxes. Our operating partnerships are flow-through entities and are not subject to federal income taxes at the entity level.

For the year ended December 31, 2015, we had federal taxable income of approximately $3.8 million as a result of the disposals of Babcock, AJS, Holstenplatz and Wimberly. The Company paid special cash distributions of $25.7 million during the year and had remaining federal NOL carryovers of approximately $13.1 million at December 31, 2015. The Company has continued to establish a valuation allowance against its deferred tax assets as the utilization of any deferred tax asset is not at a level of more likely than not that they will be realized prior to their expiration. During 2015, we recorded provision for income tax of approximately $2.7 million as a result of estimated foreign income tax related to the sales of AJS and Holstenplatz which were both located in Germany. The foreign income tax related to both dispositions was calculated on gains recognized at the exchange rate in effect on the date of sale and calculated using current tax rates.

For the year ended December 31, 2014, we had federal taxable income of $4.2 million as a result of the disposal of 1875 Lawrence. The Company made special cash distributions of $13 million during the year and had remaining federal NOL carryovers of $13.1 million at December 31, 2014. The Company recorded an income tax benefit of $0.1 million during the year ended December 31, 2014 related to the overpayment of AMT tax for the year ended December 31, 2013. We recorded estimated AMT tax of $0.2 million for the year ended December 31, 2013 as a result of gains recognized on the sale of investments during the year. The Company recorded no provision for income tax, including AMT, during the year ended December 31, 2014.

We have a TRS which is subject to federal and state income taxes. At December 31, 2015, our TRS had NOL carryforwards of approximately $4.5 million which expire in years 2030 to 2035. Because NOL's are subject to certain change of ownership, continuity of business, and separate return year limitations, and because it is unlikely the available NOL's will be utilized or because we consider any amounts possibly utilized to be immaterial, no benefits related to these NOL's have been recognized in our consolidated financial statements. We have no significant temporary differences or tax credits associated with our TRS.

Taxable income differs from net income for financial reporting purposes principally because of differences in the timing of recognition of depreciation, rental revenue, compensation expense, impairment losses and gain from sales of property. As a result of these differences, the tax basis of our fixed assets exceeds the book value by approximately $3 million at December 31, 2015.

We and our subsidiaries' income tax returns are subject to examination by federal, state and local tax jurisdictions for years 2012 through 2015. If a return filed was examined and a substantial error was discovered, the Internal Revenue Service has the right to add additional years to their audit, but will not go back more than six years. Net income tax loss carry forwards and other tax attributes generated in years prior to 2012 are also subject to challenge in any examination of those tax years. The Company and its subsidiaries are not under any notice of audit from any taxing authority at year end 2015. We have reviewed our tax positions under GAAP guidance that clarifies the relevant criteria and approach for the recognition and measurement of uncertain tax positions. The guidance prescribes a recognition threshold and measurement attribute for the financial statement recognition of a tax position taken, or expected to be taken, in a tax return. A tax position may only be recognized in the financial statements if it is more likely than not that the tax position will be sustained upon examination. We believe it is more likely than not that the tax positions taken relative to our status as a REIT will be sustained in any tax examination.

Operating Leases

On September 20, 2013, we sold the Original Florida MOB Portfolio. Prior to the sale, our operating leases consisted of ground leases on each of the original eight buildings acquired in connection with the purchase of the Original Florida MOB Portfolio. Each ground lease was for a term of 50 years, with a 25-year extension option. The annual payment for each ground lease increased by 10% every 5 years. As of and for the year ended December 31, 2015, we do not have operating leases. For the year ended December 31, 2013, we incurred $0.2 million in lease expense related to our ground leases which is included in discontinued operations.

13. Stockholders' Equity

Capitalization

As of December 31, 2015, our authorized capital was 350,000,000 shares of common stock, 50,000,000 shares of preferred stock and 1,000 shares of convertible stock. All shares of such stock have a par value of $.0001 per share.

As of December 31, 2015, we had issued 26.7 million shares of our common stock, including 22,471 shares owned by the Advisor and 2.2 million shares issued through the DRP. As of December 31, 2015, we had redeemed 1.1 million shares of our common stock and had 25,585,198 shares of common stock outstanding. As of December 31, 2015, we had 1,000 shares of convertible stock held by an affiliate of Behringer.

The shares of convertible stock will be converted into shares of common stock automatically if (1) we have made total distributions on then outstanding shares of our common stock equal to the issue price of those shares plus a 10% cumulative, non-compounded, annual return on the issue price of those outstanding shares, or (2) we list our common stock for trading on a national securities exchange if the sum of the prior distributions on then outstanding shares of the common stock plus the aggregate market value of the common stock (based on the 30-day average closing price) meets the same 10% performance threshold. In general, the convertible stock will convert into shares of common stock with a value equal to the lesser of (A) 20% of the excess of our enterprise value plus the aggregate value of distributions paid to date on then outstanding shares of our common stock over the aggregate issue price of those outstanding shares plus a 10% cumulative, non-compounded, annual return on the issue price of those outstanding shares, or (B) 15% of the excess of our enterprise value plus the aggregate value of distributions paid to date on then outstanding shares of the common stock over the aggregate issue price of those outstanding shares plus a 6% cumulative, non-compounded, annual return on the issue price of those outstanding shares. At the date of issuance of the shares of convertible stock, management determined the fair value under GAAP was less than the nominal value paid for the shares; therefore, the difference is not material.

