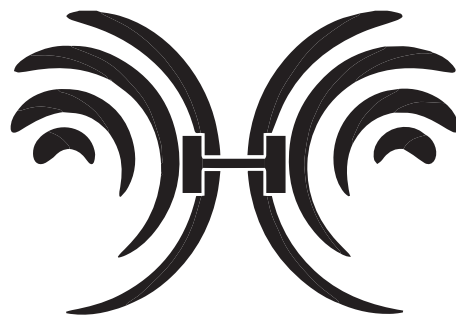


ANNUAL REPORT 2019



CONDOR

HOSPITALITY TRUST



TO OUR SHAREHOLDERS:

Given the business initiatives undertaken, and decisions made by Condor and the Board of Directors during 2019, I did not expect to be writing this communication to shareholders. In the second half of 2018 we decided and announced that Condor would be exploring strategic alternatives and then, after completing an extensive process with our investment bankers, we signed a contract in July of 2019 for shareholders to sell the company in a merger transaction that we concluded was very favorable and that was expected to close before the end of the calendar year. Although the closing was subsequently extended into the first quarter of 2020, closing the merger would mean that there would not be an annual report and communication to shareholders. There were significant changes subsequent to year end unfortunately that evolved rapidly, including a merger transaction that did not close. Considerable time was spent attempting to either cause a closing of the original merger transaction or to negotiate a revised transaction that we could conclude was in the best interest of shareholders. In September 2020 we terminated the original merger agreement giving rise to a termination payment right which we then negotiated with the original buyer for Condor to receive \$7 million in a settlement as announced in October.

The year 2019 was a year of intended transition for Condor due to the merger contract. As part of the expected transaction, in order to fulfill our contractual obligations and to make the company more attractive to the buyer, Condor terminated or did not renew hotel management contracts on 7 of our 15 hotels. Changing management companies can be disruptive and affect operations due to personnel departures, accruals requiring recognition, transition in marketing and revenue management oversight, just to identify a few of the challenges. We undertook making these hotel management company changes on almost half of our hotels in one calendar year and knowingly absorbed the negative affects as part of the process of positioning the company for the merger closing. Our same store hotel operating margins declined in 2019 to 36.8% from 37.8% the previous year with the bulk of the decline occurring in the last two quarters with margins of approximately 35% and 32% in the third and fourth quarters, respectively, compared to approximately 40% operating margins in the first two quarters¹. While some of the margins decrease in 2019 compared to 2018 of 100 basis points was caused by inflationary pressures during the year, as evidenced by our public select service hotel REIT peer group experiencing 40 to 100 basis point margins declines, we estimate that more than half of our margins decline was caused by the hotel management company changes disruption.

The year 2019 was also challenging in the industry for revenue growth. Our portfolio achieved very impressive results in 2018

including an occupancy level of approximately 80% for the year. With already high occupancy levels across the country, and especially in our portfolio, and the addition of significant new hotel room supply in the industry causing rate competition, the industry lost pricing power and our portfolio was not immune to these conditions. Our 15 hotels revenue was essentially flat with same store RevPAR increasing only .1% for the year comparing favorably to the national average change of negative .5% RevPAR for upscale hotels and negative .2% RevPAR for upper midscale hotels as reported by Smith Travel Research. Given the industry conditions and the disruption encountered from the hotel management company changes our revenues were very satisfactory when comparing to the industry and peer group RevPAR change changes year over year.

In retrospect, so much of 2019 was tied to our process of moving the company forward for a merger closing. Examples of this are the previously mentioned hotel management company changes, the suspension of dividends as required by the merger contract, capital improvements to comply with contract requirements, significant legal expenses to negotiate contracts and deliver required closing documentation, franchise expenses for PIP's required for the transaction and the enormous amount of time of the Condor team which is something very difficult to quantify. Subsequent to year end 2019, late in the first quarter of 2020 when the merger did not close, and the industry was affected by unprecedented demand collapse connected to the COVID 19 pandemic, our focus shifted immediately to portfolio stabilization and survival. Fortunately our investment strategy that we followed in our portfolio acquisitions resulted in our portfolio locations and characteristics allowing us to capture more than our fair share of the tepid demand and over the second and third quarters generally outperform. The mission then became continuing to drive outperformance in order to maximize valuation recovery over time and therefore increase shareholder value.

I would like to once again extend my gratitude to the Condor team, our Board, the management company alliance partners, advisors, lenders, hospitality brokers, consultants, lawyers and accountants that contributed significantly to the 2019 results and accomplishments.

J. William Blackham
President & CEO

¹ Please see the Regulation G reconciliations at the end of this Annual Report

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON D.C. 20549
FORM 10-K**

(Mark one)

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

For the fiscal year ended December 31, 2019

or

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

For the transition period from _____ to _____
Commission file number: 001-34087

Condor Hospitality Trust, Inc.

(Exact name of registrant as specified in its charter)

Maryland

(State or other jurisdiction of
incorporation or organization)

1800 West Pasewalk Avenue, Ste. 200, Norfolk, NE

(Address of principal executive offices)

52-1889548

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

68701

(Zip Code)

(301) 861-3305

(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, \$.01 par value per share	CDOR	NYSE American

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

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

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

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 [X] No []

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

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

Large accelerated filer []

Accelerated filer []

Non-accelerated filer [X]

Smaller reporting company [X]

Emerging growth company []

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

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

As of June 30, 2019 the aggregate market value of the registrant's common stock held by non-affiliates of the registrant was \$49.6 million based on the price at which the common stock was last sold on that date as reported on the NYSE American. At March 25, 2020, there were 11,996,823 shares of the registrant's common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's definitive Proxy Statement for the Registrant's 2020 Annual Meeting of Stockholders to be filed within 120 days of the fiscal year ended December 31, 2019, are incorporated into Part III.

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Form 10-K

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FORWARD-LOOKING STATEMENTS

Certain information both included and incorporated by reference in this Form 10-K may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and as such may involve known and unknown risks, uncertainties, and other factors which may cause our actual results, performance, or achievements to be materially different from future results, performance, or achievements expressed or implied by such forward-looking statements. These forward-looking statements are based on assumptions that management has made in light of experience in the business in which we operate, as well as management's perceptions of historical trends, current conditions, expected future developments, and other factors believed to be appropriate under the circumstances. These statements are not guarantees of performance or results. They involve risks, uncertainties (some of which are beyond our control), and assumptions. Management believes that these forward-looking statements are based on reasonable assumptions.

Forward-looking statements, which are based on certain assumptions and describe our future plans, strategies, and expectations are generally identifiable by use of the words "may," "will," "should," "expect," "anticipate," "estimate," "believe," "intend," or "project" or the negative thereof or other variations thereon or comparable terminology. Factors which could have a material adverse effect on our operations and future prospects include, but are not limited to, changes in economic conditions generally and the real estate market specifically, legislative/regulatory changes (including changes to laws governing the taxation of real estate investment trusts), availability of capital, risks associated with debt financing, interest rates, competition, supply and demand for hotel rooms in our current and proposed market areas, policies and guidelines applicable to real estate investment trusts, risks related to uncertainty and disruption in global economic markets as a result of COVID-19 (commonly referred to as the coronavirus), and other risks and uncertainties described herein, and in our filings with the Securities and Exchange Commission ("SEC") from time to time. These risks and uncertainties should be considered in evaluating any forward-looking statements contained or incorporated by reference herein. We caution readers not to place undue reliance on any forward-looking statements included in this report which speak only as of the date of this report.

PART I

ITEM 1. BUSINESS

References to the "Company", "we," "our," and "us," refer to Condor Hospitality Trust, Inc., including, as the context requires, its direct and indirect subsidiaries. The descriptions of the Company in this Part I are as of the filing of this Form 10-K on March 31, 2020.

On July 19, 2019, the Company, the Company's operating partnership (the Company and operating partnership, the "Company Parties"), NHT Operating Partnership, LLC ("NHT Parent"), NHT REIT Merger Sub, LLC ("NHT Merger Sub") and NHT Operating Partnership II, LLC ("NHT Merger OP," and together with NHT Parent and NHT Merger Sub, the "NHT Parties"), entered into an Agreement and Plan of Merger (as amended from time to time, the "Merger Agreement"), pursuant to which the NHT Parties agreed to acquire all of the outstanding equity interests of the Company and the operating partnership by merger (the "Company merger" and the "Partnership merger", respectively). If the acquisition is consummated under the terms of the Merger Agreement, the holders of our common stock would receive in exchange for their shares \$11.10 per share, the holders of our Series E preferred stock would receive in exchange for their shares \$10.00 per share, and the holders of the operating partnership common units of our operating partnership would receive in exchange for their common units \$0.21346 per unit, each without interest and less any applicable withholding taxes.

Closing of the acquisition did not occur on March 23, 2020, the contemplated closing date of the acquisition, and has not occurred as of the time of this filing. The Company Parties and the NHT Parties are in discussions concerning potential amendments to restructure the transaction, which will be disclosed if and when such amendments are agreed. There can be no assurance with respect to the outcome of such discussions, and the Company continues reviewing its options and reserves all rights and remedies under the Merger Agreement.

The outbreak of the novel coronavirus (COVID-19) has reduced travel and adversely affected the hospitality industry in general. The actual and threatened spread of coronavirus globally or in the regions in which we operate,

or future widespread outbreak of infectious or contagious disease, can continue to reduce national and international travel in general. The extent to which our business may be affected by the coronavirus will largely depend on future developments which we cannot accurately predict, and its impact on customer travel, including the duration of the outbreak, the continued spread and treatment of the coronavirus, and new information and developments that may emerge concerning the severity of the coronavirus and the actions to contain the coronavirus or treat its impact, among others. To the extent that travel activity in the U.S. is materially and adversely affected by the coronavirus, business and financial results of the hospitality industry, and thus our business and financial results, could be materially and adversely impacted.

In late March 2020, prior to the filing of this report, similar to the conditions affecting the hospitality industry as a whole, we experienced dramatic occupancy declines at many of our properties which will require us to adjust our business operations, and will have impact on our operating income and may potentially impact future compliance with our debt covenants.

Overview

Condor Hospitality Trust, Inc. was incorporated in Virginia on August 23, 1994 and was reincorporated in Maryland on November 19, 2014. Our common stock began trading on October 30, 1996 and today trades under the symbol “CDOR” on the NYSE American stock exchange.

The Company is a self-administered real estate investment trust (“REIT”) for federal income tax purposes that specializes in the investment and ownership of high-quality select-service, limited-service, extended stay, and compact full service hotels. As of December 31, 2019, the Company owned 15 hotels, representing 1,908 rooms, in eight states, including one hotel owned through an 80% interest in an unconsolidated joint venture (the “Atlanta JV”). On February 14, 2020, the Company acquired the remaining 20% ownership interest in the Atlanta JV.

We conduct our business through a traditional umbrella partnership REIT, or UPREIT, in which our hotel properties are owned by our operating partnership, Condor Hospitality Limited Partnership and its subsidiaries (the “operating partnership”), for which we serve as general partner. As of December 31, 2019, we owned an approximate 99.9% ownership interest in the operating partnership. In the future, the operating partnership may issue limited partnership interests to third parties from time to time in connection with our acquisition of hotel properties or the raising of capital.

In order for the income from our hotel property investments to constitute “rents from real properties” for purposes of the gross income tests required by the Internal Revenue Service (“IRS”) for REIT qualification, the income we earn cannot be derived from the operation of any of our hotels. Therefore, the operating partnership and its subsidiaries lease our hotel properties to the Company’s wholly owned taxable REIT subsidiary, TRS Leasing, Inc., and its wholly owned subsidiaries (“the TRS”). The TRS in turn engages third-party eligible independent contractors to manage the hotels. Our independent management companies are not affiliated with us or our management team. The operating partnership, the TRS, and their respective subsidiaries are consolidated into the Company’s financial statements.

We are engaged primarily in the business of owning equity interests in hotel properties and therefore our business is disclosed as one reportable segment. See the consolidated financial statements and notes thereto included in Item 8 of this Annual Report on Form 10-K for certain financial information required in this Item 1.

Mission Statement

Our mission is to provide to our shareholders attractive total returns for the lodging sector through (1) disciplined investment in high-quality select-service, limited-service, extended stay, and compact full service hotels, and (2) intensive asset management to achieve enhanced results.

We strive to achieve this mission through the disciplined and efficient execution of the following Core Strategies:

- Acquisition Strategy
- Disposition Strategy
- Asset Management Strategy

- Financing Strategy

We understand that we cannot achieve our mission alone and therefore work with the following independent businesses, who we collectively refer to as Business Partners, in the execution of our mission:

- Franchise Partners
- Hotel Management Company Partners

Core Strategies

Acquisition Strategy

The objective of our acquisition strategy is to enable us to acquire assets that meet our target property characteristics and investment criteria at attractive valuations. We believe that our existing relationships with owners, operators, and developers of select-service hotels will provide us with access to certain off-market acquisition opportunities ahead of other real estate investors. Typically, off-market transactions lead to more attractive valuation outcomes. Our organizational documents do not limit the types of investments we can make; however, our intent is to execute the acquisition strategy as detailed herein.

We believe our target property characteristics and investment criteria, coupled with our ability to source off-market transactions, differentiates us from our peers and will enable us to achieve our mission to obtain attractive returns to our shareholders.

Hotels purchased in and since 2012 are referred to throughout as “new investment platform” properties while properties owned prior to 2012 are referred to as “legacy” properties. The Company’s last remaining legacy property was sold in 2019.

Target Property Characteristics

Our target properties are high-quality select-service, limited-service, extended stay, and compact full service hotels located primarily in the top 100 Metropolitan Statistical Areas (“MSAs”), with a focus on the top 21 – 60 MSAs. From time to time, we may acquire assets outside these target MSAs if we are able to acquire the asset at an attractive valuation and have confidence in the value proposition of the property. If within a top 25 MSA, the asset will typically be located within an attractive sub- market of the larger MSA. The hotels we will look to acquire will be franchised under premium flags by brands such as Hilton, Marriott, IHG, and Hyatt and operated by third-party management companies.

Investment Criteria

We perform thorough due diligence and utilize extensive research to evaluate any target market or property. This due diligence and research may include, but is not limited to, analyzing the long-term economic outlook of an MSA, reviewing trends in local lodging demand and supply, assessing property condition and required capital investment, and understanding historical property financial performance. Specific investment criteria for hotels we are looking to acquire may include but are not limited to hotels that:

- operate under leading premium franchise brands and possess key attributes such as building design and décor that is consistent with current generation brand standards;
- are located within the top 100 MSAs, in close proximity to multiple demand drivers, including large corporations, regional hospitals, regional business hubs, recreational travel destinations, significant retail centers, and military installations, among others;
- are located within markets that have favorable economic, job growth, and demographic factors;
- have illustrated an ability to generate stabilized and dependable revenue and net operating income;
- were constructed less than ten years prior to our acquisition or have been recently significantly renovated to current brand standards, and have significant time (generally ten or more years) remaining on the existing franchise license;

- have some value-added growth potential through operating efficiencies, institutional asset management, repositioning, renovations, or rebranding;
- can be acquired at a discount to replacement cost; and/or
- can be acquired in off-market transactions.

Select-service hotels typically generate most of their revenue from room rentals, have limited food and beverage outlets, contain less meeting space, and require fewer employees than traditional full-service hotels. We believe premium-branded upper-midscale and upscale select-service hotels have the potential to generate attractive risk-adjusted returns relative to other types of hotels due to their ability to achieve Revenue per Available Room (“RevPAR”) levels at or close to those achieved by traditional full-service hotels while achieving higher profit margins due to their more efficient operating model and less volatile cash flows.

Disposition Strategy

In 2019 we completed an approximate ten year process of transitioning our portfolio from economy hotels to high-quality select-service, limited-service, extended stay, and compact full service hotels. In order to achieve this objective, we have focused on disposing of legacy assets that do not meet the property characteristics and investment criteria discussed above. Since January 1, 2009, we have sold 123 hotels, of which 55 have been sold since January 1, 2015. The value unlocked from asset sales has been redeployed into newer, higher-quality assets meeting the acquisition strategy discussed above. Just as we carefully evaluate the hotels we plan to acquire, our asset management team has evaluated the timing and composition of the legacy hotels to be disposed of in a manner we believe will maximize returns for our shareholders.

Additionally, from time to time, we may undertake the sale of one or more hotels that meet the property characteristics and investment criteria discussed above. These disposition decisions are the result of a thorough analysis and typically in response to changes in market conditions, our current or projected return on our investment in the hotel, or other factors which we deem relevant to the disposition decision.

Asset Management Strategy

Through collaboration with our third-party operators, we seek to maximize value to our shareholders through improvements to our existing hotels’ operating results. We work toward this goal by constantly monitoring the performance of each individual hotel and identifying opportunities for value-enhancement through intensive asset management strategies. We will make recommendations to our third-party operators in all aspects of our hotels operations, including revenue management, physical design, guest experience, market positioning, and overall property strategy. Fundamentally, all strategies are focused on growing the revenue of a hotel, controlling expenses, and/or maximizing the guest experience to drive returns.

We work with our third-party operators to develop short-term and long-term capital investment plans that are focused on generating positive returns for our shareholders. The capital improvements may involve investments in expansions, additions, renovations, technology upgrades, and/or energy efficiency improvements.

Additionally, from time to time, we may come to the conclusion that a particular asset may provide greater returns to our shareholders after an extensive repositioning of the asset in the market. In these instances, capital investment in a greater amount than typical for an asset may be required to achieve the desired repositioning. These decisions will be made after a thorough analysis of the property, market conditions, and the potential for a positive return on investment that exceeds our investment hurdle rates.

Financing Strategy

Our financing strategy is to seek to minimize the cost of our capital in order to maximize the returns generated for our shareholders. We intend to finance our long-term growth with equity capital raises and debt financings that have staggered maturities. From time to time, when purchasing hotel properties, we may issue limited partnership interests in our operating partnership to third parties as full or partial consideration to sellers. Currently, our debt includes a revolving line of credit secured by certain hotels and mortgages secured by our hotel properties. In the

future we plan on using the revolving credit facility, term loans, equity issuances, and mortgage debt financings to fund future acquisitions as well as for property redevelopments, return on investment initiatives, and working capital requirements.

Since we are structured as an UPREIT, we may seek to issue limited partnership interest of our operating partnership for raising capital, or when acquiring hotel assets as full or partial consideration to sellers who may desire to take advantage of tax deferral on the sale of a hotel or participate in the income, and potential value appreciation, of our common stock.

Business Partners

Franchise Partners

We believe that in order to achieve our mission we must partner with the right franchisors of quality brands in our target segments. To this end, we have built strong relationships with many of who we believe are the leading franchisors of the strongest brands in the segments we target, including Hilton, Marriott, IHG, and Hyatt. The franchisors provide a variety of benefits and value which include national advertising, marketing programs to increase brand awareness, personnel training, and centralized reservation systems. We are constantly monitoring and evaluating the performance of these franchisors and their respective brands so that, when necessary, we can adapt our franchise partner strategy to maximize returns to our shareholders.

Under our franchise agreements, we are required to pay franchise fees generally between 3.3% and 5.5% of room revenue, plus additional fees for marketing, central reservation systems, and other franchisor programs and services that amount to between 2.5% and 6.0% of room revenue. The franchise agreements typically have 10 to 25 year terms although certain agreements may be terminated by either party on certain anniversary dates specified in the agreements. Further, each agreement provides for early termination fees in the event the agreement is terminated before the stated term.

Our 15 hotels owned at December 31, 2019, including the hotel owned through the Atlanta JV, operate under the following national and independent brands:

Franchise Brand	Number of Hotels	Number of Rooms
<u>New Investment Platform Properties:</u>		
Aloft (1)	2	410
Courtyard by Marriott (1)	1	120
Fairfield Inn & Suites (1)	1	124
Hampton Inn & Suites (2)	1	130
Hilton Garden Inn (2)	1	100
Home2 Suites (2)	5	524
Hotel Indigo (3)	1	142
Residence Inn (1)	1	120
SpringHill Suites (1)	1	116
TownePlace Suites (1)	1	122
Total	15	1,908

- (1) Aloft®, Courtyard by Marriott®, Fairfield Inn & Suites®, Residence Inn®, Springhill Suites®, and TownePlace Suites® are registered trademarks of Marriott International
- (2) Hampton Inn®, Hilton Garden Inn®, and Home2 Suites® are registered trademarks of Hilton Hotels Corporation
- (3) Hotel Indigo® is a registered trademark of InterContinental Hotels Group

The franchisor of two of our hotels advised us in February 2019 that both of the hotels had dropped below the required level for guest satisfaction surveys, and that if the hotels do not achieve compliance, it reserves the right to elect to terminate the relevant franchise agreements. The Company is actively addressing the matter relating to the surveys and has plans in place which it believes will resolve these issues.

Hotel Management Company Partners

As a REIT, we are not permitted to directly operate any of our hotels. We partner closely with some of who we believe are the leading hotel management companies in order to operate our hotels with the ultimate objective of improving same-store hotel performance throughout our portfolio. Each management agreement provides for a set term and is subject to early termination upon the occurrence of defaults and certain other events. As required under the REIT qualification rules, each manager must qualify as an “eligible independent contractor” during the term of the management agreement.

Our 15 hotels owned at December 31, 2019, including the hotel owned through the Atlanta JV, are operated by the following third-party management companies:

Management Company	Number of Hotels	Number of Rooms
Aimbridge Hospitality	11	1,331
Boast Hotel Management Company	1	254
Cherry Cove Hospitality Management, LLC	1	100
InnVentures	1	93
Peachtree Hospitality Management, LLC	1	130
Total	15	1,908

Seasonality of Hotel Business

Historically, as a result of the geographic areas in which we operate, the operations of our hotels have been seasonal in nature. Generally, occupancy rates, revenue, and operating income have been greater in the second and third quarters of the calendar year than in the first and fourth quarters, with the exception of our hotels located in Florida, which experience peak demand in the first and fourth quarters of the year. The results of our new investment platform hotels, because of their locations and chain scale, are less seasonal in nature than our legacy portfolio of assets.

Competition

The hotel industry is highly competitive. Each of our hotels is located in a developed area that includes other hotel properties. The number of competitive hotel properties in a particular area could have a material adverse effect on revenue, occupancy, and the average daily room rate of our hotels or of hotel properties acquired in the future, and thus our financial results.

We may compete for investment opportunities with entities that have substantially greater financial resources than us. These entities generally may be able to accept more risk than we can prudently manage. Competition in general may reduce the number of suitable investment opportunities for us and increase the bargaining power of property owners seeking to sell.

Tax Status

The Company qualifies and intends to continue to qualify as a REIT under the applicable provisions of the Internal Revenue Code (the “Code”), as amended. In general, under such Code provisions, a trust which has made the required election and, in the taxable year, meets certain requirements and distributes to its shareholders at least 90% of its REIT taxable income, will not be subject to federal income tax to the extent of the income currently distributed to shareholders. If we fail to qualify as a REIT in any taxable year, we will be subject to federal income tax on our taxable income at regular corporate income tax rates and generally will be unable to re-elect REIT status until the fifth calendar year after the year in which we failed to qualify as a REIT, unless we satisfy certain relief provisions. Even if the Company qualifies for taxation as a REIT, the Company may be subject to certain state and local taxes on its income and property, and to federal income and excise taxes on its undistributed taxable income. Taxable income from non-REIT activities managed through the TRS, which is taxed as a C-Corporation, is subject to federal, state, and local income taxes.

Employees

At December 31, 2019, the Company had 14 employees. The staff at our hotels are employed by our third-party hotel managers.

Available Information

Our executive offices are located at 1800 West Pasewalk Avenue, Suite 200, Norfolk, Nebraska 68701, our telephone number is (301) 861-3305, and we maintain an Internet website located at www.condorhospitality.com. Our annual reports on Form 10-K and quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to these reports are available free of charge on our website as soon as reasonably practicable after they are filed with the SEC. We also make available the charters of our board committees and our Code of Business Conduct and Ethics on our website. Copies of these documents are available in print to any shareholder who requests them. Requests should be sent to Condor Hospitality Trust, Inc., 1800 West Pasewalk Avenue, Suite 200, Norfolk, NE 68701, Attn: Corporate Secretary.

Item 1A. Risk Factors

The following discussion concerns the risks associated with our business that should be reviewed and considered carefully. Our business faces many risks and the risks described below may not be the only risks we face. Other risks and uncertainties not presently known to us may also materially and adversely affect our business, the value of our shares, and our ability to pay dividends to our shareholders. Additionally, the risks detailed below are interrelated and should be considered as a whole. In connection with the forward-looking statements that appear in this Annual Report on Form 10-K, you should carefully review the section entitled “Forward-Looking Statements.”

For presentation purposes only, we categorize the risk factors into four broad categories:

- **Risk Related to Our Business & Operations**
- **Risks Related to the Hotel Industry**
- **Risks Related to the Real Estate Industry**
- **Risks Related to Our Structure & Organization**

Risks Related to Our Business & Operations

On July 19, 2019, the Company executed a definitive agreement to be acquired by merger with certain affiliates of NexPoint Hospitality Trust, and the merger may not occur on acceptable terms or at all

On July 19, 2019, the Company and the Operating Partnership executed the Merger Agreement with certain affiliates of NexPoint Hospitality Trust (“NHT”) under which the Company would become a wholly-owned subsidiary of NHT’s operating partnership. If the acquisition is consummated under the terms of the Merger Agreement, the holders of common stock would receive in exchange for their shares \$11.10 per share, the holders of our Series E preferred stock would receive in exchange for their shares \$10.00 per share, and the holders of the operating partnership common units of our operating partnership would receive in exchange for their common units \$0.21346 per unit, each without interest and less any applicable withholding taxes. Closing of the acquisition did not occur on March 23, 2020, the contemplated closing date of the acquisition, and has not occurred as of the time of this filing. The Company Parties and the NHT Parties are in discussions concerning potential amendments to restructure the transaction, which will be disclosed if and when such amendments are agreed. There can be no assurance with respect to the outcome of such discussions, and the Company continues reviewing its options and reserves all rights and remedies under the Merger Agreement.

We may not be able to complete the proposed transaction pursuant to the terms of the Merger Agreement or other acceptable terms or at all because of a number of factors, including without limitation, the following: (i) the occurrence of any event, change or other circumstances that could give rise to the termination of the merger agreement; (ii) unknown, underestimated or undisclosed commitments or liabilities; (iii) the inability to complete the proposed transaction due to the failure to satisfy the closing conditions to the proposed transaction; (iv) risks related

to disruption of management's attention from Condor's ongoing business operations due to the proposed transaction; (v) the effect of the announcement of the proposed transaction on the ability of the parties to retain and hire key personnel, maintain relationships with their franchisors, management companies and suppliers, and maintain their operating results and business generally; (vi) the risk that certain approvals or consents will not be received in a timely manner or that the proposed transaction will not be consummated in a timely manner; (vii) adverse changes in U.S. and non-U.S. governmental laws and regulations; (viii) the risk of litigation, including shareholder litigation in connection with the proposed transaction, and the impact of any adverse legal judgments, fines, penalties, injunctions or settlements; and (ix) risks related to uncertainty and disruption in global economic markets as a result of COVID-19 (commonly referred to as the coronavirus).

Failure of the economy to improve or remain stable may adversely affect our ability to execute our business strategies, which in turn would adversely affect our ability to make distributions to our stockholders.

Our ability to execute our business strategy is affected by economic conditions, and we cannot assure you that economic fundamentals will improve or remain stable. The coronavirus pandemic and world events outside our control, such as terrorism, have adversely affected the economy. If events like these continue or reoccur, they may continue to adversely affect the economy in the future. An economic recession could have a dramatic impact on our financial results. In the event conditions in the economy do not improve or remain stable, our ability to execute our business strategies will be adversely affected, which in turn would adversely affect our ability to make distributions to our stockholders.

The departure of any of our key personnel who have significant experience and relationships in the lodging industry, particularly our Chief Executive Officer, J. William Blackham, could materially and adversely affect us.

We depend on the experience and relationships of our executive officers, especially J. William Blackham, our Chief Executive Officer and a member of our board of directors, to manage our day-to-day operations and strategic business direction. Mr. Blackham has extensive experience in the lodging industry, during which time he has established an extensive network of lodging industry contacts and relationships, including relationships with national hotel brands, hotel owners, financiers, operators, commercial real estate brokers, developers and management companies. We can provide no assurances that Mr. Blackham, or any of our key personnel, will continue their employment with us. The loss of the services of any of the members of our management team, or any difficulty attracting and retaining other talented and experienced personnel, could adversely affect our ability to source potential investment opportunities, our relationship with national hotel brands and other industry participants and the execution of our business strategy. Our ability to replace key individuals may be difficult because of the limited number of individuals with the breadth of skills and experience needed to excel in the hotel industry and there can be no assurance that we would be able to hire, train, retain, or motivate such individuals. Further, such a loss could be negatively perceived by investors, which could reduce the market value of our common shares.

If we are unable to successfully manage our growth, our operating results and financial condition could be adversely affected.

Our ability to implement our business strategy and grow our business depends upon our senior executive officers' business contacts and their ability to successfully hire, train, supervise and manage additional personnel. We may not be able to hire and train sufficient personnel or develop management, information and operating systems suitable for our expected growth. If we are unable to manage any future growth effectively, our operating results and financial condition could be adversely affected.

Our future growth is dependent on obtaining new financing and if we cannot secure financing in the future, our growth will be limited.

The success of our growth strategy will depend on access to capital through use of excess cash flow, borrowings or subsequent issuances of common shares or other securities. Acquisitions of new hotel properties will require significant additional capital and existing hotels will require periodic capital improvement initiatives to remain competitive. We may not be able to fund acquisitions or capital improvements solely from cash provided from our

operating activities because we must distribute at least 90% of our taxable income (determined before the deduction for dividends paid and excluding any net capital gains) each year to satisfy the requirements for qualification as a REIT for federal income tax purposes. As a result, our ability to fund capital expenditures for acquisitions through retained earnings is very limited. Our ability to grow through acquisitions of hotels will be limited if we cannot obtain satisfactory debt or equity financing, which will depend on capital markets conditions. We cannot assure you that we will be able to obtain additional equity or debt financing or that we will be able to obtain such financing on favorable terms.

Our lack of industry, brand, and/or geographic diversification could have an adverse effect on results.

Historically, we have exclusively bought ownership interest in hotels in the United States. As a result, we are subject to the risks inherent in investing in a single industry. A downturn in the U.S. hotel industry may have a pronounced effect on the amount of funds available to us for distribution or on the value of Company's assets. Our business is subject to the risks that are common to the hotel industry and that are out of our control. Additionally, we may face risks associated with any geographic concentration or franchisor concentration.

Our returns depend on management of our hotels by third parties.

In order to qualify as a REIT, we cannot operate any hotel or participate in the decisions effecting the daily operations of any hotel. Under the REIT Modernization Act of 1999, REITs are permitted to lease their hotels to TRSs. However, a TRS, such as our TRS, may not operate or manage the leased hotels and, therefore, must enter into management agreements with third-party eligible independent contractors to manage the hotels. Thus, an independent operator under a management agreement with our TRS controls the daily operations of each of our hotels.

Under the terms of our management agreements, our ability to participate in operating decisions regarding the hotels is limited. We depend on our management companies to adequately operate our hotels as provided in the management agreements. We do 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 hotels are being operated inefficiently or in a manner that does not result in satisfactory occupancy rates, revenue per available room, and average daily rates, we may not be able to force our management companies to change their methods of operation of our hotels. We can only seek redress if a management company violates the terms of the management agreement with our TRS, and then only to the extent of the remedies provided for under the terms of the applicable management agreement. If any of the foregoing occurs at franchised hotels, our relationship with the franchisors may be damaged, and we may be in breach of one or more of our franchise agreements. Additionally, in the event that we need to replace a management company due to the termination of an existing management agreement, we may experience decreased occupancy and other significant disruptions at our hotels and in our operations generally.

We face competition for the acquisition of hotels and we may not be successful in identifying or completing hotel acquisitions that meet our criteria, which may impede our growth.

One component of our business strategy is expansion through acquisitions, and we may not be successful in identifying or completing acquisitions that are consistent with our strategy. We compete with institutional pension funds, private equity investors, other REITs, hotel companies, and others who are engaged in the acquisition of hotels, most of whom have greater financial resources than we do. This competition for hotel investments may increase the price we pay for hotels and these competitors may succeed in acquiring the hotels we seek to acquire. Furthermore, our potential acquisition targets may find our competitors to be more attractive suitors because they may have greater marketing and financial resources, may be willing to pay more, or may have a more compatible operating philosophy. In addition, the number of entities competing for suitable hotels may increase in the future, which would increase demand for these hotels and the prices we must pay to acquire them. If we pay higher prices for hotels, our returns on investment and profitability may be reduced.

Future acquisitions may not yield the returns expected, may result in disruptions to our business, may strain management resources, may not be efficiently integrated into operations, and may result in stockholder dilution.

Our business strategy may not ultimately be successful and may not provide positive returns on our investments. Acquisitions may cause disruptions in our operations and divert management's attention away from day-to-day operations. If the integration of our acquisitions into our management companies' operations is not accomplished as efficiently as planned, we will not achieve the expected operating results from the acquisitions. The issuance of equity securities in connection with any acquisition could be substantially dilutive to our stockholders.

We may not be able to sell hotels on favorable terms.

Since January 1, 2015 through the date of this document, we have sold 55 hotels and our business strategy includes the disposition of assets. We may not be able to sell such hotels on favorable terms, and such hotels may be sold at a loss. As with acquisitions, we face competition for buyers of our hotel properties. Other sellers of hotels may have the financial resources to dispose of their hotels on unfavorable terms that we would be unable to accept. If we cannot find buyers for any properties that are designated for sale, we will not be able to implement our disposition strategy. In the event that we cannot fully execute our disposition strategy or realize the benefits therefrom, we may not be able to fully execute our growth strategy. There cannot be any assurances that we will sell any hotels, including the hotels currently under contract for sale on the contracted terms or at all as the closing of the sale of such hotels is subject to the satisfaction of customary closing conditions, some of which may not be satisfied.

We may record additional impairment charges on our properties which will negatively impact our results of operations.

We analyze our assets for impairment when events or circumstances occur that indicate an asset's carrying value may not be recoverable. For impaired assets, we record an impairment charge equal to the excess of the property's carrying value over its fair value. Factors, many of which are outside our control, such as increased local competition, age and condition of hotels, and national and local declines in the economy, may result in additional impairment charges, which will negatively affect our results of operations. We can provide no assurance that any impairment loss recognized would not be material to our results of operations.

We will likely seek to sell equity and/or debt securities to meet our need for additional cash, and we cannot assure you that such financing will be available and further, in connection with such sales our current shareholders could experience a material amount of dilution.

We may require additional cash resources based on business conditions and any acquisitions we may decide to pursue. We will likely seek to sell additional equity and/or debt securities. We cannot assure you that the sale of such securities will be available in amounts or on terms acceptable to us, if at all. If our board determines to sell additional shares of common stock or other debt or equity securities, a material amount of dilution may cause the market price of the common stock to decline.

We face risks associated with the use of debt, including the ability to obtain debt financing and refinancing risk.

We may not be able to successfully obtain debt financing or we may not be able to extend, refinance, or repay our existing debt due to a number of factors, including decreased property valuations, limited availability of credit, tightened lending standards, or deteriorating economic conditions. If we are unable to refinance our debt on acceptable terms, we may be forced to dispose of hotel properties on disadvantageous terms, potentially resulting in losses. We have placed mortgages on certain of our hotel properties, have assumed mortgages on other hotels we acquired and may place additional mortgages on certain of our hotels to secure other debt. To the extent we cannot meet any future debt service obligations, we will risk losing some or all of our hotel properties that are pledged to secure our obligations to foreclosure. If we lack the ability to raise debt or refinance existing debt, our ability to execute our business strategy will be significantly hampered and our financial results may be significantly affected.

Our debt service obligations could adversely affect our operating results, may require us to liquidate our properties, and could limit our ability to make distributions to our stockholders.

We seek to maintain a total stabilized debt level of no more than 70% of our aggregate property investment at cost. We, however, may change or eliminate this target at any time without the approval of our stockholders. In the future, we and our subsidiaries may incur substantial additional debt, including secured debt. Incurring such debt could subject us to many risks, including the risks that:

- our cash flow from operations will be insufficient to make required payment of principal and interest;
- we may be more vulnerable to adverse economic and industry conditions;
- we may be required to dedicate a substantial portion of our cash flow from operations to the repayment of our debt, thereby reducing the cash available for distribution to our stockholders, funds available for operations and capital expenditures, future investment opportunities, or other purposes;
- the terms of any refinancing may not be as favorable as the terms of the debt being refinanced; and
- the use of leverage could adversely affect our stock price and our ability to make distributions to our stockholders

Our results may be negatively affected by interest rate fluctuations and our attempts to hedge this risk may not be effective.

At December 31, 2019, we had long-term debt related to held for use assets of \$135.4 million, of which \$86.8 million is variable rate debt without an interest rate swap in place that effectively locks its interest rate. We may enter into new credit facilities or loans where the debt accrues interest at floating rates, or we may refinance debt that currently accrues interest at lower fixed rates. Higher interest rates could increase our debt service requirements and could reduce the amounts available for distribution to our stockholders, as well as reduce funds available for our operations, future investment opportunities, or other purposes. We may obtain in the future one or more forms of interest rate protection—in the form of swap agreements, interest rate cap contracts, or similar agreements—to “hedge” against the possible negative effects of interest rate fluctuations. However, we cannot assure you that any hedging will adequately mitigate the adverse effects of interest rate increases or that counterparties under these agreements will honor their obligations. In addition, we may be subject to risks of default by hedging counterparties. Adverse economic conditions could also cause the terms on which we borrow to be unfavorable.

Operating our hotels under franchise agreements could adversely affect distributions to our shareholders.

At December 31, 2019, all of our hotels operate under third party franchise agreements and we are subject to the risks of concentrating our hotel investments in several franchise brands. These risks include reductions in business following negative publicity related to any one of our particular brands. Risks associated with our brands could adversely affect our lease revenues and the amounts available for distribution to our shareholders.

The maintenance of the franchise licenses for our hotels is subject to our franchisors’ operating standards and other terms and conditions. Our franchisors periodically inspect our hotels to ensure that we and the TRS follow their standards. Failure to maintain these standards or other terms and conditions could result in a franchise license being canceled. For example, one of our franchisors advised us in February 2019 that two of our hotels have dropped below the required level for guest satisfaction surveys, and that if the hotels do not achieve compliance, it reserves the right to elect to terminate the franchise agreements. As a condition of our continued holding of a franchise license, a franchisor could possibly require us to make capital expenditures, even if we do not believe the capital improvements are necessary or desirable or will result in an acceptable return on our investment. Nonetheless, we may risk losing a franchise license if we do not make franchisor-required capital expenditures.

If a franchisor terminates the franchise license, we may try either to obtain a suitable replacement franchise or to operate the hotel without a franchise license. The loss of a franchise license could materially and adversely affect the operations or the underlying value of the hotel because of the loss of associated name recognition, marketing support, and centralized reservation systems provided by the franchisor. Loss of a franchise license for several of our hotels could materially and adversely affect our revenue. This loss of revenue could, therefore, also adversely affect our cash available for distribution to shareholders.

Unanticipated expenses and insufficient demand for hotels we acquire in new geographic markets could adversely affect our profitability and our ability to make distributions to our stockholders.

We may develop or acquire hotels in geographic areas in which our management may have little or no operating experience and in which potential customers may not be familiar with our franchise brands. As a result, we may have to incur costs relating to the opening, operation and promotion of those new hotel properties that are substantially greater than those incurred in other areas. These hotels may attract fewer customers than our existing hotels, while at the same time, we may incur substantial additional costs with these new hotel properties. Unanticipated expenses and insufficient demand at a new hotel property, therefore, could adversely affect our profitability and our ability to make distributions to our stockholders.

The growth of Internet travel intermediaries could adversely affect the Company's business and profitability.

Although a majority of rooms sold via the Internet are sold through hotel franchisor websites, some of the Company's hotel rooms are booked through Internet travel intermediaries, including but not limited to Travelocity.com, Expedia.com, and Priceline.com. These Internet travel intermediaries purchase rooms at a negotiated, net of fees, discount from participating hotels, which typically results in lower room rates than the Company's franchisor or manager otherwise could have obtained. Although the Company's managers and franchisors may have established agreements with many of these intermediaries that limit transaction fees for hotels, there be no assurance that the Company's managers and franchisors will be able to renegotiate such agreements upon their expirations with terms as favorable as the provisions that exist today. Moreover, some of these Internet travel intermediaries are attempting to offer hotel guestrooms as a commodity, by increasing the importance of price and general indicators of quality (such as "three-star downtown hotel") at the expense of brand identification. These agencies hope that consumers will eventually develop brand loyalties to their reservations system rather than to the brands under which our hotels are franchised. If the amount of sales made through Internet intermediaries increases significantly, guestroom revenue may flatten or decrease and our profitability may be adversely affected.

We and our hotel managers rely on information technology in our operations, and any material failure, inadequacy, interruption or security failure of that technology could harm our business.

We and our hotel managers rely on information technology networks and systems, including the Internet, to process, transmit and store electronic information, and to manage or support a variety of business processes, including financial transactions and records, personal identifying information, reservations, billing and operating data. We purchase some of our information technology from vendors, on whom our systems depend. We rely on commercially available systems, software, tools and monitoring to provide security for processing, transmission and storage of confidential customer information, such as individually identifiable information, including information relating to financial accounts. Although we have taken steps to protect the security of our information systems and the data maintained in those systems, it is possible that our safety and security measures will not be able to prevent the systems' improper functioning or damage, or the improper access or disclosure of personally identifiable information such as in the event of cyber-attacks. In November 2018, Marriott announced a data security incident involving a guest reservation database. Security breaches, such as the one that occurred at Marriott, including physical or electronic break-ins, computer viruses, attacks by hackers and similar breaches, can create system disruptions, shutdowns or unauthorized disclosure of confidential information. Any failure to maintain proper function, security and availability of our information systems could interrupt our operations, damage our reputation, subject us to liability claims or regulatory penalties and could have a material adverse effect on our business, financial condition and results of operations and our ability to make distributions to our shareholders.

Uninsured and underinsured losses and our ability to satisfy our obligations could adversely affect our operating results and our ability to make distributions to our stockholders.

We intend to maintain comprehensive insurance on each of our hotel properties, including liability, fire, and extended coverage, of the type and amount we believe are customarily obtained for or by hotel owners. There are no assurances that current coverage will continue to be available at reasonable rates. Various types of catastrophic losses, like earthquakes and floods, or losses from foreign or domestic terrorist activities, may not be insurable or

may not be economically insurable. Initially, we do not expect to obtain terrorism insurance on our hotel properties because it is costly. Lenders may require such insurance and our failure to obtain such insurance could constitute a default under loan agreements, if required by such agreements. Depending on our access to capital, liquidity and the value of the properties securing the effected loan in relation to the balance of the loan, a default could reduce our net income and limit our ability to obtain future financing.

In the event of a substantial loss, our insurance coverage may not be sufficient to cover the full current market value or replacement cost of our lost investment or the cash flows lost due to the interruption in operations. Should an uninsured loss or a loss in excess of insured limits occur, we could lose all or a portion of the capital we have invested in a hotel, as well as the anticipated future revenue from the hotel. In that event, we might nevertheless remain obligated for any mortgage debt or other financial obligations related to the property. Inflation, changes in building codes and ordinances, environmental considerations and other factors might also keep us from using insurance proceeds to replace or renovate a hotel after it has been damaged or destroyed. Under those circumstances, the insurance proceeds we receive might be inadequate to restore our economic position on the damaged or destroyed property.

Risks Related to the Hotel Industry

The outbreak of the novel coronavirus (COVID-19) has reduced travel and adversely affected the hospitality industry in general.

The outbreak of the novel coronavirus (COVID-19) has reduced travel and adversely affected the hospitality industry in general. The actual and threatened spread of coronavirus globally or in the regions in which we operate, or future widespread outbreak of infectious or contagious disease, such as influenza, coronavirus, measles, mumps, zika virus, or similar viruses, can continue to reduce national and international travel in general.

