4800 Montgomery Lane
Suite 220
Bethesda, MD 20814
(301) 861-3305 T
(402) 371-4229 F
www.condorhospitality.com

Reconciliation of Non-GAAP Financial Measures (Unaudited)

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"), Adjusted EBITDA, 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

The following table reconciles net earnings (loss) to FFO and AFFO for the three months ended March 31, 2017 and 2016 (in thousands). All amounts presented include both continuing and discontinued operations as well as our portion of the results of our unconsolidated Atlanta JV.

	Three months ended March 31,	
Reconciliation of Net earnings (loss) to FFO and AFFO	**2017**	**2016**
Net earnings (loss)	$ (2,400)	$ 7,687
Depreciation and amortization expense	1,051	1,409
Depreciation and amortization expense from JV	411	-
Net loss (gain) on disposition of assets	3	(4,048)
Net loss on disposition of assets from JV	1	-
Impairment loss, net	271	793
FFO	(663)	5,841
Dividends declared and undeclared and in kind dividends deemed on preferred stock	(11,603)	(17,740)
FFO attributable to common shares and partnership units	(12,266)	(11,899)
Net gain on derivatives and convertible debt	(175)	(6,117)
Acquisition and terminated transactions expense	502	94
Equity transactions expense	343	-
AFFO attributable to common shares and partnership units	$ (11,596)	$ (17,922)

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 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 partnership units, which is FFO excluding preferred stock dividends. AFFO is FFO attributable to common shares and partnership units adjusted to exclude items we do not believe are representative of the results from our core operations, such as non-cash gains or losses on derivative liabilities and convertible debt and cash charges for acquisition and equity transaction 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 and AFFO to be useful additional measures of performance for an equity REIT because they facilitate 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 and AFFO provide a meaningful indication of our performance.

EBITDA, Adjusted EBITDA, and Hotel EBITDA

The following table reconciles net earnings (loss) to EBITDA, Adjusted EBITDA, and Hotel EBITDA for the three months ended March 31, 2017 and 2016 (in thousands). All amounts presented include both continuing and discontinued operations as well as our portion of the results of our unconsolidated Atlanta JV

Reconciliation of Net earnings (loss) to EBITDA, Adjusted EBITDA, and Hotel EBITDA	**Three months ended March 31, 2017**	**2016**
Net earnings (loss)	$ (2,400)	$ 7,687
Interest expense	971	1,334
Interest expense from JV	605	-
Loss on debt extinguishment	800	173
Income tax expense	-	-
Depreciation and amortization expense	1,051	1,409
Depreciation and amortization expense from JV	411	-
EBITDA	1,438	10,603
Net loss (gain) on disposition of assets	3	(4,048)
Net loss on disposition of assets from JV	1	-
Impairment loss, net	271	793
Net gain on derivatives and convertible debt	(175)	(6,117)
Acquisition and terminated transactions expense	502	94
Equity transactions expense	343	-
Adjusted EBITDA	2,383	1,325
General and administrative expense	1,492	1,448
Other expense, net	1	21
Unallocated hotel and property operations expense	132	116
Hotel EBITDA	$ 4,008	$ 2,910
Revenue	$ 10,361	$ 12,509
JV revenue	2,989	-
Condor and JV revenue	$ 13,350	$ 12,509
Hotel EBITDA as a percentage of revenue	30%	23%

We calculate EBITDA and Adjusted EBITDA by adding back to net earnings 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 interest expense, loss on debt extinguishment, income tax expense, and depreciation and amortization expense. In calculating Adjusted EBITDA, we adjust EBITDA to add back net gain/loss on disposition of assets, acquisition and terminated transactions expense, and terminated equity transactions expense, which are cash charges. We also add back impairment and gain or loss on derivatives and convertible debt, which are non-cash charges. EBITDA and Adjusted EBITDA, as presented, may not be comparable to similarly titled measures of other companies.

We believe EBITDA and Adjusted EBITDA 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 EBITDA to calculate Hotel EBITDA. Hotel EBITDA is similar to the non-GAAP measure of Property Operating Income ("POI") presented in filings prior to the September 30, 2016 Form 10-Q except that Hotel EBITDA also excludes the unallocated hotel and property operations expenses previously included in POI. 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.