The timing of the conversion of any or all of the convertible stock may be deferred by our board of directors if it determines that full conversion may jeopardize our qualification as a REIT. Any such deferral will in no event otherwise alter the terms of the convertible stock, and such stock shall be converted at the earliest date after our board of directors determines that such conversion will not jeopardize our qualification as a REIT. Our board of directors is authorized to amend our charter, without the approval of the stockholders, to increase the aggregate number of authorized shares of capital stock or the number of shares of any class or series that we have authority to issue.

Share Redemption Program

Our board of directors has adopted a share redemption program that permits stockholders to sell their shares back to us, subject to the significant conditions and limitations of the program. Our board of directors can amend the provisions of our share redemption program at any time without the approval of our stockholders.

The terms on which we redeem shares may differ between redemptions upon a stockholder's death, "qualifying disability" (as defined in the share redemption program) or confinement to a long-term care facility (collectively, "Exceptional Redemptions") and all other redemptions ("Ordinary Redemptions"). From April 1, 2012 through May 15, 2014, our board of directors suspended accepting Ordinary Redemptions. On May 15, 2014, our board of directors adopted the Third Amended and Restated Share Redemption Program and reopened the share redemption program for Ordinary Redemptions, to be effective on that date. In addition, for periods beginning on or after May 15, 2014, the cash available for redemptions was increased from $1 million to no more than $10 million in any twelve-month period. The redemption limitations apply to all redemptions, whether Ordinary or Exceptional Redemptions.

The per share redemption price for Ordinary Redemptions and Exceptional Redemptions is equal to the lesser of 80% and 90%, respectively, of (i) the current estimated per share value and (ii) the average price per share the investor paid for all of his shares (as adjusted for any stock dividends, combinations, splits, recapitalizations and the like with respect to our common stock) less the Special Distributions (as defined in the share redemption program).

Notwithstanding the redemption prices set forth above, our board of directors may determine, whether pursuant to formulas or processes as established by the board of directors, the redemption price of the shares, which may differ between Ordinary Redemptions and Exceptional Redemptions; provided, however, that we must provide at least 30 days' notice to stockholders before applying this new price determined by our board of directors.

Any shares approved for redemption will be redeemed on a periodic basis as determined from time to time by our board of directors, and no less frequently than annually. We will not redeem, during any twelve-month period, more than 5% of the weighted average number of shares outstanding during the twelve-month period immediately prior to the date of redemption. In addition, the cash available for redemptions is limited to no more than $10 million in any twelve-month period. The redemption limitations apply to all redemptions, whether Ordinary or Exceptional Redemptions.

Any Ordinary Redemption requests submitted while Ordinary Redemptions were suspended were returned to investors and must be resubmitted. We gave all stockholders notice that we were resuming Ordinary Redemptions, so that all stockholders would have an equal opportunity to submit shares for redemption. Any redemption requests are honored pro rata among all requests received based on funds available and are not honored on a first come, first served basis.

Distributions

Distributions are authorized at the discretion of our board of directors based on its analysis of our performance over the previous periods and expectations of performance for future periods. These analyses may include actual and anticipated operating cash flow, changes in market capitalization rates for investments suitable for our portfolio, capital expenditure needs, general financial and market conditions, proceeds from asset sales and other factors that our board deems relevant. The board's decision will be substantially influenced by its obligation to ensure that we maintain our federal tax status as a REIT. We cannot provide assurance that we will pay distributions at any particular level, or at all.

On November 20, 2015, our board of directors authorized a special cash distribution of $1.50 per share of common stock, payable to our stockholders of record as of December 31, 2015. On March 18, 2015, our board of directors authorized a special cash distribution of $1.00 per share of common stock, payable to our stockholders of record as of March 30, 2015. On August 8, 2014, our board of directors authorized a special cash distribution of $0.50 per share of common stock, payable to our stockholders of record as of September 15, 2014.

The following table sets forth information on the distributions declared and distributions paid during the years ended December 31, 2015 and 2014 (in millions):

Year	Distributions Declared	Distributions Paid
2014	$ 13.0	$ 13.0
2015(1)	64.1	25.7

(1) Our board of directors declared two special cash distributions during 2015, one on March 18 for a total of $25.7 million and one on November 20 for a total of $38.4 million, for an aggregate total of $64.1 million. The Company paid the $25.7 million special cash distribution on March 31, 2015 and the $38.4 million special cash distribution on January 5, 2016.

We did not pay any distributions during the year ended December 31, 2013.