The extent to which our business may be affected by the coronavirus will largely depend on future developments which we cannot accurately predict, and its impact on customer travel, including the duration of the outbreak, the continued spread and treatment of the coronavirus, and new information and developments that may emerge concerning the severity of the coronavirus and the actions to contain the coronavirus or treat its impact, among others. To the extent that travel activity in the U.S. is materially and adversely affected by the coronavirus, business and financial results of the hospitality industry, and thus our business and financial results, could be materially and adversely impacted.

In late March 2020, prior to the filing of this report, similar to the conditions affecting the hospitality industry as a whole, we experienced dramatic occupancy declines at many of our properties which will require us to adjust our business operations, and will have impact on our operating income and may potentially impact future compliance with our debt covenants.

A recession could have a material adverse effect on the hotel industry and our results of operations.

The performance of the hotel industry usually follows the general economy. During the recession of 2008 and 2009, overall travel was reduced, which had a significant effect on our results of operations. A stall in the economic recovery or a resurgent recession could have a material adverse effect on the hotel industry and, thus, on our results of operations.

Our ability to make distributions to our shareholders may be affected by factors in the hotel industry that are beyond our control.

Our hotels are subject to various operating risks found throughout the hotel industry. Many of these risks are beyond our control. These include, among other things, the following:

- competitors with substantially greater marketing and financial resources than us;
- over-building in our markets, which adversely affects occupancy and revenues at our hotels;
- dependence on business and commercial travelers and tourism;
- terrorist incidents which may deter travel;

- widespread outbreaks of infectious or contagious disease, such as influenza, Coronavirus, measles, or mumps;
- increases in hotel operating costs, energy costs, airline fares and other expenses, which may affect travel patterns and reduce the number of business and commercial travelers and tourists; and
- adverse effects of general, regional and local economic conditions.

These factors could adversely affect the amount of rent we receive from leasing our hotels and reduce the net operating profits of the TRS, which in turn could adversely affect our ability to make distributions to our shareholders. Decreases in room revenues of our hotels will result in reduced operating profits for the TRS and decreased lease revenues to our company under our current percentage leases with the TRS.

The hotel industry is seasonal in nature and may affect our cash flow.

Demand for our hotels is seasonal. We generally expect that we will have lower revenue, operating income, and cash flow in the first and fourth quarters and higher revenue, operating income and cash flow in the second and third quarters. These general trends are, however, influenced by overall economic cycles and the geographic locations of our hotels. To the extent that cash flow from operations is insufficient during any quarter, due to temporary or seasonal fluctuations in revenue, we expect to utilize cash on hand or borrowings under our credit facility to pay expenses, debt service or to make distributions to our equity holders.

The cyclical nature of the lodging industry may cause fluctuations in our operating performance, which could have a material adverse effect on us.

The hotel industry is highly cyclical in nature. Fluctuations in lodging demand and, therefore, operating performance, are caused largely by general economic and local market conditions, which subsequently affects levels of business and leisure travel. In addition to general economic conditions, hotel room supply growth is an important factor that can affect the lodging industry's performance. Overbuilding has, in the past and will continue to have, the potential to further exacerbate the negative impact of an economic recession. Room rates and occupancy, and thus RevPAR, tend to increase when demand growth exceeds supply growth. We can provide no assurances regarding whether, or the extent to which, lodging demand will rebound or whether any such rebound will be sustained. An adverse change in lodging fundamentals in our markets could result in returns that are substantially below our expectations or result in losses, which could have a material adverse effect on us.

Competition from other hotels in the markets in which we operate could have a material adverse effect on our results of operations.

The lodging industry is highly competitive. Our hotels compete with other hotels for guests in each market in which our hotels operate based on a number of factors, including location, convenience, brand affiliation, guestroom rates, range of services and guest amenities or accommodations offered and quality of customer service. Competition is often specific to the individual markets in which our hotels are located and includes competition from existing and new hotels. Our competitors may have an operating model that enables them to offer guestrooms at lower rates than we can, which could result in our competitors increasing their occupancy at our expense. Competition could adversely affect our occupancy, Average Daily Rate ("ADR") and RevPAR, and may require us to provide additional amenities or make capital improvements that we otherwise would not have to make, which could reduce our profitability and could materially and adversely affect our results of operations.

The increasing use by consumers of alternative lodging market places may adversely affect our profitability.

Additional sources of competition, including alternative lodging marketplaces, such as HomeAway and Airbnb, which operate websites that market available furnished, privately-owned residential properties, including homes and condominiums, that can be rented on a nightly, weekly or monthly basis, may, as they become more accepted, lead to a reduced demand for conventional hotel guest rooms and to an increased supply of lodging alternatives. If the amount of bookings made through the use of alternative lodging market places increases significantly, room revenues may flatten or decrease and our profitability may be adversely affected.

In the past, economic trends, terrorist acts, and military action have adversely affected the hotel industry generally, and similar future events could adversely affect the industry in the future.

Terrorist attacks and the after-effects (including the prospects for more terror attacks in the United States and abroad) have, in the past, substantially reduced business and leisure travel and lodging industry RevPAR generally. We cannot predict the extent to which these factors will directly or indirectly impact your investment in our securities, the lodging industry or our operating results in the future.

Declining RevPAR at our hotels would reduce our net income and restrict our ability to fund capital improvements at our hotels and our ability to make distributions to stockholders necessary to maintain our status as a REIT. Additional terrorist attacks, acts of war or similar events could have further material adverse effects on the markets on which shares of our stock will trade, as well as on the lodging industry in general and our operations in particular.

The hotel business is capital intensive.

Our hotels have an ongoing need for renovations and other capital improvements, including replacements, from time to time, of furniture, fixtures and equipment. The franchisors of our hotels also require periodic capital improvements as a condition of keeping the franchise licenses. The costs of all of these capital improvements could adversely affect our financial condition and reduce the amounts available for distribution to our shareholders. These renovations may give rise to the following risks:

- possible environmental problems;
- construction cost overruns and delays;
- a possible shortage of available cash to fund renovations and the related possibility that financing for these renovations may not be available to us on affordable terms; and
- uncertainties as to market demand or a loss of market demand after renovations have begun

The lenders under some of the mortgage debt that we will assume will require us to set aside varying amounts each year for capital improvements at our hotels. We may not be able to fund capital improvements or acquisitions solely from cash provided from our operating activities and, thus, may need to raise capital in order to finance any required capital expenditures.

Noncompliance with governmental regulations could adversely affect our operating results.

Environmental Matters

Our hotel properties are subject to various federal, state, and local environmental laws. Under these laws, courts and government agencies have the authority to require the owner of a contaminated property to clean up the property, even if the owner did not know of or was not responsible for the contamination. These laws also apply to persons who owned a property at the time it became contaminated. In addition to the costs of cleanup, contamination can affect the value of a property and, therefore, an owner's ability to borrow funds using the property as collateral.

Under these environmental laws, courts and government agencies also have the authority to require that a person who sent waste to a waste disposal facility, like a landfill or an incinerator, pay for the clean-up of that facility if it becomes contaminated and threatens human health or the environment. Furthermore, court decisions have established that third parties may recover damages for injury caused by property contamination. For instance, a person exposed to asbestos while staying in a hotel may seek to recover damages if he suffers injury from the asbestos. Lastly, some of these environmental laws restrict the use of a property or place conditions on various activities at a property. One example is laws that require a business using chemicals to manage them carefully and to notify local officials that the chemicals are being used.

Our Company could be responsible for the costs discussed above if it found itself in one or more of these situations. The costs to clean up a contaminated property, to defend against a claim, or to comply with environmental laws could be material and could affect the funds available for distribution to our shareholders. To determine whether any costs of this nature might be required, we commission Phase I environmental site assessments, or "ESAs", before we acquire our hotels, and at certain times have commissioned new ESAs for certain of our hotels in conjunction with a

refinancing of the debt obligations of those hotels. These studies typically included a review of historical information and a site visit, but not soil or groundwater testing. We obtain the ESAs to help us identify whether we might be responsible for cleanup costs or other costs in connection with our hotels. The ESAs on our hotels did not reveal any environmental conditions that are likely to have a material adverse effect on our business, assets, results of operations, or liquidity. However, ESAs do not always identify all potential problems or environmental liabilities. Consequently, we may have material environmental liabilities of which we are unaware.

Americans with Disabilities Act and Other Changes in Governmental Rules and Regulations

Under the Americans with Disabilities Act of 1990, or ADA, all public accommodations must meet various federal requirements related to access and use by disabled persons. Compliance with the ADA's requirements could require removal of access barriers and non-compliance could result in the U.S. government imposing fines or in private litigants obtaining damages. If we were required to make substantial modifications to our hotels, whether to comply with the ADA or other changes in governmental rules and regulations, our ability to make distributions to our shareholders and meet our other obligations could be adversely affected.

Risks Related to the Real Estate Industry

Illiquidity of real estate investments could significantly impede our ability to respond to adverse changes in the performance of our properties and harm our financial condition.

Because real estate investments are relatively illiquid, our ability to promptly sell one or more hotel properties or investments in our portfolio in response to changing economic, financial and investment conditions may be limited. The real estate market is affected by many factors that are beyond our control, including:

- adverse changes in international, national, regional and local economic and market conditions;
- changes in interest rates and in the availability, cost and terms of debt financing;
- changes in governmental laws and regulations, fiscal policies and zoning ordinances and the related costs of compliance with laws and regulations, fiscal policies and ordinances;
- the ongoing need for capital improvements, particularly in older structures;
- changes in operating expenses; and
- civil unrest, acts of God, including earthquakes, floods and other natural disasters and acts of war or terrorism, including the consequences of terrorist acts such as those that occurred on September 11, 2001, which may result in uninsured losses.

We cannot predict whether we will be able to sell any hotel property or investment 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 also cannot predict the length of time needed to find a willing purchaser and to close the sale of a hotel property or loan.

We may be required to expend funds to correct defects or to make improvements before a hotel property can be sold. We cannot assure you that we will have funds available to correct those defects or to make those improvements. In acquiring a hotel property, we may agree to lock-out provisions that materially restrict us from selling that hotel property for a period of time or impose other restrictions, such as limitation on the amount of debt that can be placed or repaid on that hotel property. These facts and any others that would impede our ability to respond to adverse changes in the performance of our hotel properties could have a material adverse effect on our operating results and financial condition, as well as our ability to make distributions to stockholders.

Increases in property taxes would adversely affect our ability to make distributions to our shareholders.

Hotel properties are subject to real and personal property taxes. These taxes may increase as tax rates change and as the properties are assessed or reassessed by taxing authorities. In particular, our property taxes could increase following our hotel purchases as the acquired hotels are reassessed. If property taxes increase, our financial condition, results of operations, and our ability to make distributions to our shareholders could be materially and adversely affected.

Our real estate may contain or develop harmful environmental challenges which could lead to liability for adverse health effects and costs of remediating the problem.

The presence or development of significant environmental challenges at any of our properties could require us to undertake a costly program to remediate the environmental challenge, which would reduce our cash available for distribution. In addition, the presence of a significant environmental challenge could expose us to liability from our guests, employees or our management companies and others if property damage or health concerns arise. Environmental challenges for hotels may include, but is not limited to, mold and bed bugs.

Risks Related to our Organization and Structure

Our failure to qualify as a REIT under the federal tax laws would result in adverse tax consequences.

The federal income tax laws governing REITs are complex and subject to revision.

We currently operate as a REIT under the federal income tax laws. The REIT qualification requirements are extremely complex and interpretations of the federal income tax laws governing qualification as a REIT are limited. Accordingly, we cannot be certain that we would be successful in operating so that we can qualify as a REIT. At any time, new laws, interpretations, or court decisions may change the federal tax laws or the federal income tax consequences of our qualification as a REIT. We have not applied for or obtained rulings from the IRS that we will qualify as a REIT.

Failure to qualify as a REIT would subject us to federal income tax.

If we fail to qualify as a REIT in any taxable year, we will be subject to federal income tax on our taxable income. We might need to borrow money or sell assets in order to pay any such tax. If we cease to be a REIT, we no longer would be required to distribute most of our taxable income to our stockholders. Unless we were entitled to relief under certain federal income tax laws, we could not re-elect REIT status during the four calendar years after the year in which we failed to qualify as a REIT.

Failure to make required distributions would subject us to tax.

In order to qualify as a REIT, we generally are required to distribute at least 90% of our REIT taxable income, determined without regard to the dividends paid deduction, each year to our stockholders. To the extent that we satisfy this distribution requirement, but distribute less than 100% of our taxable income, we will be subject to federal income tax on our undistributed taxable income. In addition, we will be subject to a 4% non-deductible 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. As a result, for example, of differences between cash flow and the accrual of income and expenses for tax purposes, or of nondeductible expenditures, our REIT taxable income in any given year could exceed our cash available for distribution. In addition, to the extent we may retain earnings of the TRS in those subsidiaries, such amount of cash would not be available for distribution to our stockholders to satisfy the 90% distribution requirement. Accordingly, we may be required to borrow money or sell assets to make distributions sufficient to enable us to pay out enough of our taxable income to satisfy the distribution requirement and to avoid federal corporate income tax and the 4% non-deductible excise tax in a particular year.

The formation of the TRS increases our overall tax liability.

The TRS is subject to federal and state income tax on its taxable income, which in the case of the TRS currently consists and generally will continue to consist of revenues from the hotel properties leased by the TRS, net of the operating expenses for such properties and rent payments to us. Accordingly, although our ownership of the TRS allows us to participate in the operating income from our hotel properties in addition to receiving rent, that operating income is fully subject to income tax. Such taxes could be substantial. The after-tax net income of the TRS is available for distribution to us.

We incur a 100% excise tax on transactions with the TRS that are not conducted on an arm's-length basis. For example, to the extent that the rent paid by the TRS exceeds an arm's-length rental amount, such amount potentially is subject to the excise tax. We intend that all transactions between us and the TRS will continue to be conducted on an arm's-length basis and, therefore, that the rent paid by the TRS to us will not be subject to the excise tax.

Our TRS lessee structure subjects us to the risk of increased operating expenses.

Our hotel management agreements require us to bear the operating risks of our hotel properties. Our operating risks include not only changes in hotel revenue and changes in the TRS's ability to pay the rent due under the leases, but also increased operating expenses, including, among other things:

- wage and benefits costs;
- repair and maintenance expenses;
- energy costs;
- property taxes;
- insurance costs; and
- other operating expenses.

Any decreases in hotel revenue or increases in operating expenses could have a material adverse effect on our earnings and cash flows.

Our ability to make distributions on our common and preferred stock is subject to fluctuations in our financial performance, operating results, and capital improvement requirements.

As a REIT, we generally are required to distribute annually at least 90% of our REIT taxable income, determined without regard to the dividends paid deduction, to our stockholders. Downturns in our operating results and financial performance or unanticipated capital improvements to our hotel properties may affect our ability to declare or pay distributions to our stockholders. Further, we may not generate sufficient cash in order to fund distributions to our stockholders, which may require us to sell assets or borrow money to satisfy the REIT distribution requirements.

Among the factors which could adversely affect our results of operations and our distributions to stockholders are reduced net operating profits or operating losses, increased debt service requirements, and capital expenditures at our hotel properties. Among the factors which could reduce our net operating profits are decreases in hotel property revenue and increases in hotel property operating expenses. Hotel property revenue can decrease for a number of reasons, including increased competition from a new supply of rooms and decreased demand for rooms. These factors can reduce both occupancy and room rates at our hotel properties.

The timing and amount of distributions are at the sole discretion of our Board of Directors, which will consider, among other factors, our actual results of operations, debt service requirements, capital expenditure requirements for our properties, and our operating expenses. We cannot guarantee future distributions.

We have restrictive debt covenants that could adversely affect our ability to run our business.

We are required to meet or maintain quarterly loan covenants with certain of our lenders. Weakness in the economy and the lodging industry at large may result in non-compliance with our loan covenants. Such noncompliance with our loan covenants may result in our lenders restricting the use of our operating funds for capital improvements to our existing hotels, including improvements required by our franchise agreements, or causing the debt maturity to accelerate. We cannot assure you that we can maintain compliance with our loan covenants and maintain our business strategy.

Our restrictive debt covenants may jeopardize our tax status as a REIT.

To maintain our REIT status, we generally must distribute at least 90% of our REIT taxable income to our stockholders annually. In addition, we are subject to a 4% non-deductible excise tax if the actual amount distributed to stockholders in a calendar year is less than a minimum amount specified under federal income tax laws. In the

event we do not comply with our debt service obligations, our lenders may limit our ability to make distributions to our stockholders, which could adversely affect our REIT status.

Our two largest shareholders hold significant voting power and have the right to designate seven of our nine directors, which provides these shareholders with significant power to influence our business and affairs.

Real Estate Strategies, L.P. (“RES”, which also includes affiliated entities) holds 29% and SREP III Flight-Investco, L.P. (“SREP”, which also includes affiliated entities) holds 24% of the common stock as of December 31, 2019. RES and SREP each have a contractual preemptive right, but not the obligation, to purchase up to their pro rata share (based on their ownership on a fully diluted basis) of any equity securities we offer in future offerings on the same terms as other investors. RES has had the right to designate up to four directors, and SREP has had the right to designate up to three directors, with the number of directors that each may designate based on their respective voting power. RES and SREP will each have the right to separately designate three directors to our board of directors at the annual meeting of shareholders currently scheduled for May 23, 2019. Each of RES and SREP in their respective agreements with us has agreed to vote for the election of the incumbent members of the board of directors and their successors nominated by the nominating committee of the board of directors. As a consequence, the election of the six directors designated by RES and SREP is assured.

By virtue of their voting power and board designation rights, preemptive right to purchase additional equity securities in future stock offerings and approval rights, RES and SREP, collectively and separately, have the power to significantly influence our business and affairs and the outcome of matters required to be submitted to shareholders for approval, including the election of our directors, amendments to our charter, mergers, or sales of assets. Their influence over our business and affairs may not be consistent with the interests of some or all of our other shareholders and might negatively affect the market price of our common stock.

The holders of the Series E Preferred Stock have rights senior to holders of common stock.

RES and SREP, our two largest shareholders, own all of the issued and outstanding shares of our 6.25% Series E Cumulative Convertible Preferred Stock (“Series E Preferred Stock”). The Series E Preferred Stock ranks senior to our common stock and any other preferred stock issuances and receives preferential cumulative cash dividends at a rate of 6.25% annually per annum of the \$10.00 face value per share. If we fail to pay a dividend, then during the period that dividends are not paid, the dividend rate increases to 9.50%. Dividends on the Series E Preferred Stock accrue whether or not we have earnings, whether or not there are funds legally available for the payment of such dividends, whether or not such dividends are declared, and whether or not such dividends are prohibited by agreement.

The Series E Preferred Stock votes as a class on matters generally affecting the Series E Preferred Stock, and as long as 434,750 shares of Series E Preferred Stock (47% of the originally issued shares of Series E Preferred Stock) remain outstanding, then 75% approval of the Series E Preferred Stock will be required to approve merger, consolidation, liquidation or winding up of Condor, related party transactions exceeding \$120,000, payment of dividends on common stock except from funds from operations or to maintain REIT status, the grant of exemptions from Condor’s charter limitation on ownership of 9.9% of any class or series of its securities (exclusive of persons currently holding exemptions), issuance of preferred stock, or commitment or agreement to do any of the foregoing.

We may be subject to adverse legislative or regulatory tax changes that could increase our tax liability, reduce our operating flexibility and reduce the market price of our shares.

At any time, the federal income tax laws governing REITs or the administrative and judicial interpretations of those laws may be amended or changed. We cannot predict when or if any new federal income tax law, regulation or administrative and judicial interpretation, or any amendment to any existing federal income tax law, regulation or administrative or judicial interpretation, will be adopted, promulgated or become effective and any such law, regulation or interpretation may take effect retroactively. We and our shareholders could be adversely affected by any such change in, or any new, federal income tax law, regulation or administrative and judicial interpretation.

If our hotel managers do not qualify as "eligible independent contractors" the Company would likely fail to qualify as a REIT.

Rent paid by a lessee that is a "related party tenant" of ours will not be qualifying income for purposes of the two gross income tests applicable to REITs. We lease substantially all of our hotels to our TRS. The TRS will not be treated as a "related party tenant," and will not be treated as directly operating a lodging facility to the extent the TRS leases properties from us that are managed by an "eligible independent contractor." In addition, our TRS holding companies will fail to qualify as "taxable REIT subsidiaries" if they lease or own a lodging facility that is not managed by an "eligible independent contractor."

If our hotel managers do not qualify as "eligible independent contractors," we would fail to qualify as a REIT. Each of the hotel management companies that enters into a management contract with our TRS must qualify as an "eligible independent contractor" under the REIT rules in order for the rent paid to us by our TRS to be qualifying income for our REIT income test requirements and for our TRS holding companies to qualify as "taxable REIT subsidiaries". Among other requirements, in order to qualify as an eligible independent contractor a manager must not own more than 35% of our outstanding shares (by value) and no person or group of persons can own more than 35% of our outstanding shares and the ownership interests of the manager, taking into account only owners of more than 5% of our shares and, with respect to ownership interests in such managers that are publicly traded, only holders of more than 5% of such ownership interests. Complex ownership attribution rules apply for purposes of these 35% thresholds. Although we intend to monitor ownership of our shares by our property managers and their owners, there can be no assurance that these ownership levels will not be exceeded.

If our leases with our TRS are not respected as true leases for federal income tax purposes, we would fail to qualify as a REIT.

To qualify as a REIT, we are required to satisfy two gross income tests, pursuant to which specified percentages of our gross income must be passive income, such as rent. For the rent paid pursuant to the hotel leases with our TRS, which should constitute substantially all of our gross income, to qualify for purposes of the gross income tests, the leases must be respected as true leases for federal income tax purposes and must not be treated as service contracts, joint ventures or some other type of arrangement. We have structured our leases, and intend to structure any future leases, so that the leases will be respected as true leases for federal income tax purposes, but there can be no assurance that the IRS will agree with this characterization, not challenge this treatment or that a court would not sustain such a challenge. If the leases were not respected as true leases for federal income tax purposes, we would not be able to satisfy either of the two gross income tests applicable to REITs and likely would fail to qualify for REIT status.

We may be subject to the 100% prohibited transaction tax on the gain recognized on the hotels we sold.

A REIT will incur a 100% tax on the net income derived from any sale or other disposition of property that the REIT holds primarily for sale to customers in the ordinary course of a trade or business. We undertook specific disposition programs beginning in 2001 (that included the sale of 23 hotels through December 31, 2004) and 2008 (that included the sale of 125 hotels through December 31, 2019). We held the disposed hotels for an average period of 14.5 years and did not acquire the hotels for purposes of resale. We believe that such sales are not prohibited transactions. However, if the IRS would successfully assert that we held such hotels primarily for sale in the ordinary course of our business, the gain from such sales could be subject to a 100% prohibited transaction tax.

Complying with REIT requirements may cause us to forego attractive opportunities that could otherwise generate strong risk-adjusted returns and instead pursue less attractive opportunities, or none at all.

To continue to qualify as a REIT for federal income tax purposes, we must continually satisfy tests concerning, among other things, the sources of our income, the nature and diversification of our assets, the amounts we distribute to our stockholders and the ownership of our stock. Thus, compliance with the REIT requirements may hinder our ability to operate solely on the basis of generating strong risk-adjusted returns on invested capital for our stockholders.

Complying with REIT requirements may force us to liquidate otherwise attractive investments, which could result in an overall loss on our investments.

To continue to qualify as a REIT, we must also ensure that at the end of each calendar quarter at least 75% of the value of our assets consists of cash, cash items, government securities and qualified REIT real estate assets. The remainder of our investment in securities (other than government securities and qualified real estate assets) generally cannot include more than 10% of the outstanding voting securities of any one issuer or more than 10% of the total value of the outstanding securities of any one issuer. In addition, in general, no more than 5% of the value of our assets (other than government securities and qualified real estate assets) can consist of the securities of any one issuer, and no more than 25% of the value of our total securities can be represented by securities of one or more TRSs. If we fail to comply with these requirements at the end of any calendar quarter, we must correct such failure within 30 days after the end of the calendar quarter to avoid losing our REIT status and suffering adverse tax consequences. If we fail to comply with these requirements at the end of any calendar quarter, we may be able to preserve our REIT status by benefiting from certain statutory relief provisions. Except with respect to a de minimis failure of the 5% asset test or the 10% vote or value test, we can maintain our REIT status only if the failure was due to reasonable cause and not to willful neglect. In that case, we will be required to dispose of the assets causing the failure within six months after the last day of the quarter in which we identified the failure, and we will be required to pay an additional tax of the greater of \$50,000 or the product of the highest applicable tax rate (currently 35%) multiplied by the net income generated on those assets. As a result, we may be required to liquidate otherwise attractive investments.

Dividends payable by REITs do not qualify for the reduced tax rates available for some dividends.

The maximum U.S. federal income tax rate applicable to qualified dividend income payable to certain non-corporate U.S. holders is 20%. Dividends payable by REITs, however, generally are not eligible for the reduced qualified dividend rates. For taxable years beginning after December 31, 2017 and before January 1, 2026, under the recently enacted law informally known as the Tax Cuts and Jobs Act (“TCJA”), non-corporate taxpayers may deduct up to 20% of certain pass-through business income, including “qualified REIT dividends” (generally, dividends received by a REIT shareholder that are not designated as capital gain dividends or qualified dividend income), subject to certain limitations, resulting in an effective maximum U.S. federal income tax rate of 29.6% on such income. Although the reduced U.S. federal income tax rate applicable to qualified dividend income does not adversely affect the taxation of REITs or dividends payable by REITs, the more favorable rates applicable to regular corporate qualified dividends and the reduced corporate tax rate (currently 21%) could cause certain non-corporate investors to perceive investments in REITs to be relatively less attractive than investments in the stocks of non-REIT corporations that pay dividends, which could adversely affect the value of the shares of REITs, including our shares.

Provisions of our charter and substantial voting power held by two shareholders may limit the ability of a third party to acquire control of our company.

In order to maintain our REIT qualification, no more than 50% in value of our outstanding capital stock may be owned, directly or indirectly, by five or fewer individuals (as defined in the federal income tax laws to include various kinds of entities) during the last half of any taxable year. Our articles of incorporation contain the ownership limitation, which prohibits both direct and indirect ownership of more than 9.9% of the outstanding shares of our common stock or 9.9% of any series of our preferred stock by any person, subject to several exceptions. Generally, any shares of our capital stock owned by affiliated owners will be added together for purposes of the ownership limitation.

Our articles of incorporation permit our board, in its sole discretion, to exempt a person from the 9.9% ownership limitation if the person provides representations and undertakings that enable our board to determine that granting the exemption would not result in the loss of our REIT qualification. Under the IRS rules, REIT shares owned by certain entities are considered owned proportionately by owners of the entities for REIT qualification purposes. RES and SREP each provided a letter at the time of the issuance of the 6.25% Series D Cumulative Convertible Preferred Stock (“Series D Preferred Stock”) that permitted our board to grant such an exemption. The stock ownership by RES and SREP, which was permitted with our board’s approval, represents such substantial voting power that it may limit the ability of a third party to acquire control of our company.

These ownership limitations may prevent an acquisition of control of our company by a third party without our board of directors' approval, even if our stockholders believe the change of control is in their best interests. Our charter authorizes our board of directors to issue shares of common stock and shares of preferred stock, and to set the preferences, rights and other terms of the preferred stock. Furthermore, our board of directors may, without any action by the stockholders, amend our charter from time to time to increase or decrease the aggregate number of shares of stock of any class or series of preferred stock that we have authority to issue. Issuances of additional shares of stock may have the effect of delaying, deferring or preventing a transaction or a change in control of our company that might involve a premium to the market price of our common stock or otherwise be in our stockholders' best interests.

Our ownership limitation may prevent a shareholder from engaging in certain transfers of our capital stock.

If anyone transfers shares in a way that would violate the ownership limitation described above or prevent us from continuing to qualify as a REIT under the federal income tax laws, we will consider the transfer to be null and void from the outset, and the intended transferee of those shares will be deemed never to have owned the shares. Those shares instead will be transferred to a trust for the benefit of a charitable beneficiary and will be either redeemed by our company or sold to a person whose ownership of the shares will not violate the ownership limitation. Anyone who acquires shares in violation of the ownership limitation or the other restrictions on transfer in our articles of incorporation bears the risk that he will suffer a financial loss when the shares are redeemed or sold if the market price of our stock falls between the date of purchase and the date of redemption or sale.

The ability of our board of directors to change our major corporate policies may not be in your interest.

Our board of directors determines our major corporate policies, including our acquisition, financing, growth, operations and distribution policies. Our board may amend or revise these and other policies from time to time without the vote or consent of our stockholders.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our Company headquarters is located in Norfolk, Nebraska, with additional office space in Bethesda, Maryland and Omaha, Nebraska. The following table sets forth certain information with respect to the hotels owned by us as of December 31, 2019:

Hotel Name	City	State	Rooms	Acquisition Date	Purchase Price (in thousands)
Hilton Garden Inn	Dowell/Solomons	MD	100	05/25/2012	\$11,500
SpringHill Suites	San Antonio	TX	116	10/01/2015	\$17,500
Courtyard by Marriott	Jacksonville	FL	120	10/02/2015	\$14,000
Hotel Indigo	College Park	GA	142	10/02/2015	\$11,000
Aloft ⁽¹⁾	Atlanta	GA	254	08/22/2016	\$43,550
Aloft	Leawood	KS	156	12/14/2016	\$22,500
Home2 Suites	Lexington	KY	103	03/24/2017	\$16,500
Home2 Suites	Round Rock	TX	91	03/24/2017	\$16,750
Home2 Suites	Tallahassee	FL	132	03/24/2017	\$21,500
Home2 Suites	Southaven	MS	105	04/14/2017	\$19,000
Hampton Inn & Suites	Lake Mary	FL	130	06/19/2017	\$19,250
Fairfield Inn & Suites	El Paso	TX	124	08/31/2017	\$16,400
Residence Inn	Austin	TX	120	08/31/2017	\$22,400
TownePlace Suites	Austin	TX	122	01/18/2018	\$19,750
Home2 Suites	Summerville	SC	93	02/21/2018	\$16,325
Total Rooms			<u>1,908</u>		<u>\$287,925</u>

- (1) This property is owned through an 80% interest in our unconsolidated Atlanta JV. On February 14, 2020, the Company acquired the remaining 20% ownership interest in the Atlanta JV

All of our properties are encumbered by either our revolving credit agreement or by mortgage debt at December 31, 2019. Additional property information is found in Item 8 Schedule III of this Annual Report on Form 10-K.

ITEM 3. LEGAL PROCEEDINGS

Various claims and legal proceedings arise in the ordinary course of business and may be pending against the Company and its properties. We are not currently involved in any material litigation, nor, to our knowledge, is any material litigation threatened against us. The Company has insurance to cover potential material losses and we believe it is not reasonably possible that such matters will have a material impact on our financial condition or results of operations.

On August 20, 2019, a putative class action complaint was filed against the Company and each of the Company directors, our operating partnership, NHT Parent, NHT Merger Sub, and NHT Merger Op in the United States District Court for the District of Delaware under the caption *Graham v. Condor Hospitality Trust, Inc., et al.*, Civil Action No. 1:19-cv-01552. The case was voluntarily dismissed by plaintiffs on January 28, 2020.

A second putative class action complaint was filed on August 23, 2019 against the Company and each of the Company directors, the Operating Partnership, Parent, Merger Sub and Merger OP in the United States District Court for the District of Delaware under the caption *Sabatini v. Condor Hospitality Trust, Inc., et al.*, Civil Action No. 1:19-cv-01564. These complaints asserted claims, purportedly brought on behalf of a class of shareholders, under Sections 14(a) and 20(a) of the Securities Exchange Act of 1934 and SEC Rule 14a-9, and alleged that the preliminary proxy statement filed by the Company with the Securities and Exchange Commission (“SEC”) on Schedule 14A on August 9, 2019 (the “Preliminary Proxy Statement”) contained materially incomplete and misleading disclosures. Each of the complaints sought, among other things, injunctive relief enjoining defendants from taking steps to consummate the proposed transactions and damages, along with fees and costs. The case was voluntarily dismissed by plaintiffs on January 28, 2020.

On August 26, 2019, a putative class action was filed against the Company and each of the Company’s directors in the United States District Court for the Southern District of New York under the caption *Raul v. Condor Hospitality Trust, Inc., et al.*, Civil Action No. 1:19-cv-07968. The complaint asserted claims, purportedly brought on behalf of a class of shareholders, under Sections 14(a) and 20(a) of the Securities Exchange Act of 1934 and SEC Rule 14a-9 and alleged that the Preliminary Proxy Statement contained materially incomplete and misleading disclosures. The complaint sought, among other things, injunctive relief enjoining defendants from taking steps to consummate the proposed transaction and damages, along with fees and costs. The case was voluntarily dismissed by plaintiffs on November 19, 2019.

Pursuant to a Confidential Memorandum of Understanding dated September 16, 2019 between the plaintiffs in the above three actions and the Company, if the parties do not resolve any claim for fees and expenses related to the dismissed actions, the plaintiff may assert claims for fees, if at all, in the United States District Court of the District of Delaware.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY / RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

Effective on March 15, 2017, the Company effected a reverse stock split of its common stock at a ratio of 1-for-6.5. No fractional shares of common stock were issued as fractional shares were settled in cash. Share and per share information included below has been adjusted for the stock split as if such stock split occurred on the first day of the periods presented.

The Company's common stock began trading on the NYSE American under its current symbol "CDOR" at the open of market trading on July 21, 2017. The Company's common stock previously traded on the Stock Market under the same symbol.

Shareholder Information

As of March 25, 2020, the approximate number of holders of record of our common stock was 67. However, because the vast majority of our common shares are held by brokers and other institutions on behalf of shareholders, we believe that there are considerably more beneficial holders of our common shares than record holders.

Distribution Information

Distributions to the extent of our current and accumulated earnings and profits for federal income tax purposes generally will be taxable to a shareholder as ordinary income. Distributions in excess of current and accumulated earnings and profits generally will be treated as a nontaxable reduction of the shareholder's basis in such shareholder's shares, to the extent thereof, and thereafter as taxable capital gain. Distributions that are treated as a reduction of the shareholder's basis in its shares will have the effect of increasing the amount of gain, or reducing the amount of loss, recognized upon the sale of the shareholder's shares.

The actual amount of future dividends will be determined by the Board of Directors based on the actual results of operations, economic conditions, capital expenditure requirements, the annual distribution requirements under the REIT provisions of the Code, and other factors that the Board of Directors deems relevant. As discussed in the Subsequent Events footnote to the consolidated financial statements, on March 30, 2020, the Sixth Amendment to the Key Bank credit facility was signed which provides that no cash dividends or distributions may be made to common or preferred shareholders for the remaining term of the debt.

For income tax purposes, distributions paid per share for the years ended December 31, 2019, 2018, and 2017 were characterized as follows:

	For the year ended December 31,					
	2019		2018		2017	
	Amount	%	Amount	%	Amount	%
Common Shares:						
Ordinary income	\$ -	-	\$ -	-	\$ 0.117000	20%
Capital gain	-	-	-	-	-	-
Return of capital	0.585000	100%	0.975000	100%	0.468000	80%
Total	<u>\$ 0.585000</u>	<u>100%</u>	<u>\$ 0.975000</u>	<u>100%</u>	<u>\$ 0.585000</u>	<u>100%</u>
Series D Preferred Stock:						
Ordinary income	\$ -	-	\$ -	-	\$ 0.104160	100%
Capital gain	-	-	-	-	-	-
Return of capital	-	-	-	-	-	-
Total	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>-</u>	<u>\$ 0.104160</u>	<u>100%</u>

Series E Preferred Stock:

Ordinary income	\$	-	-	\$	-	-	\$	0.522569	100%
Capital gain		-	-		-	-		-	-
Return of capital		0.468750	100%		0.625000	100%		-	-
Total	\$	0.468750	100%	\$	0.625000	100%	\$	0.522569	100%

The common and preferred share distributions declared on December 11, 2018 and paid on January 3, 2019 and December 31, 2018, respectively, were treated as 2018 distributions for tax purposes. The common share distribution declared on December 19, 2017 and paid on January 10, 2018 was treated as a 2018 distribution for tax purposes. The preferred share distribution declared on December 19, 2017 and paid on January 2, 2018 was treated as a 2017 distribution for tax purposes.

Shares Authorized for Issuance Under Equity Compensation Plans

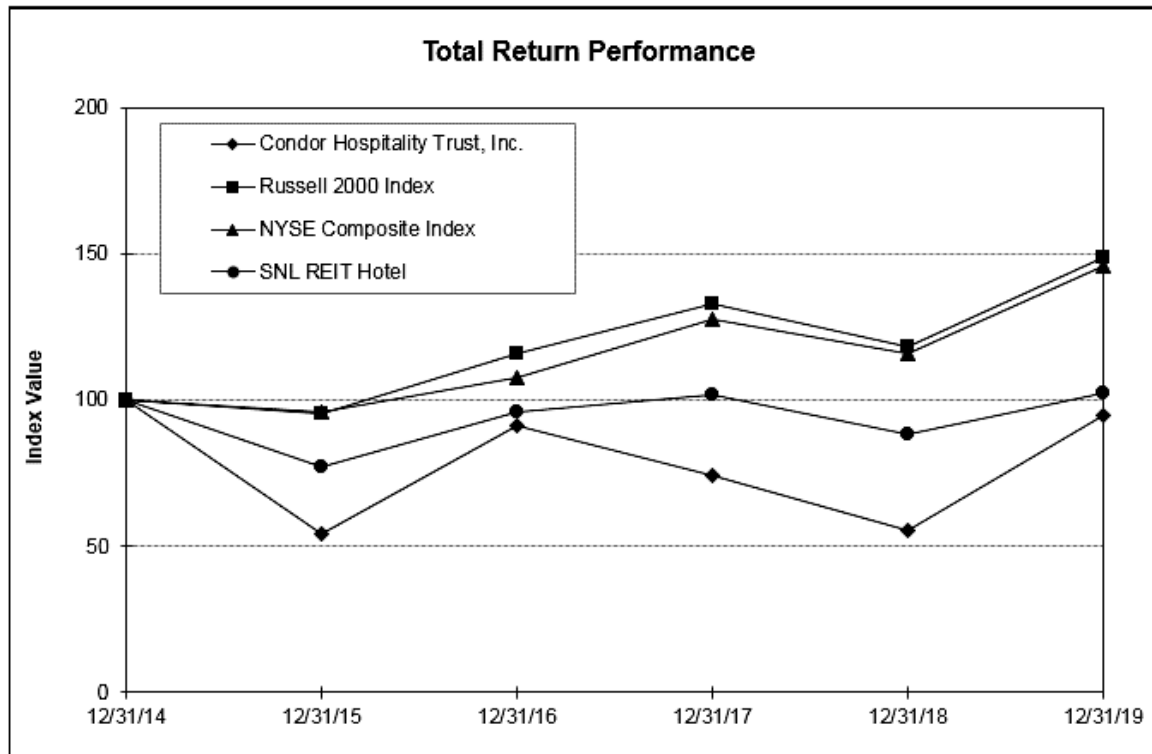
See Part III, Item 12 for a description of securities authorized for issuance under our 2016 Stock Plan.

Share Performance

The following graph compares the yearly percentage change in the cumulative total shareholder return on our common stock for the period December 31, 2014 through December 31, 2019, with the cumulative total return on the SNL Securities Hotel REIT Index, the Russell 2000 Index, and the NYSE Composite Index for the same period. The SNL Hotel REIT Index is comprised of publicly traded REITs that focus on investments in hotel properties.

The comparison assumes a starting investment of \$100 on December 31, 2014 in our common stock and in each of the indices shown and assumes that all dividends are reinvested. The performance graph is not necessarily indicative of future investment performance.

Condor Hospitality Trust, Inc.



Index	Period Ending					
	12/31/14	12/31/15	12/31/16	12/31/17	12/31/18	12/31/19
Condor Hospitality Trust, Inc.	100.00	54.11	91.50	74.02	55.61	94.90
Russell 2000 Index	100.00	95.59	115.95	132.94	118.30	148.49
NYSE Composite Index	100.00	95.91	107.36	127.46	116.06	145.66
SNL REIT Hotel	100.00	77.36	95.88	101.89	88.46	102.19

Source: S&P Global Market Intelligence
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ITEM 6. SELECTED FINANCIAL DATA

The following sets forth selected financial and operating data on a historical consolidated basis. The following information should be read in conjunction with “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our audited consolidated financial statements and related notes thereto, appearing elsewhere in this document.

In thousands, except per share data	As of and for the years ended December 31,				
	2019	2018	2017	2016	2015
Revenue					
Room rentals and other hotel services	\$ 61,052	\$ 65,057	\$ 55,453	\$ 50,647	\$ 58,714
Operating expense					
Hotel and property operations	38,769	41,008	37,134	37,092	43,367
Depreciation and amortization	9,568	9,475	6,898	5,190	5,400
General and administrative	5,700	6,217	6,552	5,792	5,493
Acquisitions and terminated transactions	38	205	1,250	550	684
Equity and terminated transactions	2,110	-	343	-	246
Total operating expenses	56,185	56,905	52,177	48,624	55,190
Operating income					
Net gain (loss) on disposition of assets	(36)	5,570	6,807	23,132	4,798
Equity in earnings (loss) of joint venture	190	(218)	190	(244)	-
Net gain (loss) on derivatives and convertible debt	(1,071)	317	436	6,377	11,578
Other income (expense), net	(104)	(83)	(111)	55	114
Interest expense	(7,976)	(8,326)	(5,174)	(4,710)	(5,522)
Loss on debt extinguishment	-	-	(967)	(2,187)	(213)
Impairment (loss) recovery, net	-	93	(2,151)	(1,477)	(3,829)
Earnings (loss) from continuing operations before income taxes	(4,130)	5,505	2,306	22,969	10,450
Income tax (expense) benefit	(937)	(335)	595	(125)	-
Earnings (loss) from continuing operations	(5,067)	5,170	2,901	22,844	10,450
Gain from discontinued operations, net of tax	-	-	-	678	3,872
Net earnings (loss)	(5,067)	5,170	2,901	23,522	14,322
(Earnings) loss attributable to noncontrolling interest	19	195	(20)	(727)	(1,197)
Net earnings (loss) attributable to controlling interests	(5,048)	5,365	2,881	22,795	13,125
Dividends declared and undeclared and in kind dividends deemed on preferred stock	(578)	(578)	(12,243)	(20,748)	(3,632)
Net earnings (loss) attributable to common shareholders	\$ (5,626)	\$ 4,787	\$ (9,362)	\$ 2,047	\$ 9,493
Weighted average number of common shares - basic	11,856	11,784	9,438	761	752
Weighted average number of common shares - diluted	11,856	11,886	9,438	5,536	3,575
Earnings per Share					
Continuing operations - Basic	\$ (0.48)	\$ 0.40	\$ (1.00)	\$ 1.82	\$ 8.06
Discontinued operations - Basic	-	-	-	0.85	4.55
Total - Basic Earnings (Loss) per Share	\$ (0.48)	\$ 0.40	\$ (1.00)	\$ 2.67	\$ 12.61
Diluted Earnings Per Share (EPS)					
Continuing operations - Diluted	\$ (0.48)	\$ 0.40	\$ (1.00)	\$ 0.78	\$ (0.98)
Discontinued operations - Diluted	-	-	-	0.13	0.98
Total - Diluted Earnings (Loss) per Share	\$ (0.48)	\$ 0.40	\$ (1.00)	\$ 0.91	\$ -
Balance sheet data					
Total investment in hotel properties, net	\$ 222,063	\$ 234,270	\$ 219,580	\$ 114,871	\$ 130,699
Cash and cash equivalents	\$ 2,584	\$ 4,151	\$ 5,441	\$ 8,326	\$ 4,870
Total assets	\$ 236,941	\$ 253,448	\$ 242,980	\$ 140,665	\$ 142,346
Total debt, net of deferred financing costs, including convertible debt at fair value	\$ 135,081	\$ 137,930	\$ 121,650	\$ 64,035	\$ 86,011
Total equity	\$ 95,826	\$ 107,852	\$ 111,814	\$ 70,799	\$ 34,495

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the Consolidated Financial Statement and Notes thereto. This section includes discussion of financial information as of and for the year ended December 31, 2019 and provides comparisons to the same information as of and for the year ended December 31, 2018. Comparisons of 2018 financial information to the same information for 2017 can be found in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II, Item 7 of the Company's Annual Report on Form 10-K for the year ended December 31, 2018 as filed with the Securities and Exchange Commission on March 11, 2019.

