Section 1: 10-Q (10-Q)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the Quarterly Period Ended September 30, 2020

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	**52-1889548**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification Number)

1800 West Pasewalk Avenue, Ste. 120, Norfolk, NE
(Address of principal executive offices)
Telephone number: (301) 861-3305

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, par value $0.01 per share	CDOR	NYSE American

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

Indicate by check mark whether the registrant has submitted electronically 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 ☒ NO ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or an emerging growth company. See definitions of "large accelerated file," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12-b2 of the Exchange Act.

Large accelerated filer ☐	Accelerated filer ☐
Non-accelerated filer ☒	Small reporting company ☒
	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 YES ☐ NO ☐

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

As of November 5, 2020 there were 12,015,686 shares of common stock, par value $.01 per share, outstanding.

Condor Hospitality Trust, Inc. and Subsidiaries
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PART I. FINANCIAL INFORMATION

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

	As of	
	September 30, 2020	**December 31, 2019**
Assets		
Investment in hotel properties, net	$ 268,328	$ 222,063
Investment in unconsolidated joint venture	-	4,244
Cash and cash equivalents	3,297	2,584
Restricted cash, property escrows	6,081	5,811
Accounts receivable, net	966	1,099
Prepaid expenses and other assets	1,604	1,118
Derivative assets, at fair value	-	22
Total Assets	$ 280,276	$ 236,941
Liabilities and Equity		
Liabilities		
Accounts payable, accrued expenses, and other liabilities	$ 8,280	$ 5,523
Dividends and distributions payable	603	145
Land option liability	8,497	-
Derivative liabilities, at fair value	1,009	366
Convertible debt, at fair value	1,025	1,080
Long-term debt, net of deferred financing costs	179,315	134,001
Total Liabilities	198,729	141,115
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 $9,853 and $9,395	10,050	10,050
Common stock, $.01 par value, 200,000,000 shares authorized; 12,007,712 and 11,993,608 shares outstanding	120	120
Additional paid-in capital	233,400	233,189
Accumulated deficit	(162,067)	(147,582)
Total Shareholders' Equity	81,503	95,777
Noncontrolling interest in consolidated partnership (Condor Hospitality Limited Partnership), redemption value of $11 and $47	44	49
Total Equity	81,547	95,826
Total Liabilities and Equity	$ 280,276	$ 236,941

See accompanying notes to consolidated financial statements.

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

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Revenue				
Room rentals and other hotel services	$ 8,841	$ 14,666	$ 26,879	$ 46,746
Operating Expenses				
Hotel and property operations	7,334	9,718	22,238	29,266
Depreciation and amortization	2,780	2,405	8,267	7,161
General and administrative	894	1,210	3,101	4,445
Acquisition and terminated transactions	-	1	-	15
Strategic alternatives, net	636	1,052	860	1,886
Total operating expenses	11,644	14,386	34,466	42,773
Operating income (loss)	(2,803)	280	(7,587)	3,973
Net gain (loss) on disposition of assets	(3)	(14)	(13)	9
Equity in earnings (loss) of joint venture	-	(84)	80	595
Net gain (loss) on derivatives and convertible debt	131	(223)	(609)	(916)
Other expense, net	(4)	(27)	(90)	(80)
Interest expense	(2,103)	(1,912)	(6,153)	(6,169)
Loss before income taxes	(4,782)	(1,980)	(14,372)	(2,588)
Income tax benefit (expense)	(27)	(8)	340	(655)
Net loss	(4,809)	(1,988)	(14,032)	(3,243)
Loss attributable to noncontrolling interest	2	10	5	17
Net loss attributable to controlling interests	(4,807)	(1,978)	(14,027)	(3,226)
Dividends declared and undeclared on preferred stock	(169)	(145)	(458)	(434)
Net loss attributable to common shareholders	$ (4,976)	$ (2,123)	$ (14,485)	$ (3,660)
Earnings (Loss) per Share				
Total - Basic Earnings (Loss) per Share	$ (0.42)	$ (0.18)	$ (1.21)	$ (0.31)
Total - Diluted Earnings (Loss) per Share	$ (0.42)	$ (0.18)	$ (1.21)	$ (0.31)

See accompanying notes to consolidated financial statements.

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

	Three months ended September 30, 2019								
	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
Balance at June 30, 2019	925	$ 10,050	11,911	$ 119	$ 232,405	$ (141,154)	$ 101,420	$ 771	$102,191
Stock-based compensation	-	-	4	-	126	-	126	-	126
Dividends and distributions undeclared									
Series E Preferred	-	-	-	-	-	(145)	(145)	-	(145)
Redemption of common units	-	-	2	-	96	-	96	(96)	-
Net loss	-	-	-	-	-	(1,978)	(1,978)	(10)	(1,988)
Balance at September 30, 2019	925	$ 10,050	11,917	$ 119	$ 232,627	$ (143,277)	$ 99,519	$ 665	$100,184

	Three months ended September 30, 2020								
	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
Balance at June 30, 2020	925	$ 10,050	12,003	$ 120	$ 233,335	$ (157,091)	$ 86,414	$ 46	$86,460
Stock-based compensation	-	-	5	-	65	-	65	-	65
Dividends and distributions undeclared									
Series E Preferred	-	-	-	-	-	(169)	(169)	-	(169)
Net loss	-	-	-	-	-	(4,807)	(4,807)	(2)	(4,809)
Balance at September 30, 2020	925	$ 10,050	12,008	$ 120	$ 233,400	$ (162,067)	$ 81,503	$ 44	$81,547

See accompanying notes to consolidated financial statements.

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

	Nine months ended September 30, 2019								
	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
Balance at December 31, 2018	925	$ 10,050	11,886	$ 119	$ 231,805	$ (134,970)	$ 107,004	$ 848	$ 107,852
Stock-based compensation	-	-	29	-	720	-	720	-	720
Dividends and distributions declared and undeclared									
Common Stock ($0.39 per share)	-	-	-	-	-	(4,647)	(4,647)	-	(4,647)
Series E Preferred Stock	-	-	-	-	-	(434)	(434)	-	(434)
Common Units ($0.0075 per unit)	-	-	-	-	-	-	-	(22)	(22)
Redemption of common units	-	-	2	-	102	-	102	(144)	(42)
Net loss	-	-	-	-	-	(3,226)	(3,226)	(17)	(3,243)
Balance at September 30, 2019	925	$ 10,050	11,917	$ 119	$ 232,627	$ (143,277)	$ 99,519	$ 665	$100,184

	Nine months ended September 30, 2020								
	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
Balance at December 31, 2019	925	$ 10,050	11,994	$ 120	$ 233,189	$ (147,582)	$ 95,777	$ 49	$ 95,826
Stock-based compensation	-	-	14	-	211	-	211	-	211
Dividends and distributions undeclared									
Series E Preferred	-	-	-	-	-	(458)	(458)	-	(458)
Net loss	-	-	-	-	-	(14,027)	(14,027)	(5)	(14,032)
Balance at September 30, 2020	925	$ 10,050	12,008	$ 120	$ 233,400	$ (162,067)	$ 81,503	$ 44	$ 81,547

See accompanying notes to consolidated financial statements.