We have paid and may in the future pay some or all of our distributions from sources other than operating cash flow. We have utilized cash from refinancing and dispositions, the components of which may represent a return of capital and/or the gains on sale. In addition, from time to time, our Advisor may agree to waive or defer all or a portion of the acquisition, asset management or other fees or incentives due to it, pay general administrative expenses or otherwise supplement investor returns which may increase the amount of cash that we have available to pay distributions to our stockholders.

Total distributions paid to stockholders during the years ended December 31, 2015 and 2014 were $25.7 million and $13 million, respectively, and represented special cash distributions. Distributions during both of the years ended December 31, 2015 and 2014 were fully funded with proceeds from asset sales.

During 2015 and 2014, our distributions were classified as follows for federal income tax purposes:

Description(1)	2015	2014
Ordinary income	—	—
Capital gains	25.8%	58.4%
Return of capital	74.2%	41.6%
Total	100.0%	100.0%

(1) There were no distributions paid in 2013.

14. Related Party Transactions

Advisor

The Advisor and certain of its affiliates may receive fees and compensation in connection with the acquisition, management, and sale of our assets based on the advisory management agreement, as amended and restated.

Fourth Amended and Restated Advisory Management Agreement

On June 6, 2014, we entered into the Fourth Amended and Restated Advisory Management Agreement (the "Fourth Advisory Agreement") with our Advisor to, among other things, revise the acquisition and advisory fees, asset management fee, and the debt financing fee that may be paid to the Advisor and to fix certain expense reimbursement provisions. The Fourth Advisory Agreement was effective as of January 1, 2014. Effective as of June 6, 2015, we entered into the First Amendment to Fourth Amended and Restated Advisory Management Agreement to (i) reduce the administrative services fee to be paid to the Advisor for calendar year 2015 from $1.8 million to $1.5 million and (ii) reimburse the Advisor for certain due diligence services provided in connection with asset dispositions or debt financings separately from the administrative services fee. In addition, we renewed the term of the Fourth Advisory Agreement for one year. As amended, the Fourth Advisory Agreement will expire on June 6, 2016. In all other material respects, the terms of the Fourth Advisory Agreement remain unchanged. The following discussion reflects the terms of the Fourth Advisory Agreement, as amended, and the fees and expenses paid or reimbursed to the Advisor thereunder since January 1, 2014.

The Advisor or its affiliates receive acquisition and advisory fees of 1.5% of the amount paid in respect of the purchase, development, construction, or improvement of each asset we acquire, including any debt attributable to those assets. In addition, the Advisor and its affiliates will receive acquisition and advisory fees of 1.5% of the funds advanced in respect of a loan investment. We incurred acquisition and advisory fees payable to the Advisor of less than $0.1 million, $1 million and $2.3 million for the years ended December 31, 2015, 2014 and 2013, respectively, as a result of acquisitions and improvements made to our assets. We had one acquisition in the year ended December 31, 2014. During the year ended December 31, 2013, we made four separate real estate acquisitions, one of which was a loan investment. We had no acquisitions during the year ended December 31, 2015.

The Advisor or its affiliates also receive an acquisition expense reimbursement in the amount of (i) 0.25% of the funds paid for purchasing an asset, including any debt attributable to the asset, plus 0.25% of the funds budgeted for development, construction, or improvement in the case of assets that we acquire and intend to develop, construct, or improve or (ii) 0.25% of the funds advanced in respect of a loan investment. We also pay third parties, or reimburse the Advisor or its affiliates, for any investment-related expenses due to third parties in the case of a completed investment, including, but not limited to, legal fees and expenses, travel and communication expenses, costs of appraisals, accounting fees and expenses, third-party brokerage or finder's fees, title insurance, premium expenses, and other closing costs.

In addition, acquisition expenses for which we will reimburse the Advisor, include any payments approved in advance by our board of directors made to (i) a prospective seller of an asset, (ii) an agent of a prospective seller of an asset, or (iii) a party that has the right to control the sale of an asset intended for investment by us that are not refundable and that are not ultimately applied against the purchase price for such asset. Previously, to the extent the Advisor or its affiliates directly provided services, formerly provided or usually provided by third parties, including, without limitation, accounting services related to the preparation of audits required by the Securities and Exchange Commission, property condition reports, title services, title insurance, insurance brokerage or environmental services related to the preparation of environmental assessments in connection with a completed investment, the direct employee costs and burden to the Advisor of providing these services was included as acquisition expenses for which we reimbursed the Advisor. Pursuant to the Fourth Advisory Agreement, effective January 1, 2014, such services will no longer be included as acquisition expenses for which the Company will reimburse the Advisor.

In addition, the Advisor is responsible for paying all of the expenses it incurs associated with persons employed by the Advisor to the extent that they are dedicated to making investments for us, such as wages and benefits of the investment personnel. The Advisor and its affiliates are also responsible for paying all of the investment-related expenses that we or the Advisor or its affiliates incur that are due to third parties or related to the additional services provided by the Advisor as described above with respect to investments we do not make, other than certain non-refundable payments made in connection with any acquisition. For the years ended December 31, 2015, 2014 and 2013, we incurred acquisition expense reimbursements of less than $0.1 million, $0.2 million and $0.2 million, respectively.