Overview

Condor Hospitality Trust, Inc. is a self-administered REIT for federal income tax purposes that specializes in the investment and ownership of high-quality select-service, limited-service, extended stay, and compact full service hotels. Substantially all of our operations are conducted through Condor Hospitality Limited Partnership, our operating partnership, for which we serve as general partner. As of December 31, 2019, the Company owned 15 hotels, representing 1,908 rooms, in eight states, including one hotel owned through an 80% interest in an unconsolidated joint venture.

Agreement and Plan of Merger

On July 19, 2019, Company Parties and the NHT Parties entered into the Merger Agreement. Closing of the acquisition did not occur on March 23, 2020, the contemplated closing date of the acquisition, and has not occurred as of the time of this filing. The Company Parties and the NHT Parties are in discussions concerning potential amendments to restructure the transaction, which will be disclosed if and when such amendments are agreed. There can be no assurance with respect to the outcome of such discussions, and the Company continues reviewing its options and reserves all rights and remedies under the Merger Agreement.

There can be no assurances that the acquisition of the Company will be completed.

Hotel Property Portfolio Activity

Acquisitions

During the year ended December 31, 2019, there were no hotel acquisitions.

Subsequent to year end, on February 14, 2020, the Company purchased our joint venture partner's interest in the Atlanta JV for \$7.3 million.

Dispositions

Pursuant to our disposition strategy, the following hotel sales were completed in 2019:

Date of sale	Location	Brand	Condor lender	Number of rooms	Gross proceeds (in thousands)
03/22/2019	Solomons, MD	Quality Inn	Credit facility	59	\$ 4,320

Net proceeds, after the payment of related expenses, totaled \$4.2 million in 2019. The net proceeds were used to repay borrowings under the Company's credit facility.

Based on the criteria discussed in the footnotes to the consolidated financial statements, as of December 31, 2019, the Company had no hotels classified as held for sale. As of December 31, 2018, the Company had one hotel held for sale which was sold in 2019. If a hotel is considered held for sale as of the most recent balance sheet presented

or was sold in any period presented, the hotel property and the debt it collateralizes are shown as held for sale in all periods presented.

Operating Performance Metrics

The following table presents our comparative same-store occupancy, ADR, and RevPAR for all our hotels owned at December 31, 2019. Same-store occupancy, ADR, and RevPAR reflect the performance of hotels during the entire period, regardless of our ownership during the period presented. Results for the hotels for periods prior to our ownership were provided to us by prior owners and have not been adjusted by us or audited or reviewed by our independent auditors. The performance metrics for the hotel acquired through 80% ownership of the Atlanta Aloft JV, also presented below, reflect 100% of the operating results of the property, including our interest and the interest of our partner.

	Year ended December 31,					
	2019			2018		
	Occupancy	ADR	RevPAR	Occupancy	ADR	RevPAR
Wholly owned new investment platform properties	79.29%	\$ 121.25	\$ 96.15	80.52%	\$ 120.53	\$ 97.05
Atlanta Aloft JV	76.21%	\$ 151.09	\$ 115.15	75.37%	\$ 144.43	\$ 108.85
Total Same-Store Portfolio	78.88%	\$ 125.09	\$ 98.68	79.84%	\$ 123.24	\$ 98.63

Total same-store RevPAR remained almost consistent between the periods, increasing by 0.1% during 2019, driven by a 1.3% increase in ADR which was partially offset by a decrease in occupancy of 1.2%. The largest RevPAR increases during this period were the El Paso Fairfield Inn (increase of 9.6%) and the Atlanta Aloft JV (increase of 5.8%). These increases were partially offset by a decrease at the San Antonio SpringHill Suites (decrease of 12.3%). At the El Paso Fairfield Inn, the increase in RevPAR was driven by both increases in occupancy (4.4%) and ADR (5.0%) resulting from increased business in the market due to border and immigration issues and increased activity at Fort Bliss. The performance of the Atlanta Aloft, which was driven by an increase in ADR of 4.6%, was largely the result of the 2019 Super Bowl in the market. At the San Antonio SpringHill Suites, the decrease was driven by a much weaker 2019 convention schedule and the timing of athletic events when compared to 2018.

Results of Operations

	Year ended December 31,		
	2019	2018	Variance
Revenue	\$ 61,052	\$ 65,057	\$ (4,005)
Hotel and property operations expense	(38,769)	(41,008)	2,239
Depreciation and amortization expense	(9,568)	(9,475)	(93)
General and administrative expense	(5,700)	(6,217)	517
Acquisition and terminated transactions expense	(38)	(205)	167
Equity transaction and strategic alternatives	(2,110)	-	(2,110)
Net gain (loss) on disposition of assets	(36)	5,570	(5,606)
Equity (loss) in earnings of joint venture	190	(218)	408
Net gain (loss) on derivatives and convertible debt	(1,071)	317	(1,388)
Other expense, net	(104)	(83)	(21)
Interest expense	(7,976)	(8,326)	350
Impairment recovery, net	-	93	(93)
Income tax expense	(937)	(335)	(602)
Net earnings (loss)	\$ (5,067)	\$ 5,170	\$ (10,237)

Comparison of the year ended December 31, 2019 to the year ended December 31, 2018 (in thousands, except per share amounts)

Revenue

Revenue decreased by a total of \$4,005 primarily as a result of decreased revenue from properties sold during and between the periods of \$4,090 which was partially offset by revenue from properties acquired during the first quarter of 2018 which increased by \$512. Revenue related to new investment platform properties owned throughout both periods decreased by \$427 as a result of the changes in RevPar discussed above.

Expenses

Hotel and property operations expense also decreased by \$2,239 as a result of decreased expenses from properties sold during and between the periods of \$3,013 which was partially offset by expenses from properties acquired during the first quarter of 2018 which increased by \$405. In total, hotel and property operations expenses increased slightly as consistent as a percentage of total revenue from 63.0% in 2018 to 63.5% in 2019.

General and administrative expense decreased by \$517 between the periods largely due to decreased compensation costs as well as decreased professional services and travel costs as a result of decreased transactional activity.

Acquisition costs typically consist of transfer taxes, legal fees, and other costs associated with acquiring a hotel property as well as transactions that were terminated during the year and expense incurred pursuing potential acquisitions. Prior to January 1, 2018, hotel acquisition costs were expensed for both completed and potential acquisitions. Beginning on January 1, 2018, with the implementation of ASU No. 2017-01, these costs are capitalized if they relate to completed hotel acquisitions accounted for as asset acquisitions and expensed only when related to potential acquisitions not subsequently pursued or terminated transactions, leading to the period over period decrease in these expenses. See further discussion of ASU No. 2017-01 in Note 1, *Organization and Summary of Significant Accounting Policies*, to our consolidated financial statements.

In 2019, \$2,110 of expenses were recognized as Equity transaction and strategic alternatives expenses which included the removal of previously capitalized costs related to the Company's shelf registration and at-the-market offering program and costs incurred related to the Company's strategic alternatives initiative.

Interest expense decreased by \$350 between the periods, driven by a decrease in debt outstanding as a result of the smaller property portfolio.

Net Gain (Loss) on Disposition of Assets

During the years ended December 31, 2019 and 2018, the Company sold one hotel and four hotels, respectively, resulting in total gains of \$62 and \$5,707, respectively. The net gains (losses) appearing in the financial statements also include net losses on disposals due to repairs, replacements, and other renovations. One of the properties sold in the first quarter of 2018 had been previously impaired and a recovery of impairment of \$93 was recognized upon the sale.

Net Gain (Loss) on Derivatives and Convertible Debt

In 2019, the net loss on derivatives and convertible debt was driven by increases in the Company's common stock price. The net gain on derivatives and convertible debt in 2018 was driven by changes in value of the Company's interest rate swap on its Wells Fargo debt which is adjusted to fair market value each period.

Non-GAAP Financial Measures

Non-GAAP financial measures are measures of our historical financial performance that are different from measures calculated and presented in accordance with accounting principles generally accepted in the United States of America ("GAAP"). We report Funds from Operations ("FFO"), Adjusted FFO ("AFFO"), Earnings Before Interest, Taxes, Depreciation, and Amortization ("EBITDA"), EBITDA for real estate ("EBITDA_{re}"), Adjusted EBITDA_{re}, and Hotel EBITDA as non-GAAP measures that we believe are useful to investors as key measures of our operating results and which management uses to facilitate a periodic evaluation of our operating results relative to those of our peers. Our non-GAAP measures should not be considered as an alternative to U.S. GAAP net earnings as an indication of financial performance or to U.S. GAAP cash flows from operating activities as a measure of liquidity. Additionally, these measures are not indicative of funds available to fund cash needs or our ability to make cash distributions as they have not been adjusted to consider cash requirements for capital expenditures, property acquisitions, debt service obligations, or other commitments.

FFO and AFFO

We calculate FFO in accordance with the standards established by the National Association of Real Estate Investment Trusts (“NAREIT”), which defines FFO as net earnings or loss computed in accordance with GAAP, excluding gains or losses from sales of real estate assets, impairment, and the depreciation and amortization of real estate assets. FFO is calculated both for the Company in total and as FFO attributable to common shares and common units, which is FFO reduced by preferred stock dividends. AFFO is FFO attributable to common shares and common units adjusted to exclude items we do not believe are representative of the results from our core operations, including non-cash gains or losses on derivatives and convertible debt, stock-based compensation expense, amortization of certain fees, losses on debt extinguishment, and in-kind dividends above stated rates, and cash charges for acquisition and equity transaction and strategic alternatives costs. All REITs do not calculate FFO and AFFO in the same manner; therefore, our calculation may not be the same as the calculation of FFO and AFFO for similar REITs.

We consider FFO to be a useful additional measure of performance for an equity REIT because it facilitates an understanding of the operating performance of our properties without giving effect to real estate depreciation and amortization, which assumes that the value of real estate assets diminishes predictably over time. Since real estate values have historically risen or fallen with market conditions, we believe that FFO provides a meaningful indication of our performance. We believe that AFFO provides useful supplemental information to investors regarding our ongoing operating performance that, when considered with net earnings and FFO, is beneficial to an investor’s understanding of our operating performance.

The following table reconciles net earnings to FFO and AFFO for the years ended December 31 (in thousands). All amounts presented include our portion of the results of our unconsolidated Atlanta JV.

Reconciliation of Net Earnings (Loss) to FFO and AFFO	Year ended December 31,		
	2019	2018	2017
Net earnings (loss)	\$ (5,067)	\$ 5,170	\$ 2,901
Depreciation and amortization expense	9,568	9,475	6,898
Depreciation and amortization expense from JV	1,195	1,155	1,140
Net loss (gain) on disposition of assets	36	(5,570)	(6,807)
Net loss on disposition of assets from JV	2	157	7
Impairment loss (recovery), net	-	(93)	2,151
FFO	5,734	10,294	6,290
Dividends declared and undeclared and in kind dividends deemed on preferred stock	(578)	(578)	(12,244)
FFO attributable to common shares and common units	5,156	9,716	(5,954)
Net loss (gain) on derivatives and convertible debt	1,071	(317)	(436)
Net loss on derivatives from JV	1	22	2
Acquisitions and terminated transactions expense	38	205	1,250
Equity transaction and strategic alternatives	2,110	-	343
Loss on debt extinguishment	-	-	967
Loss on extinguishment of debt from JV	138	-	-
Stock-based compensation and LTIP expense	1,026	974	1,237
Amortization of deferred financing fees	1,267	1,443	1,066
Amortization of deferred financing fees from JV	444	181	181
Non-recurring dividends above stated rates declared and undeclared and in kind dividends deemed on preferred stock	-	-	11,110
AFFO attributable to common shares and common units	\$ 11,251	\$ 12,224	\$ 9,766

Earnings Before Interest, Taxes, Depreciation, and Amortization (“EBTIDA”), EBITDAre, Adjusted EBITDAre, and Hotel EBITDA

We calculate EBITDA, EBITDAre, and Adjusted EBITDAre by adding back to net earnings or loss certain non-operating expenses and certain non-cash charges which are based on historical cost accounting that we believe may be of limited significance in evaluating current performance. We believe these adjustments can help eliminate the accounting effects of depreciation and amortization and financing decisions and facilitate comparisons of core operating profitability between periods. In calculating EBITDA, we add back to net earnings or loss interest expense, loss on debt extinguishment, income tax expense, and depreciation and amortization expense. NAREIT adopted EBITDAre in order to promote an industry-wide measure of REIT operating performance. We adjust

EBITDA by adding back net gain/loss on disposition of assets and impairment charges to calculate EBITDAre. To calculate Adjusted EBITDAre, we adjust EBITDAre to add back acquisition and terminated transactions expense and equity transaction and strategic alternatives expense, which are cash charges. We also add back stock –based compensation expense and gain/loss on derivatives and convertible debt, which are non-cash charges. EBITDA, EBITDAre, and Adjusted EBITDAre, as presented, may not be comparable to similarly titled measures of other companies.

We believe EBITDA, EBITDAre, and Adjusted EBITDAre to be useful additional measures of our operating performance, excluding the impact of our capital structure (primarily interest expense), our asset base (primarily depreciation and amortization expense), and other items we do not believe are representative of the results from our core operations.

The Company further excludes general and administrative expenses, other non-operating income or expense, and certain hotel and property operations expenses that are not allocated to individual properties in assessing hotel performance (primarily certain general liability and other insurance costs, land lease costs, and office and banking fees) from Adjusted EBITDAre to calculate Hotel EBITDA. Hotel EBITDA, as presented, may not be comparable to similarly titled measures of other companies.

Hotel EBITDA is intended to isolate property level operational performance over which the Company’s hotel operators have direct control. We believe Hotel EBITDA is helpful to investors as it better communicates the comparability of our hotels’ operating results for all of the Company’s hotel properties and is used by management to measure the performance of the Company’s hotels and the effectiveness of the operators of the hotels.

The following table reconciles net earnings to EBITDA, EBITDAre, Adjusted EBITDAre, and Hotel EBITDA for the years ended December 31 (in thousands). All amounts presented include our portion of the results of our unconsolidated Atlanta JV.

Reconciliation of Net earnings (loss) to EBITDA, EBITDAre, Adjusted EBITDAre, and Hotel EBITDA	Year ended December 31,		
	2019	2018	2017
EBITDA			
Net earnings (loss)	\$ (5,067)	\$ 5,170	\$ 2,901
Interest expense	7,976	8,326	5,174
Interest expense from JV	2,140	2,109	1,941
Loss on debt extinguishment	-	-	967
Loss on extinguishment of debt from JV	138	-	-
Income tax expense (benefit)	937	335	(595)
Depreciation and amortization expense	9,568	9,475	6,898
Depreciation and amortization expense from JV	1,195	1,155	1,140
EBITDA	16,887	26,570	18,426
Net (gain) loss on disposition of assets	36	(5,570)	(6,807)
Net loss on disposition of assets from JV	2	157	7
Impairment loss (recovery), net	-	(93)	2,151
EBITDAre	16,925	21,064	13,777
Net (gain) loss on derivatives and convertible debt	1,071	(317)	(436)
Net loss on derivative from JV	1	22	2
Stock-based compensation and LTIP expense	1,026	974	1,237
Acquisition and terminated transactions expense	38	205	1,250
Equity transaction and strategic alternatives	2,110	-	343
Adjusted EBITDAre	21,171	21,948	16,173
General and administrative expense, excluding stock compensation and LTIP expense	4,674	5,243	5,315
Other expense (income), net	104	83	111
Unallocated hotel and property operations expense	227	364	351
Hotel EBITDA	\$ 26,176	\$ 27,638	\$ 21,950
Revenue	\$ 61,052	\$ 65,057	\$ 55,453
JV revenue	10,133	9,510	9,266
Total Company and JV revenue	\$ 71,185	\$ 74,567	\$ 64,719
Hotel EBITDA as a percentage of revenue	36.8%	37.1%	33.9%

Liquidity and Capital Resources

Agreement and Plan of Merger

The Merger Agreement among the Company, our operating partnership and certain affiliates of NHT provides that, upon consummation of the Mergers, the holders of our common stock would receive in exchange for their shares \$11.10 per share in cash, the holders of our Series E preferred stock would receive in exchange for their shares \$10.00 per share in cash, and the holders of the operating partnership would receive in exchange for their common units \$0.21346 per unit in cash, each without interest and less any applicable withholding taxes. The transactions pursuant to by the Merger Agreement also contemplate that, upon closing, the NHT Parties would assume or otherwise payoff substantially all of the debt of the Company. As disclosed in this Annual Report on Form 10-K, the Mergers have not been consummated, and there can be no assurances that the acquisition of the Company will be completed.

Liquidity Requirements

We expect to meet our short-term liquidity requirements through net cash provided by operations, existing cash balances and working capital, and the release of restricted cash upon the satisfaction of usage requirements. At December 31, 2019, the Company had \$2.6 million of cash and cash equivalents, \$5.8 million of restricted cash on hand, and \$9.0 million of unused availability under its credit facility. As discussed further in the Subsequent Events footnote of the consolidated financial statements, on March 30, 2020, our credit facility was amended to, among other things, remove the ability to reborrow in the future (without Lender approval). Our short-term liquidity requirements consist primarily of operating expenses and other expenditures directly associated with our hotel properties, recurring maintenance and capital expenditures necessary to maintain our hotels in accordance with brand standards, interest expense and scheduled principal payments on outstanding indebtedness, restricted cash funding obligations, and the payment of dividends in accordance with the REIT requirements of the Code and as required in connection with our Series E Preferred Stock. We also presently expect to invest approximately \$0.5 million to \$1.5 million in capital expenditures related to hotel properties we currently own through March 31, 2021.

To maintain our REIT tax status, we generally must distribute at least 90% of our taxable income to our shareholders annually. In addition, we are subject to a 4% non-deductible excise tax if the actual amount distributed to shareholders in a calendar year is less than a minimum amount specified under the federal income tax laws. We have a general dividend policy of paying out approximately 100% of annual REIT taxable income. The actual amount of any future dividends will be determined by the Board of Directors based on our actual results of operations, economic conditions, capital expenditure requirements, and other factors that the Board of Directors deems relevant.

Our longer-term liquidity requirements consist primarily of the cost of acquiring additional hotel properties, renovations and other one-time capital expenditures that periodically are made related to our hotel properties, and scheduled debt payments, including maturing loans. Possible sources of liquidity to fund debt maturities and acquisitions and to meet other obligations include additional secured or unsecured debt financings, and proceeds from public or private issuances of debt or equity securities.

Prior to the consideration of any asset sales or our ability to refinance debt subsequent to December 31, 2019, contractual principal payments on our debt outstanding, including normal amortization, totaled \$88.4 million through March 31, 2021, including the October 2020 maturity of our Key Bank credit facility. As discussed further in the Subsequent Events footnote of the consolidated financial statements, on March 30, 2020, the Key Bank credit facility was amended to, among other things, extend the maturity date of the facility to April 1, 2021, providing also for two extension options (six months and five months). Following this modification, contractual principal payments on our debt outstanding at December 31, 2019 through March 31, 2021 totaled \$1.6 million.

Sources and Uses of Cash

Cash provided by Operating Activities. Our cash provided by operations was \$9.3 million and \$10.7 million for the years ended December 31, 2019 and 2018, respectively, a decrease of \$1.4 million. This change in operating cash flow was driven by a change in net income, after adjusting for non-cash items, which decreased by \$3.0

million. This decrease was partially offset by differing changes in liabilities between the periods, driven most significantly by differences in the timing of the payment of property taxes. Other changes in operating assets and liabilities between the periods discussed were individually insignificant.

Cash provided by (used in) Investing Activities. Our cash provided by (used in) investing activities was \$4.4 million and (\$16.5 million) for the years ended December 31, 2019 and 2018, respectively, an increase of \$20.9 million. The increase in these cash flows was driven by decreased cash spent on hotel acquisitions of \$35.6 million, partially offset by a decrease in net proceeds from the sale of hotels of \$15.5 million between the periods.

Cash provided by (used in) Financing Activities. Our cash provided by (used in) financing activities was (\$14.4 million) and \$4.6 million for the years ended December 31, 2019 and 2018, respectively, a decrease of \$19.0 million. The decrease was driven by decreased debt proceeds of \$33.8 million due to a decrease in hotel acquisitions, partially offset by a decrease in repayments of debt of \$15.0 million due to a decrease in hotel sales.

Outstanding Indebtedness

At December 31, 2019, we had long-term debt of \$135.4 million with a weighted average term to maturity of 1.5 years and a weighted average interest rate of 4.22%. Of this total, at December 31, 2019, \$22.9 million was fixed rate debt with a weighted average term to maturity of 2.3 years and a weighted average interest rate of 4.41% and \$112.5 million was variable rate debt with a weighted average term to maturity of 1.2 years and a weighted average interest rate of 4.18%. At December 31, 2018, we had long-term debt of \$138.0 million associated with assets held for use with a weighted average term to maturity of 2.1 years and a weighted average interest rate of 5.15%. Of this total, at December 31, 2018, \$23.6 million was fixed rate debt with a weighted average term to maturity of 1.9 years and a weighted average interest rate of 4.41% and \$114.4 million was variable rate debt with a weighted average term to maturity of 2.9 years and a weighted average interest rate of 5.30%.

Debt is classified as held for sale if the properties collateralizing it are held for sale. Debt associated with assets held for sale is classified in the table below based on its contractual maturity although the balances are expected to be repaid within one year upon the sale of the related hotel properties. Aggregate annual principal payments on debt for the next five years and thereafter are as follows (in thousands):

	Total
2020 \$	88,076
2021	14,341
2022	24,886
2023	214
2024	7,840
Thereafter	-
Total\$	135,357

Financial Covenants

We are required to satisfy various financial covenants within our debt agreements, including the following financial covenants within our credit facility with KeyBank:

- **Debt Yield:** The ratio of adjusted net operating income for the borrowing base properties to indebtedness outstanding under the credit facility cannot be less than 10%. The covenant is first tested on September 30, 2020 and for purposes of calculating compliance with the covenant, annualized results are used until June 30, 2021 when the calculation is based on the most recently ended four fiscal quarters.
- **Consolidated Leverage Ratio:** The ratio of consolidated total indebtedness to consolidated total asset value cannot exceed 60%.
- **Fixed Charge Coverage Ratio:** The ratio of adjusted consolidated EBITDA to consolidated fixed charges cannot be less than (a) 1.25 to 1 as of the end of the fiscal quarter ending September 30, 2020 and (b) 1.50 to 1 as of the end of the fiscal quarter ending December 31, 2020 and each fiscal quarter thereafter. For purposes of calculating compliance with the covenant, annualized results are used until June 30, 2021 when the calculation is based on the most recently ended four fiscal quarters.

- **Borrowing Base Leverage Ratio:** The ratio of indebtedness outstanding under the credit facility to borrowing base asset value (based on updated appraisals required by the lenders) cannot exceed 65%. The covenant is first tested on June 30, 2021.

On March 30, 2020, our credit facility with KeyBank was amended to, among other things:

- Implement a collateral-specific minimum debt yield (ratio of adjusted net operating income for the borrowing base properties to indebtedness outstanding under the credit facility) of 10%. The covenant is first tested on September 30, 2020 and for purposes of calculating compliance with the covenant, annualized results are used until June 30, 2021 when the calculation is based on the most recently ended four fiscal quarters.
- Maintain the maximum consolidated leverage ratio (ratio of consolidated total indebtedness to consolidated total asset value) of 60% but provide for updated appraisals to determine consolidated total asset value (if required by the lenders).
- Modify the fixed charge coverage ratio (ratio of adjusted consolidated EBITDA to consolidated fixed charges) to (a) 1.25 to 1 as of the end of the fiscal quarter ending September 30, 2020 and (b) 1.50 to 1 as of the end of the fiscal quarter ending December 31, 2020 and each fiscal quarter thereafter. For purposes of calculating compliance with the covenant, annualized results are used until June 30, 2021 when the calculation is based on the most recently ended four fiscal quarters. The covenant was previously 1.50 to 1 tested at the end of each fiscal quarter based on the most recently ended four fiscal quarters.
- Implement a maximum borrowing base leverage ratio (ratio of indebtedness outstanding under the credit facility to borrowing base asset value (based on updated appraisals required by the lenders) of 65%. The covenant is first tested on June 30, 2021.
- Eliminate the financial covenants regarding secured leverage ratio, tangible net worth and variable rate debt.
- Modify the covenant on dividends and distributions to provide that no cash dividends or distributions may be made to common or preferred shareholders.
- Modify the covenants on recourse debt and investments to provide that no additional recourse debt or investments will be permitted.

As a result of the anticipated impact of the COVID-19 virus on the hotel industry generally, the Company has received waivers from Great Western Bank with respect to compliance with its quarterly debt service coverage ratios (consolidated and for the Leawood Aloft collateral) for March 31, 2020 and June 30, 2020 and modifications for September 30, 2020 and December 31, 2020 (providing for lower collateral covenant and use of annualized results). The modification also provides for a three month deferral of principal and interest payments.

Certain of the terms used in the foregoing descriptions of the financial covenants within our credit facility have the meanings given to them in the credit facility, and certain of the financial covenants are subject to pro forma adjustments for acquisitions and sales of hotel properties and for specific capital events.

If we fail to pay our indebtedness when due, fail to comply with covenants or otherwise default on our loans, unless waived, we could incur higher interest rates during the period of such loan defaults, be required to immediately pay our indebtedness, and ultimately lose our hotels through lender foreclosure if we are unable to obtain alternative sources of financing with acceptable terms. Our credit facility contains cross-default provisions which would allow the lenders under our credit facility to declare a default and accelerate our indebtedness to them if we default on our other loans and such default would permit that lender to accelerate our indebtedness under any such loan.

As of December 31, 2019, we are not in default of any of our loans.

Significant Debt Transactions

During 2019, net proceeds from the Company's hotel sale were used to pay down a total of \$4.2 million on the credit facility and an additional \$1.5 million was drawn under the facility for corporate purposes. Available borrowing capacity under the credit facility is based on a borrowing base formula for the pool of hotel properties securing the facility. As of December 31, 2019, the collateral pool consisted of nine hotel properties and total

available borrowing capacity under the credit facility was \$9.0 million. At December 31, 2019, \$86.8 million was outstanding under the credit facility.

On March 8, 2019, the credit facility was amended to extend its maturity from March 1, 2020 to April 1, 2020. On May 3, 2019, the maturity of the credit facility was further extended to October 1, 2020. Two extension options, extending the maturity of the credit facility to March 1, 2021 and March 1, 2022, remain available subject to certain conditions including the completion of specific capital achievements.

Additionally, as discussed further in the Subsequent Events footnote to the consolidated financial statements, on March 30, 2020, the Key Bank credit facility was amended to, among other things, extend the maturity date of the facility to April 1, 2021, providing also for two extension options (six months and five months). Following this modification, contractual debt maturities on debt outstanding at December 31, 2019 were as follows:

	Total	
2020	\$	1,231
2021		101,186
2022		24,886
2023		214
2024		7,840
Thereafter		-
Total	\$	135,357

Contractual Obligations

Below is a summary of certain obligations that will require capital as of December 31, 2019, without consideration of debt amendments that took place subsequent to year end, and the effect such obligations are expected to have on our future liquidity and cash flows (in thousands):

Contractual obligations	Total	2020	2021-2022	2023-2024	2025 and After
Long-term debt including interest ⁽¹⁾	\$ 142,850	\$ 91,480	\$ 42,711	\$ 8,659	\$ -
Equipment leases	96	22	41	8	25
Total contractual obligations	<u>\$ 142,946</u>	<u>\$ 91,502</u>	<u>\$ 42,752</u>	<u>\$ 8,667</u>	<u>\$ 25</u>

- (1) Interest rate payments on our variable rate debt have been estimated using interest rates in effect at December 31, 2019. As previously discussed, the Company's Key Bank credit facility was amended subsequent to year end to move the maturity of \$86,845 of debt outstanding at December 31, 2019 from 2020 to 2021.

We have various standing or renewable contracts with vendors. These contracts are all cancelable with immaterial or no cancellation penalties. Contract terms are generally one year or less. We also have management agreements in place for the management and operation of our hotel properties.

Inflation

We rely on the performance of our hotels to increase revenues to keep pace with inflation. Generally, our hotel operators possess the ability to adjust room rates daily to reflect the effects of inflation. However, competitive pressures may limit the ability of our management companies to raise room rates.

Off Balance Sheet Financing Transactions

We have not entered into any off balance sheet financing transactions.

Critical Accounting Policies

Our consolidated financial statements have been prepared in conformity with U.S. GAAP, which requires management to make estimates and assumptions that effect the reported amount of assets and liabilities at the date of our financial statements and the reported amounts of revenues and expenses during the reporting period. While we do not believe the reported amounts would be materially different, application of these policies involves the exercise of judgment and the use of assumptions as to future uncertainties and, as a result, actual results could differ from these estimates. We evaluate our estimates and judgments on an ongoing basis. We base our estimates on experience and on various other assumptions that are believed to be reasonable under the circumstances.

Critical accounting policies are those that are both important to the presentation of our financial condition and results of operations and require management's most difficult, complex, or subjective judgments. We have identified the following principal accounting policies that have a material effect on our consolidated financial statements.

Investment in Hotel Properties

At the time of acquisition, the Company allocates the purchase price of assets to asset classes based on the fair value of the acquired real estate, furniture, fixtures, and equipment, and intangible assets, if any, and the fair value of liabilities assumed, including debt. Acquisition date fair values are determined based on replacement costs, appraised values, and estimated fair values using methods similar to those used by independent appraisers including discounted cash flows and capitalization rates.

Effective January 1, 2018, we adopted Financial Accounting Standards Board ("FASB") ASU No. 2017-01, *Clarifying the Definition of a Business*. As such, if substantially all of the fair value of the gross assets acquired are concentrated in a single identifiable asset or group of similar identifiable assets, the set is not considered a business. When we conclude that an acquisition meets this threshold, acquisition costs will be capitalized as part of our allocation of the purchase price of the acquired hotel properties. This guidance is applied prospectively. We concluded that all hotel acquisitions in 2018 were acquisitions of assets and as such acquisition costs were capitalized as part of these transactions.

Prior to January 1, 2018, hotel acquisitions were considered business combinations and acquisition costs, such as transfer taxes, title insurance, environmental and property condition reviews, and legal and accounting fees, were expensed as incurred. These types of costs continue to be expensed if they are related to potential acquisitions that are not completed.

The Company's investments in hotel properties are recorded at cost and are depreciated using the straight-line method over an estimated useful life of 15 to 40 years for buildings and improvements and 3 to 12 years for furniture and equipment.

Renovations and/or replacements that improve or extend the life of the hotel properties are capitalized and depreciated over their useful lives. Repairs and maintenance are expensed as incurred.

The initial fees incurred to enter into the franchise agreements are capitalized and amortized over the life of the franchise agreements using the straight-line method. Amortization expense is included in depreciation and amortization in the consolidated statements of operations.

On an ongoing basis, the Company reviews the carrying value of each held for use hotel to determine if certain circumstances, known as triggering events, exist indicating impairment to the carrying value of the hotel or that depreciation periods should be modified. These triggering events include a significant change in the cash flows of or a significant adverse change in the business climate for a hotel. If facts or circumstances support the possibility of impairment, the Company will prepare an estimate of the undiscounted future cash flows, without interest charges, of the specific hotel and determine if the investment in such hotel is recoverable based on these undiscounted future cash flows. If the investment is not recoverable based on this analysis, an impairment charge will be taken, if necessary, to reduce the carrying value of the hotel to the hotel's estimated fair value.

Assets Held for Sale

A hotel is considered held for sale (a) when a contract for sale is entered into, a substantial, nonrefundable deposit has been committed by the purchaser, and sale is expected to occur within one year, or (b) if management has committed to and is actively engaged in a plan to sell the property, the property is available for sale in its current condition, and it is probable the sale will be completed within one year. If a hotel is considered held for sale as of the most recent balance sheet presented or was sold in any period presented, the hotel property and the debt it collateralizes are shown as held for sale in all periods presented. Depreciation of our hotels is discontinued at the time they are considered held for sale.

At the end of each reporting period, if the fair value of the held for sale property less costs to sell is lower than the carrying value of the hotel, the Company will record an impairment loss. Impairment losses on held for sale properties may be subsequently recovered up to the amount of the cumulative impairment losses taken while the property is held for sale should future revisions to fair value estimates be required. If active marketing ceases or the property no longer meets the criteria to be classified as held for sale, the property is reclassified to held for use and measured at the lower of its (a) carrying amount before the property was classified as held for sale, adjusted for any depreciation expense that would have been recognized had the property been continuously classified as held for use, or (b) its fair value at the date of the subsequent decision not to sell.

Gains on the sale of real estate are recognized when a property is sold or are deferred and recognized as income in subsequent periods as conditions requiring deferral are satisfied or expire without further cost to us.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk includes risks that arise from changes in interest rates, foreign currency exchange rates, commodity prices, equity prices, and other market changes that effect market-sensitive instruments. At December 31, 2019, our market risk arises primarily from interest rate risk relating to variable rate borrowings and the market risk related to our convertible debt and the embedded redemption right in the Series E Preferred Stock that fair value will fluctuate following changes in the Company's common stock price or changes in interest rates.

Interest Rate Sensitivity

We seek to limit the impact of interest rate changes on earnings and cash flows and to lower our overall borrowing costs by closely monitoring our variable rate debt and converting such debt to fixed rates when we deem such conversion advantageous. From time to time, we may enter into interest rate swap agreements or other interest rate hedging agreements. At December 31, 2019, we have an interest rate swap in place which effectively locks the variable interest rate on our Wells Fargo debt (December 31, 2019 balance of \$25.6 million) at 4.44% and an interest rate cap in place which caps the 30-day LIBOR interest rate on \$30.0 million of our credit facility (December 31, 2019 balance of \$86.4 million) at 3.35%. We do not intend to enter into derivative or interest rate transactions for speculative purposes.

The table below provides information about financial instruments that are sensitive to changes in interest rates. The table presents scheduled maturities, including the amortization of principal and related weighted-average interest rates for the debt maturing in each specified period (dollars in thousands) as of December 31, 2019, without consideration of debt amendments that took place subsequent to year end. As previously discussed, the Company's Key Bank credit facility was amended subsequent to year end to move the maturity of \$86,845 of variable rate debt outstanding from 2020 to 2021. For the purposes of this presentation, the Wells Fargo debt is considered fixed rate debt as the variable interest rate is effectively locked with the previously discussed interest rate swap.

	2020	2021	2022	2023	2024	Thereafter	Total
Fixed rate debt	\$ 1,231	\$ 14,341	\$ 24,886	\$ 214	\$ 7,840	\$ -	\$ 48,512
Average fixed interest rate	4.40%	4.34%	4.44%	4.54%	4.54%	-%	4.43%
Variable rate debt	\$ 86,845	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 86,845
Average variable interest rate	4.30 %	-%	-%	-%	-%	-%	4.30%
Total debt	\$ 88,076	\$ 14,341	\$ 24,886	\$ 214	\$ 7,840	\$ -	\$ 135,357
Total average interest rate	4.31%	4.34%	4.44%	4.54%	4.54%	-%	4.35%

At December 31, 2019, approximately 35.8% of our outstanding debt is subject to fixed interest rates or effectively locked with an interest rate swap, while 64.2% of our debt is subject to floating rates. Assuming no increase in the level of our variable debt outstanding at December 31, 2019 and after giving effect to our interest rate swap, if interest rates increased by 1.0% our cash flow related to hotel properties held for use would decrease by approximately \$0.9 million per year.

Condor Hospitality Trust, Inc. and Subsidiaries
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Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors
Condor Hospitality Trust, Inc.:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Condor Hospitality Trust, Inc. and subsidiaries (the Company) as of December 31, 2019 and 2018, the related consolidated statements of operations, equity, and cash flows for each of the years in the three-year period ended December 31, 2019, and the related notes and financial statement schedule, Schedule III – Real Estate and Accumulated Depreciation (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2019, in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

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

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

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

(signed) KPMG LLP

We have served as the Company's auditor since 2001.

McLean, Virginia
March 31, 2020

Condor Hospitality Trust, Inc. and Subsidiaries
Consolidated Balance Sheets
(In thousands, except share and per share data)

	As of December 31,	
	2019	2018
Assets		
Investment in hotel properties, net	\$ 222,063	\$ 230,178
Investment in unconsolidated joint venture	4,244	5,866
Cash and cash equivalents	2,584	4,151
Restricted cash, property escrows	5,811	5,005
Accounts receivable, net	1,099	1,290
Prepaid expenses and other assets	1,118	2,227
Derivative assets, at fair value	22	639
Investment in hotel properties held for sale, net	-	4,092
Total Assets	\$ 236,941	\$ 253,448
Liabilities and Equity		
Liabilities		
Accounts payable, accrued expenses, and other liabilities	\$ 5,523	\$ 5,336
Dividends and distributions payable	145	2,330
Derivative liabilities, at fair value	366	-
Convertible debt, at fair value	1,080	1,000
Long-term debt, net of deferred financing costs	134,001	135,810
Long-term debt related to hotel properties held for sale, net of deferred financing costs	-	1,120
Total Liabilities	141,115	145,596
Equity		
Shareholders' Equity		
Preferred stock, 40,000,000 shares authorized:		
6.25% Series E, 925,000 shares authorized, \$.01 par value, 925,000 shares outstanding, liquidation preference of \$9,395 and \$9,250	10,050	10,050
Common stock, \$.01 par value, 200,000,000 shares authorized; 11,993,608 and 11,833,573 shares outstanding	120	119
Additional paid-in capital	233,189	231,805
Accumulated deficit	(147,582)	(134,970)
Total Shareholders' Equity	95,777	107,004
Noncontrolling interest in consolidated partnership (Condor Hospitality Limited Partnership), redemption value of \$47 and \$435	49	848
Total Equity	95,826	107,852
Total Liabilities and Equity	\$ 236,941	\$ 253,448

See accompanying notes to consolidated financial statements.

Condor Hospitality Trust, Inc. and Subsidiaries
Consolidated Statements of Operations
(In thousands, except per share data)

	Year ended December 31,		
	2019	2018	2017
Revenue			
Room rentals and other hotel services	\$ 61,052	\$ 65,057	\$ 55,453
Operating Expenses			
Hotel and property operations	38,769	41,008	37,134
Depreciation and amortization	9,568	9,475	6,898
General and administrative	5,700	6,217	6,552
Acquisition and terminated transactions	38	205	1,250
Equity transaction and strategic alternatives	2,110	-	343
Total operating expenses	56,185	56,905	52,177
Operating income	4,867	8,152	3,276
Net gain (loss) on disposition of assets	(36)	5,570	6,807
Equity in earnings (loss) of joint venture	190	(218)	190
Net gain (loss) on derivatives and convertible debt	(1,071)	317	436
Other income (expense), net	(104)	(83)	(111)
Interest expense	(7,976)	(8,326)	(5,174)
Loss on debt extinguishment	-	-	(967)
Impairment recovery (loss), net	-	93	(2,151)
Earnings (loss) before income taxes	(4,130)	5,505	2,306
Income tax benefit (expense)	(937)	(335)	595
Net earnings (loss)	(5,067)	5,170	2,901
Loss (earnings) attributable to noncontrolling interest	19	195	(20)
Net earnings (loss) attributable to controlling interests	(5,048)	5,365	2,881
Dividends declared and undeclared and in kind dividends deemed on preferred stock	(578)	(578)	(12,243)
Net earnings (loss) attributable to common shareholders	<u>\$ (5,626)</u>	<u>\$ 4,787</u>	<u>\$ (9,362)</u>
Earnings (Loss) per Share			
Total - Basic Earnings (Loss) per Share	\$ (0.48)	\$ 0.40	\$ (1.00)
Total - Diluted Earnings (Loss) per Share	\$ (0.48)	\$ 0.40	\$ (1.00)

See accompanying notes to consolidated financial statements.

Condor Hospitality Trust, Inc. and Subsidiaries
Consolidated Statements of Equity
(In thousands, except per share data)

Years ended December 31, 2019, 2018, and, 2017									
Shares of preferred stock	Preferred stock	Shares of common stock	Common stock	Additional paid-in capital	Accumulated deficit	Total shareholders' equity	Noncontrolling interest	Total equity	
6,245	\$ 61,333	763	\$ 8	\$ 118,655	\$ (112,024)	\$ 67,972	\$ 2,827	\$ 70,799	
-	-	94	1	1,151	-	1,152	-	1,152	
-	-	-	-	-	-	-	85	85	
-	-	4,972	49	47,419	-	47,468	-	47,468	
-	-	-	-	-	-	-	435	435	
Dividends and distributions declared									
-	-	-	-	-	(9,103)	(9,103)	-	(9,103)	
-	-	-	-	-	(650)	(650)	-	(650)	
-	-	-	-	-	(483)	(483)	-	(483)	
-	-	-	-	-	-	-	(18)	(18)	
-	-	-	-	(1)	-	(1)	-	(1)	
Fractional common shares settled in reverse stock split									
(5,320)	(51,283)	6,005	60	61,273	(11,110)	(1,060)	-	(1,060)	
-	-	-	-	289	-	289	-	289	
-	-	-	-	1,941	-	1,941	(1,941)	-	
-	-	-	-	-	2,881	2,881	20	2,901	
925	\$ 10,050	11,834	\$ 118	\$ 230,727	\$ (130,489)	\$ 110,406	\$ 1,408	\$ 111,814	
-	-	24	-	769	-	769	-	769	
-	-	28	1	259	-	260	-	260	
-	-	-	-	-	-	-	50	50	
Dividends and distributions declared									
-	-	-	-	-	(9,268)	(9,268)	-	(9,268)	
-	-	-	-	-	(578)	(578)	-	(578)	
-	-	-	-	-	-	-	(67)	(67)	
-	-	-	-	50	-	50	(348)	(298)	
-	-	-	-	-	5,365	5,365	(195)	5,170	
925	\$ 10,050	11,886	\$ 119	\$ 231,805	\$ (134,970)	\$ 107,004	\$ 848	\$ 107,852	
-	-	54	-	670	-	670	-	670	
-	-	-	-	-	-	-	-	-	
Dividends and distributions declared and undeclared									
-	-	-	-	-	(6,986)	(6,986)	-	(6,986)	
-	-	-	-	-	(578)	(578)	-	(578)	
-	-	-	-	-	-	-	(23)	(23)	
-	-	54	1	714	-	715	(757)	(42)	
-	-	-	-	-	(5,048)	(5,048)	(19)	(5,067)	
925	\$ 10,050	11,994	\$ 120	\$ 233,189	\$ (147,582)	\$ 95,777	\$ 49	\$ 95,826	
Balance at December 31, 2019									

See accompanying notes to consolidated financial statements.