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

	Nine months ended September 30,	
	2020	**2019**
Cash flows from operating activities:		
Net loss	$ (14,032)	$ (3,243)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization expense	8,267	7,161
Net (gain) loss on disposition of assets	13	(9)
Net loss on derivatives and convertible debt	609	916
Equity in earnings of joint venture	(80)	(595)
Distributions from cumulative earnings of joint venture	-	170
Amortization of deferred financing costs	829	981
Stock-based compensation expense	236	901
Provision / benefit for deferred taxes	(421)	613
Changes in operating assets and liabilities:		
(Increase) decrease in assets	(162)	477
Increase in liabilities	2,469	2,233
Net cash provided by (used in) operating activities	(2,272)	9,605
Cash flows from investing activities:		
Additions to hotel properties	(414)	(1,229)
Distributions in excess of cumulative earnings from joint venture	480	1,643
Hotel acquisitions, net of cash acquired	(7,193)	-
Net proceeds from sale of hotel assets	2	4,186
Net cash provided by (used in) investing activities	(7,125)	4,600
Cash flows from financing activities:		
Deferred financing costs	(480)	(415)
Proceeds from long-term debt	45,763	1,500
Principal payments on long-term debt	(34,878)	(4,979)
Redemption of common units	-	(42)
Tax withholdings on stock compensation	(25)	(181)
Cash dividends paid to common shareholders	-	(6,965)
Cash dividends paid to common unit holders	-	(34)
Cash dividends paid to preferred shareholders	-	(289)
Other items	-	(4)
Net cash provided by (used in) financing activities	10,380	(11,409)
Increase in cash, cash equivalents, and restricted cash	983	2,796
Cash, cash equivalents, and restricted cash beginning of period	8,395	9,156
Cash, cash equivalents, and restricted cash end of period	$ 9,378	$ 11,952
Supplemental cash flow information:		
Interest paid	$ 4,852	$ 5,197
Income taxes paid, net of refunds	$ 119	$ 67
Schedule of noncash investing and financing activities:		
Debt assumed in acquisition	$ 34,080	$ -
Increase in accrued liabilities related to insurance premium financing agreement	$ 516	$ 253
Land option liability in acquisition	$ 8,497	$ -

See accompanying notes to consolidated financial statements.

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Business

Condor Hospitality Trust, Inc. ("Condor"), a Maryland corporation, 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 September 30, 2020, the Company owned 15 hotels in eight states. References to the "Company", "we," "our," and "us" herein refer to Condor Hospitality Trust, Inc., including, as the context requires, its 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"), for which we serve as general partner. The operating partnership, including its various subsidiaries, 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 September 30, 2020, 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 annually.

Basis of Presentation

The consolidated financial statements have been prepared in accordance with U.S. generally 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.

We evaluate each of our investments and contractual relationships to determine whether they meet the guidelines for consolidation. Entities are consolidated if the determination is made that we are the primary beneficiary in a variable interest entity ("VIE") or we maintain control of the asset through our voting interest or other rights in the operation of the entity. The Company has concluded that our operating partnership meets the criteria to be considered a VIE of which the Company is the primary beneficiary and, accordingly, the Company consolidates the operating partnership. The Company's sole significant asset is its investment in the operating partnership, and consequently, substantially all of the Company's assets and liabilities represent those assets and liabilities of the operating partnership. All of the Company's debt is an obligation of the operating partnership.

The accompanying unaudited consolidated financial statements have been prepared in accordance with U.S. GAAP for interim financial information and with the general instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and notes required by U.S. GAAP for complete financial statements. These unaudited consolidated financial statements include all adjustments considered necessary for a fair presentation of the consolidated financial statements for the periods presented. Interim results are not necessarily indicative of full-year performance for the year ending December 31, 2020 or any future period. These consolidated financial statements should be read in conjunction with the audited consolidated financial statements and accompanying notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2019.

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

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

As a result of the above factors, the Company is taking actions at the corporate and hotel level, including, but not limited to:

- Amending its secured credit facility with KeyBank National Association and the other lenders party thereto (the "credit facility") on March 30, 2020 and November 16, 2020 to provide extension options out to March 1, 2022, provide waivers / modifications of certain covenants, and establish interest reserves for near term debt service payments as necessary (see further discussion of the Sixth and Eighth Amendments to the credit facility in Note 6).
- Asset management working with hotel management companies to reduce all hotels operating expenses including, but not limited to, closing off multiple floors, staffing reductions and furloughs, utility consumption reductions, purchasing reductions and eliminations, contract services reductions and eliminations, food services closures, exercise facilities closures, and certain reduction and elimination of certain marketing expenditures.
- Seeking potential alternative revenue sources through health care providers, government agencies, universities and airlines.
- Obtaining Paycheck Protection Program ("PPP") loans authorized under the recently congressionally approved Coronavirus Aid, Relief, and Economic Security ("CARES") Act totaling $2,299 (see Note 6).
- Seeking potential recovery of certain losses through insurance coverage.
- Pursuing corporate cost reductions, including staffing reductions, resulting in an approximately 30% decrease in non-consulting expenses compared to historical operations.
- With its credit facility amended, representing approximately 72% of Condor's debt, Condor approached its remaining lenders for various modifications. Two lenders representing approximately 22% of Condor's debt have agreed (see Note 6).
- Capital improvement projects have been suspended except for emergency circumstances and will remain on hold for immediate future, with the potential for the suspension to continue through 2020.
- The Company determined that it was advisable and the best business practice to cause a temporary closure of two of its hotels, the Solomons Hilton Garden Inn on April 20, 2020 and the Leawood Aloft on April 9,

2020. These hotels were both reopened on July 1, 2020 and no other hotel closures have been deemed necessary at this time.

While we cannot assure you that that the assumptions used to estimate our future liquidity will be correct, the Company believes it can generate the liquidity required to operate through the crisis through a combination of the continued operation of our portfolio with significant cost reduction measures in place, the proceeds from the termination of the Merger Agreement (see Note 16), and, if necessary, additional debt and equity financings. However, there can be no assurance that the Company will be able to obtain such financing on acceptable terms or at all.

Additionally, although the Company was in compliance with, or obtained waivers with respect to, all its debt covenants as of September 30, 2020, management has determined that the Company may violate certain financial covenants under its debt agreements within the next twelve months if covenant waivers or amendments are not obtained. If the Company were to violate one or more financial covenants, the lenders could declare the Company in default and could accelerate the amounts due under a portion or all of the Company's outstanding debt. The Company believes it will receive such waivers or amendments before any covenants are violated. However, any waivers or amendments would be granted at the sole discretion of the lenders, and there can be no assurance that the Company will be able to obtain such waivers or amendments.

Based on a combination of these factors and the guidance in U.S. GAAP that requires that, in making this determination for the one year period following the date of the financial statements, the Company cannot consider future fundraising activities or the likelihood of obtaining covenant waivers or amendments, all of which are outside of the Company's sole control, the Company has determined that there is substantial doubt about the Company's ability to continue as a going concern for the one year period after the date the financial statements are issued. Management believes it will obtain required waivers or amendments from its lenders before any covenants are violated given that conditions are not exclusive to the Company and based on the actions of lenders thus far in this crisis, including waivers or amendments already granted to the Company. However, there can be no assurance that the Company will be able to obtain waivers or amendments on acceptable terms or at all. The consolidated financial statements have been prepared assuming that the Company will continue as a going concern and do not include any adjustments that might result from the outcome of this uncertainty.