Beginning January 1, 2014, we pay the Advisor or its affiliates a debt financing fee of 0.5% of the amount available under any loan or line of credit made available to us and will pay directly all third party costs associated with obtaining the debt financing. Before January 1, 2014, we paid the Advisor a debt financing fee of 1%. We incurred debt financing fees of $0.2 million, and $0.5 million, for the years ended December 31, 2014 and 2013, respectively. We incurred no financing fees for the year ended December 31, 2015.

We pay the Advisor or its affiliates a development fee in an amount that is usual and customary for comparable services rendered to similar projects in the geographic market of the project if such affiliate provides the development services and if a majority of our independent directors determines that such development fee is fair and reasonable to us. We incurred no such fees for the years ended December 31, 2015, 2014 or 2013.

Prior to January 1, 2014, we paid the Advisor or its affiliates a monthly asset management fee of one-twelfth of 1.0% of the sum of the higher of the cost or value of each asset. Pursuant to the Fourth Advisory Agreement, we pay the Advisor or its affiliates a monthly asset management fee which, effective January 1, 2014, was reduced to one-twelfth of 0.7% of the value of each asset. The value of our assets will be the value as determined in connection with the establishment and publication of an estimated value per share unless the asset was acquired after our publication of an estimated value per share (in which case the value of the asset will be the contract purchase price of the asset). In addition, pursuant to the Fourth Advisory Agreement, the Advisor agreed to waive asset management fees previously accrued during the period from August 2013 to December 2013 of $0.3 million. Therefore, we reversed this accrual in the second quarter of 2014. For the years ended December 31, 2015, 2014 and 2013, we expensed $2.5 million, $2.2 million and $3.4 million, respectively, of asset management fees payable to the Advisor. The totals for the years ended December 31, 2015 and 2014 include asset management fees related to our disposed properties. The totals for the year ended December 31, 2013 includes asset management fees related to our discontinued operations.

Under the Fourth Advisory Agreement, beginning January 1, 2014, instead of reimbursing the Advisor for specific expenses paid or incurred in connection with providing services to us, we pay the Advisor an administrative services fee based on a budget of expenses prepared by the Advisor. The administrative services fee is intended to reimburse for all costs associated with providing services to us under the Fourth Advisory Agreement. On June 6, 2015, we amended the Fourth Advisory Agreement to reduce the administrative services fee from $1.8 million for calendar year 2014 to $1.5 million for calendar year 2015. The administrative services fee is payable in four equal quarterly installments within 45 days of the end of each calendar quarter. Before the effective date of the Fourth Advisory Agreement, we reimbursed the Advisor or its affiliates for all expenses paid or incurred by them in connection with the services they provided us, subject to certain limitations. For the years ended December 31, 2015, 2014 and 2013, we incurred and expensed such costs for administrative services of $1.5 million, $1.8 million and $1.8 million, respectively. In addition, effective January 1, 2015, the amended Fourth Advisory Agreement includes a provision to reimburse the Advisor for certain due diligence services provided in connection with asset dispositions or debt financings separately from the administrative services fee. We incurred $0.1 million for such costs during the year ended December 31, 2015.

Notwithstanding the fees and cost reimbursements payable to our Advisor pursuant to the Fourth Advisory Agreement, under our charter we may not reimburse the Advisor for any amount by which our operating expenses (including the asset management fee) at the end of the four preceding fiscal quarters exceeds the greater of: (i) 2% of our average invested assets, or (ii) 25% of our net income determined without reduction for any additions to reserves for depreciation, bad debts or other similar non-cash reserves and excluding any gain from the sale of our assets for that period unless a majority of our independent directors determines that such excess expenses are justified based on unusual and non-recurring factors. For the four fiscal quarters ended December 31, 2015, our total operating expenses (including the asset management fee) were not excessive.

Property Manager

We pay our property manager and affiliate of the Advisor, Behringer Harvard Opportunity II Management Services, LLC ("BHO II Management"), or its affiliates, fees for the management, leasing, and construction supervision of our properties. Before January 1, 2014, property management fees were 4.5% of the gross revenues of the properties managed by BHO II Management or its affiliates, plus leasing commissions based upon the customary leasing commission applicable to the same geographic location of the respective property. Effective January 1, 2014, we entered into the First Amendment to the Amended and Restated Property Management and Leasing Agreement, which reduced the property management fee paid to 4.0% of gross revenues of the properties managed by BHO II Management or its affiliates. We pay BHO II Management or its affiliates an oversight fee equal to 0.5% of the gross revenues of the property managed for any property for which we contract directly with a third-party property manager. In no event will BHO II Management or its affiliates receive both a property management fee and an oversight fee with respect to any particular property. In the event we own a property through a joint venture that does not pay BHO II Management directly for its services, we will pay BHO II Management a management fee or oversight fee, as applicable, based only on our economic interest in the property. We incurred and expensed property management fees or oversight fees to BHO II Management of approximately \$0.6 million, \$0.6 million and \$0.9 million for the years ended December 31, 2015, 2014 and 2013, respectively.