Condor Hospitality Trust, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
(In thousands)

	Year ended December 31,		
	2019	2018	2017
<u>Cash flows from operating activities:</u>			
Net earnings (loss)	\$ (5,067)	\$ 5,170	\$ 2,901
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization expense	9,568	9,475	6,898
Net gain on disposition of assets	36	(5,570)	(6,807)
Net gain on derivatives and convertible debt	1,071	(317)	(436)
Equity in (earnings) loss of joint venture	(190)	218	(190)
Distributions from cumulative earnings of joint venture	170	187	51
Amortization of deferred financing costs	1,267	1,443	1,066
Loss on extinguishment of debt	-	-	967
Impairment (recovery) loss, net	-	(93)	2,151
Stock-based compensation and long-term incentive plan expense	1,026	974	1,237
Warrant issuance cost	-	-	289
Provision for deferred taxes	821	260	(660)
Changes in operating assets and liabilities:			
(Increase) decrease in assets	1,172	582	(350)
Increase (decrease) in liabilities	(622)	(1,665)	2,500
Net cash provided by operating activities	<u>9,252</u>	<u>10,664</u>	<u>9,617</u>
<u>Cash flows from investing activities:</u>			
Additions to hotel properties	(1,475)	(1,982)	(2,814)
Deposit on hotel property and franchise fees	-	-	(810)
Distributions in excess of cumulative earnings from joint venture	1,643	1,475	1,428
Hotel acquisitions	-	(35,643)	(122,269)
Net proceeds from sale of hotel assets	4,191	19,696	27,630
Net cash provided by (used in) investing activities	<u>4,359</u>	<u>(16,454)</u>	<u>(96,835)</u>
<u>Cash flows from financing activities:</u>			
Deferred financing costs	(415)	(147)	(4,404)
Proceeds from long-term debt	1,500	35,318	174,000
Principal payments on long-term debt	(5,281)	(20,265)	(122,400)
Debt early extinguishment penalties	-	-	(454)
Proceeds from common stock issuance	-	260	47,468
Series E Preferred Stock issuance costs	-	-	(1,210)
Redemption of common units	(42)	(298)	-
Tax withholdings on stock compensation	(356)	(205)	-
Cash dividends paid to common shareholders	(9,304)	(9,257)	(6,944)
Cash dividends paid to common unit holders	(36)	(72)	-
Cash dividends paid to preferred shareholders	(434)	(723)	(1,965)
Contingent consideration paid subsequent to acquisition	-	-	(155)
Other items	(4)	-	(59)
Net cash provided by (used in) financing activities	<u>(14,372)</u>	<u>4,611</u>	<u>83,877</u>
Decrease in cash, cash equivalents, and restricted cash	(761)	(1,179)	(3,341)
Cash, cash equivalents, and restricted cash beginning of period	9,156	10,335	13,676
Cash, cash equivalents, and restricted cash end of period	<u>\$ 8,395</u>	<u>\$ 9,156</u>	<u>\$ 10,335</u>
<u>Supplemental cash flow information:</u>			
Interest paid, net of amounts capitalized	\$ 6,732	\$ 6,091	\$ 3,885
Income taxes paid	\$ 307	\$ 42	\$ 203
<u>Schedule of noncash investing and financing activities:</u>			
Debt assumed in acquisitions	\$ -	\$ -	\$ 9,096
Fair value of operating partnership common units issued in acquisitions	\$ -	\$ 50	\$ 435
Fair value of operating partnership common units converted to common stock	\$ 595	\$ -	\$ -
In kind dividends deemed on preferred stock	\$ -	\$ -	\$ 9,900

See accompanying notes to consolidated financial statements.

Condor Hospitality Trust, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
(In thousands, except share and per share data)

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Business

Condor Hospitality Trust, Inc. (“Condor”) was incorporated in Virginia on August 23, 1994 and was reincorporated in Maryland on November 19, 2014. Condor is a self-administered real estate investment trust (“REIT”) for federal income tax purposes that specializes in the investment and ownership of high-quality select-service, limited-service, extended stay, and compact full service hotels. As of December 31, 2019, the Company owned 15 hotels in eight states, including one hotel owned through an 80% interest in an unconsolidated joint venture (the “Atlanta JV”). References to the “Company”, “we,” “our,” and “us” herein refer to Condor Hospitality Trust, Inc., including as the context requires, our direct and indirect subsidiaries.

The Company, through its wholly owned subsidiary, Condor Hospitality REIT Trust, owns a controlling interest in Condor Hospitality Limited Partnership (the “operating partnership”), and serves as its general partner. The operating partnership, including its various subsidiary partnerships, holds substantially all of the Company’s assets (with the exception of the furniture and equipment of all properties held by TRS Leasing, Inc.) and conducts all of its operations. At December 31, 2019, the Company owned 99.9% of the common operating units (“common units”) of the operating partnership with the remaining common units owned by other limited partners.

In order for the income from our hotel property investments to constitute “rents from real properties” for purposes of the gross income tests required by the Internal Revenue Service (“IRS”) for REIT qualification, the income we earn cannot be derived from the operation of any of our hotels. Therefore, the operating partnership and its subsidiaries lease our hotel properties to the Company’s wholly owned taxable REIT subsidiary, TRS Leasing, Inc., and its wholly owned subsidiaries (the “TRS”). The TRS in turn engages third-party eligible independent contractors to manage the hotels. The operating partnership, the TRS, and their respective subsidiaries are consolidated into the Company’s financial statements.

Historically, as a result of the geographic areas in which we operate, the operations of our hotels have been seasonal in nature. Generally, occupancy rates, revenue, and operating income have been greater in the second and third quarters of the calendar year than in the first and fourth quarters, with the exception of our hotels located in Florida, which experience peak demand in the first and fourth quarters of the year. The results of the hotels acquired in and since 2015, because of their locations and chain scale, are less seasonal in nature than our legacy portfolio of assets.

Agreement and Plan of Merger

On July 19, 2019, the Company, the operating partnership (the Company and operating partnership, the “Company Parties”), NHT Operating Partnership, LLC (“NHT Parent”), NHT REIT Merger Sub, LLC (“NHT Merger Sub”) and NHT Operating Partnership II, LLC (“NHT Merger OP,” and together with NHT Parent and NHT Merger Sub, the “NHT Parent Parties”), entered into an Agreement and Plan of Merger (as amended from time to time, the “Merger Agreement”).

Closing of the acquisition did not occur on March 23, 2020, the contemplated closing date of the acquisition, and has not occurred as of the time of this filing. The Company Parties and the NHT Parties are in discussions concerning potential amendments to restructure the transaction, which will be disclosed if and when such amendments are agreed. There can be no assurance with respect to the outcome of such discussions, and the Company continues reviewing its options and reserves all rights and remedies under the Merger Agreement.

The Merger Agreement provides that, upon the terms and subject to the conditions set forth therein, Merger OP will merge with and into the operating partnership (the “Partnership Merger”), and, Merger Sub will merge with and into the Company (the “Company Merger” and, together with the Partnership Merger, the “Mergers”). Upon completion of the Partnership Merger, Merger OP will survive and the separate existence of the operating partnership will cease. Upon completion of the Company Merger, the Company will survive and the separate existence of Merger Sub will cease. The Mergers and the other transactions contemplated by the Merger Agreement were unanimously approved

Condor Hospitality Trust, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
(In thousands, except share and per share data)

by the Company's Board of Directors (the "Company Board", and subsequently approved by the holders of the Company's common stock (the "Company common stock") and 6.25% Series E Cumulative Convertible Preferred Stock (the "Series E Preferred Stock") at a special meeting of shareholders held on September 23, 2019.

Pursuant to the terms and conditions in the Merger Agreement, if the Company Merger is consummated, each share of the Company common stock (other than treasury shares and shares held by the NHT Parent Parties, which will be cancelled and retired and will cease to exist with no consideration being delivered in exchange therefor), will be converted into the right to receive \$11.10 per share in cash, and each share of Series E Preferred Stock will be converted into the right to receive \$10.00 in cash, each without interest and less any applicable withholding taxes. If the Partnership Merger consummated, each common unit of partnership interest in the operating partnership (excluding operating partnership common units held by the general partner of the operating partnership) will be converted into the right to receive \$0.21346 in cash, without interest and less any applicable withholding taxes.

Pursuant to the terms and conditions of the Merger Agreement, each of the outstanding awards granted pursuant to the Company's equity incentive plans will automatically become fully vested and all restrictions thereon will lapse, and thereafter, all Company common stock represented thereby will be considered outstanding for all purposes under the Merger Agreement and will only have the right to receive an amount equal to \$11.10 in cash, without interest and less any applicable withholding taxes.

Pursuant to the terms of the Merger Agreement, the Company exercised its right to acquire the remaining 20% equity interest of the Atlanta JV that it did not own.

The Merger Agreement contains customary representations, warranties and covenants, including, among others, covenants by the Company to in all material respects carry on its business in the ordinary course of business consistent with past practice, subject to certain exceptions, during the period between the execution of the Merger Agreement and the consummation of the Mergers. The obligations of the parties to consummate the Mergers are not subject to any financing condition or the receipt of any financing by Parent, Merger Sub or Merger OP.

Upon a termination of the Merger Agreement, under certain circumstances, the Company will be required to pay a termination fee to Parent of \$9.54 million. In certain other circumstances, including termination by the Company for the NHT Parties' failure to close or for a material breach by the NHT Parties, NHT Parent will be required to pay the Company a termination fee of \$11.925 million upon termination of the Merger Agreement.

During the term of the Merger Agreement, without the consent of the NHT Parties, the Company may not pay cash dividends to holders of the Company common stock or the Series E Preferred Stock. The holders of the Series E Preferred Stock have agreed to waive accrual of any unpaid dividends between signing and closing.

Basis of Presentation

The consolidated financial statements have been prepared in accordance with U.S. general accepted accounting principles ("U.S. GAAP") and include the accounts of the Company, as well as the accounts of the operating partnership and its subsidiaries and our wholly owned TRS and its subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

Effective on March 15, 2017, the Company effected a reverse stock split of its common stock at a ratio of 1-for-6.5. No fractional shares of common stock were issued as fractional shares were settled in cash. Impacted amounts and share information included in the consolidated financial statements and notes thereto have been adjusted for the stock split as if such stock split occurred on the first day of the periods presented. Certain amounts in the notes to the consolidated financial statements may be slightly different than previously reported due to rounding of fractional shares as a result of the reverse stock split.

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Estimates, Risks, and Uncertainties

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that effect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements as well as revenue and expenses recognized during the reporting period. Actual results could differ from those estimates. Because the state of the economy and of the real estate market can significantly impact hotel operational performance and the estimated fair value of our assets, it is possible that the estimates and assumptions that have been utilized in the preparation of the consolidated financial statements could change.

The outbreak of the novel coronavirus (COVID-19) has reduced travel and adversely affected the hospitality industry in general. The actual and threatened spread of coronavirus globally or in the regions in which we operate, or future widespread outbreak of infectious or contagious disease, can continue to reduce national and international travel in general. The extent to which our business may be affected by the coronavirus will largely depend on future developments which we cannot accurately predict, and its impact on customer travel, including the duration of the outbreak, the continued spread and treatment of the coronavirus, and new information and developments that may emerge concerning the severity of the coronavirus and the actions to contain the coronavirus or treat its impact, among others. To the extent that travel activity in the U.S. is materially and adversely affected by the coronavirus, business and financial results of the hospitality industry, and thus our business and financial results, could be materially and adversely impacted.

In late March 2020, prior to the filing of this report, similar to the conditions affecting the hospitality industry as a whole, we experienced dramatic occupancy declines at many of our properties which will require us to adjust our business operations, and will have impact on our operating income and may potentially impact future compliance with our debt covenants.

Investment in Hotel Properties

At the time of acquisition, the Company allocates the purchase price of assets to asset classes based on the fair value of the acquired real estate, furniture, fixtures, and equipment, and intangible assets, if any, and the fair value of liabilities assumed, including debt. Acquisition date fair values are determined based on replacement costs, appraised values, and estimated fair values using methods similar to those used by independent appraisers including discounted cash flows and capitalization rates.

Effective January 1, 2018, we adopted Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) No. 2017-01, *Clarifying the Definition of a Business*. As such, if substantially all of the fair value of the gross assets acquired are concentrated in a single identifiable asset or group of similar identifiable assets, the set is not considered a business. When we conclude that an acquisition meets this threshold, acquisition costs will be capitalized as part of our allocation of the purchase price of the acquired hotel properties. This guidance is applied prospectively. We concluded that all hotel acquisitions in 2018 were acquisitions of assets and as such acquisition costs were capitalized as part of these transactions.

Prior to January 1, 2018, hotel acquisitions were considered business combinations and acquisition costs, such as transfer taxes, title insurance, environmental and property condition reviews, and legal and accounting fees, were expensed as incurred. These types of costs continue to be expensed if they are related to potential acquisitions that are not completed.

The Company’s investments in hotel properties are recorded at cost and are depreciated using the straight-line method over an estimated useful life of 15 to 40 years for buildings and improvements and 3 to 12 years for furniture and equipment.

Renovations and/or replacements that improve or extend the life of the hotel properties are capitalized and depreciated over their useful lives. Repairs and maintenance are expensed as incurred.

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The initial fees incurred to enter into the franchise agreements are capitalized and amortized over the life of the franchise agreements using the straight-line method. Amortization expense is included in depreciation and amortization in the consolidated statements of operations.

On an ongoing basis, the Company reviews the carrying value of each held for use hotel to determine if certain circumstances, known as triggering events, exist indicating impairment to the carrying value of the hotel or that depreciation periods should be modified. These triggering events include a significant change in the cash flows of or a significant adverse change in the business climate for a hotel. If facts or circumstances support the possibility of impairment, the Company will prepare an estimate of the undiscounted future cash flows, without interest charges, of the specific hotel and determine if the investment in such hotel is recoverable based on these undiscounted future cash flows. If the investment is not recoverable based on this analysis, an impairment charge will be taken, if necessary, to reduce the carrying value of the hotel to the hotel's estimated fair value.

Investment in Joint Venture

If it is determined that we do not have a controlling interest in a joint venture, either through our financial interest in a variable interest entity ("VIE") or through our voting interest in a voting interest entity ("VOE") and we have the ability to provide significant influence, the equity method of accounting is used. Under this method, the investment, originally recorded at cost, is adjusted to recognize our share of net earnings or losses of the affiliate as they occur, with losses limited to the extent of our investment in, advances to, and commitments to the investee. Pursuant to our Atlanta JV agreement, allocations of the profits and losses of our Atlanta JV may be allocated disproportionately to nominal ownership percentages due to specified preferred return rate thresholds.

Distributions received from a joint venture are classified in the statements of cash flows using the cumulative earnings approach. Distributions are classified as cash inflows from operating activities unless cumulative distributions, including those from prior periods not designated as a return of investment, exceed cumulative recognized equity in earnings of the joint venture. Excess distributions are classified as cash inflows from investing activities as a return of investment.

On an annual basis or at interim periods if events and circumstances indicate that the investment may be impaired, the Company reviews the carrying value of its investment in unconsolidated joint venture to determine if circumstances indicate impairment to the carrying value of the investment that is other than temporary. The investment is considered impaired if its estimated fair value is less than the carrying amount of the investment and that impairment is other than temporary.

Assets Held for Sale

A hotel is considered held for sale (a) when a contract for sale is entered into, a substantial, nonrefundable deposit has been committed by the purchaser, and sale is expected to occur within one year, or (b) if management has committed to and is actively engaged in a plan to sell the property, the property is available for sale in its current condition, and it is probable the sale will be completed within one year. If a hotel is considered held for sale as of the most recent balance sheet presented or was sold in any period presented, the hotel property and the debt it collateralizes are shown as held for sale in all periods presented. Depreciation of our hotels is discontinued at the time they are considered held for sale.

At the end of each reporting period, if the fair value of the held for sale property less costs to sell is lower than the carrying value of the hotel, the Company will record an impairment loss. Impairment losses on held for sale properties may be subsequently recovered up to the amount of the cumulative impairment losses taken while the property is held for sale should future revisions to fair value estimates be required. If active marketing ceases or the property no longer meets the criteria to be classified as held for sale, the property is reclassified to held for use and measured at the lower of its (a) carrying amount before the property was classified as held for sale, adjusted for any depreciation expense that would have been recognized had the property been continuously classified as held for use, or (b) its fair value at the date of the subsequent decision not to sell.

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Gains on the sale of real estate are recognized when a property is sold or are deferred and recognized as income in subsequent periods as conditions requiring deferral are satisfied or expire without further cost to us.

Cash and Cash Equivalents and Restricted Cash

Cash and cash equivalents includes cash and highly liquid investments with original maturities of three months or less when acquired, and are carried at cost which approximates fair value. The Company maintained a major portion of its deposits with Huntington Bancshares Incorporated at December 31, 2019 and 2018. The balances on deposit at Huntington Bancshares Incorporated may at times exceed the federal deposit insurance limit, however, management believes that no significant credit risk exists with respect to the uninsured portion of these cash balances.

Restricted cash consists of cash held in escrow for the replacement of furniture and fixtures or for real estate taxes and property insurance as required under certain loan agreements.

Deferred Financing Costs

Direct costs incurred in financing transactions are capitalized as deferred financing costs and amortized to interest expense over the term of the related loan using the effective interest method. Deferred financing costs are presented on the balance sheets as a direct deduction from the associated debt liability.

Derivative Assets and Liabilities

In the normal course of business, the Company is exposed to the effects of interest rate changes, and the Company may enter into derivative instruments including interest rate swaps, caps, and collars to manage or economically hedge interest rate risk. Additionally, the Company is required to include on the balance sheets certain bifurcated embedded derivative instruments such as conversion and redemption features in convertible instruments and certain common stock warrants.

All derivatives recognized by the Company are reported as derivative assets and liabilities on the balance sheets and are adjusted to their fair value at each reporting date. Realized and unrealized gains and losses on derivative instruments are included in net gain on derivatives and convertible debt with the exception of realized gains and losses related to interest rate instruments which are included in interest expense on the statements of operations.

Noncontrolling Interest

Noncontrolling interest in the operating partnership represents the limited partners' proportionate share of the equity in the operating partnership and long-term incentive plan ("LTIP") units (see Note 12). Earnings and losses are allocated to noncontrolling interest in accordance with the weighted average percentage ownership of the operating partnership during the period.

Revenue Recognition

Revenue consists of amounts derived from hotel operations, including the sales of rooms, food and beverage, and other ancillary services. Room revenue is recognized over a customer's hotel stay at the daily contract rate. Revenue from food and beverage and other ancillary services is generated when a customer chooses to purchase goods or services separately from a hotel room and revenue is recognized on these distinct goods and services at the contract rate at the point in time or over the time period that goods or services are provided to the customer and the related performance obligations are fulfilled. Certain ancillary services are provided by third parties and the Company assesses whether it is the principal or agent in these arrangements. If the Company is the agent, revenue is recognized based upon the commission earned from the third party. If the Company is the principal, the Company recognizes revenue based upon the gross sales price. Accounts receivable primarily represents receivables from hotel guests who occupy hotel rooms and utilize hotel services. The Company maintains an allowance for doubtful accounts sufficient to cover estimated potential credit losses.

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Sales, use, occupancy, and similar taxes collected from customers and remitted to governmental authorities are accounted for on a net basis and therefore are excluded from revenue in the consolidated statements of operations.

Hotel operating revenues can be disaggregated into the following categories to demonstrate how economic factors affect the nature, amount, timing, and uncertainty of revenue and cash flows:

	For the year ended December 31,		
	2019	2018	2017
Rooms	\$ 58,353	\$ 62,036	\$ 52,509
Food and beverage	1,370	1,524	1,554
Other	1,329	1,497	1,390
Total revenue	<u>\$ 61,052</u>	<u>\$ 65,057</u>	<u>\$ 55,453</u>

Income Taxes

The Company qualifies and intends to continue to qualify as a REIT under applicable provisions of the Internal Revenue Code (the “Code”), as amended. In general, under such Code provisions, a trust which has made the required election and, in the taxable year, meets certain requirements and distributes to its shareholders at least 90% of its REIT taxable income, will not be subject to federal income tax to the extent of the income currently distributed to shareholders. If we fail to qualify as a REIT in any taxable year, we will be subject to federal income tax on our taxable income at regular corporate income tax rates and generally will be unable to re-elect REIT status until the fifth calendar year after the year in which we failed to qualify as a REIT, unless we satisfy certain relief provisions. Even if the Company qualifies for taxation as a REIT, the Company may be subject to certain state and local taxes on its income and property, and to federal income and excise taxes on its undistributed taxable income. Except with respect to the TRS, the Company does not believe that it will be liable for significant federal or state income taxes in future years.

A REIT will incur a 100% tax on the net gain derived from any sale or other disposition of property that the REIT holds primarily for sale to customers in the ordinary course of a trade or business. We do not believe any of our hotels were held primarily for sale in the ordinary course of our trade or business. However, if the IRS would successfully assert that we held such hotels primarily for sale in the ordinary course of our business, the gain from such sales could be subject to a 100% prohibited transaction tax.

Taxable income from non-REIT activities managed through the TRS, which is taxed as a C-Corporation, is subject to federal, state, and local income taxes. We account for the federal income taxes of our TRS using the asset and liability method. Under this method, deferred income taxes are recognized for temporary differences between the financial reporting bases of assets and liabilities of the TRS and their respective tax bases and for operating loss and tax credit carryforwards based on enacted tax rates expected to be in effect when such amounts are realized or settled. However, deferred tax assets are recognized only to the extent that it is more likely than not that they will be realized based on consideration of available evidence, including tax planning strategies and projections for future taxable income over the periods in which the remaining deferred tax assets are deductible. In assessing the realizability of deferred tax assets, the Company considers whether it is more likely than not (defined as a likelihood of more than 50%) that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income.

The Company may recognize a tax benefit from an uncertain tax position when it is more-likely-than-not (defined as a likelihood of more than 50%) that the position will be sustained upon examination, including resolution of any related appeals or litigation processes, based on its technical merits. If a tax position does not meet the more-likely-than-not recognition threshold, despite the Company’s belief that its filing position is supportable, the benefit of that tax position is not recognized in the statements of operations. The Company recognizes interest and penalties, as applicable, related to unrecognized tax benefits as a component of income tax expense. The Company recognizes

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unrecognized tax benefits in the period that the uncertainty is eliminated by either affirmative agreement to the uncertain tax position by the applicable taxing authority or by expiration of the applicable statute of limitations. For the years ended December 31, 2019, 2018, and 2017, the Company did not record any uncertain tax positions.

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements are utilized to determine the value of certain assets, liabilities, and equity instruments, to perform impairment assessments, to account for hotel acquisitions, in the valuation of stock-based compensation, and for disclosure purposes. Fair value measurements are classified into a three-tiered fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Directly or indirectly observable inputs other than quoted prices included in Level 1. Level 2 inputs may include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and model-derived valuations whose inputs are observable.

Level 3: Unobservable inputs for which there is little or no market data, which require a reporting entity to develop its own assumptions.

Our estimates of fair value were determined using available market information and appropriate valuation methods. Considerable judgment is necessary to interpret market data and develop estimated fair value. The use of different market assumptions or valuation techniques may have a material effect on estimated fair value measurements. We classify assets and liabilities in the fair value hierarchy based on the lowest level of input that is significant to the fair value measurement.

With the exception of fixed rate debt (see Note 8) and other financial instruments carried at fair value, the carrying amounts of the Company's financial instruments approximates their fair values due to their short-term nature or variable market-based interest rates.

Fair Value Option

Under U.S. GAAP, the Company has the irrevocable option to report most financial assets and financial liabilities at fair value on an instrument by instrument basis, with changes in fair value reported in net earnings. This option was elected for the treatment of the Company's convertible debt entered into on March 16, 2016 (see Note 7).

Stock-Based Compensation

Stock-based compensation is measured at the fair value of the award on the date of grant and recognized as compensation expense on a straight-line basis over the requisite service period. Awards that contain a performance condition are reviewed at least quarterly to assess the achievement of the performance condition. Compensation expense will be adjusted when a change in the assessment of achievement of the specific performance condition level is determined to be probable. The determination of fair value of these awards is subjective and involves significant estimates and assumptions including expected volatility of our stock, expected dividend yield, expected term, and assumptions of whether these awards will achieve performance thresholds. We believe that the assumptions and estimates utilized are appropriate based on the information available to management at the point of measurement. Compensation cost is recognized as additional paid-in capital for awards of the Company's common stock and as noncontrolling interest for LTIP awards of common units. The Company has elected to account for forfeitures of stock-based compensation as they occur.

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Recently Adopted Accounting Standards

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU replaced most existing revenue recognition guidance in U.S. GAAP when it became effective. The standard was effective for the Company on January 1, 2018 and was adopted on that date using the modified retrospective transition method. Due to the short-term nature of the Company's revenue streams, the adoption of this standard had no impact on the Company's revenue or net income, and therefore, no adjustment was recorded to the Company's opening accumulated deficit. The adoption of this standard resulted in additional disclosures. Furthermore, for real estate sales to third parties, primarily a result of disposition of real estate in exchange for cash with few contingencies, the standard did not impact the recognition of our accounting for these sales.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Payment*, which clarifies and provides specific guidance on eight cash flow classification issues with an objective to reduce the current diversity in practice. This guidance is effective for the Company for years beginning after December 15, 2017. The Company has adopted ASU 2016-15 for the year beginning on January 1, 2018. The adoption of ASU 2016-15 did not have a material impact on our consolidated financial statements.

In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*, which clarifies how companies should present restricted cash and restricted cash equivalents in the statement of cash flows. This guidance requires companies to show the changes in the total of cash, cash equivalents, and restricted cash equivalents in the statement of cash flows. This guidance is effective for the Company for years beginning after December 15, 2017, including interim periods within those years. The Company has adopted ASU 2016-18 for the year beginning on January 1, 2018. The adoption of ASU No. 2016-18 changed the presentation of the consolidated statements of cash flows for the Company to include changes to cash and cash equivalents and restricted cash for all periods presented.

In January 2017, the FASB issued ASU 2017-01, *Business Combinations (Topic 805): Clarifying the Definition of a Business*, which clarifies the definition of a business to assist entities with evaluating whether transactions should be accounted for as acquisitions of assets or business combinations. As a result of the standard, we anticipate that the majority of our hotel purchases will be considered asset purchases as opposed to business combinations and as such the related acquisition costs will be capitalized. However, the determination will be made on a transaction-by-transaction basis. This standard is applied on a prospective basis and, therefore, it does not affect the accounting for any of our previous transactions. This standard was effective for annual periods beginning after December 15, 2017, although early adoption is permitted. The Company has adopted ASU 2017-01 for the year beginning on January 1, 2018.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which superseded most existing lease guidance in U.S. GAAP. ASU 2016-02 requires, among other changes to the lease accounting guidance, lessees to recognize most leases on-balance sheet via a right of use asset and lease liability and additional qualitative and quantitative disclosures. In July 2018, the FASB issued ASU 2018-10, *Codification Improvements to Topic 842, Leases*, to clarify how to apply certain aspects of the new leases standard, and ASU 2018-11, *Leases (Topic 842): Targeted Improvements*, to give companies another option for transition and to provide lessors with a practical expedient to reduce the cost and complexity of implementing the new standard. The transition option allows companies to not apply the new leases standard in the comparative periods they present in their financial statements in the year of adoption. The Company adopted this standard on January 1, 2019. The Company elected the practical expedients allowed under the guidance and retained the original lease classification and historical accounting for initial direct costs for leases existing prior to the adoption date. The Company also elected not to restate prior periods for the impact of the adoption of the new standard. The adoption of this standard has resulted in the recognition of right-of-use assets and related liabilities to account for the Company's future obligations under the operating leases for which the Company is the lessee. See Notes 2 and 15 to the accompanying consolidated financial statements for additional disclosures related to the adoption of this standard.

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NOTE 2. INVESTMENT IN HOTEL PROPERTIES

Investments in hotel properties consisted of the following at December 31:

	As of			
	December 31, 2019	December 31, 2018		
	Total	Held for sale	Held for use	Total
Land	\$ 20,200	\$ 2,304	\$ 20,200	\$ 22,504
Buildings, improvements, vehicle	206,971	4,462	206,821	211,283
Furniture and equipment	21,805	719	20,554	21,273
Initial franchise fees	1,784	25	1,784	1,809
Construction-in-progress	100	7	323	330
Right of use asset	80	-	-	-
Investment in hotel properties	250,940	7,517	249,682	257,199
Less accumulated depreciation	(28,877)	(3,425)	(19,504)	(22,929)
Investment in hotel properties, net	<u>\$ 222,063</u>	<u>\$ 4,092</u>	<u>\$ 230,178</u>	<u>\$ 234,270</u>

On January 1, 2019, the Company adopted ASU 842, *Leases*, and applied it prospectively. At adoption, the Company also elected the practical expedients which permitted it to not reassess its prior conclusions about lease identification, classification, and initial direct costs. Consequently on January 1, 2019, the Company recognized right-of-use assets and related liabilities related to its operating leases. Since most of the Company's leases do not provide an implicit rate, the Company used incremental borrowing rates, with a weighted average rate of 5.24% at December 31, 2019. The right-of-use assets and liabilities are amortized to rent expense, included in either Hotel and property operations expenses or General and administrative expenses depending on the nature of the lease, over the term of the underlying lease agreements. The weighted average remaining life of the Company's operating leases, including options to extend when it is reasonably certain the Company will exercise such options, was 7.3 years at December 31, 2019.

As of December 31, 2019, the Company's right-of-use assets, net of \$80 are included in Investment in hotel properties, net and its related lease liabilities of \$81 are presented in Accounts payable, accrued expenses, and other liabilities in the Company's consolidated balance sheets. The adoption of this standard had minimal impact on the Company's consolidated statements of operations.

NOTE 3. ACQUISITION OF HOTEL PROPERTIES

The Company did not acquire any properties during the year ended December 31, 2019.

During the year ended December 31, 2018, the Company acquired two wholly owned hotel properties. The allocation of the purchase price based on fair value was as follows:

	Date of acquisition	Land	Buildings, improvements, and vehicle	Furniture and equipment	Intangible asset	Total purchase price & acquisition costs (1)	Debt at acquisition (2)	Issuance of common units (3)	Net cash paid
TownePlace Suites Austin, TX	01/18/2018	\$ 1,435	\$ 16,459	\$ 1,729	\$ 190	\$ 19,813	\$ 19,813	\$ -	\$ -
Home2 Suites Summerville, SC	02/21/2018	998	13,485	1,854	53	16,390	14,818	50	1,522
Total		<u>\$ 2,433</u>	<u>\$ 29,944</u>	<u>\$ 3,583</u>	<u>\$ 243</u>	<u>\$ 36,203</u>	<u>\$ 34,631</u>	<u>\$ 50</u>	<u>\$ 1,522</u>

(1) Contractual purchase price of \$19,750 and \$16,325 for Austin TownePlace Suites and Summerville Home2 Suites, respectively.

(2) All debt was drawn from the \$150,000 secured revolving credit facility (the "credit facility") at acquisition.

(3) Total issuance of 259,685 common units. Common units may be redeemed at a rate of one common share for 52 common units (see Note 11).

Included in the consolidated statement of operations for the year ended December 31, 2018 are total revenues of \$7,071 and total operating income of \$1,610 which represent the results of operations for the two hotels acquired in 2018 since the date of acquisition.

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During the year ended December 31, 2017, the Company acquired seven wholly owned hotel properties. The allocation of the purchase price based on fair value was as follows:

Hotel	Date of acquisition	Land	Buildings, improvements, and vehicle	Furniture and equipment	Intangible asset	Estimated earn out ⁽¹⁾	Total purchase price	Debt at acquisition ⁽²⁾	Issuance of common units ⁽³⁾	Net cash paid
Home2 Suites Lexington, KY	03/24/2017	\$ 905	\$ 14,204	\$ 1,351	\$ 40	\$ -	\$ 16,500	\$ 16,455	\$ 45	\$ -
Home2 Suites Round Rock, TX	03/24/2017	1,087	14,345	1,285	33	-	16,750	16,705	45	-
Home2 Suites Tallahassee, FL	03/24/2017	1,519	18,229	1,727	25	-	21,500	21,442	58	-
Home 2 Suites Southaven, MS	04/14/2017	1,311	16,792	897	-	-	19,000	9,096	52	9,852
Hampton Inn & Suites Lake Mary, FL	06/19/2017	1,200	16,432	1,773	-	(155)	19,250	19,165	85	-
Fairfield Inn & Suites EL Paso, TX	08/31/2017	1,014	14,297	1,089	-	-	16,400	16,336	64	-
Residence Inn Austin, TX	08/31/2017	1,495	19,630	1,275	-	-	22,400	22,314	86	-
Total		\$ 8,531	\$ 113,929	\$ 9,397	\$ 98	\$ (155)	\$131,800	\$ 121,513	\$ 435	\$ 9,852

- (1) The Lake Mary purchase price was subject to a post-closing adjustment of up to \$250 to be paid to the seller if the hotel achieved a stipulated hotel net operating income level in 2017. This contingent consideration was included in the purchase price allocation at its estimated fair value on the date of the acquisition. The full amount of \$250 was paid to the seller in December of 2017 with the incremental amount paid over the estimated fair value included in acquisition and terminated transactions expenses.
- (2) Debt of \$9,096 with Morgan Stanley Bank of America Merrill Lynch Trust 2014-C18 was assumed related to the Home2 Suites Southaven, MS acquisition. This loan remains outstanding at December 31, 2018. All other debt was drawn from the credit facility at acquisition.
- (3) Total issuance of 1,940,451 common units. Common units may be redeemed at a rate of one common share for 52 common units (see Note 11).

Included in the consolidated statement of operations for the year ended December 31, 2017 are total revenues of \$17,455 and total operating income of \$4,508 which represent the results of operations for the seven hotels acquired in 2017 since the date of acquisition.

All purchase price allocations were determined using Level 3 fair value inputs.

Pro Forma Results (Unaudited)

The following condensed pro forma financial data is presented as if the two acquisitions completed during the year ended December 31, 2018 were completed on January 1, 2017. Supplemental pro forma earnings in 2018 were adjusted to exclude all acquisition expenses recognized in the periods presented as if these acquisition costs had been incurred in prior periods but were not adjusted to remove the results of hotels sold during the periods presented. Results for periods prior to the Company's ownership are based on information provided by the prior owners, adjusted for differences in interest expense, depreciation expense, and management fees following the Company's ownership, and have not been audited or reviewed by our independent auditors. All hotels were in operation for all periods presented.

The condensed pro forma financial data is not necessarily indicative of what the actual results of operations of the Company would have been assuming the acquisitions had been consummated on January 1, 2017, nor do they purport to represent the results of operations for future periods.

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	<u>Year ended December 31,</u>
	<u>2018</u>
Total revenue	\$ 65,700
Operating income	\$ 8,500
Net earnings (loss) attributable to common shareholders	\$ 5,002
Net earnings (loss) per share - Basic	\$ 0.42
Net earnings (loss) per share - Diluted	\$ 0.41

NOTE 4: DISPOSITION OF HOTEL PROPERTIES

As of December 31, 2019, the Company had no hotels classified as held for sale. As of December 31, 2018, the Company had one hotel held for sale.

In 2019, 2018, and 2017, the Company sold one hotel, four hotels, and eight hotels, respectively, resulting in total gains of \$62, \$5,707, and \$7,049, respectively.

NOTE 5. INVESTMENT IN UNCONSOLIDATED JOINT VENTURE

On August 1, 2016, the Company entered into a joint venture with Three Wall Capital LLC and certain of its affiliates (“TWC”) to acquire an Aloft hotel in downtown Atlanta, Georgia. The Company accounts for the Atlanta JV under the equity method. The Company owns 80% of the Atlanta JV with TWC owning the remaining 20%. The Atlanta JV is comprised of two companies: Spring Street Hotel Property II LLC, of which our operating partnership indirectly owns an 80% equity interest, and Spring Street Hotel OpCo II LLC, of which our TRS indirectly owns an 80% equity interest. TWC owns the remaining 20% equity interest in these two companies.

On August 22, 2016, the Atlanta JV closed on the acquisition of the Atlanta Aloft for a purchase price of \$43,550, subject to working capital and similar adjustments. The purchase was partially funded with a \$33,750 term loan secured by the property. The term loan (the “Old Term Loan”), obtained from LoanCore Capital Credit REIT LLC, had an initial term of 24 months with three 12-month extension periods, which could be exercised at the Atlanta JV’s option subject to certain conditions and fees. The first of these extension options was exercised by the Atlanta JV on September 9, 2018. The loan was non-recourse to the Atlanta JV, subject to specified exceptions. The loan was also non-recourse to Condor, except for certain customary carve-outs which are guaranteed by the Company.

On August 9, 2019, the operating partnership and the owner and lessee of the Aloft Atlanta hotel in the Atlanta JV (Spring Street Hotel Property LLC and Spring Street Hotel OpCo LLC, respectively), as Borrowers, closed on a \$34,080 term loan pursuant to a term loan agreement with KeyBank National Association and the other lenders party thereto, as Lenders, and KeyBank National Association, as Agent for the Lenders (the “New Term Loan”). The proceeds of the New Term Loan were used to repay the Old Term Loan, which was terminated following the repayment. The New Term Loan is included in full on the balance sheet of the Atlanta JV at December 31, 2019.

The New Term Loan matures upon the earlier to occur of (a) consummation of the merger under the Merger Agreement (see Note 1) and (b) February 9, 2020. The New Term Loan bears interest, at the Borrower’s option, at either LIBOR plus 2.25% or a base rate plus 1.25%. The New Term Loan requires monthly interest payments and principal is due on the maturity date. The Borrowers may, at any time, voluntarily prepay the New Term Loan in whole or in part without premium or penalty (other than customary LIBOR breakage costs). The current interest rate on the New Term Loan on December 31, 2019 was 3.99%. The New Term Loan is secured by a first priority lien and security interest on the Aloft Atlanta hotel and the tangible and intangible personal property used in connection with such hotel, including inventory, equipment, fixtures, accounts and general intangibles. The New Term Loan is guaranteed by the Company and certain of its subsidiaries. On February 6, 2020, the maturity of the New Term Loan was extended to May 8, 2020. The Company plans to refinance this loan prior to maturity with our KeyBank credit facility if approved by the lenders. In the event this refinancing is not completed prior to maturity, KeyBank has provided a binding commitment to extend the maturity of the loan to April 1, 2021.

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The Atlanta JV agreement also includes buy-sell rights for both members (generally after three years of hotel ownership for Condor and after five years for TWC) and Condor has a purchase option for TWC's Atlanta JV ownership interest exercisable between the third and fifth anniversary of the hotel closing. Subsequent to year end, on February 14, 2020, the Company purchased TWC's interest in the Atlanta JV (see Note 17).

Under the Atlanta JV agreement, the Atlanta JV is managed by TWC in accordance with business plans and budgets approved by both partners. Major decisions as detailed in the agreement also require joint approval. Condor may remove TWC as manager of the Atlanta JV and appoint a new manager only upon the occurrence of certain events. The Atlanta Aloft hotel is managed by Boast Hotel Management Company LLC ("Boast"), an affiliate of TWC. The Atlanta JV paid to Boast total management fees of \$380, \$333 and \$348 during the years ended December 31, 2019, 2018, and 2017, respectively.

Net cash flow from the Atlanta JV is distributed each fiscal year first with a 10% preferred return on capital contributions to Condor, second with a 10% preferred return on capital contributions to TWC, and third with any remainder distributed to the partners based on their pro-rata equity ownership. Profits are allocated in the same proportion as net cash flow. Losses are allocated based on pro-rata equity ownership. Cash distributions totaling \$1,813, \$1,662 and \$1,479 were received by the Company from the Atlanta JV during the years ended December 31, 2019, 2018, and 2017, respectively.

The following table represents the total assets, liabilities, and equity, including the Company's share, of the Atlanta JV as of December 31, 2019 and 2018:

	As of December 31,	
	2019	2018
Investment in hotel properties, net	\$ 45,547	\$ 46,933
Cash and cash equivalents	661	913
Restricted cash, property escrows	-	366
Accounts receivable, prepaid expenses, and other assets	279	294
Total Assets	\$ 46,487	\$ 48,506
Accounts payable, accrued expenses, and other liabilities	\$ 1,026	\$ 1,375
Land option liability	6,190	6,190
Long-term debt, net of deferred financing costs	33,966	33,608
Total Liabilities	41,182	41,173
Condor equity	4,244	5,866
TWC equity	1,061	1,467
Total Equity	5,305	7,333
Total Liabilities and Equity	\$ 46,487	\$ 48,506

The table below provides the components of net earnings (loss), including the Company's share of the Atlanta JV, for the years ended December 31, 2019, 2018 and 2017:

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	Year ended December 31,		
	2019	2018	2017
Revenue			
Room rentals and other hotel services	\$ 12,666	\$ 11,888	\$ 11,582
Operating Expenses			
Hotel and property operations	8,084	7,855	7,585
Depreciation and amortization	1,494	1,444	1,425
Total operating expenses	9,578	9,299	9,010
Operating income	3,088	2,589	2,572
Net loss on disposition of assets	(2)	(197)	(8)
Net loss on derivative	(1)	(27)	(3)
Interest expense	(2,675)	(2,637)	(2,323)
Loss on extinguishment of debt	(172)	-	-
Net earnings (loss)	<u>\$ 238</u>	<u>\$ (272)</u>	<u>\$ 238</u>
Condor allocated earnings (loss)	\$ 190	\$ (218)	\$ 190
TWC allocated earnings (loss)	48	(54)	48
Net earnings (loss)	<u>\$ 238</u>	<u>\$ (272)</u>	<u>\$ 238</u>

NOTE 6. LONG-TERM DEBT

Long-term debt related to wholly owned properties, including debt related to hotel properties held for sale, consisted of the following loans payable at December 31:

Lender	Balance at December 31, 2019	Interest rate at December 31, 2019	Maturity	Amortization provision	Properties encumbered at December 31, 2019	Balance at December 31, 2018
Fixed rate debt						
Morgan Stanley Bank of America Merrill Lynch Trust 2014-C18	\$ 8,639	4.54%	08/2024	25 years	1	\$ 8,817
Great Western Bank (1)	13,290	4.33%	12/2021 (5)	25 years	1	13,615
Great Western Bank (1)	971	4.33%	12/2021 (5)	7 years	-	1,171
Total fixed rate debt	<u>22,900</u>					<u>23,603</u>
Variable rate debt						
Wells Fargo	25,612	3.76% (2)	11/2022 (6)	30 years	3	26,048
KeyBank credit facility (3)	86,845	4.30% (4)	10/2020 (7)	Interest only	9	89,487
Total variable rate debt	<u>112,457</u>				<u>14</u>	<u>115,535</u>
Total long-term debt	\$ 135,357					\$ 139,138
Less: Deferred financing costs	<u>(1,356)</u>					<u>(2,208)</u>
Total long-term debt, net of deferred financing costs	134,001					136,930
Less: Long-term debt related to hotel properties held for sale, net of deferred financing costs of \$0 and \$18	-					(1,120)
Long-term debt related to hotel properties held for use, net of deferred financing costs of \$1,356 and \$2,190	<u>\$ 134,001</u>					<u>\$ 135,810</u>

(1) Both loans are collateralized by Aloft Leawood.

(2) Variable rate of 30-day LIBOR plus 2.39%, effectively fixed at 4.44% after giving effect to interest rate swap (see Note 8).

(3) \$150,000 credit facility that includes an accordion feature that would allow the credit facility to be increased to \$400,000 with additional lender commitments. Available borrowing capacity under the credit facility is based on a borrowing base formula for the pool of hotel properties securing the facility. Total unused availability under this credit facility was \$9,020 at December 31, 2019. The commitment fee on unused facility is 0.20%. See Note 17 for changes occurring subsequent to December 31, 2019.

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(4) Borrowings under the facility accrue interest based on a leverage-based pricing grid, at the Company's option, at either LIBOR plus a spread ranging from 2.25% to 3.00% (depending on leverage) or a base rate plus a spread ranging from 1.25% to 2.00% (depending on leverage); 30-day LIBOR for \$30,000 notional capped at 3.35% after giving effect to market rate cap (see Note 8). See Note 17 for changes occurring subsequent to December 31, 2019.

(5) Term may be extended for additional two years subject to interest rate adjustments.

(6) Two one-year extension options subject to the satisfaction of certain conditions.

(7) See Note 17 for changes occurring subsequent to December 31, 2019.

At December 31, 2019, we had long-term debt of \$135,357 with a weighted average term to maturity of 1.5 years and a weighted average interest rate of 4.22%. Of this total, at December 31, 2019, \$22,900 was fixed rate debt with a weighted average term to maturity of 2.3 years and a weighted average interest rate of 4.41% and \$112,457 was variable rate debt with a weighted average term to maturity of 1.2 years and a weighted average interest rate of 4.18%. At December 31, 2018, we had long-term debt of \$138,000 associated with assets held for use with a weighted average term to maturity of 2.1 years and a weighted average interest rate of 5.15%. Of this total, at December 31, 2018, \$23,604 was fixed rate debt with a weighted average term to maturity of 1.9 years and a weighted average interest rate of 4.41% and \$114,396 was variable rate debt with a weighted average term to maturity of 2.9 years and a weighted average interest rate of 5.30%.