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. We concluded that the Company's purchase of the remaining 20% of the joint venture that owns the Atlanta Aloft property (the "Atlanta JV"), completed in the first quarter of 2020, was the acquisition of assets and as such acquisition costs were capitalized as part of this transaction (see Note 3).

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. In the evaluation of impairment of its hotel properties, the Company makes many assumptions and estimates including projected cash flows both from operations and eventual disposition, expected useful life and holding period, future required capital expenditures, and terminal capitalization rates. 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 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, prior to our acquisition of the remaining 20% interest in the Atlanta JV (see Note 3), allocations of the profits and losses of our Atlanta JV were potentially allocated disproportionately to nominal ownership percentages due to specified preferred return rate thresholds.

Distributions received from a joint venture are classified in the consolidated statements of cash flows using the cumulative distributions 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 and Discontinued Operations

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 prior to that balance sheet date, 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.

Only disposals representing a strategic shift in operations that have a major effect on an entity's operations and financial results are presented as discontinued operations. The disposition completed in 2019 did not meet this definition, and we anticipate that most of our hotel dispositions will not be classified as discontinued operations as most will not fit this definition.

At the end of each reporting period, if the fair value of a 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 decision not to sell.

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 costs which approximates fair value.

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

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.

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:

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Rooms	$ 8,385	$ 13,798	$ 25,400	$ 44,413
Food and beverage	105	318	569	1,073
Other	351	550	910	1,260
Total revenue	$ 8,841	$ 14,666	$ 26,879	$ 46,746

Income Taxes

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, an entity 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. 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 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 the 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.

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 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 are 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).

Recently Adopted Accounting Standards

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.

NOTE 2. INVESTMENT IN HOTEL PROPERTIES

Investment in hotel properties consisted of the following at September 30, 2020 and December 31, 2019:

	As of	
	September 30, 2020	December 31, 2019
Land	$ 34,929	$ 20,200
Buildings, improvements, vehicle	244,056	206,971
Furniture and equipment	24,591	21,805
Initial franchise fees	1,784	1,784
Construction-in-progress	13	100
Right of use asset	67	80
Investment in hotel properties	305,440	250,940
Less accumulated depreciation	(37,112)	(28,877)
Investment in hotel properties, net	$ 268,328	$ 222,063

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. 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 rate was 5.2% at September 30, 2020. 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 6.4 years at September 30, 2020.

As of September 30, 2020, the Company's right-of-use assets, net of $67 are included in investment in hotel properties, net and its related lease liabilities of $67 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

On February 14, 2020, the Company purchased the remaining 20% interest in the Atlanta JV from our joint venture partner (see detailed description of the Atlanta JV in Note 4) for $7,300 as allowed by the purchase option included in the original joint venture agreements. The $7,300 was funded from the Company's credit facility, and the Company became the primary obligator on the $34,080 New Term Loan (as defined in Note 4) as part of the transaction. As the Atlanta JV was previously accounted for under the equity method and the acquisition was considered the acquisition of assets, the liabilities assumed as part of the transaction were recorded at fair value while the assets purchased in the transaction were recorded based on a pro-rata fair value allocation of the total available basis, which included the fair value of liabilities assumed, the cash purchase price paid, the balance of the investment in the unconsolidated joint venture at the time of the acquisition, and the acquisition costs incurred. The purchase was recognized as follows:

Cash purchase price	$	7,300
Investment in unconsolidated joint venture		3,844
Acquisition costs		122
Total investment in net assets	$	11,266
Cash	$	125
Working capital		(462)
Land		14,728
Buildings, improvements, and vehicle		37,020
Furniture and equipment		2,432
Debt assumed at acquisition		(34,080)
Land option liability (1)		(8,497)
Total allocation to net assets	$	11,266

(1) The purchase agreement includes a provision which permits the seller to purchase the surface parking lot north of the hotel exercisable for approximately seven years at less than market rates.

Included in the consolidated statements of operations for the three and nine months ended September 30, 2020 are total revenues of $1,125 and $2,485, respectively, and total operating losses of $393 and $1,254 respectively, related to the results of operations for Atlanta Aloft hotel since the date of its acquisition.

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

NOTE 4. INVESTMENT IN UNCONSOLIDATED JOINT VENTURE

On August 1, 2016, the Company entered into a joint venture, the Atlanta JV, with Three Wall Capital LLC and certain of its affiliates ("TWC") to acquire an Aloft hotel in downtown Atlanta, Georgia. The Atlanta Aloft acquisition had a total purchase price of $43,550 and closed on August 22, 2016. Prior to the purchase of the remaining interest in the Atlanta JV on February 14, 2020 (see Note 3), the Company accounted for the Atlanta JV under the equity method. Condor owned 80% of the Atlanta JV with TWC owning the remaining 20%. The Atlanta JV was comprised of two companies: Spring Street Hotel Property II LLC, of which the operating partnership indirectly owned an 80% equity interest, and Spring Street Hotel OpCo II LLC, of which our TRS indirectly owned an 80% equity interest. TWC owned the remaining 20% equity interest in these two companies.

The purchase was partially funded with a $33,750 term loan secured by the property. 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 original term loan, which was terminated following the repayment. The New Term Loan was included in full on the balance sheet of the Atlanta JV prior to the acquisition of the remaining interest by the Company in 2020.

The New Term Loan matured upon the earlier to occur of (a) consummation of the merger under the Merger Agreement (see Note 1) and (b) May 8, 2020. The New Term Loan was refinanced in May 2020 (see Note 6). The New Term Loan bore interest, at the Borrower's option, at either LIBOR plus 2.25% or a base rate plus 1.25%. The New Term Loan required monthly interest payments and principal is due on the maturity date. The Borrowers could, 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 New Term Loan was 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 was guaranteed by the Company and certain of its subsidiaries.

Under the Atlanta JV agreement, the Atlanta JV was managed by TWC in accordance with business plans and budgets approved by both partners. Major decisions as detailed in the agreement also required joint approval. Condor could remove TWC as manager of the Atlanta JV and appoint a new manager only upon the occurrence of certain events. The Atlanta Aloft hotel was managed by Boast Hotel Management Company LLC ("Boast"), an affiliate of TWC. The Atlanta JV paid to Boast total management fees of $61 during the first quarter of 2020 and paid management fees of $91 and $303 for the three and nine months ended September 30, 2019, respectively. The management of the Atlanta Aloft hotel was moved to Aimbridge Hospitality on March 1, 2020 following the acquisition of the remaining interest in the Atlanta JV by Condor.

Net cash flow from the Atlanta JV was distributed each quarter first with a 10% annual preferred return on capital contributions to Condor, second with a 10% annual preferred return on capital contributions to TWC, and third with any remainder distributed to the partners based on their pro-rata equity ownership. Profits were allocated in the same proportion as net cash flow. Losses were allocated based on pro-rata equity ownership. Cash distributions totaling $480 were received from the Atlanta JV in the first quarter of 2020 prior to its acquisition by Condor, and cash distributions totaling $960 and $1,813, were received in the three and nine months ended September 30, 2019, respectively.

The Atlanta JV agreement also included buy-sell rights for both members (generally after three years of hotel ownership for Condor and after five years for TWC) and Condor had a purchase option for TWC's Atlanta JV ownership interest exercisable between the third and fifth anniversary of the hotel closing.