We pay the Advisor or its affiliates a construction management fee in an amount not to exceed 5% of all hard construction costs incurred in connection with, but not limited to capital repairs and improvements, major building reconstruction and tenant improvements, if such affiliate supervises construction performed by or on behalf of us or our affiliates. We incurred construction management fees of \$0.1 million for the years ended December 31, 2014 and 2013. We incurred no construction management fees for the year ended December 31, 2015.

We are dependent on the Advisor and BHO II Management for certain services that are essential to us, including asset acquisition and disposition decisions, property management and leasing services, and other general administrative responsibilities. In the event that these companies were unable to provide us with their respective services, we would be required to obtain such services from other sources.

15. Supplemental Cash Flow Information

Supplemental cash flow information is summarized below:

	Twelve Months ended December 31,		
	2015	2014	2013
Interest paid, net of amounts capitalized	$ 6,286	$ 7,443	$ 7,765
Income tax paid, net of overpayment	1,703	29	—
Non-cash investing activities and financing activities:			
Proceeds held in escrow through sale of real estate interests	912	—	—
Capital expenditures for real estate in accounts payable	—	—	20
Capital expenditures for real estate in accrued liabilities	224	237	539
Assumed debt on acquisition of real estate investment	—	—	11,306
Assumed debt on disposition of real estate investment	—	—	17,983
Accrued distributions payable	38,378	—	—
Accrued distributions to noncontrolling interest	52	19	20

16. Discontinued Operations

Effective as of April 1, 2014, we early adopted the revised guidance in Accounting Standards Update No. 2014-08 regarding discontinued operations. For sales of real estate or assets classified as held for sale after April 1, 2014, we will evaluate whether a disposal transaction meets the criteria of a strategic shift and will have a major effect on our operations and financial results to determine if the results of operations and gains on sale of real estate will be presented as part of our continuing operations or as discontinued operations in our consolidated statements of operations. If the disposal represents a strategic shift, it will be classified as discontinued operations for all periods presented; if not, it will be presented in continuing operations.

The following table summarizes the disposition of our properties during 2013 (in millions):

Property Name	Date of Disposition	Contract Sales Price	
Interchange Business Center[(1)]	April 12, 2013	$	40.4
Original Florida MOB Portfolio[(2)]	September 20, 2013	$	63.0

(1) On October 18, 2012, we sold one of the four industrial buildings at Interchange Business Center to an unaffiliated third party. On April 12, 2013, we sold the remaining three buildings to an unaffiliated third party.
(2) On September 20, 2013, we sold the original eight medical office buildings. We continue to own approximately 80.8% of the ninth building, Gardens Medical Pavilion.

We sold Babcock, AJS, Holstenplatz and Wimberly in 2015 and 1875 Lawrence in 2014. The disposal of these five properties do not represent a strategic shift, therefore the results of operations and gains on sale of the properties are presented in continuing operations in the consolidated statements of operations for the years ended December 31, 2015 and 2014. See Note 6, Real Estate and Real Estate-Related Investments, for further details.

We have classified the results of operations for the Interchange Business Center and the Original Florida MOB Portfolio as discontinued operations in the accompanying consolidated statements of operations. The following table summarizes the income from discontinued operations for the year ended December 31, 2013:

Rental revenue	$	8,637
Expenses		
Property operating expenses		4,141
Interest expense		983
Real estate taxes		597
Property management fees		401
Asset management fees		50
Depreciation and amortization		2,603
Total expenses		8,775
Loss on early extinguishment of debt[(1)]		(265)
Interest income, net		4
Loss from discontinued operations		(399)
Gain on sale of real estate		31,558
Income from discontinued operations		31,159
Income attributable to noncontrolling interests		(5,454)
Income from discontinued operations attributable to the Company	$	25,705
Capital expenditures	$	1,250

(1) Loss on early extinguishment of debt for the year ended December 31, 2013 was approximately $0.3 million and was comprised of the write-off of deferred financing fees of $0.1 million and early termination fees of $0.2 million.

Changes in operating and investing noncash items related to discontinued operations were not significant for the year ended December 31, 2013.