Debt is classified as held for sale if the properties collateralizing it are held for sale. Debt associated with assets held for sale is classified in the table below based on its contractual maturity although the balances are expected to be repaid within one year upon the sale of the related hotel properties. Aggregate annual principal payments on debt for the next five years and thereafter are as follows:

	Total
2020 \$	88,076
2021	14,341
2022	24,886
2023	214
2024	7,840
Thereafter	-
Total \$	<u>135,357</u>

As discussed further in the Subsequent Events footnote (see Note 17), on March 30, 2020, the Key Bank credit facility was amended to, among other things, extend the maturity date of the facility to April 1, 2021, providing also for two extension options (six months and five months). Following this modification, contractual debt maturities on debt outstanding at December 31, 2019 were as follows:

	Total
2020 \$	1,231
2021	101,186
2022	24,886
2023	214
2024	7,840
Thereafter	-
Total \$	<u>135,357</u>

Financial Covenants

We are required to satisfy various financial covenants within our debt agreements, including the following financial covenants within our credit facility with KeyBank:

- **Debt Yield:** The ratio of adjusted net operating income for the borrowing base properties to indebtedness outstanding under the credit facility cannot be less than 10%. The covenant is first tested on September 30,

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2020 and for purposes of calculating compliance with the covenant, annualized results are used until June 30, 2021 when the calculation is based on the most recently ended four fiscal quarters.

- Consolidated Leverage Ratio: The ratio of consolidated total indebtedness to consolidated total asset value cannot exceed 60%.
- Fixed Charge Coverage Ratio: The ratio of adjusted consolidated EBITDA to consolidated fixed charges cannot be less than (a) 1.25 to 1 as of the end of the fiscal quarter ending September 30, 2020 and (b) 1.50 to 1 as of the end of the fiscal quarter ending December 31, 2020 and each fiscal quarter thereafter. For purposes of calculating compliance with the covenant, annualized results are used until June 30, 2021 when the calculation is based on the most recently ended four fiscal quarters.
- Borrowing Base Leverage Ratio: The ratio of indebtedness outstanding under the credit facility to borrowing base asset value (based on updated appraisals required by the lenders) cannot exceed 65%. The covenant is first tested on June 30, 2021.

On March 30, 2020, our credit facility with KeyBank was amended to, among other things:

- Implement a collateral-specific minimum debt yield (ratio of adjusted net operating income for the borrowing base properties to indebtedness outstanding under the credit facility) of 10%. The covenant is first tested on September 30, 2020 and for purposes of calculating compliance with the covenant, annualized results are used until June 30, 2021 when the calculation is based on the most recently ended four fiscal quarters.
- Maintain the maximum consolidated leverage ratio (ratio of consolidated total indebtedness to consolidated total asset value) of 60% but provide for updated appraisals to determine consolidated total asset value (if required by the lenders).
- Modify the fixed charge coverage ratio (ratio of adjusted consolidated EBITDA to consolidated fixed charges) to (a) 1.25 to 1 as of the end of the fiscal quarter ending September 30, 2020 and (b) 1.50 to 1 as of the end of the fiscal quarter ending December 31, 2020 and each fiscal quarter thereafter. For purposes of calculating compliance with the covenant, annualized results are used until June 30, 2021 when the calculation is based on the most recently ended four fiscal quarters. The covenant was previously 1.50 to 1 tested at the end of each fiscal quarter based on the most recently ended four fiscal quarters.
- Implement a maximum borrowing base leverage ratio (ratio of indebtedness outstanding under the credit facility to borrowing base asset value (based on updated appraisals required by the lenders) of 65%. The covenant is first tested on June 30, 2021.
- Eliminate the financial covenants regarding secured leverage ratio, tangible net worth and variable rate debt.
- Modify the covenant on dividends and distributions to provide that no cash dividends or distributions may be made to common or preferred shareholders.
- Modify the covenants on recourse debt and investments to provide that no additional recourse debt or investments will be permitted.

As a result of the anticipated impact of the COVID-19 virus on the hotel industry generally, the Company has received waivers from Great Western Bank with respect to compliance with its quarterly debt service coverage ratios (consolidated and for the Leawood Aloft collateral) for March 31, 2020 and June 30, 2020 and modifications for September 30, 2020 and December 31, 2020 (providing for lower collateral covenant and use of annualized results). The modification also provides for a three month deferral of principal and interest payments.

Certain of the terms used in the foregoing descriptions of the financial covenants within our credit facility have the meanings given to them in the credit facility, and certain of the financial covenants are subject to pro forma adjustments for acquisitions and sales of hotel properties and for specific capital events.

If we fail to pay our indebtedness when due, fail to comply with covenants or otherwise default on our loans, unless waived, we could incur higher interest rates during the period of such loan defaults, be required to immediately pay our indebtedness, and ultimately lose our hotels through lender foreclosure if we are unable to obtain alternative sources of financing with acceptable terms. Our credit facility contains cross-default provisions which would allow

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the lenders under our credit facility to declare a default and accelerate our indebtedness to them if we default on our other loans and such default would permit that lender to accelerate our indebtedness under any such loan.

As of December 31, 2019, we are not in default of any of our loans.

NOTE 7: CONVERTIBLE DEBT AT FAIR VALUE

As part of an agreement entered into on March 16, 2016 (the “Exchange Agreement”) with Real Estate Strategies, L.P. (“RES”, which also includes affiliated entities) (see Note 10), the Company issued to RES a Convertible Promissory Note (the “Note”), bearing interest at 6.25% per annum, in the principal amount of \$1,012 initially convertible into shares of Series D Preferred Stock, which could be subsequently converted into 97,269 shares of common stock. Following the conversion of all of the outstanding Series D Preferred Stock into common stock and the issuance of the Series E Preferred Stock on March 1, 2017, the Note was amended to be convertible directly into 97,269 shares of common stock at any time at the option of RES or automatically when the Series E Preferred Stock is required to be converted or is redeemed in whole (see Note 10). The Note is not convertible to the extent that a conversion would cause RES, together with its affiliates, to beneficially own more than 49% of the voting stock of the Company at the time of the conversion. Any conversion reduces the principal amount of the Note proportionally.

The Company has made an irrevocable election to record this Note in its entirety at fair value utilizing the fair value option available under U.S. GAAP in order to more accurately reflect the economic value of this Note. As such, gains and losses on the Note are included in net gain on derivatives and convertible debt within net earnings each reporting period. Gains (losses) related to this Note were recognized totaling \$(80), \$69, and \$246 during the years ended December 31, 2019, 2018, and 2017, respectively. The fair value of the Note is determined using a trinomial lattice-based model, which is a generally accepted computational model typically used for pricing options and is considered a Level 3 fair value measurement. The fair value of the Note on the date of issuance was determined to be equal to its principal amount. Interest expense related to this Note is recorded separately from other changes in its fair value within interest expense each period.

The following table represents the difference between the fair value and the unpaid principal balance of the Note as of December 31, 2019:

	Fair value as of December 31, 2019	Unpaid principal balance as of December 31, 2019	Fair value carrying amount (over)/under unpaid principal
6.25% Convertible Debt	\$ 1,080	\$ 1,012	\$ (68)

NOTE 8: FAIR VALUE MEASUREMENTS AND DERIVATIVE INSTRUMENTS

Our determination of fair value measurements is based on the assumptions that market participants would use in pricing the asset or liability. At December 31, 2019, the Company’s convertible debt (see Note 7) and certain derivative instruments were the only financial instruments measured in the consolidated financial statements at fair value on a recurring basis. Nonrecurring fair value measurements were utilized in the determination of the fair value of acquired hotel properties and related assumed debt in 2018 and 2017 (see Note 3), in accounting for the equity transactions that occurred in March 2017 (see Note 10), in the valuation of stock-based compensation grants (see Note 12), and in the assessment of impaired and potentially impaired hotels during the years ended December 31, 2019, 2018, and 2017.

Derivative Instruments

Currently, the Company uses derivatives, such as interest rate swaps and caps, to manage its interest rate risk. The fair value of interest rate positions is determined using the standard market methodology of netting the discounted expected future cash receipts and payments. Variable interest rates used in the calculation of projected receipts and

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payments on the positions are based on an expectation of future interest rates derived from observable market interest rate curves and volatilities. Derivatives expose the Company to credit risk in the event of non-performance by the counterparties under the terms of the agreements. The Company believes it minimizes this credit risk by transacting with major creditworthy financial institutions. These interest rate positions at December 31, 2019 and 2018 are as follows:

Associated debt	Type	Terms	Effective Date	Maturity Date	Notional amount at December 31, 2019	Notional amount at December 31, 2018
Wells Fargo	Swap	Swaps 30-day LIBOR for fixed rate of 2.053%	11/2017	11/2022	\$ 25,612 ⁽¹⁾	\$ 26,048 ⁽¹⁾
Credit facility	Cap	Caps 30-day LIBOR at 2.50%	03/2017	03/2019	Not applicable	\$ 50,000
Credit facility	Cap	Caps 30-day LIBOR at 3.35%	4/1/2019	10/2020	\$ 30,000	Not applicable

(1) Notional amounts amortize consistently with the principal amortization of the associated loans.

Included in the Series E Preferred Stock issued on March 1, 2017 is a redemption right that allows the Company to redeem up to a total of 490,250 shares of Series E Preferred Stock for specific percentages of its liquidation preference (see Note 10). This option requires bifurcation and was determined to be an asset with a fair value on the date of issuance of \$150 using a trinomial lattice-based model, considered a Level 3 fair value measurement.

All derivatives recognized by the Company are reported as either derivative assets or liabilities on the balance sheets and are adjusted to their fair value at each reporting date. All gains and losses on derivative instruments are included in net gain on derivatives and convertible debt and with the exception of realized gains and losses related to the interest rate instruments, which are included in interest expense on the statements of operations. Net gains (loss) of \$(991), \$248, and \$190 were recognized related to derivative instruments for the years ended December 31, 2019, 2018, and 2017, respectively.

Recurring Fair Value Measurements

The following tables provide the fair value of the Company's financial assets and (liabilities) carried at fair value and measured on a recurring basis:

	Fair value at December 31, 2019	Level 1	Level 2	Level 3
Interest rate derivatives	\$ (366)	\$ -	\$ (366)	\$ -
Series E Preferred embedded redemption option	22	-	-	22
Convertible debt	(1,080)	-	-	(1,080)
Total	<u>\$ (1,424)</u>	<u>\$ -</u>	<u>\$ (366)</u>	<u>\$ (1,058)</u>

	Fair value at December 31, 2018	Level 1	Level 2	Level 3
Interest rate derivatives	\$ 350	\$ -	\$ 350	\$ -
Series E Preferred embedded redemption option	289	-	-	289
Convertible debt	(1,000)	-	-	(1,000)
Total	<u>\$ (361)</u>	<u>\$ -</u>	<u>\$ 350</u>	<u>\$ (711)</u>

There were no transfers between levels during the years ended December 31, 2019, 2018, or 2017.

The following tables present a reconciliation of the beginning and ending balances of items measured at fair value on a recurring basis that use significant unobservable inputs (Level 3) and the related gains and losses recorded in the statements of operations during the periods:

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	Year ended December 31,					
	2019			2018		
	Series E Preferred embedded redemption option	Convertible debt	Total	Series E Preferred embedded redemption option	Convertible debt	Total
Fair value, beginning of period	\$ 289	\$ (1,000)	\$ (711)	\$ 314	\$ (1,069)	\$ (755)
Net gains (losses) recognized in earnings	(267)	(80)	(347)	(25)	69	44
Purchase and issuances	-	-	-	-	-	-
Sales and settlements	-	-	-	-	-	-
Gross transfers into Level 3	-	-	-	-	-	-
Gross transfers out of Level 3	-	-	-	-	-	-
Fair value, end of period	<u>\$ 22</u>	<u>\$ (1,080)</u>	<u>\$ (1,058)</u>	<u>\$ 289</u>	<u>\$ (1,000)</u>	<u>\$ (711)</u>
Total unrealized gains (losses) during the period included in earnings related to instruments held at end of period	\$ (267)	\$ (80)	\$ (347)	\$ (25)	\$ 69	\$ 44

Fair Value of Debt

The Company estimates the fair value of its fixed rate debt by discounting the future cash flows of each instrument at estimated market rates or credit spreads consistent with the maturity of debt obligations with similar credit risks. Credit spreads take into consideration general market conditions and maturity. The inputs utilized in estimating the fair value of debt are classified in Level 2 of the fair value hierarchy. Both the carrying value and the estimated fair value of the Company's long-term debt, excluding convertible debt which is presented in the balance sheets at fair value, are presented in the table below net of deferred financing costs.

	Carrying value at December 31,		Estimated fair value at December 31,	
	2019	2018	2019	2018
Held for use	\$ 134,001	\$ 135,810	\$ 134,288	\$ 134,773
Held for sale	-	1,120	-	1,120
Total	<u>\$ 134,001</u>	<u>\$ 136,930</u>	<u>\$ 134,288</u>	<u>\$ 135,893</u>

Impaired Hotel Properties

In the performance of impairment analysis for both held for sale and held for use properties, fair value is determined with the assistance of independent real estate brokers and through the use of operating results and revenue multiples based on the Company's experience with hotel sales as well as available industry information. For held for sale properties, estimated selling costs are based on our experience with similar asset sales. These are considered Level 3 fair value measurements. The amount of impairment and recovery of previously recorded impairment recognized in the years ended December 31, 2019, 2018, and 2017 is shown in the tables below:

	Year ended December 31,					
	2019		2018		2017	
	Number of hotels	Impairment (loss) recovery	Number of hotels	Impairment (loss) recovery	Number of hotels	Impairment (loss) recovery
Continuing Operations:						
Sold hotels:						
Impairment loss	-	\$ -	-	\$ -	3	\$ (2,231)
Recovery of impairment	-	-	1	93	2	80
Total net impairment (loss) recovery:	<u>-</u>	<u>\$ -</u>	<u>1</u>	<u>\$ 93</u>	<u>5</u>	<u>\$ (2,151)</u>

NOTE 9. COMMON STOCK

The Company's common stock is duly authorized, full paid, and non-assessable.

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On January 24, 2017, the Company exchanged 23,160 warrants (the “New Warrants”) to purchase common stock of the Company for 576,923 warrants (the “Old Warrants”) held by RES. The number of New Warrants issued in exchange for the Old Warrants equaled the number of shares of common stock issuable upon exercise of the Old Warrants pursuant to a cashless exercise provisions of the Old Warrants. The New Warrants were exercisable for 23,160 shares of common stock, had an exercise price of \$0.0065 for each common share, and would have expired on January 24, 2019. On the date of the exchange, the New Warrants had a fair value in excess of the Old Warrants of \$289, which is reflected as equity transactions expense and an increase in additional paid-in capital as the exchange is assumed to be equivalent to the modification of an equity classified instrument. The New Warrants were exercised in full on September 28, 2017.

On February 28, 2017, the holders of the Series D Preferred Stock voluntarily converted their shares into 6,004,957 shares of common stock at \$10.40 per share pursuant to the terms of the preferred stock (see Note 10).

Effective on March 15, 2017, the Company effected a reverse stock split of its common stock at a ratio of 1-for-6.5. No fractional shares of common stock were issued as fractional shares were settled in cash. A total of 73 shares were settled for \$1. Impacted amounts and share information included in the consolidated financial statements and notes thereto have been adjusted for the stock split as if such stock split occurred on the first day of the periods presented.

On March 29, 2017, the Company sold in an underwritten public offering 4,772,500 shares of its common stock, including 622,500 shares issued pursuant to the full exercise of an option to purchase additional shares of common stock granted to the underwriters, at a public offering price per share of \$10.50. Net proceeds, after the payment of related expenses, from this offering totaled \$45,850.

The Company’s common stock began trading on the NYSE American under its current symbol “CDOR” beginning at the open of market trading on July 21, 2017. The Company’s common stock previously traded on the NASDAQ Stock Market.

On September 20, 2017, the Company entered into an equity distribution agreement with KeyBanc Capital Markets Inc. and BMO Capital Markets Corp. (collectively, the “Sales Agents”), pursuant to which we may sell, from time to time, up to an aggregate sales price of \$50,000, subject to decrease in compliance with General Instruction I.B.6 of Registration Statement on Form S-3, of shares of our common stock pursuant to a prospectus supplement we filed with the Securities and Exchange Commission (“SEC”) through the Sales Agents acting as sales agent and/or principal, through an at-the-market offering program (our “ATM program”). Pursuant to Instruction I.B.6 to Registration Statement on Form S-3, we may not sell more than the equivalent of one-third of our public float during any 12 consecutive months so long as our public float is less than \$75,000.

During the year ended December 31, 2017, we sold 169,004 shares of common stock under the ATM program at an average sales price of \$10.15 per share for gross proceeds totaling \$1,715 and net proceeds of \$1,619. During the year ended December 31, 2018, we sold 28,474 shares of common stock under the ATM program at an average sales price of \$10.40 per share, for gross proceeds totaling \$296 and net proceeds totaling \$260. There were no sales under the ATM program in 2019. Since the inception of the ATM program, we have sold 197,478 shares of common stock at an average sales price of \$10.18 per share for gross proceeds totaling \$2,011 and net proceeds totaling \$1,879.

NOTE 10. PREFERRED STOCK

On March 16, 2016, the Company entered into a series of agreements providing for:

- the issuance and sale of the Company’s Series D Preferred Stock under a private transaction to SREP III Flight-Investco, L.P. (“SREP”), an affiliate of StepStone Group LP;
- the exchange of all of the Company’s outstanding Series C Preferred Stock for Series D Preferred Stock; and

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- the cash redemption of all of the Company's outstanding 8% Series A Cumulative Preferred Stock ("Series A Preferred Stock") and 10% Series B Cumulative Preferred Stock ("Series B Preferred Stock").

In connection with these transactions, the Company and SREP entered into a Stock Purchase Agreement (the "Stock Purchase Agreement") dated March 16, 2016 pursuant to which the Company issued and sold 3,000,000 shares of Series D Preferred Stock to SREP on the March 16, 2016 for an aggregate purchase price of \$30,000. The Stock Purchase Agreement required that \$20,147 of the purchase price be deposited into an escrow account for the purpose of effecting the redemption of the Series A and Series B Preferred Stock, which was completed on April 15, 2016, and that the remaining amount of the purchase price be delivered to the Company.

Simultaneously, the Company entered into the Exchange Agreement with RES pursuant to which all 3,000,000 outstanding shares of Series C Preferred Stock were exchanged for 3,000,000 shares of Series D Preferred Stock. Under the Exchange Agreement, in lieu of payment of accrued and unpaid dividends in the amount of \$4,947 on the Series C Preferred Stock, the Company (a) paid to RES an amount of cash equal to \$1,484, (b) issued to RES 245,156 shares of Series D Preferred Stock (such that RES, IRSA Inversiones y Representaciones Sociedad Anónima ("IRSA"), and their affiliates do not beneficially own in excess of 49% of the voting stock of the Company) and (c) issued to RES a convertible promissory note, bearing interest at 6.25% per annum, in the principal amount of \$1,012 (see Note 7).

On February 28, 2017, the holders of the Series D Preferred Stock voluntarily converted their shares into 6,004,957 shares of common stock at \$10.40 per share pursuant to the terms of the preferred stock. The terms of the Series D Preferred Stock provided for automatic conversion following certain future common stock offerings, and also provided for potential additional payments to the holders depending on the sales price of common stock in the offerings. As a result of the voluntary conversion, the holders are no longer entitled to the potential payments. To induce the holders of the Series D Preferred Stock to voluntarily convert their shares, the Company issued the holders 925,000 shares of a new series of preferred stock, the Series E Preferred Stock.

The key terms of the remaining series of the Company's preferred stock are discussed individually below.

Series D Preferred Stock

Following the execution of the Stock Purchase Agreement and Exchange Agreement on March 16, 2016, there were 6,245,156 shares of Series D Preferred Stock outstanding at December 31, 2016.

The Series D Preferred stockholders ranked senior to the Company's common stock and any other preferred stock issuances and received preferential cumulative cash dividends at a rate of 6.25% per annum, payable quarterly in arrears on each March 31, June 30, September 30, and December 31, or, if not a business day, the next succeeding business day, of the \$10.00 face value per share. Dividends on the Series D Preferred Stock accrued whether or not the Company had earnings, whether or not there were funds legally available for the payment of such dividends, whether or not such dividends were declared, and whether or not such dividends were prohibited by agreement. Whenever the dividends on the Series D Preferred Stock were in arrears for four consecutive quarters, then upon notice by holders of in the aggregate not less than 40% of the outstanding Series D Preferred Stock, the Company would (a) take all appropriate action reasonably within its means to maximize the assets legally available for paying such dividends and to monetize such assets (for example, but without limiting the generality of the foregoing, by selling or liquidating all of some of the Company's assets or by selling the Company as a going concern), (b) pay out of all such assets legally available (including any proceeds from any sale or liquidation of such assets) the maximum possible amount of such unpaid dividends, and (c) thereafter, at any time and from time to time when additional assets of the Company (including any proceeds from any sale or liquidation of such assets) become legally available to pay such unpaid dividends, pay such remaining unpaid dividends until all dividends accumulated on the Series D Preferred Stock had been fully paid. Dividends on the Series D Preferred Stock were paid when due throughout the life of the instrument.

Each share of Series D Preferred Stock was convertible, at the option of the holder, at any time into a number of shares of common stock determined by dividing the conversion price of \$10.40 into an amount equal to the \$10.00

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face value per share plus accrued and unpaid dividends, if any. The conversion price was subject to anti-dilution adjustments upon the occurrence of stock splits and stock dividends. Each outstanding share of Series D Preferred Stock would be converted into a number of shares of common stock determined by dividing the conversion price of \$10.40 into the \$10.00 face value per share, which is equal to a rate of 0.9615385 shares of common stock for each share of Series D Preferred Stock, automatically upon closing of a Qualified Offering (defined as a single offering of common stock of at least \$50,000 or up to three offerings in the aggregate of at least \$75,000, all with certain minimum prices per share and a potential make whole payment required in certain scenarios) without any further action by the holders of such shares or the Company.

The Series D Preferred Stock was redeemable by the Company at any time subject to certain restrictions, in whole or in a partial redemption of up to \$30,000, at \$12.00 per share on or before March 16, 2019, \$13.00 per share from March 16, 2019 to March 16, 2020, and \$14.00 per share on or after March 16, 2020, plus all accrued and unpaid dividends. If a Qualified Offering has not occurred on or before September 30, 2021, holders that hold in the aggregate not less than 40% of the outstanding shares of the Series D Preferred Stock have the right to elect to have the Company fully liquidate in a commercially reasonable manner as determined by the Board of Directors of the Company to provide for liquidation distributions to the holders of the Series D Preferred Stock in an amount per share equal to \$14.00 in cash plus accrued and unpaid dividends. Once this right had been exercised and the Company had been notified, the dividend rate on the Series D Preferred Stock after September 30, 2021 would increase from 6.25% per annum to 12.5% per annum. The holders of Series D Preferred Stock voted their Series D Preferred Stock as a single class with the holders of the common stock on all matters submitted to such holders for vote or consent. For each such vote or consent, each share of Series D Preferred Stock entitled the holder to cast one vote for each whole vote (rounded to the nearest whole number) that such holder would be entitled to cast had such holder converted its Series D Preferred Stock into shares of common stock as of the date immediately prior to the record date for determining the shareholders of the Company eligible to vote on any such matter.

The fair value of the Series D Preferred Stock was determined to be equal to its face value on the date of issuance.

As discussed above, on February 28, 2017, the holders of the Series D Preferred Stock voluntarily converted their shares into 6,004,957 shares of common stock at \$10.40 per share pursuant to the terms of the preferred stock. At the time of conversion, the Series D holders were granted \$9,250 of newly created Series E Preferred Stock.

Series E Redeemable Convertible Preferred Stock

Following the voluntary conversion of the Series D Preferred Stock on February 28, 2017, the only shares of preferred stock outstanding are 925,000 shares of Series E Preferred Stock.

The Series E Preferred Stock ranks senior to the Company's common stock and any other preferred stock issuances and receives preferential cumulative cash dividends at a rate of 6.25% per annum, payable quarterly of the \$10.00 face value per share. If the Company fails to pay a dividend then during the period that dividends are not paid, the dividend rate increases to 9.50% per annum. Dividends on the Series E Preferred Stock accrue whether or not the Company has earnings, whether or not there are funds legally available for the payment of such dividends, whether or not such dividends are declared, and whether or not such dividends are prohibited by agreement.

Each share of Series E Preferred Stock is convertible, at the option of the holder, at any time on or after February 28, 2019, into a number of shares of common stock determined by dividing the conversion price of \$13.845 into an amount equal to the \$10.00 face value per share plus accrued and unpaid dividends, if any. Upon liquidation, each share of Series E Preferred Stock is entitled to \$10.00 per share and accrued and unpaid dividends. The conversion price is subject to anti-dilution adjustments upon the occurrence of stock splits and stock dividends. Following a specific equity offering or offerings, from time to time a number of shares of Series E Preferred Stock automatically converts into common stock if the common stock trades at 120% of the conversion price for 60 trading days, and the number of shares converted will be determined by certain trading volumes measures.

The Company has rights to redeem up to 490,250 shares of the Series E Preferred Stock at prices from 110% to 130% of its liquidation value. The holders have put rights commencing March 16, 2021 to put the Series E

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Preferred Stock to the Company at 130% of its liquidation preference, which the Company can satisfy with cash or common stock. The Series E Preferred Stock votes as a class on matters generally affecting the Series E Preferred Stock, and as long as 434,750 shares of Series E Preferred Stock (47% of the originally issued shares of Series E Preferred Stock) remain outstanding, then 75% approval of the Series E Preferred Stock will be required to approve merger, consolidation, liquidation or winding up of the Company, related party transactions exceeding \$120, payment of dividends on common stock except from funds from operations or to maintain REIT status, the grant of exemptions from the Company's charter limitation on ownership of 9.9% of any class or series of its securities (exclusive of persons currently holding exemptions), issuance of preferred stock or commitment or agreement to do any of the foregoing.

The Series E Preferred Stock was determined to have a fair value of \$9,900 on the date of issuance as measured using a trinomial lattice-based model. From this value, the embedded redemption option (see Note 8), which was determined to be an asset with a fair value on the date of issuance of \$150 using the same model, was bifurcated and will be accounted for at fair value at each period end. These are considered Level 3 fair value measurements. The issuance of the Series E Preferred Stock is considered an inducement to convert the Series D Preferred Stock to common stock and as such, its fair value at issuance, plus related expenses totaling \$1,210 in the year ended December 31, 2017, are reflected as a reduction of retained earnings and an increase in dividends declared and undeclared and in kind dividends deemed on preferred stock.

Impact of Preferred Stock on Net Earnings (Loss) Attributable to Common Shareholders

The components of dividends declared and undeclared and in kind dividends deemed on preferred stock are as follows:

	Year ended December 31,		
	2019	2018	2017
Preferred D dividends accrued at stated rate	\$ -	\$ -	\$ 650
Preferred D inducement to convert	-	-	11,110
Preferred E dividends accrued at stated rate	578	578	483
Dividends declared and undeclared and in kind dividends deemed on preferred stock	<u>\$ 578</u>	<u>\$ 578</u>	<u>\$ 12,243</u>

NOTE 11. NONCONTROLLING INTEREST OF COMMON UNITS IN THE OPERATING PARTNERSHIP

At December 31, 2019 and 2018, 219,183 and 3,281,124 of the operating partnership's common units were outstanding, respectively, all of which were held by limited partners. All LTIP units previously were cancelled on June 28, 2017 (see Note 12). The total redemption value for the common units was \$47 and \$435 at December 31, 2019 and 2018, respectively. Our ownership interest in the operating partnership as of December 31, 2019 and 2018 was 99.9% and 99.5%, respectively.

Each limited partner of the operating partnership may, subject to certain limitations, require that the operating partnership redeem all or a portion of his or her common units at any time after a specified period following the date the units were acquired, by delivering a redemption notice to the operating partnership. When a limited partner tenders common units for redemption, the Company can, at its sole discretion, choose to purchase the units for either (1) a number of shares of Company common stock at a rate of one share of common stock for each 52 common units redeemed or (2) cash in an amount equal to the market value of the number of shares of Company common stock the limited partner would have received if the Company chose to purchase the units for common stock.

During the year ended December 31, 2019, 259,685 common units were redeemed for cash totaling \$42 and 2,802,256 common units were converted into 53,891 shares of common stock. During the year ended December 31, 2018, 1,528,803 common units were redeemed for cash totaling \$298. No common units were redeemed in 2017.

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NOTE 12. STOCK-BASED COMPENSATION

The Company currently has in place the Condor 2016 Stock Plan, which was approved by the Company's shareholders at the annual shareholders meeting on June 15, 2016. The 2016 Stock Plan authorizes the issuance of stock options, stock appreciation rights, restricted stock, restricted stock units, performance shares, deferred stock units, and other forms of stock-based compensation. The maximum number of shares of the Company's common stock that may be issued under the 2016 Stock Plan is 761,538 following an amendment to the plan to increase the number of available shares by 300,000 that was approved by shareholders on May 17, 2018 at the annual meeting of shareholders. As of December 31, 2019, there were 511,518 common shares available for issuance under the 2016 Stock Plan.

Options

At December 31, 2016, the Company had a total of 865 vested stock options outstanding with a weighted average exercise price of \$48.945 per share. These options expired unexercised on July 15, 2017.

Service Condition Share Awards

From time to time, the Company awards restricted shares of common stock to employees, officers, and members of the Board of Directors under the 2016 Stock Plan. These shares generally vest ratably over five years for employees and officers and three years for members of the Board of Directors based on continued service or employment. Dividends paid on these restricted shares during the vesting period are not forfeited in the event that the shares fail to vest. The following table presents a summary of the service condition unvested share activity for the years ended December 31, 2019, 2018, and 2017:

	Shares	Weighted-average grant date fair value
Unvested at December 31, 2016	-	\$ -
Granted	96,286	\$ 10.54
Vested	(234)	\$ 10.60
Forfeited	(220)	\$ 10.54
Unvested at December 31, 2017	95,832	\$ 10.54
Granted	23,191	\$ 10.28
Vested	(30,879)	\$ 10.56
Forfeited	(11,644)	\$ 10.33
Unvested at December 31, 2018	76,500	\$ 10.48
Granted	21,917	\$ 8.48
Vested	(50,328)	\$ 9.94
Forfeited	(1,407)	\$ 9.23
Unvested at December 31, 2019	46,682	\$ 10.16

The fair value of the service condition unvested share awards was determined based on the closing price of the Company's common stock on the grant date.

Market Based Share Awards

Pursuant to an amendment of an employment agreement on June 28, 2017, an executive officer may earn shares of common stock if certain market share prices of common stock are attained. Any such shares, if earned, will be issued under the 2016 Stock Plan or another shareholder approved plan. The executive officer will earn and be issued 36,692 common shares each time stock market price targets of \$11.00 to \$18.00 (in one dollar increments) per common share are first achieved prior to March 31, 2022 based on the weighted-average common stock price for 60 consecutive trading days. Additionally, the shares vest to the extent of the value received per share of common stock in connection with a change in control, with the payout in such case to be prorated for the portion of the value

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above a stock market price target but below the next stock market price target. The \$11.00 tranche of this award vested on November 22, 2019.

The compensation cost related to awards that are contingent upon achieving a market based criteria is measured at the fair value of the award on the date of grant using the Monte Carlo simulation, including consideration of the market criteria, and amortized on a straight line basis over the derived performance period which is also estimated using this model. The Monte Carlo simulation method is a generally accepted statistical method used to generate a defined number of stock price paths in order to develop a reasonable estimate of the range of future expected stock prices of the Company and its peer group and minimize standard error and is considered a Level 3 fair value measurement.

The grant date fair value of this award, including additional value assessed at the time of subsequent amendment of the award, totaling \$1,380, was determined using the following assumptions:

Volatility		25.0 %
Stock price	\$	10.60
Dividend yield		7.4 %
Risk free interest rate	0.89% - 1.81% based upon expected time of vesting	

Performance Based Share Awards

Pursuant to an amendment of an employment agreement on June 28, 2017, an executive officer may earn shares of common stock if certain operating results of the Company are obtained. Any such shares, if earned, will be issued under the 2016 Stock Plan or another shareholder approved plan. For each of the Company's fiscal years 2017 through 2021, if the Company achieves between 85% and 101% of budgeted Funds from Operations ("FFO") as approved by the Board of Directors, the executive shall earn and be issued between 11,741 and 19,569 shares of common stock, determined on a straight-line basis based on the percentage of budgeted FFO achieved. In addition, for any fiscal year in which the Company achieves in excess of 101% of budgeted FFO, an additional 391 shares of common stock will be earned for each two percent actual FFO exceeds 101% of budgeted FFO, up to a total of 3,910 additional shares of common stock per year.

The fair value of the performance based share awards is based on the closing price of the Company's common stock on the grant date, discounted for estimated common stock dividends to be declared prior to the shares being issued. The grant date occurs on an annual basis when budgeted FFO is approved by the Board of Directors. The total grant date fair value of the 2019, 2018, and 2017 portions of this performance based share award, assuming that 100% of budgeted FFO is achieved, was \$147, \$169 and \$191, respectively. During the first quarter of 2019, 13,778 shares with a grant date fair value totaling \$122 were awarded to the executive based on 2018 FFO. Simultaneously, 2,550 fully vested shares were issued to the executive with a fair value of \$22 as a discretionary award. During the first quarter of 2018, 21,133 shares with a grant date fair value totaling \$212 were awarded to the executive based on 2017 FFO.

Warrants

On March 2, 2015, the Company granted a warrant to an executive officer of the Company as an inducement material to the executive's acceptance of employment. The Black-Scholes option pricing model was utilized at issuance for the determination of the fair value of the award. The warrant entitled the executive to purchase a total of 101,213 authorized but previously unissued shares of the Company's common stock at a price of (i) \$9.88 per share (the adjusted closing bid price of the common stock on Nasdaq on March 2, 2015) if at least one-third but not more than one-half of the shares were purchased on or prior to March 17, 2015, and (ii) \$12.48 per share for shares purchased after that date. The warrant had a three-year term. The executive officer exercised the warrant in part to purchase 35,060 shares on March 11, 2015 at the price of \$9.88 per share. The remaining warrant expired unexercised on March 2, 2018.

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LTIP Awards

On March 2, 2015, the Company granted an equity award of 5,263,152 LTIP units, representing profit interests in the operating partnership, to an executive officer of the Company. A Monte Carlo simulation was utilized at issuance for the determination of the fair value of the award. The LTIP units were to be earned in one-third increments upon the Company's common stock achieving price per share milestones of \$22.75, \$29.25, and \$35.75, respectively. Earned LTIP units were to vest in March 2018, or earlier upon a change in control of the Company, and upon vesting could be converted into operating partnership common units which could be redeemed at the rate of one share of common stock for each 52 earned LTIP units for up to 101,213 common shares. These LTIP units were cancelled on June 28, 2017 pursuant to an amendment of the employment agreement with the executive officer.

Director Fully Vested Share Compensation

Independent directors serving as members of the Investment Committee of the Board of Directors receive their monthly Investment Committee fees in the form of shares of the Company's common stock. Certain independent directors serving as members of the Board of Directors also elect to receive a portion of their director fees in the form of shares of the Company's common stock.

A total of 15,240, 11,503 and 5,369 shares were issued to independent directors under the 2016 Stock Plan with respect to these fees during the years ended December 31, 2019, 2018, and 2017, respectively.

Stock-Based Compensation Expense

The expense recognized in the consolidated financial statements for stock-based compensation, including the LTIP, related to employees and directors for the years ended December 31, 2019, 2018, and 2017 was \$1,026, \$974, and \$1,237, respectively, all of which is included in general and administrative expense. Total unrecognized compensation cost related to all awards at December 31, 2019 was \$527, which is expected to be recognized over a weighted-average remaining service period of 2.6 years.

NOTE 13. INCOME TAXES

For the years ended December 2019, 2018, and 2017, the income tax expense related to the operating partnership, including primarily Alternative Minimum Tax ("AMT") in the years prior to 2018 and certain state and local taxes, totaled \$175, \$83, and \$20, respectively.

The components of the income tax expense (benefit) from the TRS from continuing operations for the years ended December 31, 2019, 2018, and 2017 were as follows:

	Year ended December 31,		
	2019	2018	2017
Federal:			
Current	\$ -	\$ -	\$ 33
Deferred	817	202	(615)
State and local:			
Current	2	(8)	12
Deferred	(57)	58	(45)
Income tax expense (benefit)	<u>\$ 762</u>	<u>\$ 252</u>	<u>\$ (615)</u>

Actual income tax expense of the TRS for the years ended December 31, 2019, 2018, and 2017 differs from the "expected" income tax expense (benefit) (computed by applying the appropriate U.S. federal income tax rate of 21% in 2019 and 2018 and 34% in 2017 to earnings before income taxes) as a result of the following:

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	Year ended December 31,		
	2019	2018	2017
Computed "expected" income tax (benefit) expense	\$ 403	\$ 191	\$ 546
State income taxes, net of federal income tax (benefit) expense	62	40	47
(Decrease) increase in valuation allowance	(124)	29	(1,097)
Return to provision adjustments	431	(16)	-
Other	(10)	8	(145)
AMT	-	-	34
Total income tax expense (benefit)	<u>\$ 762</u>	<u>\$ 252</u>	<u>\$ (615)</u>

The tax effects of temporary differences that give rise to significant portions of deferred tax assets and deferred tax liabilities at December 31, 2019 and 2018 are as follows:

	As of December 31,	
	2019	2018
<u>Deferred Tax Assets</u>		
Accrued expenses and other	\$ 100	\$ 84
Net operating losses carried forward for federal income tax purposes	374	1,004
Net operating losses carried forward for state income tax purposes	455	615
AMT	58	117
Subtotal deferred tax assets	987	1,820
Valuation allowance	(359)	(483)
Total deferred tax assets	628	1,337
<u>Deferred Liabilities</u>		
Tax depreciation in excess of book depreciation	909	714
Atlanta JV basis difference	140	223
Total deferred tax liabilities	1,049	937
Net deferred tax assets (liabilities)	<u>\$ (421)</u>	<u>\$ 400</u>

In assessing the realizability of deferred tax assets, the Company considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The Company considers projected reversals of deferred income tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. As a result of this analysis, the Company believed that a full valuation allowance against the net deferred tax asset position was necessary at December 31, 2016 and as such no current or deferred federal income tax other than AMT was recognized in the year then ended. At December 31, 2017 and all subsequent periods, it was determined by management that a valuation allowance against deferred tax assets was no longer required, with the exception of an allowance against certain state net operating losses, as management believes that it is more likely than not that remaining deferred tax assets will be realized.

After consideration of limitations related to a change in control as defined under Internal Revenue Code Section 382 following the Company's common and preferred equity transactions, the TRS's net operating loss carryforward at December 31, 2019 as determined for federal income tax purposes was \$1,779. The availability of the loss carryforwards will expire in 2027 through 2034.

On December 22, 2017, H.R. 1, originally known as the Tax Cuts and Jobs Act ("TCJA"), was enacted. The TCJA made many significant changes to the U.S. federal income tax laws as of January 1, 2018. Pursuant to this legislation, the federal income tax rate applicable to corporations was permanently reduced to 21% and the corporate alternative minimum tax was repealed, and the deduction of net interest expense was limited for all businesses, provided that certain businesses, including real estate businesses, may elect not to be subject to such limitations and

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instead to depreciate their real property related assets over longer depreciable lives. The interest limitation was determined not to have an impact on the Company's calculation of taxable income.

The reduced 21% federal income tax rate applicable to corporations applied to taxable earnings reported for the full 2018 fiscal year. Accordingly, the Company has remeasured its net deferred tax assets using the lower federal tax rate that will apply when these amounts are expected to reverse. As a result, in the fourth quarter of 2017, we recognized tax expense of \$304 resulting from the revaluation of U.S. net deferred tax assets.

As of December 31, 2019, the tax years that remain subject to examination by major tax jurisdictions generally include 2016 through 2019.

Distributions to the extent of our current and accumulated earnings and profits for federal income tax purposes generally will be taxable to a shareholder as ordinary income. Distributions in excess of current and accumulated earnings and profits generally will be treated as a nontaxable reduction of the shareholder's basis in such shareholder's shares, to the extent thereof, and thereafter as taxable capital gain. Distributions that are treated as a reduction of the shareholder's basis in its shares will have the effect of increasing the amount of gain, or reducing the amount of loss, recognized upon the sale of the shareholder's shares.

For income tax purposes, distributions paid per share for the years ended December 31, 2019, 2018, and 2017 were characterized as follows:

	For the year ended December 31,					
	2019		2018		2017	
	Amount	%	Amount	%	Amount	%
Common Shares:						
Ordinary income	\$ -	-	\$ -	-	\$ 0.117000	20%
Capital gain	-	-	-	-	-	-
Return of capital	0.585000	100%	0.975000	100%	0.468000	80%
Total	<u>\$ 0.585000</u>	<u>100%</u>	<u>\$ 0.975000</u>	<u>100%</u>	<u>\$ 0.585000</u>	<u>100%</u>
Series D Preferred Stock:						
Ordinary income	\$ -	-	\$ -	-	\$ 0.104160	100%
Capital gain	-	-	-	-	-	-
Return of capital	-	-	-	-	-	-
Total	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>-</u>	<u>\$ 0.104160</u>	<u>100%</u>
Series E Preferred Stock:						
Ordinary income	\$ -	-	\$ -	-	\$ 0.522569	100%
Capital gain	-	-	-	-	-	-
Return of capital	0.468750	100%	0.625000	100%	-	-
Total	<u>\$ 0.468750</u>	<u>100%</u>	<u>\$ 0.625000</u>	<u>100%</u>	<u>\$ 0.522569</u>	<u>100%</u>

The common and preferred share distributions declared on December 11, 2018 and paid on January 3, 2019 and December 31, 2018, respectively, were treated as 2018 distributions for tax purposes. The common share distribution declared on December 19, 2017 and paid on January 10, 2018 was treated as a 2018 distribution for tax purposes. The preferred share distribution declared on December 19, 2017 and paid on January 2, 2018 was treated as a 2017 distribution for tax purposes.

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NOTE 14. EARNINGS PER SHARE

The two-class method is utilized to compute earnings per common share ("EPS") as our unvested restricted stock awards with non-forfeitable dividends are considered participating securities. Under the two-class method, losses are allocated only to those securities that have a contractual obligation to share in the losses of the Company. Our unvested restricted stock is not obligated to absorb Company losses and accordingly is not allocated losses. The following is a reconciliation of basic and diluted EPS:

	Year ended December 31,		
	2019	2018	2017
<u>Numerator: Basic (1)</u>			
Net earnings (loss) attributable to common shareholders	\$ (5,626)	\$ 4,787	\$ (9,362)
Less: Allocation to participating securities	(38)	(67)	(56)
Net earnings (loss) attributable to common shareholders, net of amount allocated to participating securities	<u>\$ (5,664)</u>	<u>\$ 4,720</u>	<u>\$ (9,418)</u>
<u>Numerator: Diluted (1)</u>			
Net earnings (loss) attributable to common shareholders, net of amount allocated to participating securities	\$ (5,664)	\$ 4,720	\$ (9,418)
Interest and fair value adjustment on Convertible Debt	-	(6)	-
Total Diluted	<u>\$ (5,664)</u>	<u>\$ 4,714</u>	<u>\$ (9,418)</u>
<u>Denominator</u>			
Weighted average number of common shares - Basic	11,856,113	11,784,222	9,437,824
Performance Based Share Awards	-	4,285	-
Convertible Note	-	97,269	-
Weighted average number of common shares - Diluted	11,856,113	11,885,776	9,437,824
<u>Earnings Per Share</u>			
Basic Earnings (Loss) per Share	\$ (0.48)	\$ 0.40	\$ (1.00)
Diluted Earnings (Loss) per Share	\$ (0.48)	\$ 0.40	\$ (1.00)

The following table summarizes the weighted average number of potentially dilutive securities that have been excluded from the denominator for the purpose of computing diluted EPS as they are antidilutive:

	Year ended December 31,		
	2019	2018	2017
Outstanding stock options (2)	-	-	258
Unvested restricted stock	62,742	79,456	48,869
Warrants - RES (2)	-	-	53,608
Warrants - Employees (2)	-	11,056	66,153
Series D Preferred Stock (2)	-	-	970,606
Series E Preferred Stock	668,111	668,111	560,115
Convertible debt	97,269	-	97,269
LTIP common units (1) (2)	-	-	49,636
Operating partnership common units (1)	54,330	86,255	70,722
Total potentially dilutive securities excluded from the denominator	<u>882,452</u>	<u>844,878</u>	<u>1,917,236</u>

- (1) LTIP and common units have been omitted from the denominator for the purpose of computing diluted EPS since the effect of including these amounts in the numerator and denominator would have no impact on calculated EPS.
- (2) Amounts above are weighted average amounts outstanding for the period presented. These instruments were no longer outstanding at December 31, 2019.