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

	As of December 31, 2019
Investment in hotel properties, net	$ 45,547
Cash and cash equivalents	661
Accounts receivable, prepaid expenses, and other assets	279
Total Assets	$ 46,487
Accounts payable, accrued expenses, and other liabilities	$ 1,026
Land option liability	6,190
Long-term debt, net of deferred financing costs	33,966
Total Liabilities	41,182
Condor equity	4,244
TWC equity	1,061
Total Equity	5,305
Total Liabilities and Equity	$ 46,487

The table below provides the components of net earnings, including the Company's share of the Atlanta JV, for the first quarter of 2020 prior to its acquisition by the Company and for the three and nine months ended September 30, 2019.

	For the period of January 1 to February 14,	Three months ended September 30,	Nine months ended September 30,
	2020	2019	2019
Revenue			
Room rentals and other hotel services	$ 1,522	$ 3,057	$ 10,115
Operating Expenses			
Hotel and property operations	960	1,943	6,020
Depreciation and amortization	181	374	1,119
Total operating expenses	1,141	2,317	7,139
Operating income	381	740	2,976
Net loss on disposition of assets	-	(2)	(2)
Net loss on derivative	-	-	(1)
Interest expense	(281)	(671)	(2,057)
Loss on extinguishment of debt	-	(172)	(172)
Net earnings	$ 100	$ (105)	$ 744
Condor allocated earnings	$ 80	$ (84)	$ 595
TWC allocated earnings	20	(21)	149
Net earnings	$ 100	$ (105)	$ 744

NOTE 5. DISPOSITIONS OF HOTEL PROPERTIES

As of September 30, 2020 and December 31, 2019, the Company had no hotels classified as held for sale.

During the three and nine months ended September 30, 2020 and the three months ended September 30, 2019, the Company sold no hotels. During the nine months ended September 30, 2019, the Company sold one hotel resulting in a total gain of $62.

NOTE 6. LONG-TERM DEBT

On February 14, 2020, with the purchase of the remaining interest in the Atlanta JV (see Note 3), the Company became the primary obligator on the New Term Loan and drew an additional $7,300 under its credit facility with KeyBank to fund the transaction. The New Term Loan was refinanced on May 13, 2020 with the Seventh Amendment to its credit facility with KeyBank as subsequently discussed.

On March 30, 2020, the Company entered into a Sixth Amendment to its credit facility with KeyBank which, among other things, made the following changes to the credit facility:

- Sets the size of the credit facility at $102,000 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) with the satisfaction of certain conditions, including payment of extension fees, no defaults existing, delivery of evidence of pro forma compliance with financial covenants and delivery of updated appraisals.
- 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 Earnings Before Interest, Taxes, Depreciation, and Amortization ("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%.
- Provides for an interest reserve account, which was funded with $1,720 on March 30, 2020. The funds are available to make interest payments under the credit facility upon the satisfaction of certain conditions, including if the Company's unrestricted cash balance is less than $1,500. The entirety of this reserve account was used to make interest payments prior to September 30, 2020.

On March 30, 2020, the Company entered into an agreement with Great Western Bank to defer the monthly principal and interest payments due under that loan on April 1, 2020, May 1, 2020, and June 1, 2020 until the loan's maturity date in December 2021.

On April 4, 2020 and April 11, 2020, the Company obtained three PPP loans totaling $2,299 that are recognized as long-term debt. Management expects that the entire amount of the loans will be used for payroll, utilities and interest, and therefore, management anticipates that the loans will be substantially forgiven. To the extent that they are not forgiven, the Company would be required to repay that portion at an interest rate of 1% over a period of two years with first installments beginning in December 2020.

On May 12, 2020, the Company entered into an amendment to its loan agreement with Wells Fargo Bank which, among other things:

- Suspends principal payments under the loan agreement until October 2020.
- Suspends measurement of the debt yield for purposes of determining if a cash trap has occurred under the loan agreement until February 1, 2021.
- Suspends payments to the monthly furniture, fixtures, and equipment ("FF&E") reserve under the loan agreement until November 2020.
- Permits the withdrawal of $650 from the FF&E reserve under the loan agreement between May 2020 and September 2020 to pay operating expenses of the borrowers thereunder, all of which was withdrawn for this purpose prior to September 30, 2020.
- Provides for the allocation of 50% of the excess cash flow of the borrowers thereunder to the FF&E reserve starting in January 2021 and continuing until the FF&E reserve is replenished with $923.
- Suspends the ability of the borrowers thereunder to make dividends and other distributions until the FF&E reserve is replenished.

On May 13, 2020, the Company entered into the Seventh Amendment to its credit facility with KeyBank which, among other things:

- Increases the commitments under the credit facility from $102,000 to $136,080 and provides for an additional advance in order to refinance the New Term Loan related to the Aloft hotel located in downtown Atlanta, Georgia. At the closing of the amendment, the Company borrowed $34,080 under the credit facility to repay the New Term Loan and the hotel was added to the collateral pool of hotels securing the credit facility.
- Increases the floor to LIBOR for purposes of calculating the applicable interest rate under the credit facility from 0.25% to 0.50%.

On May 13, 2020, the Company entered into an amendment to its loan agreement with Great Western Bank which, among other things, provides for the following modifications to the debt service coverage ratio covenant for the Leawood, Kansas Aloft collateral:

- Reduces the pre-distribution covenant from 1.35x to 1.00x for March 31, 2021 and June 30, 2021;
- Reduces the post-distribution covenant from 1.05x to 1.00x for March 31, 2021 and June 30, 2021; and
- Provides for the use of annualized results for purposes of measuring the covenants through March 31, 2021.

On July 20, 2020, the Company entered into an agreement with Great Western Bank to defer the monthly principal and interest payments due under that loan on July 1, 2020, August 1, 2020, and September 1, 2020 until the loan's maturity date in December 2021.

Subsequent to the end of the quarter, on November 16, 2020, the Company entered into the Eighth Amendment to its credit facility with KeyBank which extends the initial testing date for the financial covenants on debt yield and fixed charge coverage ratio to November 30, 2020.

Long-term debt related to wholly owned properties, including debt related to hotel properties held for sale, consisted of the following loans payable at September 30, 2020 and December 31, 2019:

Lender	Balance at September 30, 2020	Interest rate at September 30, 2020	Maturity	Amortization provision	Properties encumbered at September 30, 2020	Balance at December 31, 2019
Fixed rate debt						
Morgan Stanley Bank of America Merrill Lynch Trust 2014-C18	$ 8,501	4.54%	08/2024	25 years	1	$ 8,639
Great Western Bank (1)	13,199	4.33%	12/2021 (5)	25 years	1	13,290
Great Western Bank (1)	915	4.33%	12/2021 (5)	7 years	-	971
Paycheck Protection Program (8)	2,299	1.00%	05/2022	(8)	-	-
Total fixed rate debt	24,914					22,900
Variable rate debt						
Wells Fargo	25,463	2.55% (2)	11/2022 (6)	30 years	3	25,612
KeyBank credit facility (3)	129,945	3.75% (4)	4/2021 (7)	Interest only	10	86,845
Total variable rate debt	155,408				15	112,457
Total long-term debt	$ 180,322					$ 135,357
Less: Deferred financing costs	(1,007)					(1,356)
Total long-term debt, net of deferred financing costs	$ 179,315					$ 134,001