17. Quarterly Results (Unaudited)

Presented below is a summary of the unaudited quarterly financial information for the years ended December 31, 2015 and 2014 ($ in thousands, except per share amounts):

	2015 Quarters Ended				
Description	**March 31**	**June 30**	**September 30**	**December 31**	
Revenue	$ 13,314	$ 12,779	$ 12,539	$ 11,618	
Income (loss) from continuing operations(1)	338	(1,878)	13,117	(3,900)	(2)
Add: Net (income)/loss attributable to noncontrolling interest	(511)	(82)	(262)	156	
Net income (loss) attributable to common shareholders	$ (173)	$ (1,960)	$ 12,855	$ (3,744)	
Basic and diluted weighted average shares outstanding	25,776	25,704	25,667	25,607	
Basic and diluted income (loss) per share	$ (0.01)	$ (0.07)	$ 0.50	$ (0.15)	

	2014 Quarters Ended			
Description	**March 31**	**June 30**	**September 30**	**December 31**
Revenue	$ 12,245	$ 12,027	$ 11,357	$ 12,968
Income (loss) from continuing operations(3)	(2,849)	9,025	(2,644)	(3,866)
Add: Net (income)/loss attributable to noncontrolling interest	(35)	159	154	53
Net income (loss) attributable to common shareholders	$ (2,884)	$ 9,184	$ (2,490)	$ (3,813)
Basic and diluted weighted average shares outstanding	26,011	25,993	25,935	25,836
Basic and diluted income (loss) per share	$ (0.11)	$ 0.35	$ (0.10)	$ (0.14)

(1) Income from continuing operations for the quarter ended March 31, 2015 includes gains on the sale of Babcock and AJS totaling $5.3 million. Income from continuing operations for the quarter ended September 30, 2015 includes gains on the sale of Holstenplatz and Wimberly totaling $17.5 million. See Note 6, Real Estate and Real Estate-Related Investments.

(2) Loss from continuing operations for the quarter ended December 31, 2015 includes a non-cash impairment charge of $1.4 million on our investment in 22 Exchange due to the current local market in Akron, Ohio.

(3) Income from continuing operations for the quarter ended June 30, 2014 includes an $11.5 million gain on the sale of our 1875 Lawrence property. See Note 6, Real Estate and Real Estate-Related Investments.

18. Subsequent Events

Special Distribution

On November 20, 2015, our board of directors authorized a special cash distribution of $38.4 million, or $1.50 per share of common stock, payable to stockholders of record as of December 31, 2015. The special cash distribution, which represents a portion of proceeds from asset sales, was paid on January 5, 2016.

Share Redemption Program

On March 8, 2016, our board of directors approved redemptions for the first quarter of 2016 totaling 90,252 shares with an aggregate redemption payment of approximately $0.5 million. In addition, effective December 31, 2015 the price at which we redeem shares under our share redemption program changed as a result of the adjustment to our estimated value per share to reflect the payment of the special cash distribution to stockholders of record as of December 31, 2015.

Prospect Park Mezzanine Loan

Both the Senior Lender's loan and the mezzanine loan we provided for Prospect Park, a multifamily development located in Denver, Colorado, were in technical default at December 31, 2015 due to a delay in completion of the project. The Senior Lender and the Company are working on modifications of their respective loans to waive any event of default and extend the completion date. As of December 31, 2015, the outstanding principal balance under our mezzanine loan was $15.3 million. Currently, the borrower is funding any cost overruns. We expect the project to be fully completed in the second quarter of 2016. See Note 8, Investment in Unconsolidated Joint Venture, for additional information.

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Behringer Harvard Opportunity REIT II, Inc.
Valuation and Qualifying Accounts and Reserves
Schedule II
December 31, 2015, 2014 and 2013
(in thousands)

	Balance at Beginning of Period	Charged to Costs and Expenses	Charged to Other Accounts	Deductions	Balance at End of Period
As of December 31, 2015					
Allowance for doubtful accounts	$ 2	$ 369	$ —	$ 260	$ 111
As of December 31, 2014					
Allowance for doubtful accounts	46	304	—	348	2
As of December 31, 2013					
Allowance for doubtful accounts	44	313	—	311	46

Behringer Harvard Opportunity REIT II, Inc.
Real Estate and Accumulated Depreciation
Schedule III
December 31, 2015
(in thousands)

			Initial cost							
Property Name	**Location**	**Encumbrances**	**Land and Improvements**	**Building and Improvements**	**Cost capitalized subsequent to acquisition (1)**	**Gross amount carried at close of period**	**Accumulated Depreciation**	**Year of Construction**	**Date Acquired**	**Depreciable Life**
Gardens Medical Pavilion	Palm Beach Gardens, Florida	$ 13,298	$ 5,675	$ 13,158	$ 4,209	$ 23,042	$ 3,866	1995	10/20/2010	(2)
Courtyard Kauai Coconut Beach Hotel	Kauai, Hawaii	38,000	11,801	20,948	10,430	43,179	5,136	1977	10/20/2010	(3)
River Club and the Townhomes at River Club	Athens, Georgia	24,299	6,639	24,789	2,669	34,097	6,643	1996 & 1989	4/25/2011	(2)
Lakes of Margate	Margate, Florida	14,496	9,776	13,061	4,106	26,943	3,862	1987	10/19/2011	(2)
Arbors Harbor Town	Memphis, Tennessee	25,130	5,413	24,713	2,748	32,874	5,132	1991	12/20/2011	(2)
22 Exchange	Akron, Ohio	19,500	2,380	24,786	(2,357)	24,809	62	2010	4/16/2013	(2)
Parkside Apartments	Sugar Land, Texas	10,469	3,143	18,148	1,668	22,959	1,966	1998	8/8/2013	(2)
Lakewood Flats	Dallas, Texas	33,500	8,196	49,703	77	57,976	2,441	2013	10/10/2014	(2)
Totals		178,692	53,023	189,306	23,550	265,879	29,108			

(1) Includes adjustment to basis, such as impairment losses

(2) Buildings are depreciated according to Company policy, which uses the straight-line method over their estimated useful life of 25 years.