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NOTE 15. COMMITMENTS AND CONTINGENCIES

Management Agreements

Our TRS engages eligible independent contractors as property managers for each of our hotels in accordance with the requirements for qualification as a REIT. The hotel management agreements provide that the management companies have control of all operational aspects of the hotels, including employee-related matters. The management companies must generally maintain each hotel under their management in good repair and condition and perform routine maintenance, repairs, and minor alterations. Additionally, the management companies must operate the hotels in accordance with the national franchise agreements that cover the hotels, which includes, as applicable, using franchisor sales and reservation systems and abiding by franchisors' marketing standards. The management agreements generally require the TRS to fund debt service, working capital needs, and capital expenditures and to fund the management companies' third-party operating expenses, except those expenses not related to the operation of hotels. The TRS also is responsible for obtaining and maintaining certain insurance policies with respect to the hotels.

Each of the management companies employed by the TRS at December 31, 2019 receives a base monthly management fee of 3.0% to 3.5% of gross hotel revenue, with incentives for performance which increase such fee to a maximum of 5.0%. For the years ended December 31, 2019, 2018, and 2017, base management fees incurred totaled \$1,813, \$1,779, and \$1,700, respectively, all of which was included in continuing operations as hotel and property operations expense. For the years ended December 31, 2019, 2018, and 2017, incentive management fees totaled \$141, \$333, and \$306, respectively.

The management agreements generally have initial terms of one to three years and renew for additional terms of one year unless either party to the agreement gives the other party written notice of termination at least 90 days before the end of a term. The Company may terminate a management agreement, subject to cure rights, if certain performance metrics tied to both individual hotel and total managed portfolio performance are not met. The Company may also terminate a management agreement with respect to a hotel at any time without reason upon payment of a termination fee. The management agreements terminate with respect to a hotel upon sale of the hotel, subject to certain notice requirements.

Franchise Agreements

As of December 31, 2019, all of our wholly owned properties operate under franchise licenses from national hotel companies. Under our franchise agreements, we are required to pay franchise fees generally between 3.3% and 5.5% of room revenue, plus additional fees for marketing, central reservation systems, and other franchisor programs and services that amount to between 2.5% and 6.0% of room revenue. The franchise agreements typically have 10 to 25 year terms although certain agreements may be terminated by either party on certain anniversary dates specified in the agreements. Further, each agreement provides for early termination fees in the event the agreement is terminated before the stated term. Franchise fee expense totaled \$4,685, \$4,834, and \$3,800, for the years ended December 31, 2019, 2018, and 2017, respectively, all of which was included in continuing operations as hotel and property operations expense.

The franchisor of two of our hotels advised us in February 2019 that both of the hotels had dropped below the required level for guest satisfaction surveys, and that if the hotels do not achieve compliance, it reserves the right to elect to terminate the relevant franchise agreements. The Company is actively addressing the matter relating to the surveys and has plans in place which it believes will resolve these issues.

Leases

The Company has no land lease agreements in place related to properties owned at December 31, 2019. Land lease expense related to properties previously owned totaled \$0, \$0, and \$9 for the years ended December 31, 2019, 2018, and 2017, respectively, included in hotel and property operations expense.

Condor Hospitality Trust, Inc. and Subsidiaries
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(In thousands, except share and per share data)

The Company entered into three new office lease agreements in 2016, replacing all existing office lease agreements. All of these leases expired in 2019 with space currently being rented month to month. Office lease expense totaled \$133, \$160, and \$154 in the years ended December 31, 2019, 2018, and 2017, respectively, and is included in general and administrative expense. The Company also has in place operating leases for miscellaneous equipment at its hotel properties.

The maturity of the lease liabilities for the Company's operating leases is as follows:

Maturity of lease liabilities

Year ended December 31,		
	2020	\$ 22
	2021	21
	2022	20
	2023	4
	2024	4
Thereafter		25
Total lease payments	\$	96
Less: Imputed interest		(15)
Present value of lease liabilities	\$	<u>81</u>

As of December 31, 2018, prior to the adoption of ASC 842, the future minimum lease payments applicable to non-cancellable leases were as follows:

		Lease rents
2020	\$	138
2021		61
2022		47
2023		-
2024		-
	\$	<u>246</u>

Benefit Plans

The Company has a qualified contributory retirement plan under Section 401(k) of the Code (the "401(k) Plan") which covers all employees who meet certain eligibility requirements. Voluntary contributions may be made to the 401(k) Plan by employees. The 401(k) Plan is a Safe Harbor Plan and requires a mandatory employer contribution. The employer contribution expense for the years ended December 31, 2019, 2018, and 2017 was \$52, \$71, and \$67, respectively, and is included in general and administrative expenses.

Litigation

Various claims and legal proceedings arise in the ordinary course of business and may be pending against the Company and its properties. We are not currently involved in any material litigation, nor, to our knowledge, is any material litigation threatened against us. The Company has insurance to cover potential material losses and we believe it is not reasonably possible that such matters will have a material impact on our financial condition or results of operations.

On August 20, 2019, a putative class action complaint was filed against the Company and each of the Company directors, operating partnership, NHT Parent, NHT Merger Sub and NHT Merger Op, in the United States District Court for the District of Delaware under the caption *Graham v. Condor Hospitality Trust, Inc., et al.*, Civil Action No. 1:19-cv-01552. The case was voluntarily dismissed by plaintiffs on January 28, 2020.

Condor Hospitality Trust, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
(In thousands, except share and per share data)

A second putative class action complaint was filed on August 23, 2019 against the Company and each of the Company directors, the Operating Partnership, Parent, Merger Sub and Merger OP in the United States District Court for the District of Delaware under the caption Sabatini v. Condor Hospitality Trust, Inc., et al., Civil Action No. 1:19-cv-01564. These complaints asserted claims, purportedly brought on behalf of a class of shareholders, under Sections 14(a) and 20(a) of the Securities Exchange Act of 1934 and SEC Rule 14a-9, and alleged that the preliminary proxy statement filed by the Company with the Securities and Exchange Commission (“SEC”) on Schedule 14A on August 9, 2019 (the “Preliminary Proxy Statement”) contained materially incomplete and misleading disclosures. Each of the complaints sought, among other things, injunctive relief enjoining defendants from taking steps to consummate the proposed transactions and damages, along with fees and costs. The case was voluntarily dismissed by plaintiffs on January 28, 2020.

On August 26, 2019, a putative class action was filed against the Company and each of the Company’s directors in the United States District Court for the Southern District of New York under the caption Raul v. Condor Hospitality Trust, Inc., et al., Civil Action No. 1:19-cv-07968. The complaint asserted claims, purportedly brought on behalf of a class of shareholders, under Sections 14(a) and 20(a) of the Securities Exchange Act of 1934 and SEC Rule 14a-9 and alleged that the Preliminary Proxy Statement contained materially incomplete and misleading disclosures. The complaint sought, among other things, injunctive relief enjoining defendants from taking steps to consummate the proposed transaction and damages, along with fees and costs. The case was voluntarily dismissed by plaintiffs on November 19, 2019.

Pursuant to a Confidential Memorandum of Understanding dated September 16, 2019 between the plaintiffs in the above three actions and the Company, if the parties do not resolve any claim for fees and expenses related to the dismissed actions, the plaintiff may assert claims for fees, if at all, in the United States District Court of the District of Delaware.

NOTE 16. QUARTERLY OPERATING RESULTS (UNAUDITED)

	Quarter ended (unaudited)				
	March 31, 2018	June 30, 2018	September 30, 2018	December 31, 2018	Total 2018
Revenue	\$ 16,679	\$ 17,834	\$ 15,462	\$ 15,082	\$ 65,057
Operating expenses	14,561	14,876	14,266	13,202	56,905
Operating income	2,118	2,958	1,196	1,880	8,152
Net gain (loss) on dispositions of assets	(24)	1,895	3,716	(17)	5,570
Equity in earnings (loss) of joint venture	229	63	(41)	(469)	(218)
Net gain (loss) on derivatives and convertible debt	447	156	116	(402)	317
Other expense	(14)	(20)	(23)	(26)	(83)
Interest expense	(1,928)	(2,091)	(2,154)	(2,153)	(8,326)
Impairment recovery, net	93	-	-	-	93
Earnings (loss) before income taxes	921	2,961	2,810	(1,187)	5,505
Income tax expense	(129)	(54)	(132)	(20)	(335)
Net earnings (loss)	792	2,907	2,678	(1,207)	5,170
(Earnings) loss attributable to noncontrolling interest	(6)	(21)	(20)	242	195
Earnings (loss) attributable to controlling interests	786	2,886	2,658	(965)	5,365
Dividends declared on preferred stock	(144)	(145)	(145)	(144)	(578)
Net earnings (loss) attributable to common shareholders	<u>\$ 642</u>	<u>\$ 2,741</u>	<u>\$ 2,513</u>	<u>\$ (1,109)</u>	<u>\$ 4,787</u>
Earnings (loss) per Share (1)					
Total - Basic Earnings (loss) per Share	\$ 0.05	\$ 0.23	\$ 0.21	\$ (0.10)	\$ 0.40
Total - Diluted Earnings (loss) per Share	\$ 0.05	\$ 0.23	\$ 0.21	\$ (0.10)	\$ 0.40

(1) Quarterly and total annual EPS are based on the weighted average number of shares outstanding during each quarter and the annual period. Due to rounding and differences in earnings and losses between the quarterly and annual periods, the sum of the quarterly EPS amounts may not equal the reported amounts for the year.

Condor Hospitality Trust, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
(In thousands, except share and per share data)

	Quarter ended (unaudited)				
	March 31, 2019	June 30, 2019	September 30, 2019	December 31, 2019	Total 2019
Revenue	\$ 15,903	\$ 16,177	\$ 14,666	\$ 14,306	\$ 61,052
Operating expenses	13,825	14,562	14,386	13,412	56,185
Operating income	2,078	1,615	280	894	4,867
Net gain (loss) on dispositions of assets	39	(16)	(14)	(45)	(36)
Equity in earnings (loss) of joint venture	513	166	(84)	(405)	190
Net loss on derivatives and convertible debt	(237)	(456)	(223)	(155)	(1,071)
Other expense, net	(29)	(24)	(27)	(24)	(104)
Interest expense	(2,163)	(2,094)	(1,912)	(1,807)	(7,976)
Earnings (loss) before income taxes	201	(809)	(1,980)	(1,542)	(4,130)
Income tax expense	(186)	(461)	(8)	(282)	(937)
Net earnings (loss)	15	(1,270)	(1,988)	(1,824)	(5,067)
Loss attributable to noncontrolling interest	1	6	10	2	19
Earnings (loss) attributable to controlling interests	16	(1,264)	(1,978)	(1,822)	(5,048)
Dividends declared and undeclared on preferred stock	(145)	(144)	(145)	(144)	(578)
Net loss attributable to common shareholders	\$ (129)	\$ (1,408)	\$ (2,123)	\$ (1,966)	\$ (5,626)
Earnings (loss) per Share (1)					
Total - Basic Earnings (loss) per Share	\$ (0.01)	\$ (0.12)	\$ (0.18)	\$ (0.17)	\$ (0.48)
Total - Diluted Earnings (loss) per Share	\$ (0.01)	\$ (0.12)	\$ (0.18)	\$ (0.17)	\$ (0.48)

(1) Quarterly and total annual EPS are based on the weighted average number of shares outstanding during each quarter and the annual period. Due to rounding and differences in earnings and losses between the quarterly and annual periods, the sum of the quarterly EPS amounts may not equal the reported amounts for the year.

NOTE 17. SUBSEQUENT EVENTS

Purchase of Atlanta Aloft

On February 14, 2020, the Company purchased our joint venture partner's interest in the Atlanta JV for \$7,300. The purchase price was funded with cash drawn from the credit facility.

Agreement and Plan of Merger

As previously disclosed, the Company Parties and the NHT Parties entered into the Merger Agreement on July 19, 2019 and, since then, have agreed to multiple extensions of the closing of the mergers pursuant to amendments to the Merger Agreement.

Modification of KeyBank Credit Facility

On March 30, 2020, the Company entered into a Sixth Amendment to Credit Agreement among the operating partnership, as borrower, the Company and the subsidiary guarantors party thereto, as guarantors, KeyBank National Association and the other lenders party thereto, as lenders, and KeyBank National Association, as administrative agent (the "Sixth Amendment"). The Sixth Amendment amends the Credit Agreement dated as of March 1, 2017, as amended by the First Amendment dated as of May 11, 2017, Second Amendment dated as of December 13, 2017, Third Amendment dated as of March 8, 2019, Fourth Amendment dated as of May 3, 2019 and Fifth Amendment dated as of August 9, 2019 (collectively, the "Credit Agreement"). The Credit Agreement is described in the Company's Current Reports on Form 8-K dated March 1, 2017, May 11, 2017, December 13, 2017 and March 5, 2019 and Quarterly Reports on Form 10-Q for the quarters ended March 31, 2019 and June 30, 2019, and is incorporated herein by reference.

The Sixth Amendment, among other things, makes the following changes to the Credit Agreement:

- Sets the size of the credit facility provided under the Credit Agreement at \$102,000,000 and removes the ability to reborrow under the credit facility in the future (without lender approval).

Condor Hospitality Trust, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
(In thousands, except share and per share data)

- Extends the maturity date of the credit facility to April 1, 2021, and provides for two extension options (six months and five months).
- Provides for principal prepayments with certain proceeds and cash flows through a cash management system / cash flow waterfall.
- Implements a collateral-specific minimum debt yield (ratio of adjusted net operating income for the borrowing base properties to indebtedness outstanding under the credit facility) of 10%. The covenant is first tested on September 30, 2020 and for purposes of calculating compliance with the covenant, annualized results are used until June 30, 2021 when the calculation is based on the most recently ended four fiscal quarters.
- Maintains the maximum consolidated leverage ratio (ratio of consolidated total indebtedness to consolidated total asset value) of 60% but provides for updated appraisals to determine consolidated total asset value (if required by the lenders).
- Modifies the fixed charge coverage ratio (ratio of adjusted consolidated EBITDA to consolidated fixed charges) to (a) 1.25 to 1 as of the end of the fiscal quarter ending September 30, 2020 and (b) 1.50 to 1 as of the end of the fiscal quarter ending December 31, 2020 and each fiscal quarter thereafter. For purposes of calculating compliance with the covenant, annualized results are used until June 30, 2021 when the calculation is based on the most recently ended four fiscal quarters.
- Implements a maximum borrowing base leverage ratio (ratio of indebtedness outstanding under the credit facility to borrowing base asset value (based on updated appraisals required by the lenders) of 65%. The covenant is first tested on June 30, 2021.
- Eliminates the financial covenants regarding secured leverage ratio, tangible net worth and variable rate debt.
- Modifies the covenant on dividends and distributions to provide that no cash dividends or distributions may be made to common or preferred shareholders.
- Modifies the covenants on recourse debt and investments to provide that no additional recourse debt or investments will be permitted.
- Adds certain monthly reporting obligations.
- Increases the interest rate for the credit facility to LIBOR plus 3.25% or a base rate plus 2.25%, and further increases the interest rate spreads by 0.25% at six month intervals. The LIBOR rate is subject to a floor of 0.25%.

Additionally, our mortgage loan with KeyBank which finances the Atlanta Aloft matures on May 8, 2020. The Company plans to refinance this loan prior to maturity with our KeyBank credit facility if approved by the lenders. In the event this refinancing is not completed prior to maturity, KeyBank has provided a binding commitment to extend the maturity of the loan to April 1, 2021.

Condor Hospitality Trust, Inc. and Subsidiaries
Schedule III Real Estate and Accumulated Depreciation
As of December 31, 2019
(In thousands)

Brand	Location	Acquisition date	Encumbrance	Initial cost			Subsequent to acquisition			Gross amount at December 31, 2019			Net book value	
				Buildings & Other		Furniture & equipment	Buildings & Other		Furniture & equipment	Buildings & Other		Furniture & equipment		
				Land			Land			Land				
Hilton Garden Inn	Dowell, Maryland	05/25/2012	KEY	1,400	9,492	323	-	671	589	1,400	10,163	912	(2,699)	9,776
SpringHill Suites	San Antonio, Texas	10/01/2015	WELLS	1,597	14,353	1,550	-	122	88	1,597	14,475	1,638	(2,698)	15,012
Courtyard by Marriott	Jacksonville, Florida	10/02/2015	WELLS	2,100	11,050	850	-	336	232	2,100	11,386	1,082	(2,167)	12,401
Hotel Indigo	Atlanta, Georgia	10/02/2015	WELLS	800	8,700	1,500	-	177	267	800	8,877	1,767	(2,540)	8,904
Aloft	Leawood, Kansas	12/14/2016	GWB	3,339	18,046	1,115	-	369	1,487	3,339	18,415	2,602	(2,558)	21,798
Home2 Suites	Lexington, Kentucky	03/24/2017	KEY	905	14,204	1,351	-	159	49	905	14,363	1,400	(1,840)	14,828
Home2 Suites	Round Rock, Texas	03/24/2017	KEY	1,087	14,345	1,285	-	160	13	1,087	14,505	1,298	(1,761)	15,129
Home2 Suites	Tallahassee, Florida	03/24/2017	KEY	1,519	18,229	1,727	-	164	20	1,519	18,393	1,747	(2,285)	19,374
	Southaven, Mississippi	04/14/2017	MS	1,311	16,792	897	-	180	34	1,311	16,972	931	(2,164)	17,050
Home2 Suites	Hampton Inn & Suites	06/19/2017	KEY	1,200	16,432	1,773	-	304	200	1,200	16,736	1,973	(1,972)	17,937
Fairfield Inn & Suites	El Paso, Texas	08/31/2017	KEY	1,014	14,297	1,089	-	117	32	1,014	14,414	1,121	(1,433)	15,116
Residence Inn	Austin, Texas	08/31/2017	KEY	1,495	19,630	1,275	-	163	53	1,495	19,793	1,328	(1,755)	20,861
TownePlace Suites	Austin, Texas	01/18/2018	KEY	1,435	16,459	1,729	-	133	20	1,435	16,592	1,749	(1,405)	18,371
Home2 Suites	Summerville, SC	02/21/2018	KEY	998	13,491	1,854	-	180	21	998	13,671	1,875	(1,248)	15,296
Subtotal Hotel Properties				20,200	205,520	18,318	-	3,235	3,105	20,200	208,755	21,423	(28,525)	221,853
Construction in progress				-	-	-	-	-	100	-	-	-	-	100
Office building				-	-	-	-	-	382	-	-	-	(352)	30
Total				\$ 20,200	\$ 205,520	\$ 18,318	-	\$ 3,235	\$ 3,587	\$ 20,200	\$ 208,755	\$ 21,905	\$ (28,877)	\$ 221,983

Condor Hospitality Trust, Inc. and Subsidiaries
Notes to Schedule III Real Estate and Accumulated Depreciation
As of December 31, 2019
(In thousands)

Encumbrance codes refer to the following lenders:

KEY	KeyBank credit facility
GWB	Great Western Bank
Wells	Wells Fargo
MS	Morgan Stanley Bank of America Merrill Lynch Trust 2014-C18

See accompanying report of independent registered public accounting firm

Condor Hospitality Trust, Inc. and Subsidiaries
Notes to Schedule III Real Estate and Accumulated Depreciation
As of December 31, 2019
(In thousands)

ASSET BASIS		Total
(a) Balance at January 1, 2017	\$	143,384
Additions		134,709
Disposals		(34,814)
Impairment loss, net		(2,151)
Balance at December 31, 2017		241,128
Additions		38,198
Disposals		(22,220)
Impairment recovery, net		93
Balance at December 31, 2018		257,199
Additions		1,504
Disposals		(7,843)
Balance at December 31, 2019	\$	<u>250,860</u>
ACCUMULATED DEPRECIATION		Total
(b) Balance at January 1, 2017	\$	28,513
Depreciation for the period ended December 31, 2017		6,898
Depreciation on assets sold or disposed		(13,863)
Balance at December 31, 2017		21,548
Depreciation for the period ended December 31, 2018		9,475
Depreciation on assets sold or disposed		(8,094)
Balance at December 31, 2018		22,929
Depreciation for the period ended December 31, 2019		9,563
Depreciation on assets sold or disposed		(3,615)
Balance at December 31, 2019	\$	<u>28,877</u>

- (a) The aggregate cost of land, buildings, furniture and equipment for Federal income tax purposes is approximately \$253 million (unaudited).
- (b) Depreciation is computed based upon the following useful lives:
- | | |
|----------------------------|---------------|
| Buildings and improvements | 15 - 40 years |
| Furniture and equipment | 3 - 12 years |
- (c) The Company has mortgages payable on the properties as noted. Additional mortgage information can be found in Note 6 to the consolidated financial statements.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

An evaluation was performed under the supervision of management, with the participation of our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as defined in Rule 13a-15 of the rules promulgated under the Securities and Exchange Act of 1934, as amended. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of the period covered by this report, the Company's disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed by the Company in the reports the Company files or submits under the Securities Exchange Act of 1934 was (a) accumulated and communicated to management, including the Company's Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosures and (b) recorded, processed, summarized, and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

Other than as discussed below, no changes in the Company's internal controls over financial reporting occurred during the last fiscal quarter covered by this report that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Management's Annual Report On Internal Control Over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting as such term is defined in Securities Exchange Act Rule 13a-15(f). The Company carried out an evaluation under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the Company's internal control over financial reporting as of December 31, 2019. The Company's management used the framework in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations (COSO) to perform this evaluation. Based on that evaluation, the Company's management concluded that the Company's internal control over financial reporting was effective as of December 31, 2019.

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

This annual report does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. Internal control over financial reporting was not subject to attestation by our registered public accounting firm pursuant to rules of the Securities and Exchange Commission that permit us to provide only management's report in this annual report.

Changes in Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting that occurred during the last fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

Because this Annual Report on Form 10-K is being filed within four business days after the applicable triggering events, the information below is being disclosed under this Item 9B instead of under Item 1.01 (Entry into a Material Definitive Agreement) of Form 8-K.

On March 30, 2020, the Company entered into a Sixth Amendment to Credit Agreement among the operating partnership, as borrower, the Company and the subsidiary guarantors party thereto, as guarantors, KeyBank National Association and the other lenders party thereto, as lenders, and KeyBank National Association, as administrative agent (the “Sixth Amendment”). The Sixth Amendment amends the Credit Agreement dated as of March 1, 2017, as amended by the First Amendment dated as of May 11, 2017, Second Amendment dated as of December 13, 2017, Third Amendment dated as of March 8, 2019, Fourth Amendment dated as of May 3, 2019 and Fifth Amendment dated as of August 9, 2019 (collectively, the “Credit Agreement”). The Credit Agreement is described in the Company’s Current Reports on Form 8-K dated March 1, 2017, May 11, 2017, December 13, 2017 and March 5, 2019 and Quarterly Reports on Form 10-Q for the quarters ended March 31, 2019 and June 30, 2019, and is incorporated herein by reference.

The Sixth Amendment, among other things, makes the following changes to the Credit Agreement:

- Sets the size of the credit facility provided under the Credit Agreement at \$102,000,000 and removes the ability to reborrow under the credit facility in the future (without lender approval).
- Extends the maturity date of the credit facility to April 1, 2021, and provides for two extension options (six months and five months).
- Provides for principal prepayments with certain proceeds and cash flows through a cash management system / cash flow waterfall.
- Implements a collateral-specific minimum debt yield (ratio of adjusted net operating income for the borrowing base properties to indebtedness outstanding under the credit facility) of 10%. The covenant is first tested on September 30, 2020 and for purposes of calculating compliance with the covenant, annualized results are used until June 30, 2021 when the calculation is based on the most recently ended four fiscal quarters.
- Maintains the maximum consolidated leverage ratio (ratio of consolidated total indebtedness to consolidated total asset value) of 60% but provides for updated appraisals to determine consolidated total asset value (if required by the lenders).
- Modifies the fixed charge coverage ratio (ratio of adjusted consolidated EBITDA to consolidated fixed charges) to (a) 1.25 to 1 as of the end of the fiscal quarter ending September 30, 2020 and (b) 1.50 to 1 as of the end of the fiscal quarter ending December 31, 2020 and each fiscal quarter thereafter. For purposes of calculating compliance with the covenant, annualized results are used until June 30, 2021 when the calculation is based on the most recently ended four fiscal quarters.
- Implements a maximum borrowing base leverage ratio (ratio of indebtedness outstanding under the credit facility to borrowing base asset value (based on updated appraisals required by the lenders) of 65%. The covenant is first tested on June 30, 2021.
- Eliminates the financial covenants regarding secured leverage ratio, tangible net worth and variable rate debt.
- Modifies the covenant on dividends and distributions to provide that no cash dividends or distributions may be made to common or preferred shareholders.
- Modifies the covenants on recourse debt and investments to provide that no additional recourse debt or investments will be permitted.
- Adds certain monthly reporting obligations.
- Increases the interest rate for the credit facility to LIBOR plus 3.25% or a base rate plus 2.25%, and further increases the interest rate spreads by 0.25% at six month intervals. The LIBOR rate is subject to a floor of 0.25%.

Some of the lenders in the Credit Agreement and / or their affiliates have other business relationships with the Company involving the provision of financial and bank-related services, including cash management and treasury services, and have participated in the Company’s prior debt financings and sales of securities.

As a result of the anticipated impact of the COVID-19 virus on the hotel industry generally, the Company has received waivers from Great Western Bank with respect to compliance with its quarterly debt service coverage ratios (consolidated and for the Leawood Aloft collateral) for March 31, 2020 and June 30, 2020 and modifications for September 30, 2020 and December 31, 2020 (reducing the collateral covenant from 1.35x to 1.00x and providing for use of annualized results). The modification also provides for a three month deferral of principal and interest payments.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS, AND CORPORATE GOVERNANCE

The information required by this item is incorporated by reference to the Company's definitive Proxy Statement for the 2020 Annual Meeting of Stockholders.

The Company has adopted a Code of Business Conduct and Ethics and Whistleblower Policy that applies to the Company's Chief Executive Officer, Chief Financial Officer and Chief Accounting Officer and has posted the code on its website at www.condorhospitality.com through the "Investors" link. The Company intends to satisfy the disclosure requirement under Item 5.05 of Form 8-K relating to amendments to or waivers from any provision of the Code of Business Conduct and Ethics and Whistleblower Policy applicable to the Company's Chief Executive Officer, Chief Financial Officer or Chief Accounting Officer by posting that information on the Company's Web site at www.condorhospitality.com through the "Investors" link.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item is incorporated by reference to the Company's definitive Proxy Statement for the 2020 Annual Meeting of Stockholders.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Certain of the information required by this item is incorporated by reference to the Company's definitive Proxy Statement for the 2020 Annual Meeting of Stockholders.

Equity Compensation Plan Information

The following table provides information about the Company's common stock that may be issued upon exercise of options, warrants, and rights under existing equity compensation plans as of December 31, 2019:

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants, and rights (a)	Weighted average exercise price of outstanding options, warrants, and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (including securities plans reflected in column(a)) (c)
Equity compensation plans approved by security holders	-	\$ -	511,518 (1)
Equity compensation plans not approved by security holders	-	-	-
Total	-	\$ -	511,518

- (1) Represents shares issuable under the Company's 2016 Stock Plan. The maximum number of shares of the Company's common stock that may be issued under the 2016 Stock Plan is 761,538. Additionally, an executive officer will be issued shares under the 2016 Stock Plan, if sufficient shares are then available under the 2016 Stock Plan, of 36,692 common shares each time stock market price targets of \$12.00 to \$18.00 (in one dollar increments) per common share are first achieved prior to March 31, 2022 based on the weighted-average common stock price for 60 consecutive trading days (or upon a change in control with the award prorated for the portion between price targets), and between 11,741 and 23,479 shares annually if budgeted Funds from Operations targets are achieved.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this item is incorporated by reference to the Company's definitive Proxy Statement for the 2020 Annual Meeting of Stockholders.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this item is incorporated by reference to the Company's definitive Proxy Statement for the 2020 Annual Meeting of Stockholders.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

Financial Statements and Financial Statement Schedules

The following financial statements and financial statement schedule are included in this report on the pages listed below:

	<u>Page</u>
<u>Report of Independent Registered Public Accounting Firm</u>	42
<u>Consolidated Balance Sheets as of December 31, 2019 and 2018</u>	43
<u>Consolidated Statements of Operations for the Years Ended December 31, 2019, 2018, and 2017</u>	44
<u>Consolidated Statements of Equity for the Years Ended December 31, 2019, 2018, and 2017</u>	45
<u>Consolidated Statements of Cash Flows for the Years Ended December 31, 2019, 2018, and 2017</u>	46
<u>Notes to Consolidated Financial Statements</u>	47
<u>Schedule III – Real Estate and Accumulated Depreciation</u>	80
<u>Notes to Schedule III – Real Estate and Accumulated Depreciation</u>	82

All other schedules for which provision is made in Regulation S-X are either not required to be included herein pursuant to the related instructions are inapplicable, or the related information is included in the footnotes to the applicable financial statement, and, therefore, have been omitted from this Item 15.

Exhibits

- 2.1 Agreement and Plan of Merger dated as of July 19, 2019 by and among NHT Operating Partnership, LLC, NHT REIT Merger Sub, LLC, NHT Operating Partnership II, LLC, the Company and Condor Hospitality Limited Partnership (incorporated herein by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated July 18, 2019).
- 2.2 Amendment No. 1 dated as of September 13, 2019 to Agreement and Plan of Merger dated as of July 19, 2019 by and among NHT Operating Partnership, LLC, NHT REIT Merger Sub, LLC, NHT Operating Partnership II, LLC, the Company and Condor Hospitality Limited Partnership (incorporated herein by reference to Exhibit 2.2 to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated September 13, 2019).
- 2.3 Amendment No. 2 dated as of December 17, 2019 to Agreement and Plan of Merger dated as of July 19, 2019 by and among NHT Operating Partnership, LLC, NHT REIT Merger Sub, LLC, NHT Operating Partnership II, LLC, the Company and Condor Hospitality Limited Partnership (incorporated herein by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated December 17, 2019).
- 2.4 Amendment No. 3 dated as of January 30, 2020 to Agreement and Plan of Merger dated as of July 19, 2019 by and among NHT Operating Partnership, LLC, NHT REIT Merger Sub, LLC, NHT Operating Partnership II, LLC, the Company and Condor Hospitality Limited Partnership (incorporated herein by reference to Exhibit 2.2 to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated January 30, 2020).
- 2.5 Amendment No. 4 dated as of March 15, 2020 to Agreement and Plan of Merger dated as of July 19, 2019 by and among NHT Operating Partnership, LLC, NHT REIT Merger Sub, LLC, NHT Operating Partnership II, LLC, the Company and Condor Hospitality Limited Partnership (incorporated herein by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated March 15, 2020).
- 3.1 Amended and Restated Articles of Incorporation of the Company, as amended (incorporated herein by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated May 24, 2017).

- 3.2 Bylaws of the Company, as amended (incorporated herein by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated July 18, 2019).
- 4.1* Description of the Company's Securities Registered pursuant to Section 12 of the Securities Exchange Act of 1934, as amended.
- 10.1 Third Amended and Restated Agreement of Limited Partnership of Condor Hospitality Limited Partnership, as amended (incorporated herein by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q (Commission file number 001-34087) for the quarter ended September 30, 2016).
- 10.2 Amended and Restated Limited Liability Company Agreement of Spring Street Hotel Property II LLC dated as of August 22, 2016 (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated August 22, 2016).
- 10.3 Limited Liability Company Agreement of Spring Street Hotel OpCo II LLC dated as of August 22, 2016 (incorporated herein by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated August 22, 2016).
- 10.4 Hotel Management Agreement dated June 29, 2016 by and between TRS Leasing, Inc., TRS Subsidiary, LLC and Kinseth Hotel Corporation (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated June 29, 2016).
- 10.5 Hotel Management Agreement dated June 29, 2016 by and between TRS Leasing, Inc., TRS Subsidiary, LLC and Strand Development Company, LLC (incorporated herein by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated June 29, 2016).
- 10.6 Hotel Management Agreement dated June 29, 2016 by and between TRS Leasing, Inc., TRS Subsidiary, LLC, SPPR TRS Subsidiary, LLC, BMI Alexandria TRS Subsidiary, LLC and Hospitality Management Advisors, Inc. (incorporated herein by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated June 29, 2016).
- 10.7 Hotel Management Agreement dated June 29, 2016 by and between SPPR-Dowell TRS Subsidiary, LLC and Cherry Cove Hospitality Management, LLC (incorporated herein by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated June 29, 2016).
- 10.8 Hotel Management Agreement dated October 1, 2015 between TRS San Spring, LLC and Peachtree Hospitality Management, LLC (incorporated herein by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated October 1, 2015).
- 10.9 Hotel Management Agreement dated October 1, 2015 between TRS Atl Indy, LLC and Peachtree Hospitality Management, LLC (incorporated herein by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated October 1, 2015).
- 10.10 Hotel Management Agreement dated October 1, 2015 between TRS Jax Court, LLC and Peachtree Hospitality Management, LLC (incorporated herein by reference to Exhibit 10.6 to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated October 1, 2015).
- 10.11 Hotel Management Agreement, dated June 29, 2016, by and between TRS Leasing, Inc., TRS Subsidiary, LLC and K Partners Hospitality Group LP (incorporated herein by reference to Exhibit

- 10.2 to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated June 29, 2016).
- 10.12 Agreement between Spring Street Hotel OpCo LLC and Boast Hotel Management Company LLC dated effective August 19, 2016 (incorporated herein by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated August 22, 2016).
- 10.13 Hotel Management Agreement dated as of December 14, 2016 between TRS KCI Loft, LLC and Presidian Destinations, Ltd. (incorporated herein by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated December 14, 2016).
- 10.14 Hotel Management Agreement dated as of March 24, 2017 between TRS TLH Magnolia, LLC and Vista Host Inc. (incorporated herein by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated March 24, 2017).
- 10.15 Hotel Management Agreement dated as of March 24, 2017 between TRS AUS Louis, LLC and Vista Host Inc. (incorporated herein by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated March 24, 2017).
- 10.16 Hotel Management Agreement dated as of March 24, 2017 between TRS LEX Lowry, LLC and Vista Host Inc. (incorporated herein by reference to Exhibit 10.6 to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated March 24, 2017).
- 10.17 Hotel Management Agreement dated as of April 14, 2017 between TRS MEM Southcrest, LLC and Vista Host Inc. (incorporated herein by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K/A (Commission file number 001-34087) dated March 24, 2017).
- 10.18 Hotel Management Agreement dated as of June 19, 2017 between TRS MCO Village, LLC and Peachtree Hospitality Management, LLC. (incorporated herein by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated June 19, 2017).
- 10.19 Hotel Management Agreement dated as of August 31, 2017 between TRS ELP Edge, LLC and Pillar Hotels & Resorts, LLC (incorporated by reference to Exhibit 10.7 filed with the Company's Form 8-K (Commission file number 001-34087) dated August 31, 2017).
- 10.20 Hotel Management Agreement dated as of August 31, 2017 between TRS AUS Casey, LLC and Pillar Hotels & Resorts, LLC (incorporated by reference to Exhibit 10.8 filed with the Company's Form 8-K (Commission file number 001-34087) dated August 31, 2017).
- 10.21 Hotel Management Agreement dated as of January 17, 2018 between TRS AUS Tech, LLC and Pillar Hotels & Resorts, LLC (incorporated herein by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K/A (Commission file number 001-34087) dated August 31, 2017).
- 10.22 Loan Agreement dated as of August 22, 2016 between Spring Street Hotel Property LLC, Spring Street Hotel Opco LLC and LoanCore Capital Credit REIT LLC (incorporated herein by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated August 22, 2016).
- 10.23 Guaranty of Recourse Obligations by the Company and Alan Kanders and Raviraj Kiran Dave dated August 22, 2016 in favor of LoanCore Capital Credit REIT LLC (incorporated herein by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated August 22, 2016).

- 10.24 Loan Agreement dated as of December 14, 2016 among CDOR KCI Loft, LLC, TRS KCI Loft, LLC and Great Western Bank (incorporated herein by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated December 14, 2016).
- 10.25 Springing Unconditional Guaranty of Payment and Performance dated as of December 14, 2016 by the Company in favor of Great Western Bank (incorporated herein by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated December 14, 2016).
- 10.26 Limited Guaranty of Payment and Performance dated as of December 14, 2016 by the Company in favor of Great Western Bank (incorporated herein by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated December 14, 2016).
- 10.27 First Amendment to Loan Agreement dated as of March 9, 2019 among CDOR KCI Loft, LLC, TRS KCI Loft, LLC and Great Western Bank (incorporated herein by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated March 5, 2019).
- 10.28 Credit Agreement dated as of March 1, 2017 by and among Condor Hospitality Limited Partnership, as Borrower, Keybank National Association and the other lenders party thereto, as Lenders, and Keybank National Association, as Administrative Agent (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated March 1, 2017).
- 10.29 Unconditional Guaranty of Payment and Performance dated as of March 1, 2017 by Condor Hospitality REIT Trust, the Company and the subsidiary guarantors party thereto (incorporated herein by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated March 1, 2017).
- 10.30 First Amendment to Credit Agreement dated as of May 11, 2017 among Condor Hospitality Limited Partnership, as Borrower, the Company and the subsidiary guarantors party thereto, as Guarantors, Keybank National Association and the other lenders party thereto, as Lenders, and Keybank National Association, as Administrative Agent (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated May 11, 2017).
- 10.31 Second Amendment to Credit Agreement dated as of December 13, 2017 among Condor Hospitality Limited Partnership, as Borrower, the Company and the subsidiary guarantors party thereto, as Guarantors, Keybank National Association and the other lenders party thereto, as Lenders, and Keybank National Association, as Administrative Agent (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated December 13, 2017).
- 10.32 Third Amendment to Credit Agreement dated as of March 9, 2019 among Condor Hospitality Limited Partnership, as Borrower, the Company and the subsidiary guarantors party thereto, as Guarantors, KeyBank National Association and the other lenders party thereto, as Lenders, and KeyBank National Association, as Administrative Agent (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated March 5, 2019).
- 10.33 Fourth Amendment to Credit Agreement dated as of May 3, 2019 among Condor Hospitality Limited Partnership, as Borrower, the Company and the subsidiary guarantors party thereto, as Guarantors, KeyBank National Association and the other lenders party thereto, as Lenders, and KeyBank National Association, as Administrative Agent (incorporated herein by reference to Exhibit 10.3 to

- the Company's Quarterly Report on Form 10-Q (Commission file number 001-34087) for the quarter ended March 31, 2019).
- 10.34 Fifth Amendment to Credit Agreement dated as of August 9, 2019 among Condor Hospitality Limited Partnership, as Borrower, the Company and the subsidiary guarantors party thereto, as Guarantors, KeyBank National Association and the other lenders party thereto, as Lenders, and KeyBank National Association, as Administrative Agent (incorporated herein by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q (Commission file number 001-34087) for the quarter ended June 30, 2019).
- 10.35 Loan Agreement dated as of October 4, 2017 between CDOR Jax Court, LLC, TRS Jax Court, LLC, CDOR Atl Indy, LLC, TRS Atl Indy, LLC, CDOR San Spring, LLC and TRS San Spring, LLC and Wells Fargo Bank, National Association (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated October 4, 2017).
- 10.36 Guaranty of Recourse Obligations dated as of October 4, 2017 by the Company to Wells Fargo Bank, National Association (incorporated herein by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated October 4, 2017).
- 10.37 Cash Management Agreement dated as of October 4, 2017 by and among Wells Fargo Bank, National Association and CDOR Jax Court, LLC, TRS Jax Court, LLC, CDOR Atl Indy, LLC, TRS Atl Indy, LLC, CDOR San Spring, LLC and TRS San Spring, LLC (incorporated herein by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated October 4, 2017).
- 10.38 Term Loan Agreement dated as of August 9, 2019 among Condor Hospitality Limited Partnership, Spring Street Hotel Property LLC and Spring Street Hotel OpCo LLC, as Borrowers, KeyBank National Association and the other lenders party thereto, as Lenders, and KeyBank National Association, as Administrative Agent (incorporated herein by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q (Commission file number 001-34087) for the quarter ended June 30, 2019).
- 10.39 Unconditional Guaranty of Payment and Performance dated as of August 9, 2019 by the Company and Condor Hospitality REIT Trust to KeyBank National Association (incorporated herein by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q (Commission file number 001-34087) for the quarter ended June 30, 2019).
- 10.40 First Amendment to Term Loan Agreement dated as of February 6, 2020 by and among Condor Hospitality Limited Partnership, Spring Street Hotel Property LLC and Spring Street Hotel OpCo LLC, as Borrowers, Condor Hospitality REIT Trust and the Company, as Guarantors, and KeyBank National Association, as Administrative Agent (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated February 6, 2020).
- 10.41 Purchase Agreement, dated November 16, 2011, by and among the Company, Condor Hospitality Limited Partnership and Real Estate Strategies L.P. (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K/A (Commission file number 001-34087) dated November 16, 2011).
- 10.42 Warrants issued to Real Estate Strategies L.P. dated February 1, 2012 and February 15, 2012 (incorporated herein by reference to Exhibit 10.39 to the Company's Annual Report on Form 10-K (Commission file number 001-34087) for the year ended December 31, 2011).

- 10.43 Investor Rights and Conversion Agreement, dated February 1, 2012, by and among the Company, Real Estate Strategies L.P. and IRSA Inversiones y Representaciones Sociedad Anónima (incorporated herein by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated January 30, 2012).
- 10.44 Registration Rights Agreement, dated February 1, 2012, by and among the Company, Real Estate Strategies L.P. and IRSA Inversiones y Representaciones Sociedad Anónima (incorporated herein by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated January 30, 2012).
- 10.45 Directors Designation Agreement, dated February 1, 2012, by and among the Company, Real Estate Strategies L.P. and IRSA Inversiones y Representaciones Sociedad Anónima (incorporated herein by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated January 30, 2012).
- 10.46 Agreement, dated August 9, 2013, by and among the Company, Real Estate Strategies L.P. and IRSA Inversiones y Representaciones Sociedad Anonima (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated August 9, 2013).
- 10.47 Agreement, dated July 23, 2015, between Real Estate Strategies L.P., IRSA Inversiones y Representaciones Sociedad Anonima and the Company (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated July 23, 2015).
- 10.48 Warrant dated January 24, 2017 issued to Real Estate Strategies L.P. (incorporated herein by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated January 23, 2017).
- 10.49 Agreement, dated as of February 28, 2017, by and among Real Estate Strategies L.P., IRSA Inversiones y Representaciones Sociedad Anónima and the Company (incorporated herein by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated February 28, 2017).
- 10.50 Joinder Agreement dated June 29, 2018 by and among the Company, Real Estate Strategies L.P., IRSA Inversiones y Representaciones Sociedad Anonima, and Real Estate Investment Group VII L.P. (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated June 29, 2018).
- 10.51 Stock Purchase Agreement, dated as of March 16, 2016, between SREP III Flight-Investco, L.P. and the Company (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated March 16, 2016).
- 10.52 Investor Rights Agreement, dated as of March 16, 2016, by and among SREP III Flight-Investco, L.P., StepStone Group Real Estate LP and the Company (incorporated herein by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated March 16, 2016).
- 10.53 Agreement, dated as of March 16, 2016, by and among Real Estate Strategies L.P., IRSA Inversiones y Representaciones Sociedad Anónima and the Company (incorporated herein by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated March 16, 2016).