(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) Prior to March 30, 2020, the $150,000 credit facility included 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 was based on a borrowing base formula for the pool of hotel properties securing the facility. The commitment fee on the unused facility was 0.20%. The Sixth and Seventh Amendments to the credit

facility, as discussed above, modified this availability to set the size of the facility at $136,080 with no ability to reborrow under the facility in the future without lender approval.
(4) Prior to March 30, 2020, borrowings under the facility accrued 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). On March 30, 2020, these terms were modified with the Sixth Amendment to the credit facility, as discussed above, to increase the interest rate to LIBOR (with a floor of 0.25%) plus 3.25% or a base rate plus 2.25%, with further increases to interest rate spreads of 0.25% at six month intervals. On May 13, 2020, with the Seventh Amendment to the credit facility, as discussed above, the LIBOR floor was increased to 0.50%. The 30-day LIBOR for $30,000 notional capped at 3.35% after giving effect to market rate cap (see Note 8).
(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) With the signing of the Sixth Amendment to the credit facility, as discussed above, two extension options (six months and five months) are available subject to the satisfaction of certain conditions.
(8) The PPP loans are made up of three separate loans received in April 2020. Monthly payments totaling $121 are scheduled to begin December 2020 if the loan or a portion of it is not forgiven.

Aggregate annual principal payments on debt for the remainder of 2020 and thereafter are as follows:

		Total
Remainder of 2020	$	305
2021		146,120
2022		25,844
2023		214
2024		7,839
Thereafter		-
Total	$	180,322

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 November 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 1.50 to 1 as of the end of the fiscal period ending November 30, 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.

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.

As a result of the actual and anticipated impact of the COVID-19 virus on the hotel industry generally, (a) 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 September 30, 2020 and (b) the Company and certain of its other lenders have modified various financial covenants for September 30, 2020, December 31, 2020, March 31, 2021, and June 30, 2021 (by suspending measurements, providing for lower covenants, and/or using annualized results).

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 September 30, 2020, we are not in default of any of our loans.

NOTE 7. CONVERTIBLE DEBT AT FAIR VALUE

As part of an Exchange Agreement entered into on March 16, 2016 with Real Estate Strategies, L.P. ("RES", which also includes affiliated entities), 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. The Note is convertible directly into 97,269 shares of common stock at any time at the option of RES or automatically when the 6.25% Series E Cumulative Convertible Preferred Stock (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. Pursuant to the terms of the Note, interest payments are suspended and accumulate whenever dividends on the Series E Preferred Stock are unpaid and accumulate. At September 30, 2020, there was $65 accumulated and unpaid interest on the Note.

The Company has made an irrevocable election to record this convertible debt 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 $7 and ($127) during the three months ended September 30, 2020 and 2019, respectively, and $55 and ($199) during the nine months ended September 30, 2020 and 2019, 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. 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 September 30, 2020:

	Fair value as of September 30, 2020	Unpaid principal balance as of September 30, 2020	Fair value carrying amount over/(under) unpaid principal
6.25% Convertible Debt	$ 1,025	$ 1,012	$ 13

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 September 30, 2020, the Company's convertible debt (see Note 7) and certain derivative instruments were the only financial instruments measured in the financial statements at fair value on a recurring basis. Nonrecurring fair value measurements were utilized in the determination of the fair value of acquired property in 2020 (see Note 3), and in the valuation of the stock-based compensation grants (see Note 12). No impairments or recoveries of impairment were recognized during the three or nine months ended September 30, 2020 or 2019.

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 discounted expected future cash receipts and payments. Variable interest rates used in the calculation of projected receipts and payments on the positions are based on expectations 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 September 30, 2020 and December 31, 2019 are as follows:

Associated debt	Type	Terms	Effective Date	Maturity Date	Notional amount at September 30, 2020	Notional amount at December 31, 2019
Wells Fargo	Swap	Swaps 30-day LIBOR for fixed rate of 2.053%	11/2017	11/2022	$ 25,463 (1)	$ 25,612 (1)
Credit facility	Cap	Caps 30-day LIBOR at 3.35%	04/2019	10/2020	$ 30,000	$ 30,000

(1) Notional amount amortizes consistently with the principal amortization of the associated loan.

Additionally, 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 as such is treated as a separate derivative instrument.

All derivatives recognized by the Company are reported as derivative assets or liabilities on the consolidated 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 consolidated statements of operations. Net gains (losses) of $124 and ($96) for the three months ended September 30, 2020 and 2019, respectively, and ($664) and ($717) for the nine months ended September 30, 2020 and 2019, respectively, were recognized related to derivative instruments.

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 September 30, 2020	Level 1	Level 2	Level 3
Interest rate derivatives	$ (1,009)	$ -	$ (1,009)	$ -
Series E Preferred embedded redemption option	-	-	-	-
Convertible debt	(1,025)	-	-	(1,025)
Total	$ (2,034)	$ -	$ (1,009)	$ (1,025)

	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	$ (1,424)	$ -	$ (366)	$ (1,058)

There were no transfers between levels during the three or nine months ended September 30, 2020 or 2019.

The following table presents 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 consolidated statements of operations during the periods:

	Three months ended September 30,					
	2020			2019		
	Series E Preferred embedded redemption option	Convertible debt	Total	Series E Preferred embedded redemption option	Convertible debt	Total
Fair value, beginning of period	$ -	$ (1,032)	$ (1,032)	$ 398	$ (1,072)	$ (674)
Net gains (losses) recognized in earnings	-	7	7	30	(127)	(97)
Fair value, end of period	$ -	$ (1,025)	$ (1,025)	$ 428	$ (1,199)	$ (771)
Total unrealized gains (losses) during the period included in earnings related to instruments held at end of period	$ -	$ 7	$ 7	$ 30	$ (127)	$ (97)

	Nine months ended September 30,					
	2020			2019		
	Series E Preferred embedded redemption option	Convertible debt	Total	Series E Preferred embedded redemption option	Convertible debt	Total
Fair value, beginning of period	$ 22	$ (1,080)	$ (1,058)	$ 289	$ (1,000)	$ (711)
Net gains (losses) recognized in earnings	(22)	55	33	139	(199)	(60)
Fair value, end of period	$ -	$ (1,025)	$ (1,025)	$ 428	$ (1,199)	$ (771)
Total unrealized gains (losses) during the period included in earnings related to instruments held at end of period	$ (22)	$ 55	$ 33	$ 139	$ (199)	$ (60)

Fair Value of Long-Term 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 estimated fair value of the Company’s long-term debt are presented net of deferred financing costs in the table below:

	Carrying value as of		Estimated fair value as of	
	September 30, 2020	December 31, 2019	September 30, 2020	December 31, 2019
Total	$ 179,315	$ 134,001	$ 180,235	$ 134,288

NOTE 9. COMMON STOCK

The Company’s common stock is duly authorized, fully paid, and non-assessable.

NOTE 10. PREFERRED STOCK

The Company has 925,000 shares outstanding 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, additional dividends accrue at a rate of 9.50% per annum on the unpaid amount. 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. Under the Sixth Amendment to the credit facility, no cash dividends can be paid to common or preferred shareholders. As of September 30, 2020, there are $603 of accrued but unpaid dividends related to the Series E Preferred Stock not yet declared by the Board of Directors.