(3) Hotels are depreciated according to Company policy, which uses the straight-line method over their estimated useful life of 39 years.

A summary of activity for real estate and accumulated depreciation for the years ended December 31, 2015, 2014 and 2013 is as follows (in thousands):

	2015	2014	2013
Real Estate:			
Balance at beginning of period	$ 329,643	$ 308,808	$ 294,054
Acquisitions	—	57,899	82,019
Improvements[1]	2,044	4,477	8,227
Disposals/written-off	(77)	(19)	(75)
Reclassification[2]	(390)	(689)	(254)
Establishment of new basis for impaired asset[3]	(4,149)	—	—
Cost of real estate sold	(61,192)	(40,833)	(75,163)
Balance at end of the period[4]	$ 265,879	$ 329,643	$ 308,808
Accumulated depreciation:			
Balance at beginning of period	$ 27,569	$ 23,779	$ 19,921
Depreciation expense	11,109	11,077	11,855
Disposals/written-off	(6,838)	(7,287)	(7,997)
Accumulated depreciation on impaired asset[3]	(2,732)	—	—
Balance at end of the period[4]	$ 29,108	$ 27,569	$ 23,779

(1) For the years ended December 31, 2015, 2014 and 2013, includes foreign currency translation loss of $1.6 million, foreign currency translation loss of $3 million and foreign currency translation gain of $1 million, respectively.

(2) For the years ended December 31, 2015, 2014 and 2013, includes reclassification from improvements to furniture, fixtures and equipment of $0.4 million, $0.7 million and $0.3 million, respectively.

(3) Due to the current local market in Akron, Ohio, we recorded a non-cash impairment charge of $1.4 million on our investment in 22 Exchange, a student housing property, during the year ended December 31, 2015. The accumulated depreciation for the asset, of $2.7 million, was offset against the basis of the asset.

(4) For the year ended December 31, 2014, includes Alte Jakobstraße and Babcock Self Storage which were classified as held for sale in our consolidated balance sheet.

EXHIBIT INDEX

Exhibit No.	Description
3.1	Third Articles of Amendment and Restatement (incorporated by reference to Exhibit 3.1 to Form 10-Q on November 14, 2012)
3.2	Second Amended and Restated Bylaws, as amended by Amendment No. 1 (incorporated by reference to Exhibit 3.2 to Form 10-Q filed on November 13, 2013)
4.1	Statement regarding restrictions on transferability of shares of common stock (to appear on stock certificate or to be sent upon request and without charge to stockholders issued shares without certificates) (incorporated by reference to Exhibit 4.1 to Form 10-K filed on March 28, 2013)
10.1	First Amendment to Fourth Amended and Restated Advisory Management Agreement by and between Behringer Harvard Opportunity REIT II, Inc. and Behringer Harvard Opportunity Advisors II, LLC, dated June 6, 2015, effective as of January 1, 2015 (incorporated by reference to Exhibit 10.1 to Form 10-Q filed on August 13, 2015)
10.2	Contract of Sale by and between Behringer Harvard 9727 Touchton Road, LLC, as seller, and WW Deerwood LLC, as purchaser, dated July 20, 2015 (incorporated by reference to Exhibit 10.2 to Form 10-Q filed on August 13, 2015)
10.3	Purchase Agreement, dated October 8, 2014, between WGS Lakewood MF VI LP, as Seller, and 7425 La Vista, LLC, as Buyer
10.4	Loan Agreement, dated October 10, 2014, by and between 7425 La Vista, LLC, as Borrower, and The Prudential Insurance Company of America, as Lender
10.5	Fourth Amended and Restated Advisory Management Agreement by and between Behringer Harvard Opportunity REIT II, Inc. and Behringer Harvard Opportunity Advisors II, LLC, dated June 6, 2014, effective as of January 1, 2014 (incorporated by reference to Exhibit 10.1 to Form 10-Q filed August 12, 2014)
10.6	First Amendment to Amended and Restated Property Management and Leasing Agreement by and between Behringer Harvard Opportunity REIT II, Inc. and Behringer Harvard Opportunity Advisors II, LLC, dated June 6, 2014, effective as of January 1, 2014 (incorporated by reference to Exhibit 10.2 to Form 10-Q filed August 12, 2014)
10.7	Purchase Agreement between Behringer Harvard 1875 Lawrence, LLC, as seller, and Bridge Acquisitions and Dispositions, LLC, as purchaser, dated May 1, 2014 (incorporated by reference to Exhibit 10.3 to Form 10-Q filed August 12, 2014)
10.8	Reinstatement and First Amendment to Purchase Agreement by and between Behringer Harvard 1875 Lawrence, LLC, as seller, and Bridge Acquisitions and Dispositions, LLC, as purchaser, dated May 16, 2014 (incorporated by reference to Exhibit 10.4 to Form 10-Q filed August 12, 2014)
10.9	Reinstatement and First Amendment to Purchase and Sale Agreement by and between TIAA Realty, LLC, as seller, and Behringer Harvard Opportunity OP II LP, as purchaser, dated January 7, 2014 (incorporated by reference to Exhibit 10.8 to Form 10-K filed on March 26, 2014)
10.10	Reinstatement and Second Amendment to Purchase and Sale Agreement by and between TIAA Realty, LLC, as seller, and Behringer Harvard Opportunity OP II LP, as purchaser, dated January 27, 2014 (incorporated by reference to Exhibit 10.9 to Form 10-K filed on March 26, 2014)
99.1	Third Amended and Restated Share Redemption Program of Behringer Harvard Opportunity REIT II, Inc. adopted as of May 15, 2014 (incorporated by reference to Exhibit 99.2 to Form 8-K filed on May 16, 2014)
21.1*	List of Subsidiaries
31.1*	Rule 13a-14(a)/15d-14(a) Certification
31.2*	Rule 13a-14(a)/15d-14(a) Certification
32.1*	Section 1350 Certification**
32.2*	Section 1350 Certification**
101*	The following financial statements from the Registrant's Annual Report on Form 10-K for the year ended December 31, 2015, filed on March 16, 2016, formatted in XBRL: (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Operations and Comprehensive Income (Loss), (iii) Consolidated Statements of Equity, (iv) Consolidated Statements of Cash Flows and (v) the Notes to Consolidated Financial Statements.