- 10.54 Agreement, dated as of February 28, 2017, between SREP III Flight-Investco, L.P., StepStone Group Real Estate LP and the Company (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated February 28, 2017).
- 10.55 The Company's 2006 Stock Plan (incorporated herein by reference to Exhibit 10.31 to the Company's Annual Report on Form 10-K (Commission file number 001-34087) for the year ended December 31, 2011).
- 10.56 Amendment to the Company's 2006 Stock Plan dated May 28, 2009 (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated May 28, 2009).
- 10.57 Amendment to the Company's 2006 Stock Plan dated May 22, 2012 (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated May 22, 2012).
- 10.58 Form of Stock Option Agreement (incorporated herein by reference to Exhibit 10.32 to the Company's Annual Report on Form 10-K (Commission file number 001-34087) for the year ended December 31, 2011).
- 10.59 The Company's 2016 Stock Plan (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated June 15, 2016).
- 10.60 Amendment to the Company's 2016 Stock Plan (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated May 17, 2018).
- 10.61 Jeffrey W. Dougan Employment Agreement dated July 15, 2013 (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated July 9, 2013).
- 10.62 Jeffrey W. Dougan Restricted Stock Agreement dated July 15, 2013 (incorporated herein by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated July 9, 2013).
- 10.63 Jeffrey W. Dougan Stock Option Agreement dated July 15, 2013 (incorporated herein by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated July 9, 2013).
- 10.64 Amended and Restated Employment Agreement dated March 2, 2015 by and between the Company and J. William Blackham, as amended and restated on September 16, 2016 (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated September 16, 2016).
- 10.65 Common Stock Purchase Warrant dated March 2, 2015 between the Company and J. William Blackham (incorporated herein by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated March 2, 2015).
- 10.66 Amendment of Employment Agreement dated June 28, 2017 between J. William Blackham and the Company (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated June 28, 2017).

- 10.67 Amendment of Employment Agreement dated April 10, 2018 between J. William Blackham and the Company (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated April 10, 2018.
- 10.68 Form of Executive Officer and Director Indemnification Agreement (incorporated herein by reference to Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q (Commission file number 001-34087) for the quarter ended March 31, 2016).
- 10.69 Form of Restricted Stock Agreement (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated March 29, 2017).
- 10.70 Form of Director Restricted Stock Agreement (incorporated herein by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated June 19, 2017).
- 10.71 Agreement of Purchase and Sale dated as of August 29, 2016 between Leawood ADP, Ltd. and Condor Hospitality Limited Partnership (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated August 29, 2016).
- 10.72 Purchase and Sale Agreement dated as of January 23, 2017 between Condor Hospitality Limited Partnership and VHRMR TALL, LLC (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated January 23, 2017).
- 10.73 Purchase and Sale Agreement dated as of January 23, 2017 between Condor Hospitality Limited Partnership and EASTVHR HS ROUND ROCK, LLC (incorporated herein by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated January 23, 2017).
- 10.74 Purchase and Sale Agreement dated as of January 23, 2017 between Condor Hospitality Limited Partnership and CVH LEXINGTON, LLC (incorporated herein by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated January 23, 2017).
- 10.75 Purchase and Sale Agreement dated as of January 23, 2017 between Condor Hospitality Limited Partnership and CVH SOUTHAVEN, LLC (incorporated herein by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated January 23, 2017).
- 10.76 Purchase and Sale Agreement dated as of April 29, 2017 between Condor Hospitality Limited Partnership and SI Lake Mary, LP. (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated April 29, 2017).
- 10.77 Purchase and Sale Agreement Fairfield Inn & Suites El Paso Airport dated as of July 17, 2017 between Condor Hospitality Limited Partnership and MB Hospitality (EP), LP (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated July 17, 2017).
- 10.78 First Amendment to Purchase and Sale Agreement Fairfield Inn & Suites El Paso Airport dated as of August 31, 2017 between Condor Hospitality Limited Partnership and MB Hospitality (EP), LP (incorporated herein by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated August 31, 2017).

- 10.79 Purchase and Sale Agreement Residence Inn Austin Airport dated as of July 17, 2017 between Condor Hospitality Limited Partnership and MB Hospitality (AUSAP), LP (incorporated herein by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated July 17, 2017).
- 10.80 First Amendment to Purchase and Sale Agreement Residence Inn Austin Airport dated as of August 31, 2017 between Condor Hospitality Limited Partnership and MB Hospitality (AUSAP), LP (incorporated herein by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated August 31, 2017).
- 10.81 Purchase and Sale Agreement TownePlace Suites Austin North Tech Ridge dated as of July 17, 2017 between Condor Hospitality Limited Partnership and MB Hospitality (AUSN), LP (incorporated herein by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated July 17, 2017).
- 10.82 First Amendment to Purchase and Sale Agreement TownePlace Suites Austin North Tech Ridge dated as of August 31, 2017 between Condor Hospitality Limited Partnership and MB Hospitality (AUSN), LP (incorporated herein by reference to Exhibit 10.6 to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated August 31, 2017).
- 10.83* Sixth Amendment to Credit Agreement dated as of March 30, 2020 among Condor Hospitality Limited Partnership, as Borrower, the Company and the subsidiary guarantors party thereto, as Guarantors, KeyBank National Association and the other lenders party thereto, as Lenders, and KeyBank National Association, as Administrative Agent.
- 10.84* Exhibit A to Sixth Amendment to Credit Agreement dated as of March 30, 2020 among Condor Hospitality Limited Partnership, as Borrower, the Company and the subsidiary guarantors party thereto, as Guarantors, KeyBank National Association and the other lenders party thereto, as Lenders, and KeyBank National Association, as Administrative Agent.
- 10.85* Exhibit B to Sixth Amendment to Credit Agreement dated as of March 30, 2020 among Condor Hospitality Limited Partnership, as Borrower, the Company and the subsidiary guarantors party thereto, as Guarantors, KeyBank National Association and the other lenders party thereto, as Lenders, and KeyBank National Association, as Administrative Agent.
- 10.86* Second Amendment to Loan Agreement dated as of March 30, 2020 among CDOR KCI Loft, LLC, TRS KCI Loft, LLC and Great Western Bank.
- 14.1 Code of Business Conduct and Ethics and Whistleblower Policy (incorporated herein by reference to Exhibit 14.1 to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated May 17, 2018).
- 21.0* Subsidiaries.
- 23.1* Consent of KPMG LLP
- 31.1* Section 302 Certification of Chief Executive Officer.
- 31.2* Section 302 Certification of Chief Financial Officer.
- 32.1* Section 906 Certifications.

99.1 Form of Voting Agreement (incorporated herein by reference to Exhibit 99.1 to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated July 18, 2019).

101.1* The following materials from the Company's Annual Report on Form 10-K for the year ended December 31, 2019, formatted in XBRL (eXtensible Business Reporting Language): (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Operations, (iii) the Consolidated Statements of Equity, (iv) the Consolidated Statements of Cash Flows and (v) Notes to Consolidated Financial Statements.

Pursuant to Item 601 (b)(4) of Regulation S-K, certain instruments with respect to the Company's long-term debt are not filed with this Form 10-K. The Company will furnish a copy of any such long-term debt agreement to the Securities and Exchange Commission upon request.

Management contracts and compensatory plans are set forth as Exhibits 10.48 through 10.63.

* Filed herewith.

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 dually authorized

March 31, 2020 /s/J. William Blackham
J. William Blackham
Chief Executive Officer

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

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/J. William Blackham</u> J. William Blackham	Chief Executive Officer (Principal Executive Officer)	March 31, 2020
<u>/s/Arinn A. Cavey</u> Arinn A. Cavey	Chief Accounting Officer & Chief Financial Officer (Principal Accounting Officer & Principal Financial Officer)	March 31, 2020
<u>/s/Daphne J. Dufresne</u> Daphne J. Dufresne	Chair of the Board	March 31, 2020
<u>/s/Thomas Calahan</u> Thomas Calahan	Board Member	March 31, 2020
<u>/s/Noah Davis</u> Noah Davis	Board Member	March 31, 2020
<u>/s/Daniel R. Elsztain</u> Daniel R. Elsztain	Board Member	March 31, 2020
<u>/s/Donald J. Landry</u> Donald J. Landry	Board Member	March 31, 2020
<u>/s/Matias I. Gaivironsky</u> Matias I. Gaivironsky	Board Member	March 31, 2020
<u>/s/Brendan MacDonald</u> Brendan MacDonald	Board Member	March 31, 2020
<u>/s/Benjamin Wall</u> Benjamin Wall	Board Member	March 31, 2020

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON D.C. 20549
FORM 10-K/A (Amendment No. 1)

- (Mark one)
- ☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2019
- or
- ☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from _____ to _____
Commission file number: 001-34087

Condor Hospitality Trust, Inc.
(Exact name of registrant as specified in its charter)

Maryland
(State or other jurisdiction of
incorporation or organization)
1800 West Pasewalk Avenue, Ste. 200, Norfolk, NE
(Address of principal executive offices)

52-1889548
(I.R.S. Employer
Identification No.)
68701
(Zip Code)

(301) 861-3305
(Registrant's telephone number, including area code)
Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading Symbol</u>	<u>Name of each exchange on which registered</u>
Common Stock, \$.01 par value per share	CDOR	NYSE American

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

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

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

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 [X] No []

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

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

Large accelerated filer []
Non-accelerated filer [X]

Accelerated filer []
Smaller reporting company [X]
Emerging growth company []

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

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

As of June 30, 2019 the aggregate market value of the registrant's common stock held by non-affiliates of the registrant was \$49.6 million based on the price at which the common stock was last sold on that date as reported on the NYSE American. At March 25, 2020, there were 11,996,823 shares of the registrant's common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

None

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EXPLANATORY NOTE

Condor Hospitality Trust, Inc. (references to “we,” “our,” “us,” and “Company” refer to Condor Hospitality Trust, Inc., including, as the context requires, its direct and indirect subsidiaries) is filing this Amendment No. 1 on Form 10-K/A (this “Amendment”) to amend our Annual Report on Form 10-K for the year ended December 31, 2019, originally filed with the Securities and Exchange Commission (the “SEC”) on March 31, 2020 (the “Original 10-K Filing”), solely for the purpose of including the information required by Part III of Form 10-K. Such information was previously omitted from the Original 10-K Filing in reliance on General Instruction G(3) to Form 10-K, which permits the information in the above referenced items to be incorporated in the Form 10-K by reference to our definitive proxy statement for the 2020 Annual Meeting of Stockholders if such proxy statement is filed no later than 120 days after our fiscal year end. We are filing this Amendment to include Part III information in our Form 10-K. The reference on the cover of the Original 10-K Filing to the incorporation by reference to portions of our definitive proxy statement into Part III of the Original 10-K Filing is hereby deleted.

In accordance with Rule 12b-15 under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), Part III, Items 10 through 14 of the Original 10-K Filing are hereby amended and restated in their entirety, and Part IV, Item 15 of the Original 10-K Filing is hereby amended and restated in its entirety, with the only changes being the addition of new certifications by our principal executive officer and principal financial officer filed herewith and related footnotes. This Amendment does not amend or otherwise update any other information in the Original 10-K Filing. Accordingly, this Amendment should be read in conjunction with the Original 10-K Filing and with our filings with the SEC subsequent to the Original 10-K Filing.

FORWARD-LOOKING STATEMENTS

Certain information both included and incorporated by reference in this Form 10-K may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and as such may involve known and unknown risks, uncertainties, and other factors which may cause our actual results, performance, or achievements to be materially different from future results, performance, or achievements expressed or implied by such forward-looking statements. These forward-looking statements are based on assumptions that management has made in light of experience in the business in which we operate, as well as management’s perceptions of historical trends, current conditions, expected future developments, and other factors believed to be appropriate under the circumstances. These statements are not guarantees of performance or results. They involve risks, uncertainties (some of which are beyond our control), and assumptions. Management believes that these forward-looking statements are based on reasonable assumptions.

Forward-looking statements, which are based on certain assumptions and describe our future plans, strategies, and expectations are generally identifiable by use of the words “may,” “will,” “should,” “expect,” “anticipate,” “estimate,” “believe,” “intend,” or “project” or the negative thereof or other variations thereon or comparable terminology. Factors which could have a material adverse effect on our operations and future prospects include, but are not limited to, changes in economic conditions generally and the real estate market specifically, legislative/regulatory changes (including changes to laws governing the taxation of real estate investment trusts), availability of capital, risks associated with debt financing, interest rates, competition, supply and demand for hotel rooms in our current and proposed market areas, policies and guidelines applicable to real estate investment trusts, risks related to uncertainty and disruption in global economic markets as a result of COVID-19 (commonly referred to as the coronavirus), and other risks and uncertainties described herein, and in our filings with the Securities and Exchange Commission (“SEC”) from time to time. These risks and uncertainties should be considered in evaluating any forward-looking statements contained or incorporated by reference herein. We caution readers not to place undue reliance on any forward-looking statements included in this report which speak only as of the date of this report.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS, AND CORPORATE GOVERNANCE

Executive Officers of the Company

Information on our President and Chief Executive Officer, Mr. Blackham, is included below with information on our directors. The other executive officer at April 29, 2020, her age, positions held, and the business experience during the past five years are, as follows:

Arinn Cavey, age 40, interim Chief Financial Officer since May 2019 and Chief Accounting Officer since September 2015. Prior to joining the Company, Ms. Cavey was employed with KPMG LLP beginning in September 2002, last serving as an Audit Senior Manager. She has extensive audit experience in the consumer and industrial markets industries. She has provided professional audit services to publicly-held SEC registrants in accordance with PCAOB requirements and U.S. GAAP as well as to private companies in accordance with AICPA requirements. She is a Certified Public Accountant and holds a Bachelor of Science degree in Accounting from Drake University.

Directors

The names of the Company's nine directors and certain information about the directors, as of April 29, 2020, are set forth below.

J. William Blackham, *Director, President and Chief Executive Officer*. Mr. Blackham, age 66, was appointed President and Chief Executive Officer and a member of the board of directors on March 2, 2015. Mr. Blackham, since 2008 to present, is a co-owner and the managing member of Trinity Investment Partners, LLC. Also since early 2011, he has served as the owner and managing member of Proximo Investments & Advisors, LLC, an investment and advisory company, and in various roles, including consultant, trustee and manager of affiliates, for Assured Administration, LLC. He was president and CEO of Eagle Hospitality, a hotel REIT which traded on the NYSE until its sale in 2007 and has been active for several decades in entities involved in real estate and hospitality development, acquisition and advisory services.

Mr. Blackham's extensive experience as a leader of real estate ventures, his public hospitality REIT experience, and his proven capital raising experience provides the board with strong leadership and expertise in the hospitality REIT industry.

Thomas Calahan, *Director*. Mr. Calahan, age 38, is a partner of Balboa Real Estate Partners, a real estate firm. He previously served as the Vice President - Portfolio Management of StepStone Group Real Estate LP since March 1, 2018 until November 30, 2018. Mr. Calahan was appointed to the board of directors on March 14, 2018. Mr. Calahan served as a Vice President of Green Street Investors, the investment management affiliate of Green Street Advisors, known for its equity research coverage of publicly traded REITs in the United States and Europe from May 2016 to February 2018. He was Vice President - Global Indirect Real Estate at Aviva Investors, a global asset manager from June 2012 to April 2016. Mr. Calahan has a Masters of Business Administration degree from Columbia Business School, a Masters of Science, Real Estate Finance & Investment degree from New York University and a Bachelor of Science degree from Cornell University.

Mr. Calahan's extensive experience in REITs, real estate and asset management provides the board with considerable expertise with respect to the Company's business.

Committee: Investment Committee

Noah Davis, *Director*. Mr. Davis, age 44, is the Managing Director & Head of US Office, IRSA International LLC., the US office of IRSA - Inversiones y Representaciones Sociedad Anónima (NYSE: IRS), the largest diversified real estate company in Argentina. Mr. Davis is responsible for managing the existing portfolio as well as sourcing new acquisition and development opportunities within the firms target markets. Prior to joining IRSA in November 2010, Mr. Davis spent most of the prior decade in real estate primarily at Lone Star Funds and The Chetrit Group. Mr. Davis began his career practicing law at Morgan, Lewis & Bockius LLP and consulting at

McKinsey & Company. Mr. Davis holds an LL.B. from the Faculty of Law at Bar-Ilan University and an MBA from the Wharton School at the University of Pennsylvania.

His extensive experience in portfolio management, with significant real estate experience, provides the board with substantial assistance on these matters.

Committee: Audit Committee

Daphne J. Dufresne, *Chair of the Board*. Ms. Dufresne, age 47, is a Managing Partner of GenNx360 Capital Partners, a private equity firm focused on acquiring middle market industrial and business services companies, since January 2017. Prior to joining GenNx360 Capital Partners, Ms. Dufresne was a Managing Director of RLJ Equity Partners (“RLJ”), a private equity fund from December 2005 to June 2016. Ms. Dufresne participated in building the RLJ investment team, raising \$230 million of institutional capital, and constructing a partnership with The Carlyle Group, a global private equity firm. Prior to RLJ, Ms. Dufresne was a Venture Partner during 2005 with Parish Capital Advisors, a \$425 million fund of funds for emerging and experienced institutional investors and a Principal from 1999 to 2005 at Weston Presidio Capital, a private equity organization with \$3.4 billion of assets under management. She also served as Associate Director in 1997 in the Bank of Scotland’s Structured Finance Group. Ms. Dufresne has been a director of United Natural Foods, Inc. since October 2016. Ms. Dufresne received her B.S. from the University of Pennsylvania and her M.B.A. from the Harvard Business School. Ms. Dufresne has been a director of the Company since June 2015.

Ms. Dufresne extensive experience with capital sources and capital raising provides the board with substantial experience and expertise in reviewing and improving the Company’s capital structure.

Committee: Investment Committee

Daniel R. Elsztain, *Director*. Mr. Elsztain, age 47, obtained a degree in Economic Sciences from the Torcuato Di Tella University and has a Masters in Business Administration from the Austral IAE University. At present, he is a member of the board of IRSA Inversiones y Representaciones Sociedad Anónima (“IRSA”), a real estate public company listed both on the New York Stock Exchange (“NYSE”) and the Buenos Aires Stock Exchange (“BASE”), as well as its Chief Operating Officer and other executive capacities since 2004. He is a board member of Alto Palermo S.A. (APSA), a retail public company listed both on NASDAQ and BASE. Mr. Elsztain has been a director of the Company since February 2012.

His extensive experience in IRSA’s real estate operations and his participation on other public company boards provides the board with a source of substantial lodging and real estate knowledge.

Committees: Compensation Committee, Investment Committee, Nominating Committee

Matías Iván Gaivironsky, *Director*. Mr. Matías Gaivironsky, age 44, obtained a degree in business administration from the University of Buenos Aires. He has a master’s degree in finance from CEMA University. Since 1997 he has served in different positions at Cresud Sociedad Anónima Comercial, Inmobiliaria, Financiera y Agrícola (NASDAQ: CRESY), IRSA (NYSE: IRS) and IRSA Propiedades Comerciales S.A. (“IRSA CP”) (NASDAQ: IRCP). He was appointed Chief Financial Officer in December 2011 and Chief Financial and Administrative Officer in early 2016 of Cresud, IRSA and IRSA CP. Previously, Mr. Gaivironsky acted as Chief Financial Officer of Tarshop S.A. until 2010.

Mr. Gaivironsky has substantial finance and accounting experience which provides the board substantial insight on these matters.

Committee: Audit Committee

Donald J. Landry, *Director*. Mr. Landry, age 71, is president and owner of Top Ten Hospitality Advisors, an independent hospitality industry consulting company. Mr. Landry has over 45 years of lodging and hospitality experience in a variety of leadership positions. Most recently, Mr. Landry was the Chief Executive Officer, President and Vice Chairman of Sunburst Hospitality Inc. Mr. Landry has also served as President of Choice Hotels

International, Inc., Manor Care Hotel Division and Richfield Hotel Management. Mr. Landry currently serves on the corporate advisory boards of Campo Architects, UniFocus, First Hospitality Group and Windsor Capital Group and numerous nonprofit boards. Mr. Landry is a member of the board of trustees of Hersha Hospitality Trust. Mr. Landry is a frequent guest lecturer at the University of New Orleans where he serves on the board of the School of Hospitality, Restaurant and Tourism. Mr. Landry holds a bachelor of science from the University of New Orleans, which awarded him Alumnus of the Year in 1999. Mr. Landry is a Certified Hotel Administrator. Mr. Landry has been a director of the Company since February 2012.

Mr. Landry's more than 45 years of experience in the lodging and real estate industries, including his roles as Chief Executive Officer, President and Vice Chairman of Sunburst Hospitality Inc. and President of Choice Hotels International, Inc., Manor Care Hotel Division and Richfield Hotel Management provides the board with an experienced source on lodging and real estate industries.

Committees: Compensation Committee, Investment Committee, Nominating Committee

Brendan MacDonald, Director. Mr. MacDonald, age 41, is a Partner of StepStone Real Estate LP since June 2014, a member of the real estate investment committee, with a primary focus on sourcing and executing investments on behalf of StepStone's real estate fund and separate account vehicles. Mr. MacDonald was a founding partner of Clairvue Capital Partners since April 2010, a real estate investment manager which integrated with StepStone to establish StepStone Real Estate. At Clairvue, he was an investment committee member and focused on sourcing, underwriting and managing investments in the U.S., Europe and Latin America. Before Clairvue, he was a Director at Liquid Realty Partners, from January 2007 to October 2009, an investment manager focused on real estate private equity secondaries and held an acquisitions role at Babcock and Brown. Earlier in his career he completed GE Capital's Financial Management Program and was part of GE's global Sponsor Finance business. Mr. MacDonald received an MBA from Harvard Business School and a BS from Indiana University. Mr. MacDonald has been a director of the Company since March 2016.

Mr. MacDonald's years of experience in real estate investment and capital raising provides the board with significant expertise in growing the Company.

Committees: Compensation Committee, Nominating Committee

Benjamin Wall, Director. Mr. Wall, age 44, is Co-Founder and Managing Partner of WJ Partners, LLC, a private investment firm based in Spartanburg, SC since 2008. He is responsible for deal sourcing, executing investments, and portfolio management. Mr. Wall is a director of Mobile Communications America, Inc. since August 2013, and previously served as director of Global Medical Imaging, LLC. Prior to founding WJ Partners, Mr. Wall worked for OTO Development, a national hotel developer and operator, from 2006 to 2008. Before OTO Development, Mr. Wall worked for Endurance Capital Management, a private equity firm in New York focused on the financial services sector, from 2002 to 2004. Mr. Wall started his career at Goldman Sachs in the investment banking division, beginning in 2000 through 2002, and was a member of GS Strategy Group with responsibility for evaluating and executing strategic acquisitions for Goldman Sachs. Mr. Wall earned a B.A. from Davidson College and an M.B.A from Harvard Business School. He currently is a member of the Board of Trustees of Davidson College. Mr. Wall is a Liberty Fellow of the Aspen Institute.

Mr. Wall's extensive deal sourcing and investment experience provides valuable support to the evaluation of transactions by the board of directors.

Committee: Audit Committee

Corporate Governance

The Company has adopted a Code of Business Conduct and Ethics that applies to the Company's Chief Executive Officer, Chief Financial Officer and Chief Accounting Officer and has posted the Code of Business Conduct and Ethics on its Web site at www.condorhospitality.com. The Company intends to satisfy the disclosure requirement under Item 5.05 of Form 8-K relating to amendments to or waivers from any provision of the Code of Business

Conduct and Ethics applicable to the Company's Chief Executive Officer, Chief Financial Officer and Chief Accounting Officer by posting that information on the Company's Web site at www.condorhospitality.com.

Audit Committee

Currently, the Audit Committee consists of Messrs. Davis (Chairman), Gaivironsky, and Wall. All members of the Audit Committee are independent within the meaning of the NYSE American listing standards. The Audit Committee is responsible for the engagement of the independent registered public accounting firm, reviews with the independent registered public accounting firm the plans and results of the audit engagement, approves professional services provided by the independent registered public accounting firm, reviews the independence of the independent registered public accounting firm, considers the range of audit and non-audit fees and reviews the adequacy of the Company's internal accounting controls. The Audit Committee pre-approves all audit and non-audit services performed by the independent auditor either directly or through authority delegated to its Chairman. The board of directors has determined that Mr. Gaivironsky is an audit committee financial expert within the meaning of regulations of the SEC and all members of the Audit Committee are financially literate. The Audit Committee operates pursuant to a written charter adopted by the board of directors. A copy of the charter is available on our website at <http://condorhospitality.com> in the Investor Relations section under "Governance Docs." The Audit Committee held four meetings during 2019. The Audit Committee has a written policy with respect to its review and approval or ratification of transactions between the Company and a director, executive officer or related person covered by the SEC's rule S-K 404(a).

ITEM 11. EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

The following compensation discussion and analysis provides information relevant to an assessment and understanding of compensation awarded to, earned by or paid to the Company's executive officers listed in the summary compensation table (the "named executive officers"). This discussion should be read in conjunction with the summary compensation table and related tables below.

Compensation Practice

The Compensation Committee has developed and evolved compensation practices following significant senior level management changes in 2015 and the Company's implementation of its current business strategy.

Compensation Overview and Objective

The Compensation Committee has the responsibility for developing and maintaining an executive compensation policy for named executive officers that creates a direct relationship between pay levels and corporate performance and returns to shareholders. The objective of the Company's compensation program is to attract and retain a high caliber of management who will manage the Company in a manner that will promote its goals to achieve long term profitability and to advance the interest of the Company's shareholders. The compensation program for named executive officers seeks to achieve the objective of retaining a high caliber of management by:

- providing overall competitive pay levels,
- creating proper incentives to enhance shareholder value,
- rewarding superior performance, and
- compensating at levels that are justified by the returns available to shareholders.

Components of Compensation

The Company's executive compensation is intended to support the overall compensation objective of retaining a high caliber of management.

Base Salary. Base salary is targeted to be competitive to attract and retain executives qualified to manage a hotel REIT. Base salary is intended to compensate the executive for satisfying the requirements of the position. Salaries for executive officers are typically reviewed by the Compensation Committee on an annual basis and may be

changed based on the individual's performance or a change in competitive pay levels in the marketplace. No changes were made to base salaries during 2019 except the base salary for 2019 for Arinn Cavey, Chief Financial Officer and Chief Accounting Officer, was increased from \$175,000 to \$185,000 upon her assumption of additional duties as Chief Financial Officer in May 2019.

Annual Incentive Plans. In March 2019, the Compensation Committee established and approved 2019 incentive compensations plans for the named executive officers. A target incentive was established for each executive ranging from 50% to 100% of base salary, with a portion of the incentive allocated to each executive's individual performance objective. The performance objectives consist of implementing strategic alternatives pursued by the Company, maintaining corporate overhead within budget, achieving adjusted EBITDA pursuant to budgeted and underwriting targets and accounting, audit and regulatory filings. An executive must achieve the particular performance objectives established for the executive to earn the portion of the executive's target incentive allocated to that performance objective. Payout under the plans to an executive will be in cash and/or equity (from shareholder approved employee stock plans). The Compensation Committee has discretion, including to make partial awards, and to take into account events and circumstances not contemplated when performance objectives were set.

On July 19, 2019, the Company, the Company's operating partnership (the Company and operating partnership, the "Company Parties"), NHT Operating Partnership, LLC ("NHT Parent"), NHT REIT Merger Sub, LLC ("NHT Merger Sub") and NHT Operating Partnership II, LLC ("NHT Merger OP," and together with NHT Parent and NHT Merger Sub, the "NHT Parties"), entered into an Agreement and Plan of Merger (as amended from time to time, the "Merger Agreement"), pursuant to which the NHT Parties agreed to acquire all of the outstanding equity interests of the Company and the operating partnership by merger. Closing of the acquisition did not occur on March 23, 2020, the contemplated closing date of the acquisition, and has not occurred as of the time of this filing. There can be no assurance with respect to the foregoing, and the Company continues reviewing its options and reserves all rights and remedies under the Merger Agreement.

In November 2019, the Compensation Committee reviewed the executives' performance against their performance goals of their 2019 incentive plans and also with respect to Mr. Blackham reviewed achievement of adjusted funds from operations performance targets pursuant to his employment agreement. The Compensation Committee conditionally approved a cash payout for Mr. Blackham of 96.5% of his base salary with respect to his 2019 incentive plan, and an award of 18,101 shares of common stock for achievement of adjusted funds from operations performance pursuant to his employment agreement, and a cash payment for Ms. Cavey of 50% of her base salary with respect to her 2019 incentive plan, the payment and issuance conditioned on, and to be paid and issued at the time of, the closing of the Company's completion of the merger pursuant to the Merger Agreement.

Equity Incentive Plans. Equity stock incentives are paid to executive officers from the shareholder approved Company 2016 Stock Plan. The Committee recognizes the value of equity incentives in assisting the Company in the hiring and retaining of management personnel and in enhancing the long-term mutuality of interest between the Company shareholders and its directors, officers and employees. On November 22, 2019, the Compensation Committee awarded 36,692 shares of common stock to Mr. Blackham pursuant to his employment agreement for shares earned following the attainment of \$11.00 per share market price based on the weighted-average common stock price for 60 consecutive trading days.

The Company does not have a pension plan. The Company's executive officers may participate in its 401(k) Plan on the same terms as other participating employees. The Company does not maintain a perquisite program for its executive officers.

Summary Compensation Table

<i><u>Name and Principal Position</u></i>	<i><u>Year</u></i>	<i><u>Salary (\$)</u></i>	<i><u>Bonus (\$)</u></i>	<i><u>Stock Awards (\$)(1)</u></i>	<i><u>Option Awards (\$)(1)</u></i>	<i><u>Non-Equity Incentive Plan Compensation(2)</u></i>	<i><u>All Other Compensation (\$)(3)</u></i>	<i><u>Total (\$)</u></i>
J. William Blackham	2019	400,000	-	139,016	-	386,000	16,534	941,550
President and Chief Executive Officer	2018	400,000	-	217,247	-	372,000	16,334	1,005,581
	2017	350,000	-	2,300,128	-	339,500	14,430	3,004,058
Jonathan J. Gantt	2019	96,731	-	-	-	-	6,804	103,535
Chief Financial Officer and Senior Vice President	2018	251,500	-	62,375	-	93,558	7,872	415,305
	2017	226,500	-	129,105	-	86,070	9,942	451,617
Arinn Cavey	2019	181,539	-	-	-	92,500	9,223	283,262
Chief Financial Officer and Chief Accounting Officer	2018	175,000	-	39,375	-	39,375	11,324	265,074
	2017	165,000	-	15,994	-	32,557	7,686	221,237

- (1) These columns reflect the grant date fair value of the stock awards granted in accordance with FASB Accounting Standards Codification Topic 718. Reflects conditionally approved stock award for Mr. Blackham for 2019 as described above in our Compensation Discussion and Analysis. Mr. Gantt's stock awards include the value of restricted stock awarded to Mr. Gantt in 2017, 2018 and 2019, and to Ms. Cavey in 2017 and 2019 and stock awarded to Mr. Blackham in 2018. Mr. Blackham's stock awards for 2017 consist of \$777,881 of restricted stock and the balance of Mr. Blackham's stock awards for 2017 may be earned in increments based on common stock market price achieving targets from \$11.00 to \$18.00 per share prior to March 31, 2022, and for Company achievement of budgeted performance. See footnote 12 to the Company's consolidated financial statements for the fiscal year ended December 31, 2019 for the assumptions used in the valuation of these awards.
- (2) Reflects conditionally approved cash amounts earned by the executive officers under their annual incentive plans. A description of these plans is included above in our Compensation Discussion and Analysis.
- (3) Amounts for the named executive officers represent contributions credited by the Company during 2019, 2018, and 2017 to its 401(k) plan (\$11,200 for Mr. Blackham, \$6,647 for Mr. Gantt, and \$8,862 Ms. Cavey for 2019), life insurance and long-term disability plan.
- (4) Mr. Gantt was our Chief Financial Officer until May 2019, and Ms. Cavey commenced serving as our Chief Financial Officer in May 2019.

Grants of Plan-Based Awards for Fiscal 2019

<i><u>Name</u></i>	<i><u>Grant Date</u></i>	<i><u>Estimated Future Payout Under Non-Equity Incentive Plan Awards (\$)(1)</u></i>			<i><u>Estimated Future Payout Under Equity Incentive Plan Awards (# of shares)(1)</u></i>			<i><u>All Other Stock Awards:</u></i>	<i><u>Grant Date Fair Value of Stock or Stock Awards(\$)(2)</u></i>
		<i><u>Threshold</u></i>	<i><u>Target</u></i>	<i><u>Maximum</u></i>	<i><u>Threshold</u></i>	<i><u>Target</u></i>	<i><u>Maximum</u></i>	<i><u>Number of Shares or Units(#)(1)</u></i>	
J. William Blackham	03/28/2019	-	400,000	400,000	-	-	-	18,101	199,654
Jonathan Gantt	03/28/2019	-	100,600	100,600	-	150,900	150,900		
Arinn Cavey	03/04/2019	-	92,500	92,500	-	-	-		

- (1) Non-equity incentive awards were made with respect to the executive officers' 2019 incentive plans. See Compensation Discussion and Analysis for a description of these plans.
- (2) Based on the number of shares on the grant date fair value per share (\$11.03). See footnote 12 to the Company's consolidated financial statements for the assumptions used in valuing these awards.

Outstanding Equity Awards at Fiscal Year-End

Stock Awards

<i>Name</i>	<i>Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)</i>	<i>Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$)</i>
	<i>(1)</i>	<i>(2)</i>
J. William Blackham	33,025	364,596
Arinn Cavey	3,433	37,900

- (1) Restricted stock grants vests in five equal installments on each anniversary of issuance beginning on the first anniversary of the grant. Mr. Blackham's remaining unvested restricted stock vests in 1,223 share monthly increments. Ms. Cavey's remaining unvested restricted stock vests in 326 share increments on 12/06/2020, 12/06/2021 and 12/06/2022. Restricted stock grants may vest earlier upon termination and change of control events.
- (2) Based on the number of shares at the closing market price at the end of 2019 fiscal year (\$11.04)

Employment Agreement and Potential Payments upon Termination or Change-in-Control

Chief Executive Officer Employment Agreement

On March 2, 2015, J. William Blackham was appointed Chief Executive Officer of the Company by the board of directors. Mr. Blackham's employment agreement, entered into on March 2, 2015, and subsequently amended, has a term until March 31, 2022. Under the employment agreement he (i) receives an annual base salary, (ii) receives consideration for an annual bonus and (iii) is eligible to participate in any Company long-term incentive programs. The terms of Mr. Blackham's employment were approved by the Compensation Committee and provide:

- \$400,000 annual base salary for 2019;
- participation in annual incentive plan;
- \$500,000, and at the sole discretion of the Compensation Committee up to \$1,000,000, upon a Change in Control prior to March 31, 2022 based on his inability to earn future stock awards under his employment agreement.
- issuance on June 28, 2017 of 73,385 restricted shares of common stock, with vesting commencing March 29, 2018 through March 29, 2022, subject to continued employment, with vesting acceleration on Change in Control, termination without Cause or Good Reason, death or disability;
- up to 36,692 shares of common stock earned each time share price target achieved from \$11 to \$18 when first achieved, if achieved prior to March 31, 2022, based on weighted market sales price over 60 consecutive trading days;
- 11,741 shares to 19,569 shares of common stock which are earned each time the Company achieves 85% to 101% of budgeted funds from operation for a fiscal year, 2017 through 2021; with an additional 391 shares earned for a fiscal year for each 2% above 101% target achieved, up to a maximum of additional 3,910 shares for the year;
- if his employment is terminated with Cause, he will receive (i) accrued and unpaid base salary to the date of termination, (ii) the accrued and unused vacation to the date of termination, (iii) unpaid expense reimbursements, and (iv) vested amounts under qualified retirement plans;
- if he voluntarily terminates employment, he will receive the amounts referenced in the preceding bullet point plus unpaid bonuses earned for completed prior fiscal years;
- if his employment is terminated without Cause or if he terminates employment with Good Reason, in addition to the items referenced in the foregoing two bullet points, he will receive: (i) an amount equal to one times (1x) base salary, (ii) an amount equal to one times (1x) the average annual bonus previously earned for up to the prior three (3) years, (iii) the immediate vesting of equity awards solely subject to time vesting, (iv) any awards, not yet earned but which may be earned based on the achievement of the applicable performance criteria, vested at a pro rata amount based on the performance period to the date of termination, and (v) COBRA premiums during the period that he elects to receive COBRA coverage under the Company's group health plans, not to exceed 18 months;
- if within 12 months following a Change in Control his employment is terminated other than for Cause or by reason of death or disability or he terminates his employment for Good Reason, the additional base salary payment will be increased to two times (2x) base salary and the annual

bonus payment will be increased to two times (2x) the average annual bonus previously earned for up to the prior three (3) years;

“Cause” under Mr. Blackham’s employment agreement includes certain (i) dishonest or fraudulent actions or a felony conviction, (ii) a material failure to devote substantially all of his business time to the business of the Company or to follow the Company’s good faith instructions and directives, (iii) unreasonable and material neglect, refusal or failure to perform assigned duties, (iv) material breach by him of his employment agreement, the Company’s Code of Business Conduct and Ethics or similar codes, (v) any act bringing substantial public disrespect or scandal or ridicule of the Company, or (vi) any governmental regulatory agency recommends or orders that the Company terminate his employment or relieve him of his duties.

“Change in Control” under his employment agreement includes certain acquisitions of 50% or more of common stock or voting power of the Company, or certain changes in the board of directors, or certain mergers or similar transactions if the shareholders prior to the transaction do not hold 50% of the voting power afterwards, or a liquidation or sale of more than 50% of the Company assets.

“Good Reason” under his employment agreement means the occurrence of one of the following events, without his prior written consent, provided such event is not corrected within 60 days following the board’s receipt of written notice of his intention to terminate his employment with the Company for Good Reason, which notice must be provided within ninety (90) days of the initial existence of one of the following events: (i) a material breach of his employment agreement by the Company, (ii) a diminution of, or reduction or adverse alteration of his compensation, duties or responsibilities, or the Company’s assignment of duties, responsibilities or reporting requirements that are materially inconsistent with his positions or that materially expand his duties, responsibilities, or reporting requirements, (iii) a Change in Control has occurred and he is involuntarily removed from the board or at any time he has requested to be nominated but is not nominated for election to the board at the subsequent election of directors, (iv) a Change in Control has occurred and within 12 months thereafter he is required to relocate more than 50 miles from his first relocation site, or (v) a Change in Control occurs on or before March 31, 2019: (A) if no later than 10 days after the date he is advised by the board that a Change in Control will be considered for approval by the board, he notifies the board in writing that if that Change in Control occurs, he terminates his employment pursuant to this provision, and (B) with the termination date to be effective date of the Change in Control, unless the board, for purposes of an orderly management transition within 7 days after his notice specifies a later termination date, provided that the extended termination date may not be later than 60 days following the Change in Control.

Potential Payments Upon Termination or Change of Control for Chief Financial Officer and Chief Accounting Officer

With respect to Arinn Cavey, Chief Accounting Officer:

- upon the occurrence of a Change of Control (as defined below), she will receive (i) a cash payment up to one times (1x) her most recent incentive compensation, determined based on the recommendation of the Chief Executive Officer and then at the sole discretion of the Compensation Committee and (ii) the immediate vesting of equity awards solely subject to time vesting; and
- if within 12 months following a Change of Control (as defined below) her employment by the Company or its successor is terminated other than for Cause, or if she elects to terminate her employment upon a Change of Control (as defined below), she will receive (i) one times (1x) her base salary, (ii) one times (1x) her most recent annual bonus, (iii) the immediate vesting of equity awards solely subject to time vesting, and (iv) COBRA premiums during the period that she elects to receive COBRA coverage under the Company’s group health plans, not to exceed 12 months.

With respect to Ms. Cavey, “Change of Control” means:

- (i) consummation of a reorganization, merger or consolidation, or sale or other disposition of substantially all of the assets of the Company (a “Business Combination”), in each case, unless following such Business Combination, the persons who were the beneficial owners of outstanding voting securities of the Company immediately prior to such Business Combination beneficially own directly or indirectly more than 50% of the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, of the Company resulting from such Business Combination (including a company which, as a result of such transaction, owns the Company or substantially all of the Company’s assets either

- directly or through one or more subsidiaries), in substantially the same proportions as their ownership, immediately prior to such Business Combination, of the outstanding voting securities of the Company;
- (ii) the complete liquidation or dissolution of the Company; or
- (iii) the board of directors of the Company in existence prior to any transaction or event that would seem to satisfy the definition of a Business Combination may determine, in good faith, that such event does not constitute a Business Combination provided that at least a majority of the members of such board of directors will remain in office after such Business Combination.

Director Compensation

Director Compensation				
<i>Name</i>	<i>Fees Earned or Paid in Cash \$(1)</i>	<i>Stock Awards \$(2)(3)</i>	<i>Option Awards (\$)</i>	<i>Total (\$)</i>
Thomas Calahan	10,500	37,581	-	48,081
Noah Davis	27,143	3,055	-	30,198
Daphne J. Dufresne	28,250	19,809	-	48,059
Daniel R. Elsztain	34,500	12,309	-	46,809
James H. Friend	18,500	2,500	-	21,000
Matias I. Gaivironsky	21,500	3,055	-	24,555
Donald J. Landry	32,911	21,964	-	54,875
Brendan MacDonald	10,500	39,728	-	50,228
John M. Sabin	22,250	2,500	-	24,750
Benjamin Wall	13,500	35,000	-	48,500

Messrs. Davis and Gaivironsky joined the board of directors in May 2019. Messrs. Sabin and Friend served on the board of directors until May 2019.

- (1) Directors receive an annual retainer of \$30,000 paid in quarterly installments in cash and common stock. Additionally, directors received fees of \$1,000 per board meeting attended in person and \$500 per telephonic board meeting. From time to time, directors, as authorized representatives of the board, engage in board duties outside of meetings, and receive fees for the performance of such additional board duties in an hourly or daily amount previously set by the board. Committee chairmen received compensation as follows: Audit Committee chairman annual retainer of \$9,000, Nominating Committee chairman annual retainer of \$1,500 and Compensation Committee chairman annual retainer of \$1,500. Each Audit Committee member, other than the chairman, receives a fee of \$750 per quarter. The chairman of the Investment Committee receives a monthly fee of \$750, and the other members of the Investment Committee who are independent directors each receive a monthly fee of \$500.
- (2) Stock awards consist of the grant date fair value of common stock issued as fees to independent directors. \$5,000 of the annual retainer is paid in shares of restricted common stock of the Company, vesting in equal monthly installments over 3 years, subject to continuous board membership. The number of restricted shares were determined for 2019 based on the closing price of the common stock on March 4, 2019 of \$8.20. The directors may also make an annual voluntary election to receive any portion of the remaining balance of their annual retainer in the form of common stock valued at a 20% premium to the cash that would have otherwise been received, with the shares valued at the closing price of the common stock on the last trading day of the applicable calendar quarter. The fees of the members of the Investment Committee are paid quarterly in common stock issued under the 2016 Stock Plan, based on a value per share equal to the average of the closing price of the common stock during the first 20 trading days of the year.
- (3) Unexercised stock awards, consisting of unvested restricted stock for each director as of December 31, 2019 were as follows:

	Unvested Restricted Stock
Thomas Calahan	413
Noah Davis	193
Daphne J. Dufresne	748
Daniel R. Elsztain	748
Matias I. Gaivironsky	193
Donald J. Landry	748
Brendan MacDonald	748

ITEM 12. SECURITIES OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth the beneficial ownership of our common stock and Series E Preferred Stock as of April 29, 2020, by the following persons (a) each shareholder known to us to beneficially own more than 5% of the outstanding shares of our common stock, (b) each director or nominee, (c) each executive officer named in the Summary Compensation Table and (d) all directors and executive officers as a group. A person has beneficial ownership over shares if he or she has or shares voting or investment power over the shares, or the right to acquire that power within 60 days of April 29, 2020.