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 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 Condor, 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 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.

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.

NOTE 11. NONCONTROLLING INTEREST IN THE OPERATING PARTNERSHIP

Noncontrolling interest in the operating partnership represents the limited partners' proportionate share of the equity in the operating partnership. Earnings and loss are allocated to noncontrolling interest in accordance with the weighted average percentage ownership of the operating partnership during the period.

Our ownership interest in the operating partnership was 99.9% as of September 30, 2020 and December 31, 2019, with 219,183 common units owned by limited partners were outstanding at both dates. The total redemption value for the common units was $11 and $47 at September 30, 2020 and December 31, 2019, 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.

No common units were redeemed during the three and nine months ended September 30, 2020. During the three months ended September 30, 2019, 91,729 common units were converted into 1,765 shares of common

stock. Additionally, during the nine months ended September 30, 2019, an additional 259,685 common units were redeemed for cash totaling $42.

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 September 30, 2020, there were 490,886 common shares available for issuance under the 2016 Stock Plan.

Equity-based compensation is measured at the fair value of the award on the date of grant and recognized as an expense on a straight-line basis over the requisite service period. Stock-based compensation 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. The Company has elected to account for forfeitures of stock-based compensation as they occur.

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 nine months ended September 30, 2020 and 2019:

	For the Nine months ended September 30,			
	2020		2019	
	Shares	Weighted-average grant date fair value	Shares	Weighted-average grant date fair value
Unvested at December 31	46,682	$ 10.16	76,500	$ 10.48
Granted	3,648	$ 6.42	20,701	$ 8.33
Vested	(14,525)	$ 10.20	(45,001)	$ 9.89
Forfeited	(2,022)	$ 9.04	(1,407)	$ 9.23
Unvested at September 30	33,783	$ 9.81	50,793	$ 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 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. The total grant date fair value of this market based share award, including additional value assessed at the time of subsequent amendment of the award, was $1,380.

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. During the three and nine months ended September 30, 2020, as well as the three months ended September 30, 2019, there were no shares issued related to performance based share awards. During the nine months ended September 30, 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 grant.

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 also elect to receive a portion of their director fees in the form of shares of the Company's common stock.

A total of 6,918 and 3,976 shares during the three months ended September 30, 2020 and 2019, respectively, and 16,984 and 8,430 shares during the nine months ended September 30, 2020 and 2019, respectively, were issued to independent directors under the 2016 Stock Plan with respect to these fees.

Stock-Based Compensation Expense

The expense recognized in the consolidated financial statements for stock-based compensation related to employees and directors for the three months ended September 30, 2020 and 2019 was $70 and $141, respectively, and for the nine months ended September 30, 2020 and 2019 was $236 and $901, respectively, all of which is included in general and administrative expense. Total unrecognized compensation cost related to all awards at September 30, 2020 was $373, which is expected to be recognized over a weighted-average remaining service period of 1.9 years.

NOTE 13. INCOME TAXES

During the three months ended September 30, 2020 and 2019, income tax benefit (expense) totaling ($27) and ($8), respectively, was recognized primarily related to income (loss) earned by the TRS. During the nine months ended September 30, 2020 and 2019, income tax benefit (expense) totaled $340 and ($655), respectively. Management believes the combined federal and state income tax rate for the TRS will be approximately 24%.

After consideration of limitations related to a change in control as defined under Code Section 382, the TRS's net operating loss carryforward at September 30, 2020 as determined for federal income tax purposes was $6,850. The availability of the loss carryforwards will expire from 2027 through 2034, with an indefinite carryforward for losses arising after December 31, 2017. 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 believes that a full valuation allowance against the net deferred tax asset position was necessary at September 30, 2020, which requires a valuation allowance of $1,170 as of that date.

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:

	Three months ended September 30,		Nine months ended September 30,	
	2020	**2019**	**2020**	**2019**
Numerator: Basic				
Net loss attributable to common shareholders	$ (4,976)	$ (2,123)	$ (14,485)	$ (3,660)
Less: Allocation to participating securities	-	-	-	(28)
Net loss attributable to common shareholders, net of amount allocated to participating securities	$ (4,976)	$ (2,123)	$ (14,485)	$ (3,688)
Numerator: Diluted				
Net loss attributable to common shareholders, net of amount allocated to participating securities	$ (4,976)	$ (2,123)	$ (14,485)	$ (3,688)
Denominator				
Weighted average number of common shares - Basic and Diluted	11,971,793	11,862,204	11,961,700	11,842,746
Earnings (Loss) per Share				
Basic Earnings (Loss) per Share	$ (0.42)	$ (0.18)	$ (1.21)	$ (0.31)
Diluted Earnings (Loss) per Share	$ (0.42)	$ (0.18)	$ (1.21)	$ (0.31)

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:

	Three months ended September 30,		Nine months ended September 30,	
	2020	**2019**	**2020**	**2019**
Unvested restricted stock	36,485	52,847	40,231	67,149
Series E Preferred Stock	668,111	668,111	668,111	668,111
Convertible debt	97,269	97,269	97,269	97,269
Operating partnership common units [(1)]	4,215	57,740	4,215	59,190
Total potentially dilutive securities excluded from the denominator	806,080	875,967	809,826	891,719

(1) Common units of the operating partnership 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.

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 the 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 the 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 September 30, 2020 receives a base monthly management fee of 3.0% to 3.5% of hotel revenue, with incentives for performance, which increase such fee to a maximum of 5.0% of hotel revenue. Base management fees totaled $253 and $438, respectively, for the three months ended September 30, 2020 and 2019, and $794 and $1,384 for the nine months ended September 30, 2020 and 2019, respectively, all of which was included as hotel and property operations expense. Incentive management fees totaled $0 and $63, respectively, for the three months ended September 30, 2020 and 2019, and $0 and $140 for the nine months ended September 30, 2020 and 2019, 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, either with or without payment of a termination fee (depending on the agreement). The management agreements terminate with respect to a hotel upon sale of the hotel, subject to certain notice requirements.

Franchise Agreements

As of September 30, 2020, all of our 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 $657 and $1,130 for the three months ended September 30, 2020 and 2019, respectively, and $1,977 and $3,360 for the nine months ended September 30, 2020 and 2019, respectively, all of which was included as hotel and property operations expense.

The franchisor of two of our hotels advised us in 2019 that both of the 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 relevant franchise agreement. While the Company believes that it has corrected all deficiencies, the franchisor has informed us that they are not reassessing the accountability status of any properties the earliest July 2021.

Leases

The Company has no land lease agreements in place related to properties owned at September 30, 2020.

The Company entered into three new office lease agreements in 2016, replacing all existing office lease agreements. Each of these office leases expired in 2019 with space currently being rented month to month. Office lease expense totaled $4 and $39 in the three months ended September 30, 2020 and 2019, respectively, and $22 and $118 in the nine months ended September 30, 2020, 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,		
Remainder of 2020	$	5
2021		21
2022		20
2023		4
2024		4
Thereafter		25
Total lease payments	$	79
Less: Imputed interest		(12)
Present value of lease liabilities	$	67

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.