* Filed or furnished herewith.

** In accordance with Item 601(b)(32) of Regulation S-K, this Exhibit is not deemed "filed" for purposes of Section 18 of the Exchange Act or otherwise subject to the liabilities of that section. Such certifications will not be deemed incorporated by reference into any filing under the Securities Act or the Exchange Act, except to the extent that the registrant specifically incorporates it by reference.

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Officers and Directors

Our Management Team

Behringer is managed by a seasoned, cohesive team of real estate and investment professionals with expertise in deal structure, finance, acquisition, management and disposition.

Board of Directors, Executive Officers and Other Key Personnel

(as of April 1, 2016)

Robert S. Aisner
Chairman of the Board

Andreas K. Bremer
Independent Director
Executive Vice President
International Capital, LLC

Michael D. Cohen
Director & President
Behringer

Diane S. Detering-Paddison
Independent Director
Founder and President
4word

Jeffrey P. Mayer
Independent Director
Consultant
Mayer Financial Consulting, LLC

Cynthia Pharr Lee
Independent Director
President
C. Pharr & Company, Inc.

Thomas P. Kennedy
President

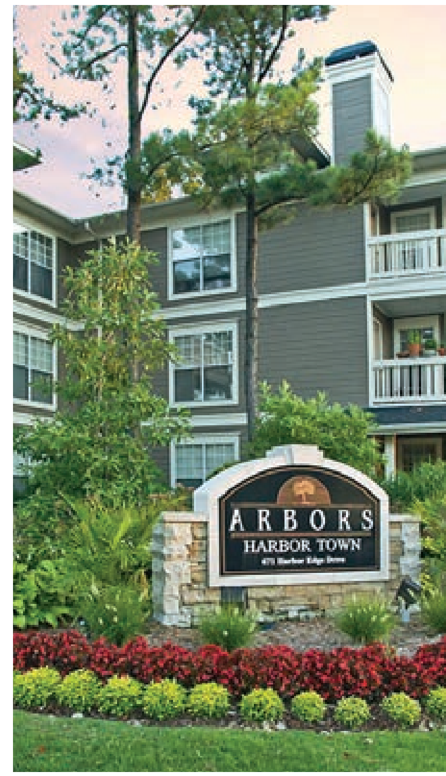
S. Jason Hall
Chief Financial Officer
Senior Vice President,
and Treasurer

Terri Warren Reynolds
Senior Vice President–Legal,
General Counsel & Secretary

Jeffrey D. Burns
Managing Director
Behringer Lodging Group

Mark A. Flynt
Senior Vice President
Behringer

Heather McClure
Senior Vice President–Capital Markets
Behringer



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Safe Harbor

This report contains forward-looking statements. Please refer to the enclosed Annual Report on Form 10-K for additional information and qualifications regarding forward-looking statements.

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Investor Information

For additional information about Behringer, please contact us at 866.655.3650

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