With respect to our continuing qualification as a real estate investment trust, our Amended and Restated Articles of Incorporation (the “Articles”) contain an ownership limitation, which prohibits both direct and indirect ownership of more than 9.9% of the outstanding shares of our common stock or 9.9% of any series of our preferred stock. Our Articles permit the board of directors, in its sole discretion, to exempt a person from this ownership limit if the person provides representations and undertakings that enable the board to determine that granting the exemption would not result in the Company losing its qualification as a real estate investment trust (a “REIT”). Under the Internal Revenue Service rules, REIT shares owned by certain entities are considered owned proportionately by owners of the entities for REIT qualification purposes. The holder of securities in excess of the ownership limit in the following table provided representations and undertakings necessary for the board to grant such an exemption.

Name of Beneficial Owner	Common Stock Beneficially Owned	Percent of Common Class (1)	Series E Preferred Stock Beneficially Owned	Percent of Preferred Class
Real Estate Strategies L.P. 2 Church Street Hamilton DO HM CX, Bermuda	3,787,166 (2)	30.41%	487,738	52.70%
SREP III Flight – Investco, L.P. Two Embarcadero Center, Suite 480 San Francisco, CA	3,217,703 (3)	26.12%	437,262	47.30%
Brendan MacDonald Two Embarcadero Center, Suite 480 San Francisco, CA	3,217,703 (4)	26.12%	437,262	47.30%
Gardner Lewis Asset Management, L.P. 285 Wilmington-West Chester Pike Chadds Ford, PA	817,837 (6)	6.81%	-	-
J. William Blackham	224,118	1.87%	-	-
Donald J. Landry	12,851	-	-	-
Daniel R. Elsztain	5,523	-	-	-
Daphne J. Dufresne	11,209	-	-	-
Benjamin Wall	9,386	-	-	-
Thomas Calahan	6,346	-	-	-
Noah Davis	3,521	-	-	-
Matias Gaivironsky	632	-	-	-
Arinn Cavey	7,160	-	-	-
All directors and executive officers as a group (10 persons)	3,498,449 (5)	28.40%	-	-

- (1) Unless otherwise indicated, beneficial ownership of any named individual does not exceed 1% of the outstanding class of securities. In calculating the indicated percentage, the denominator includes the shares of common stock that could be acquired by the person through the exercise of options or warrants within 60 days of April 29, 2020. The denominator excludes the shares of common stock that would be acquired by any other person upon a similar exercise.
- (2) Based on information appearing in Amendment No. 8 to a Schedule 13D filed on July 19, 2019 by Real Estate Strategies L.P. (“RES”), an investment vehicle indirectly controlled by IRSA Inversiones y Representaciones Sociedad Anónima (“IRSA”), an Argentinean-based publicly traded company, with the Securities and Exchange Commission (“SEC”), RES and its affiliates have shared voting and shared dispositive power over 3,787,166 shares of common stock. RES and its affiliates, for purposes of Section 13(d)(3) of the Exchange Act, consists of Eduardo S. Elsztain, and the following entities controlled, either directly or indirectly, by Mr. Elsztain: Consultores Assets Management S.A., Consultores Venture Capital Uruguay S.A., Agroinvestment S.A., Idalgir S.A., Consultores Venture Capital Ltd., Ifis Limited, Inversiones Financieras del Sur S.A., Cresud Sociedad Anónima Comercial, Inmobiliaria, Financiera y Agropecuaria, IRSA, Tyrus S.A., Jiwin S.A., Efanur SA and RES. RES holds 487,738 shares of 6.25% Series E Cumulative Convertible Preferred Stock (the “Series E Preferred Stock”), which is convertible in whole or part in up to 352,283 shares of common stock that are included in the share totals. RES and affiliates also hold a convertible promissory note, convertible into 97,269 shares of common stock that are included in the share totals.
- (3) Based on information appearing in Amendment No. 3 to a Schedule 13D filed on July 19, 2019, and subsequent Form 4s, SREP III Flight-Investco, L.P. (“SREP”), an affiliate of StepStone Group LP. SREP and affiliates have shared voting and shared dispositive power over 2,901,877 shares of common stock. SREP holds 437,262 shares of Series E Preferred Stock, which is convertible in whole or part in up to 315,826 shares of common stock that are included in the share totals.
- (4) Mr. MacDonald is a member of StepStone Group Real Estate Holdings LLC, general partner of StepStone Group Real Estate LP, the sole member and investment manager of StepStone REP III (GP), LLC, the general partner of SREP. Mr. MacDonald may be deemed a participant in the control of the voting, disposition or purchase of the shares held by SREP and thus may be deemed to share beneficial ownership of these shares. Mr. MacDonald disclaims beneficial ownership of these shares except to the extent of his pecuniary interest therein, and the inclusion of these shares in this table shall not be an admission of beneficial ownership of all of the reported securities for any purpose.
- (5) Includes 3,217,703 shares of common stock listed above for Mr. MacDonald (see footnote 4 above).
- (6) Based on information appearing in a Schedule 13G filed on February 14, 2020 by Gardner Lewis Asset Management, L.P. and Gardner Lewis Asset Management, Inc. having shared voting and dispositive power with respect to 817,837 shares of common stock and Gardner Lewis Merger Arbitrage Ex Holdings, LLC and Gardner Lewis Merger Arbitrage EX Master Fund, Ltd with having shared voting and dispositive power with respect to 617,479 shares of common stock.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

Independence

The Company’s Articles of Incorporation (“Articles”) and the NYSE American exchange listing standards each require that a majority of the board of directors are independent directors. The Articles define an independent director as a person who is not an officer or employee of the Company or an affiliate of (a) any advisor to the Company under an advisory agreement, (b) any lessee of any property of the Company, (c) any subsidiary of the Company, or (d) any partnership which is an affiliate of the Company.

Board of Directors

The current nine-member board of directors is comprised of a majority of independent directors, as defined by the NYSE American listing standards and the Articles. The board of directors has determined that the following

directors are independent under the NYSE American listing standards and the Articles: Ms. Dufresne and Messrs. Calahan, Davis, Elsztein, Gaivironsky, Landry, MacDonald and Wall.

The board of directors held seventeen meetings in 2019. During 2019, all directors attended at least 75% of all board meetings and meetings of the committees on which they served. The non-employee directors met in executive session at a majority of the board meetings in 2019 without management present, and intend to meet in executive session without management present at future board meetings.

The Company has not adopted a formal policy on board members' attendance at its annual meetings of shareholders, although all board members are encouraged to attend and historically most have done so. Seven board members attended the Company's 2019 Annual Meeting of Shareholders.

The Company's board of directors has four standing committees: an Investment Committee, Compensation Committee, Nominating Committee and an Audit Committee. The board of directors may, from time to time, form other committees as circumstances warrant. Such committees have the authority and responsibility delegated to them by the board of directors.

Certain Relationships and Related Transactions

As of the date of this report, RES and SREP, by virtue of their significant voting power and certain governance rights, each have the power to significantly influence our business and affairs and the outcome of matters required to be submitted to shareholders for approval, including the election of our directors, amendments to our charter, mergers or sales of assets. RES or SREP's influence over our business and affairs may not be consistent with the interests of some or all of our shareholders.

Voting Rights of Series E Preferred Stock

RES and SREP beneficially own all outstanding shares of the Series E Preferred Stock. On February 28, 2017, the Company entered into agreements with RES and IRSA and with SREP and StepStone for the voluntary conversion by them of all of the shares of the Company's 6.25% Series D Cumulative Convertible Preferred Stock (the "Series D Preferred Stock") into common stock, pursuant to the terms of the Series D Preferred Stock, and for the issuance of shares of the Series E Preferred Stock to RES and SREP.

The holders of the Series E Preferred Stock have the right to vote separately as a class on matters generally affecting the Series E Preferred Stock. Additionally, as long as 434,750 shares of Series E Preferred Stock (47% of the originally issued shares of Series E Preferred Stock) remain outstanding, then 75% approval of the Series E Preferred Stock will be required to approve significant corporate events as follows: merger, consolidation, liquidation or winding up of Condor, related party transactions exceeding \$120,000, payment of dividends on common stock except from funds from operations or to maintain REIT status, the grant of exemptions from Condor's charter limitation on ownership of 9.9% of any class or series of its securities (exclusive of SREP and RES), issuance of preferred stock, or commitment or agreement to do any of the foregoing.

Directors Designation Rights

The Company entered into an agreement on February 1, 2012 with RES and IRSA pursuant to which RES may designate the following number of directors to the board of directors if it beneficially owns the indicated percentage of voting power of the Company.

Voting Power	No. of Directors
34% or more	4
22% or more but less than 34%	3
14% or more but less than 22%	2
7% or more but less than 14%	1

The Company entered into an agreement on March 16, 2016 with SREP and StepStone pursuant to which StepStone may nominate the following number of directors if it beneficially owns the indicated percentage of voting power of the Company:

Voting Power	No. of Directors
22% or more but less than 34%	3
14% or more but less than 22%	2
7% or more but less than 14%	1

Each of RES and StepStone in their respective agreements with us has agreed to vote for the election of the incumbent members of the board of directors and their successors nominated by the Nominating Committee.

Board Size

We have agreed with each of RES and StepStone to maintain the size of our board of directors at nine members. If the outstanding shares of Series E Preferred Stock declines below 434,750 shares (47% of the original outstanding shares of Series E Preferred Stock), the holders of the Series E Preferred Stock will no longer have rights for a class vote to approve or consent to certain actions by the Company described above. If those voting rights are no longer available and SREP holds 15% or more of the voting power of the Company, the Company has agreed with SREP to reduce the size of board of directors to seven members. Similarly, if those voting rights are no longer available and RES holds 15% or more of the voting power of the Company, the Company has agreed with RES to reduce the size of the board of directors to seven members. If the size of the board of directors of the Company is reduced to seven members, StepStone's and RES's respective rights to designate directors for election to the board of directors based on their percentage of voting power would also change to the following:

Voting Power	No. of Directors
29% or more	3
Less than 29% but 15% or more	2
Less than 15% but 7% or more	1

Future Offerings

Prior to March 16, 2021, and provided that the Series E Preferred Stock is outstanding and SREP holds 14% or more of the voting control of the Company, the Company has agreed with SREP and StepStone that with respect to the issuance of common stock, or securities convertible into common stock ("Future Offering") (exclusive of the issuance of common stock with respect to certain commitments, and certain existing long-term incentive plan or operating units of the Company's operating partnership and certain future compensation awards), the Company will not without the consent of SREP:

- until an aggregate of \$100 million of common stock has been sold, issue common stock below the price of \$10.40 per share, or securities convertible into common stock with a real or effective conversion or strike price below \$10.40 per share of common stock; and
- thereafter issue common stock below the price of \$11.18 per share, or securities convertible into common stock with a real or effective conversion or strike price below \$11.18 per share of common stock.

If SREP does not consent with respect to a Future Offering that requires its consent, then the Company may make an irrevocable offer to SREP to repurchase all shares of Series E Preferred Stock and common stock received by SREP on conversion of Series E Preferred Stock and Series D Preferred Stock. The repurchase price will be equal to the greater of:

- an aggregate amount equal to (A) 120% of the liquidation preference of Series E Preferred Stock beneficially owned by SREP plus (B) 120% of the then-current conversion price of the Series E Preferred Stock for each share of common stock beneficially owned by SREP that were issued upon conversion of any Series D Preferred Stock or Series E Preferred Stock, or
- in exchange for the Series E Preferred Stock and common stock issued upon conversion of any Series D Preferred Stock and Series E Preferred Stock, an amount equal to 95% of the aggregate net asset value of the Company per share multiplied by the number of shares of common stock beneficially owned by SREP that were issued upon conversion of any Series D Preferred Stock and Series E Preferred Stock, and shares of common stock issuable upon conversion of Series E Preferred Stock (regardless of whether the Series E Preferred Stock is convertible at such time).

Such repurchase offer, if accepted by SREP, will be conditioned upon, and the repurchase will occur concurrently with, the closing of the Future Offering.

The Company also has an agreement with RES and IRSA with respect to a Future Offering which provides the same consent and repurchase rights with respect to RES.

Preemptive Rights

Pursuant to agreements with RES and StepStone, the Company granted each of RES and StepStone the right to purchase the Company's equity shares or securities convertible into its equity shares in the Company's public and non-public offerings of its equity securities or securities convertible into its equity securities for cash proportional to their respective combined fully diluted beneficial ownership of our common stock (including common stock issuable upon conversion of the Series E Preferred Stock, if then convertible) at the same price and on the same terms as offered to others in the offering. The purchase rights terminate with respect to StepStone on March 16, 2021 and with respect to RES on March 1, 2022. The purchase right does not apply to issuances of equity securities (a) as employee equity awards or (b) for consideration in acquisition transactions.

Registration Rights

The Company has agreed with RES and IRSA to register for resale the shares of common stock issued to RES upon request. The Company has also agreed with SREP and StepStone to register for resale the shares of common stock issued to SREP upon request.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICE

The following table presents the fees for professional audit services rendered by KPMG LLP for the audit of the Company's consolidated financial statements for the fiscal years ended December 31, 2019 and 2018, and fees billed for other services rendered by KPMG during those periods.

Year Ended December 31,	2019		2018	
Audit Fees ⁽¹⁾	\$	375,000	\$	361,398
Audit Related Fees		-		-
Tax Fees ⁽²⁾		247,651		184,755
All Other Fees		-		-
Total	\$	622,651	\$	546,153

(1) Includes fees billed for professional services rendered by KPMG for the audit of the Company's fiscal 2019 and 2018 annual financial statements, and review of the Company's quarterly financial statements during 2019 and 2018.

(2) Includes fees billed for professional services rendered by KPMG for tax compliance, tax advice, and tax planning.

The Audit Committee has determined that the provision of the non-audit services performed by KPMG during the 2019 and 2018 fiscal years is compatible with maintaining KPMG's independence from the Company.

Pursuant to the terms of the Company's Audit Committee Charter, the Audit Committee is responsible for the appointment, compensation and oversight of the work performed by the Company's independent accountants. The Audit Committee, or a designated member of the Audit Committee, must pre-approve all audit (including audit-related) and non-audit services performed by the independent accountants in order to assure that the provisions of such services do not impair the accountants' independence. The Audit Committee has delegated interim pre-approval authority to the Chairman of the Audit Committee. Any interim pre-approval of permitted non-audit services is required to be reported to the Audit Committee at its next scheduled meeting.

KPMG's principal function is to audit the consolidated financial statements of the Company and its subsidiaries and, in connection with that audit, to review certain related filings with the SEC and to conduct limited reviews of the financial statements included in the Company's quarterly reports.

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

Exhibits

- 2.1 Agreement and Plan of Merger dated as of July 19, 2019 by and among NHT Operating Partnership, LLC, NHT REIT Merger Sub, LLC, NHT Operating Partnership II, LLC, the Company and Condor Hospitality Limited Partnership (incorporated herein by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated July 18, 2019).
- 2.2 Amendment No. 1 dated as of September 13, 2019 to Agreement and Plan of Merger dated as of July 19, 2019 by and among NHT Operating Partnership, LLC, NHT REIT Merger Sub, LLC, NHT Operating Partnership II, LLC, the Company and Condor Hospitality Limited Partnership (incorporated herein by reference to Exhibit 2.2 to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated September 13, 2019).
- 2.3 Amendment No. 2 dated as of December 17, 2019 to Agreement and Plan of Merger dated as of July 19, 2019 by and among NHT Operating Partnership, LLC, NHT REIT Merger Sub, LLC, NHT Operating Partnership II, LLC, the Company and Condor Hospitality Limited Partnership (incorporated herein by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated December 17, 2019).
- 2.4 Amendment No. 3 dated as of January 30, 2020 to Agreement and Plan of Merger dated as of July 19, 2019 by and among NHT Operating Partnership, LLC, NHT REIT Merger Sub, LLC, NHT Operating Partnership II, LLC, the Company and Condor Hospitality Limited Partnership (incorporated herein by reference to Exhibit 2.2 to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated January 30, 2020).
- 2.5 Amendment No. 4 dated as of March 15, 2020 to Agreement and Plan of Merger dated as of July 19, 2019 by and among NHT Operating Partnership, LLC, NHT REIT Merger Sub, LLC, NHT Operating Partnership II, LLC, the Company and Condor Hospitality Limited Partnership (incorporated herein by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated March 15, 2020).
- 3.1 Amended and Restated Articles of Incorporation of the Company, as amended (incorporated herein by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated May 24, 2017).
- 3.2 Bylaws of the Company, as amended (incorporated herein by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated July 18, 2019).
- 4.1 Description of the Company's Securities Registered pursuant to Section 12 of the Securities Exchange Act of 1934, as amended.
- 10.1 Third Amended and Restated Agreement of Limited Partnership of Condor Hospitality Limited Partnership, as amended (incorporated herein by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q (Commission file number 001-34087) for the quarter ended September 30, 2016).
- 10.2 Amended and Restated Limited Liability Company Agreement of Spring Street Hotel Property II LLC dated as of August 22, 2016 (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated August 22, 2016).

- 10.3 Limited Liability Company Agreement of Spring Street Hotel OpCo II LLC dated as of August 22, 2016 (incorporated herein by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated August 22, 2016).
- 10.4 Hotel Management Agreement dated June 29, 2016 by and between TRS Leasing, Inc., TRS Subsidiary, LLC and Kinseth Hotel Corporation (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated June 29, 2016).
- 10.5 Hotel Management Agreement dated June 29, 2016 by and between TRS Leasing, Inc., TRS Subsidiary, LLC and Strand Development Company, LLC (incorporated herein by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated June 29, 2016).
- 10.6 Hotel Management Agreement dated June 29, 2016 by and between TRS Leasing, Inc., TRS Subsidiary, LLC, SPPR TRS Subsidiary, LLC, BMI Alexandria TRS Subsidiary, LLC and Hospitality Management Advisors, Inc. (incorporated herein by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated June 29, 2016).
- 10.7 Hotel Management Agreement dated June 29, 2016 by and between SPPR-Dowell TRS Subsidiary, LLC and Cherry Cove Hospitality Management, LLC (incorporated herein by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated June 29, 2016).
- 10.8 Hotel Management Agreement dated October 1, 2015 between TRS San Spring, LLC and Peachtree Hospitality Management, LLC (incorporated herein by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated October 1, 2015).
- 10.9 Hotel Management Agreement dated October 1, 2015 between TRS Atl Indy, LLC and Peachtree Hospitality Management, LLC (incorporated herein by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated October 1, 2015).
- 10.10 Hotel Management Agreement dated October 1, 2015 between TRS Jax Court, LLC and Peachtree Hospitality Management, LLC (incorporated herein by reference to Exhibit 10.6 to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated October 1, 2015).
- 10.11 Hotel Management Agreement, dated June 29, 2016, by and between TRS Leasing, Inc., TRS Subsidiary, LLC and K Partners Hospitality Group LP (incorporated herein by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated June 29, 2016).
- 10.12 Agreement between Spring Street Hotel OpCo LLC and Boast Hotel Management Company LLC dated effective August 19, 2016 (incorporated herein by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated August 22, 2016).
- 10.13 Hotel Management Agreement dated as of December 14, 2016 between TRS KCI Loft, LLC and Presidian Destinations, Ltd. (incorporated herein by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated December 14, 2016).
- 10.14 Hotel Management Agreement dated as of March 24, 2017 between TRS TLH Magnolia, LLC and Vista Host Inc. (incorporated herein by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated March 24, 2017).

- 10.15 Hotel Management Agreement dated as of March 24, 2017 between TRS AUS Louis, LLC and Vista Host Inc. (incorporated herein by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated March 24, 2017).
- 10.16 Hotel Management Agreement dated as of March 24, 2017 between TRS LEX Lowry, LLC and Vista Host Inc. (incorporated herein by reference to Exhibit 10.6 to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated March 24, 2017).
- 10.17 Hotel Management Agreement dated as of April 14, 2017 between TRS MEM Southcrest, LLC and Vista Host Inc. (incorporated herein by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K/A (Commission file number 001-34087) dated March 24, 2017).
- 10.18 Hotel Management Agreement dated as of June 19, 2017 between TRS MCO Village, LLC and Peachtree Hospitality Management, LLC. (incorporated herein by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated June 19, 2017).
- 10.19 Hotel Management Agreement dated as of August 31, 2017 between TRS ELP Edge, LLC and Pillar Hotels & Resorts, LLC (incorporated by reference to Exhibit 10.7 filed with the Company's Form 8-K (Commission file number 001-34087) dated August 31, 2017).
- 10.20 Hotel Management Agreement dated as of August 31, 2017 between TRS AUS Casey, LLC and Pillar Hotels & Resorts, LLC (incorporated by reference to Exhibit 10.8 filed with the Company's Form 8-K (Commission file number 001-34087) dated August 31, 2017).
- 10.21 Hotel Management Agreement dated as of January 17, 2018 between TRS AUS Tech, LLC and Pillar Hotels & Resorts, LLC (incorporated herein by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K/A (Commission file number 001-34087) dated August 31, 2017).
- 10.22 Loan Agreement dated as of August 22, 2016 between Spring Street Hotel Property LLC, Spring Street Hotel Opco LLC and LoanCore Capital Credit REIT LLC (incorporated herein by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated August 22, 2016).
- 10.23 Guaranty of Recourse Obligations by the Company and Alan Kanders and Raviraj Kiran Dave dated August 22, 2016 in favor of LoanCore Capital Credit REIT LLC (incorporated herein by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated August 22, 2016).
- 10.24 Loan Agreement dated as of December 14, 2016 among CDOR KCI Loft, LLC, TRS KCI Loft, LLC and Great Western Bank (incorporated herein by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated December 14, 2016).
- 10.25 Springing Unconditional Guaranty of Payment and Performance dated as of December 14, 2016 by the Company in favor of Great Western Bank (incorporated herein by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated December 14, 2016).
- 10.26 Limited Guaranty of Payment and Performance dated as of December 14, 2016 by the Company in favor of Great Western Bank (incorporated herein by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated December 14, 2016).
- 10.27 First Amendment to Loan Agreement dated as of March 9, 2019 among CDOR KCI Loft, LLC, TRS KCI Loft, LLC and Great Western Bank (incorporated herein by reference to Exhibit 10.2 to the

Company's Current Report on Form 8-K (Commission file number 001-34087) dated March 5, 2019).

- 10.28 Credit Agreement dated as of March 1, 2017 by and among Condor Hospitality Limited Partnership, as Borrower, Keybank National Association and the other lenders party thereto, as Lenders, and Keybank National Association, as Administrative Agent (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated March 1, 2017).
- 10.29 Unconditional Guaranty of Payment and Performance dated as of March 1, 2017 by Condor Hospitality REIT Trust, the Company and the subsidiary guarantors party thereto (incorporated herein by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated March 1, 2017).
- 10.30 First Amendment to Credit Agreement dated as of May 11, 2017 among Condor Hospitality Limited Partnership, as Borrower, the Company and the subsidiary guarantors party thereto, as Guarantors, Keybank National Association and the other lenders party thereto, as Lenders, and Keybank National Association, as Administrative Agent (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated May 11, 2017).
- 10.31 Second Amendment to Credit Agreement dated as of December 13, 2017 among Condor Hospitality Limited Partnership, as Borrower, the Company and the subsidiary guarantors party thereto, as Guarantors, Keybank National Association and the other lenders party thereto, as Lenders, and Keybank National Association, as Administrative Agent (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated December 13, 2017).
- 10.32 Third Amendment to Credit Agreement dated as of March 9, 2019 among Condor Hospitality Limited Partnership, as Borrower, the Company and the subsidiary guarantors party thereto, as Guarantors, KeyBank National Association and the other lenders party thereto, as Lenders, and KeyBank National Association, as Administrative Agent (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated March 5, 2019).
- 10.33 Fourth Amendment to Credit Agreement dated as of May 3, 2019 among Condor Hospitality Limited Partnership, as Borrower, the Company and the subsidiary guarantors party thereto, as Guarantors, KeyBank National Association and the other lenders party thereto, as Lenders, and KeyBank National Association, as Administrative Agent (incorporated herein by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q (Commission file number 001-34087) for the quarter ended March 31, 2019).
- 10.34 Fifth Amendment to Credit Agreement dated as of August 9, 2019 among Condor Hospitality Limited Partnership, as Borrower, the Company and the subsidiary guarantors party thereto, as Guarantors, KeyBank National Association and the other lenders party thereto, as Lenders, and KeyBank National Association, as Administrative Agent (incorporated herein by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q (Commission file number 001-34087) for the quarter ended June 30, 2019).
- 10.35 Loan Agreement dated as of October 4, 2017 between CDOR Jax Court, LLC, TRS Jax Court, LLC, CDOR Atl Indy, LLC, TRS Atl Indy, LLC, CDOR San Spring, LLC and TRS San Spring, LLC and Wells Fargo Bank, National Association (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated October 4, 2017).

- 10.36 Guaranty of Recourse Obligations dated as of October 4, 2017 by the Company to Wells Fargo Bank, National Association (incorporated herein by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated October 4, 2017).
- 10.37 Cash Management Agreement dated as of October 4, 2017 by and among Wells Fargo Bank, National Association and CDOR Jax Court, LLC, TRS Jax Court, LLC, CDOR Atl Indy, LLC, TRS Atl Indy, LLC, CDOR San Spring, LLC and TRS San Spring, LLC (incorporated herein by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated October 4, 2017).
- 10.38 Term Loan Agreement dated as of August 9, 2019 among Condor Hospitality Limited Partnership, Spring Street Hotel Property LLC and Spring Street Hotel OpCo LLC, as Borrowers, KeyBank National Association and the other lenders party thereto, as Lenders, and KeyBank National Association, as Administrative Agent (incorporated herein by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q (Commission file number 001-34087) for the quarter ended June 30, 2019).
- 10.39 Unconditional Guaranty of Payment and Performance dated as of August 9, 2019 by the Company and Condor Hospitality REIT Trust to KeyBank National Association (incorporated herein by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q (Commission file number 001-34087) for the quarter ended June 30, 2019).
- 10.40 First Amendment to Term Loan Agreement dated as of February 6, 2020 by and among Condor Hospitality Limited Partnership, Spring Street Hotel Property LLC and Spring Street Hotel OpCo LLC, as Borrowers, Condor Hospitality REIT Trust and the Company, as Guarantors, and KeyBank National Association, as Administrative Agent (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated February 6, 2020).
- 10.41 Purchase Agreement, dated November 16, 2011, by and among the Company, Condor Hospitality Limited Partnership and Real Estate Strategies L.P. (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K/A (Commission file number 001-34087) dated November 16, 2011).
- 10.42 Warrants issued to Real Estate Strategies L.P. dated February 1, 2012 and February 15, 2012 (incorporated herein by reference to Exhibit 10.39 to the Company's Annual Report on Form 10-K (Commission file number 001-34087) for the year ended December 31, 2011).
- 10.43 Investor Rights and Conversion Agreement, dated February 1, 2012, by and among the Company, Real Estate Strategies L.P. and IRSA Inversiones y Representaciones Sociedad Anónima (incorporated herein by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated January 30, 2012).
- 10.44 Registration Rights Agreement, dated February 1, 2012, by and among the Company, Real Estate Strategies L.P. and IRSA Inversiones y Representaciones Sociedad Anónima (incorporated herein by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated January 30, 2012).
- 10.45 Directors Designation Agreement, dated February 1, 2012, by and among the Company, Real Estate Strategies L.P. and IRSA Inversiones y Representaciones Sociedad Anónima (incorporated herein by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated January 30, 2012).
- 10.46 Agreement, dated August 9, 2013, by and among the Company, Real Estate Strategies L.P. and IRSA Inversiones y Representaciones Sociedad Anonima (incorporated herein by reference to Exhibit 10.1

- to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated August 9, 2013).
- 10.47 Agreement, dated July 23, 2015, between Real Estate Strategies L.P., IRSA Inversiones y Representaciones Sociedad Anonima and the Company (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated July 23, 2015).
- 10.48 Warrant dated January 24, 2017 issued to Real Estate Strategies L.P. (incorporated herein by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated January 23, 2017).
- 10.49 Agreement, dated as of February 28, 2017, by and among Real Estate Strategies L.P., IRSA Inversiones y Representaciones Sociedad Anónima and the Company (incorporated herein by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated February 28, 2017).
- 10.50 Joinder Agreement dated June 29, 2018 by and among the Company, Real Estate Strategies L.P., IRSA Inversiones y Representaciones Sociedad Anonima, and Real Estate Investment Group VII L.P. (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated June 29, 2018).
- 10.51 Stock Purchase Agreement, dated as of March 16, 2016, between SREP III Flight-Investco, L.P. and the Company (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated March 16, 2016).
- 10.52 Investor Rights Agreement, dated as of March 16, 2016, by and among SREP III Flight-Investco, L.P., StepStone Group Real Estate LP and the Company (incorporated herein by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated March 16, 2016).
- 10.53 Agreement, dated as of March 16, 2016, by and among Real Estate Strategies L.P., IRSA Inversiones y Representaciones Sociedad Anónima and the Company (incorporated herein by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated March 16, 2016).
- 10.54 Agreement, dated as of February 28, 2017, between SREP III Flight-Investco, L.P., StepStone Group Real Estate LP and the Company (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated February 28, 2017).
- 10.55 The Company's 2006 Stock Plan (incorporated herein by reference to Exhibit 10.31 to the Company's Annual Report on Form 10-K (Commission file number 001-34087) for the year ended December 31, 2011).
- 10.56 Amendment to the Company's 2006 Stock Plan dated May 28, 2009 (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated May 28, 2009).
- 10.57 Amendment to the Company's 2006 Stock Plan dated May 22, 2012 (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated May 22, 2012).

- 10.58 Form of Stock Option Agreement (incorporated herein by reference to Exhibit 10.32 to the Company's Annual Report on Form 10-K (Commission file number 001-34087) for the year ended December 31, 2011).
- 10.59 The Company's 2016 Stock Plan (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated June 15, 2016).
- 10.60 Amendment to the Company's 2016 Stock Plan (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated May 17, 2018).
- 10.61 Jeffrey W. Dougan Employment Agreement dated July 15, 2013 (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated July 9, 2013).
- 10.62 Jeffrey W. Dougan Restricted Stock Agreement dated July 15, 2013 (incorporated herein by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated July 9, 2013).
- 10.63 Jeffrey W. Dougan Stock Option Agreement dated July 15, 2013 (incorporated herein by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated July 9, 2013).
- 10.64 Amended and Restated Employment Agreement dated March 2, 2015 by and between the Company and J. William Blackham, as amended and restated on September 16, 2016 (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated September 16, 2016).
- 10.65 Common Stock Purchase Warrant dated March 2, 2015 between the Company and J. William Blackham (incorporated herein by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated March 2, 2015).
- 10.66 Amendment of Employment Agreement dated June 28, 2017 between J. William Blackham and the Company (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated June 28, 2017).
- 10.67 Amendment of Employment Agreement dated April 10, 2018 between J. William Blackham and the Company (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated April 10, 2018).
- 10.68 Form of Executive Officer and Director Indemnification Agreement (incorporated herein by reference to Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q (Commission file number 001-34087) for the quarter ended March 31, 2016).
- 10.69 Form of Restricted Stock Agreement (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated March 29, 2017).
- 10.70 Form of Director Restricted Stock Agreement (incorporated herein by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated June 19, 2017).
- 10.71 Agreement of Purchase and Sale dated as of August 29, 2016 between Leawood ADP, Ltd. and Condor Hospitality Limited Partnership (incorporated herein by reference to Exhibit 10.1 to the

- Company's Current Report on Form 8-K (Commission file number 001-34087) dated August 29, 2016).
- 10.72 Purchase and Sale Agreement dated as of January 23, 2017 between Condor Hospitality Limited Partnership and VHRMR TALL, LLC (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated January 23, 2017).
- 10.73 Purchase and Sale Agreement dated as of January 23, 2017 between Condor Hospitality Limited Partnership and EASTVHR HS ROUND ROCK, LLC (incorporated herein by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated January 23, 2017).
- 10.74 Purchase and Sale Agreement dated as of January 23, 2017 between Condor Hospitality Limited Partnership and CVH LEXINGTON, LLC (incorporated herein by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated January 23, 2017).
- 10.75 Purchase and Sale Agreement dated as of January 23, 2017 between Condor Hospitality Limited Partnership and CVH SOUTHAVEN, LLC (incorporated herein by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated January 23, 2017).
- 10.76 Purchase and Sale Agreement dated as of April 29, 2017 between Condor Hospitality Limited Partnership and SI Lake Mary, LP. (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated April 29, 2017).
- 10.77 Purchase and Sale Agreement Fairfield Inn & Suites El Paso Airport dated as of July 17, 2017 between Condor Hospitality Limited Partnership and MB Hospitality (EP), LP (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated July 17, 2017).
- 10.78 First Amendment to Purchase and Sale Agreement Fairfield Inn & Suites El Paso Airport dated as of August 31, 2017 between Condor Hospitality Limited Partnership and MB Hospitality (EP), LP (incorporated herein by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated August 31, 2017).
- 10.79 Purchase and Sale Agreement Residence Inn Austin Airport dated as of July 17, 2017 between Condor Hospitality Limited Partnership and MB Hospitality (AUSAP), LP (incorporated herein by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated July 17, 2017).
- 10.80 First Amendment to Purchase and Sale Agreement Residence Inn Austin Airport dated as of August 31, 2017 between Condor Hospitality Limited Partnership and MB Hospitality (AUSAP), LP (incorporated herein by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated August 31, 2017).
- 10.81 Purchase and Sale Agreement TownePlace Suites Austin North Tech Ridge dated as of July 17, 2017 between Condor Hospitality Limited Partnership and MB Hospitality (AUSN), LP (incorporated herein by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated July 17, 2017).
- 10.82 First Amendment to Purchase and Sale Agreement TownePlace Suites Austin North Tech Ridge dated as of August 31, 2017 between Condor Hospitality Limited Partnership and MB Hospitality

(AUSN), LP (incorporated herein by reference to Exhibit 10.6 to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated August 31, 2017).

- 10.83* Sixth Amendment to Credit Agreement dated as of March 30, 2020 among Condor Hospitality Limited Partnership, as Borrower, the Company and the subsidiary guarantors party thereto, as Guarantors, KeyBank National Association and the other lenders party thereto, as Lenders, and KeyBank National Association, as Administrative Agent.
- 10.84* Exhibit A to Sixth Amendment to Credit Agreement dated as of March 30, 2020 among Condor Hospitality Limited Partnership, as Borrower, the Company and the subsidiary guarantors party thereto, as Guarantors, KeyBank National Association and the other lenders party thereto, as Lenders, and KeyBank National Association, as Administrative Agent.
- 10.85* Exhibit B to Sixth Amendment to Credit Agreement dated as of March 30, 2020 among Condor Hospitality Limited Partnership, as Borrower, the Company and the subsidiary guarantors party thereto, as Guarantors, KeyBank National Association and the other lenders party thereto, as Lenders, and KeyBank National Association, as Administrative Agent.
- 10.86* Second Amendment to Loan Agreement dated as of March 30, 2020 among CDOR KCI Loft, LLC, TRS KCI Loft, LLC and Great Western Bank.
- 14.1 Code of Business Conduct and Ethics and Whistleblower Policy (incorporated herein by reference to Exhibit 14.1 to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated May 17, 2018.
- 21.0* Subsidiaries.
- 23.1* Consent of KPMG LLP
- 31.1** Section 302 Certification of Chief Executive Officer.
- 31.2** Section 302 Certification of Chief Financial Officer.
- 32.1** Section 906 Certifications.
- 99.1 Form of Voting Agreement (incorporated herein by reference to Exhibit 99.1 to the Company's Current Report on Form 8-K (Commission file number 001-34087) dated July 18, 2019).
- 101.1* The following materials from the Company's Annual Report on Form 10-K for the year ended December 31, 2019, formatted in XBRL (eXtensible Business Reporting Language): (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Operations, (iii) the Consolidated Statements of Equity, (iv) the Consolidated Statements of Cash Flows and (v) Notes to Consolidated Financial Statements.

Pursuant to Item 601 (b)(4) of Regulation S-K, certain instruments with respect to the Company's long-term debt are not filed with this Form 10-K. The Company will furnish a copy of any such long-term debt agreement to the Securities and Exchange Commission upon request.
Management contracts and compensatory plans are set forth as Exhibits 10.48 through 10.63.

* Previously Filed

** Filed Herewith

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 dually authorized

April 29, 2020 /s/J. William Blackham

J. William Blackham

Chief Executive Officer

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

Signature	Title	Date
<u>/s/J. William Blackham</u> J. William Blackham	Chief Executive Officer (Principal Executive Officer)	April 29, 2020
<u>/s/Arinn A. Cavey</u> Arinn A. Cavey	Chief Financial Officer & Chief Accounting Officer (Principal Financial and Accounting Officer)	April 29, 2020

Reconciliation of Non-GAAP Financial Measures

Reconciliation of Net earnings (loss) to EBITDA, EBITDA_{ex}, Adjusted EBITDA_{ex}, and Hotel EBITDA

	Year ended December 31,		Three months ended			
	2019	2018	March 31, 2019	June 30, 2019	September 30, 2019	December 31, 2019
Net earnings (loss)	\$ (5,067)	\$ 5,170	\$ 15	\$ (1,270)	\$ (1,988)	\$ (1,824)
Interest expense	7,976	8,326	2,163	2,094	1,912	1,807
Interest expense from JV	2,140	2,109	547	562	536	495
Loss on extinguishment of debt from JV	138	-	-	-	138	-
Income tax expense	937	335	186	461	8	282
Depreciation and amortization expense	9,568	9,475	2,362	2,394	2,405	2,407
Depreciation and amortization expense from JV	1,195	1,155	297	299	299	300
EBITDA	16,887	26,570	5,570	4,540	3,310	3,467
Net (gain) loss on disposition of assets	36	(5,570)	(39)	16	14	45
Net loss on disposition of assets from JV	2	157	-	-	2	-
Impairment recovery, net	-	(93)	-	-	-	-
EBITDA_{ex}	16,925	21,064	5,531	4,556	3,326	3,512
Net (gain) loss on derivatives and convertible debt	1,071	(317)	237	456	223	155
Net loss on derivative from JV	1	22	1	-	-	-
Stock-based compensation and LTIP expense	1,026	974	336	424	141	125
Acquisition and terminated transactions expense	38	205	7	7	1	23
Equity transaction and strategic alternatives, net	2,110	-	-	834	1,052	224
Adjusted EBITDA_{ex}	21,171	21,948	6,112	6,277	4,743	4,039
General and administrative expense, excluding stock compensation and LTIP expense	4,674	5,243	1,327	1,148	1,069	1,130
Other expense, net	104	83	29	24	27	24
Unallocated hotel and property operations expense	227	364	45	22	86	74
Hotel EBITDA	26,176	27,638	7,513	7,471	5,925	5,267

Reconciliation of Hotel EBITDA to Hotel EBITDA - Same-Store*

Hotel EBITDA	\$ 26,176	\$ 27,638	\$ 7,513	\$ 7,471	\$ 5,925	\$ 5,267
Hotel EBITDA earned on properties disposed of prior to December 31, 2019 during the period of ownership	(63)	(1,140)	(63)	-	-	-
Hotel EBITDA earned on properties owned at December 31, 2019 prior to ownership	-	285	-	-	-	-
Total Hotel EBITDA - Same-Store	<u>\$ 26,113</u>	<u>\$ 26,783</u>	<u>\$ 7,450</u>	<u>\$ 7,471</u>	<u>\$ 5,925</u>	<u>\$ 5,267</u>

Revenue	\$ 61,052	\$ 65,057	\$ 15,903	\$ 16,177	\$ 14,666	\$ 14,306
JV revenue	10,133	9,510	3,100	2,546	2,446	2,041
Total Company and JV revenue	<u>\$ 71,185</u>	<u>\$ 74,567</u>	<u>\$ 19,003</u>	<u>\$ 18,723</u>	<u>\$ 17,112</u>	<u>\$ 16,347</u>
Hotel EBITDA as a percentage of revenue	36.8%	37.1%	39.5%	39.9%	34.6%	32.2%

Reconciliation of Actual Revenue to Revenue - Same-Store*

Condor and JV Revenue - Actual	\$ 71,185	\$ 74,567	\$ 19,003	\$ 18,723	\$ 17,112	\$ 16,347
Revenue earned on properties disposed of prior to December 31, 2019 during the period of ownership	(272)	(4,362)	(272)	-	-	-
Revenue earned on properties owned at December 31, 2019 prior to ownership	-	637	-	-	-	-
Total Revenue - Same-Store	<u>\$ 70,913</u>	<u>\$ 70,842</u>	<u>\$ 18,731</u>	<u>\$ 18,723</u>	<u>\$ 17,112</u>	<u>\$ 16,347</u>
Hotel EBITDA - same-store as a percentage of revenue same-store	36.8%	37.8%	39.8%	39.9%	34.6%	32.2%

* Same store results presented include the hotel portfolio as it existed at December 31, 2019. No adjustments have been made for the purchase of the remaining interest in the Atlanta JV in 2020.

BOARD OF DIRECTORS

J. WILLIAM BLACKHAM

President, Chief Executive Officer, Condor Hospitality Trust, Inc.

THOMAS CALAHAN

Partner, Balboa Real Estate Partners

NOAH DAVIS^{1*}

Chief Investment Officer, The Heyman Enterprise

DAPHNE DUFRESNE^{CB, 3}

Managing Partner, GenNx360 Capital Partners

DANIEL ELSZTAIN^{2,3,4}

Chief Real Estate Business Officer, IRSA

MATIAS GAIVIRONSKY¹

Chief Financial and Administrative Officer of Cresud, IRSA, and IRSA CP.

DREW IADANZA¹

Vice President, StepStone Group

DONALD LANDRY^{2*,3*,4*}

President and Owner, Top Ten Hospitality Advisors

BRENDAN MACDONALD^{2,3,4}

Partner, StepStone Group

COMMITTEE MEMBERSHIP

- ¹ Audit Committee
- ² Compensation Committee
- ³ Investment Committee
- ⁴ Nominating Committee
- ^{*} Denotes Chair of Committee
- ^{CB} Chair of the Board

EXECUTIVE OFFICERS

J. WILLIAM BLACKHAM

President, Chief Executive Officer

JILL BURGER

Interim Chief Financial Officer and Chief Accounting Officer

CORPORATE HEADQUARTERS

1800 West Pasewalk Avenue
Suite 120
Norfolk, NE 68701
Phone: (301) 861-3305
Website: www.condorhospitality.com

STOCK EXCHANGE LISTING

Condor Hospitality Trust, Inc. trades on the NYSE American Exchange under the symbol "CDOR".

TRANSFER AGENT

American Stock Transfer and Trust Company, LLC
6201 15th Avenue
Brooklyn, NY 11219
Phone: (800) 937-5449
www.amstock.com

INVESTOR RELATIONS CONTACT

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Interim Chief Financial Officer and Chief Accounting Officer
1800 West Pasewalk Avenue
Suite 120
Norfolk, NE 68701
Phone: (301) 861-3305
Email: investors@trustcondor.com

FORM 10-K

Additional copies of the Company's 2019 Annual Report on Form 10-K, as filed with the SEC, are available on the Company's website or in print by contacting Investor Relations:
1800 West Pasewalk Avenue
Suite 120
Norfolk, NE 68701
Phone: (301) 861-3305
Email: investors@trustcondor.com

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

KPMG LLP
1676 International Drive
McLean, VA 22102



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