NOTE 16. SUBSEQUENT EVENTS

Termination and Settlement of Agreement and Plan of Merger

On September 18, 2020, the Company terminated the Agreement and Plan and Merger, dated July 19, 2019, as amended (the "Merger Agreement"), by and among the Company, Condor Hospitality Limited Partnership (the "Operating Partnership" and together with the Company, the "Company Parties"), NHT Operating Partnership, LLC ("Parent"), NHT REIT Merger Sub, LLC ("Merger Sub") and NHT Operating Partnership II, LLC ("Merger OP", and together with Parent and Merger Sub, the "Parent Parties"). Pursuant to the Merger Agreement, the Company was to be acquired by Parent in a merger transaction.

On March 15, 2020, the parties entered into an amendment of the Merger Agreement to extend the closing of the acquisition to March 23, 2020.

On March 22, 2020, pursuant to the Merger Agreement, the Company provided written notice to the Parent Parties that it stood ready, willing and able to close the transactions and would stand ready, willing and able to do so for at least three business days thereafter, as all conditions applicable to the Company Parties to be satisfied before closing were satisfied or previously waived and all conditions to be satisfied at closing were capable of being satisfied at closing. As previously announced, the closing of the acquisition did not occur on March 23, 2020, and had not occurred as of the time of the termination of the Merger Agreement by the Company.

The parties subsequently discussed, but did not enter into, potential amendments to the Merger Agreement to restructure the transaction. On September 18, 2020, the Company, pursuant to its rights under the Merger Agreement, provided written notice of termination of the Merger Agreement to the Parent Parties due to failure of the Parent to consummate the acquisition of the Company and for the Parent Parties' material breaches of the Merger Agreement.

On October 15, 2020, the Company announced that the Company Parties entered into a settlement agreement (the "Settlement Agreement") with NexPoint Advisors L.P. ("NexPoint Advisors"), NexPoint Hospitality Trust (TSVX: NHT) ("NHT"), and Parent Parties (NexPoint Advisors, NHT and Parent Parties collectively, the "NHT Parties"), following the Company's previously announced termination of the Merger Agreement.

Pursuant to the Settlement Agreement, the NHT Parties have agreed to make three payments to the Company totaling $7,000. The first payment of $2,250 was to be made within two business days of the execution of the Settlement Agreement (the "Initial Payment"), the second payment of $2,500 was to be made on or before October 30, 2020 (the "Second Payment") and the third payment of $2,250 is to be made on or before December 30, 2020 (the "Third Payment" and together with the Initial Payment and the Second Payment, the "Settlement Payments"). Upon timely payment of all of the Settlement Payments, the NHT Parties' settlement liability will be satisfied in full. In the event that any of the Settlement Payments are not timely made, in addition to the Settlement Payments, an amount of $4,925, together with an amount to cover the Company's fees and expenses related to the collection and enforcement of the Settlement Payments, will be owed to the Company. NHT, Parent, and certain affiliates of Parent have issued a promissory note to the Company evidencing their obligation to make these payments. In exchange for these payment obligations, the NHT Parties have been released from all claims or liabilities relating to the Merger Agreement. Pursuant to the Settlement Agreement, the Company Parties also have been released from all claims or liabilities relating to the Merger Agreement.

The Initial Payment was made on October 15, 2020 and the Second Payment on October 23, 2020.

Additionally, during the second quarter of 2020, the Company received nonrefundable cash of $500 from NHT Parties in connection with the then ongoing discussions concerning potential adjustments to restructure the transaction, which, in the event a transaction occurs, was to be credited against the acquisition purchase price. This deposit was recognized as a reduction of strategic alternatives expense, net upon the termination of the Merger Agreement on September 18, 2020.

Modification of KeyBank Credit Facility

On November 16, 2020, the Company entered into the Eighth Amendment to its credit facility with KeyBank as detailed in Note 6, *Long-Term Debt.*

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with our audited consolidated financial statements and Management's Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the year ended December 31, 2019 and our unaudited interim consolidated financial statements included in this Quarterly Report on Form 10-Q.

References to "we," "our," "us," and the "Company" refer to Condor Hospitality Trust, Inc., including, as the context requires, its direct and indirect subsidiaries.

Forward-Looking Statements

Certain information both included and incorporated by reference in this Form 10-Q 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.

Background

Condor Hospitality Trust, Inc. ("Condor" or the "Company"), a Maryland corporation, 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 September 30, 2020, the Company owned 15 hotels, representing 1,908 rooms, in eight states.

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 September 30, 2020, we owned approximately 99.9% of the common operating units ("common units") 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. 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 annually.

Overview

Termination and Settlement of Agreement and Plan of Merger

On September 18, 2020, the Company terminated the Agreement and Plan and Merger, dated July 19, 2019, as amended (the "Merger Agreement"), by and among the Company, Condor Hospitality Limited Partnership (the "Operating Partnership" and together with the Company, the "Company Parties"), NHT Operating Partnership, LLC ("Parent"), NHT REIT Merger Sub, LLC ("Merger Sub") and NHT Operating Partnership II, LLC ("Merger OP", and together with Parent and Merger Sub, the "Parent Parties"). Pursuant to the Merger Agreement, the Company was to be acquired by Parent in a merger transaction.

On March 15, 2020, the parties entered into an amendment of the Merger Agreement to extend the closing of the acquisition to March 23, 2020.

On March 22, 2020, pursuant to the Merger Agreement, the Company provided written notice to the Parent Parties that it stood ready, willing and able to close the transactions and would stand ready, willing and able to do so for at least three business days thereafter, as all conditions applicable to the Company Parties to be satisfied before closing were satisfied or previously waived and all conditions to be satisfied at closing were capable of being satisfied at closing. As previously announced, the closing of the acquisition did not occur on March 23, 2020, and had not occurred as of the time of the termination of the Merger Agreement by the Company.

The parties subsequently discussed, but did not enter into, potential amendments to the Merger Agreement to restructure the transaction. On September 18, 2020, the Company, pursuant to its rights under the Merger Agreement, provided written notice of termination of the Merger Agreement to the Parent Parties due to failure of the Parent to consummate the acquisition of the Company and for the Parent Parties' material breaches of the Merger Agreement.

On October 15, 2020, the Company announced that the Company Parties entered into a settlement agreement (the "Settlement Agreement") with NexPoint Advisors L.P. ("NexPoint Advisors"), NexPoint Hospitality Trust (TSVX: NHT) ("NHT"), and Parent Parties (NexPoint Advisors, NHT and Parent Parties collectively, the "NHT Parties"), following the Company's previously announced termination of the Merger Agreement.

Pursuant to the Settlement Agreement, the NHT Parties have agreed to make three payments to the Company totaling $7.0 million. The first payment of $2.25 million was to be made within two business days of the execution of the Settlement Agreement (the "Initial Payment"), the second payment of $2.5 million was to be made on or before October 30, 2020 (the "Second Payment") and the third payment of $2.25 million is to be made on or before December 30, 2020 (the "Third Payment" and together with the Initial Payment and the Second Payment, the "Settlement Payments"). Upon timely payment of all of the Settlement Payments, the NHT Parties' settlement liability will be satisfied in full. In the event that any of the Settlement Payments are not timely made, in addition to the Settlement Payments, an amount of $4.925 million, together with an amount to cover the Company's fees and expenses related to the collection and enforcement of the Settlement Payments, will be owed to the Company. NHT, Parent, and certain affiliates of Parent have issued a promissory note to the Company evidencing their obligation to make these payments. In exchange for these payment obligations, the NHT Parties have been released from all claims or liabilities relating to the Merger Agreement. Pursuant to the Settlement Agreement, the Company Parties also have been released from all claims or liabilities relating to the Merger Agreement.

The Initial Payment was made on October 15, 2020 and the Second Payment on October 23, 2020.

Additionally, during the second quarter of 2020, the Company received nonrefundable cash of $0.5 million from NHT Parties in connection with the then ongoing discussions concerning potential adjustments to restructure the transaction, which, in the event a transaction occurs, was to be credited against the acquisition purchase price. This deposit was recognized as a reduction of strategic alternatives expense, net upon the termination of the Merger Agreement on September 18, 2020.

COVID-19 Pandemic

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

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

As a result of the above factors, the Company is taking actions at the corporate and hotel level, including, but not limited to:

- Amending its secured credit facility with KeyBank National Association and the other lenders party thereto (the "credit facility") on March 30, 2020 and November 16, 2020 to provide extension options out to March 1, 2022, provide waivers / modifications of certain covenants, and establish of interest reserves for near term debt service payments as necessary (see further discussion of the Sixth and Eighth Amendments to the credit facility in *Significant Debt Transactions* below).
- Asset management working with hotel management companies to reduce all hotels operating expenses including, but not limited to, closing off multiple floors, staffing reductions and furloughs, utility consumption reductions, purchasing reductions and eliminations, contract services reductions and eliminations, food services closures, exercise facilities closures, and certain reduction and elimination of certain marketing expenditures.
- Seeking potential alternative revenue sources through health care providers, government agencies, universities and airlines.
- Obtaining Paycheck Protection Program ("PPP") loans authorized under the recently congressionally approved Coronavirus Aid, Relief, and Economic Security ("CARES") Act totaling $2.3 million (see *Significant Debt Transactions* below).
- Seeking potential recovery of certain losses through insurance coverage.
- Pursuing corporate cost reductions, including staffing reductions resulting in an approximately 30% decrease in non-consulting expenses compared to historical operations.
- With its credit facility amended, representing approximately 72% of Condor's debt, Condor approached its remaining lenders for various modifications. Two lenders representing approximately 22% of Condor's debt have agreed (see *Significant Debt Transactions* below).
- Capital improvement projects have been suspended except for emergency circumstances and will remain on hold for immediate future, with the potential for the suspension to continue through 2020.
- The Company determined that it was advisable and the best business practice to cause a temporary closure of two of its hotels, the Solomons Hilton Garden Inn on April 20, 2020 and the Leawood Aloft on April 9, 2020. These hotels were both reopened on July 1, 2020 and no other hotel closures have been deemed necessary at this time.

The Condor portfolio in the third quarter continued to achieve results through continuing difficult market conditions. While Revenue per Available Room ("RevPAR") declined 49.5% compared to the third quarter in 2019, it continued to improve from $29.50 in the second quarter achieving $44.72 in July, $48.78 in August, and $49.36 in September. Occupancy continued improving from 33.9% in the second quarter to 56.5% for the month of September. EBITDA margin was 17.7% even given the low $47.60 RevPAR for the quarter as the Company achieved significant reductions in labor costs and expenses on a per occupied room basis such as housekeeping and complimentary food costs. The continuing portfolio improvement was driven by our efforts in capturing the growing leisure demand at the primarily drive to secondary non-urban hotel locations comprised of over 50% extended stay hotels.

Portfolio Activity

The Company's investment strategy is to assemble a portfolio of premium-branded, select-service hotels in the top 100 Metropolitan Statistical Areas ("MSAs") with a particular focus on MSAs ranked between 20 to 60. Since restarting its portfolio transformation in 2015, the Company has acquired 14 high-quality select-service hotels representing 1,808 rooms in its target markets for a total purchase price of $276.6 million. Additionally, during this time, the Company has sold 55 legacy assets for a total gross sales price of $169.9 million.

On February 14, 2020, the Company purchased our joint venture partner's 20% interest in the joint venture owning the Atlanta Aloft property (the "Atlanta JV") for $7.3 million. The purchase price was funded with cash drawn from the credit facility.

Hotel Property Portfolio and Activity

Hotel Property Portfolio

The following table sets forth certain information with respect to the hotels owned by us as of September 30, 2020:

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
	Totals		1,908		$287,925

(1) Represents the purchase statistics from the purchase of this hotel by the originally 80% owned unconsolidated Atlanta JV. The Company purchased the remaining 20% interest in the Atlanta JV from our joint venture partner on February 14, 2020 for $7.3 million.

All of our properties are encumbered by either our credit facility or by mortgage debt at September 30, 2020.

Acquisitions

On February 14, 2020, the Company purchased the remaining 20% interest in the Atlanta JV from our joint venture partner for $7.3 million as allowed by the purchase option included in the original joint venture agreements. The $7.3 million was funded from the Company's credit facility, and the Company became the primary obligator on the $34.08 million New Term Loan (defined below) as part of the transaction.

The New Term Loan matured upon the earlier to occur of (a) consummation of the merger under the Merger Agreement (see Note 1) and (b) May 8, 2020. The New Term Loan was refinanced in May 2020 (see *Significant Debt Transactions* below). The New Term Loan bore interest, at the Borrower's option, at either LIBOR plus 2.25% or a base rate plus 1.25% and required monthly interest payments and principal is due on the maturity date. The Borrowers could, 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 New Term Loan was 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 and was guaranteed by the Company and certain of its subsidiaries.

As the Atlanta JV was previously accounted for under the equity method and the acquisition was considered the acquisition of assets, the liabilities assumed as part of the transaction were recorded at fair value while the assets purchased in the transaction were recorded based on a pro-rata fair value allocation of the total available basis, which included the fair value of liabilities assumed, the cash purchase price paid, the balance of the investment in unconsolidated joint venture at the time of the acquisition, and the acquisition costs incurred. The purchase was recognized as follows (in thousands):

Cash purchase price	$	7,300
Investment in unconsolidated joint venture		3,844
Acquisition costs		122
Total investment in net assets	$	11,266
Cash	$	125
Working capital		(462)
Land		14,728
Buildings, improvements, and vehicle		37,020
Furniture and equipment		2,432
Debt assumed at acquisition		(34,080)
Land option liability (1)		(8,497)
Total allocation to net assets	$	11,266

(1) The purchase agreement includes a provision which permits the seller to purchase the surface parking lot north of the hotel exercisable for approximately seven years at less than market rates.

Dispositions

There were no dispositions during the three or nine months ended September 30, 2020.

Operating Performance Metrics

The following tables present our same-store occupancy, average daily rate ("ADR"), and RevPAR for all our hotels owned on September 30, 2020. The statistics for the Company's two hotels that were temporarily closed due to the effects of COVID-19, the Solomons Hilton Garden Inn, which was closed on April 2, 2020 and reopened on July 1, 2020, and the Leawood Aloft, which was closed on April 9, 2020 and reopened on July 1, 2020, include only the periods that the properties were operational. With the exception of these COVID-19 related closures, same-store occupancy, ADR, and RevPAR reflect the performance of hotels during the entire period, regardless of our ownership during the period presented, including 100% of the operating results of the property owned by the Atlanta JV in which the Company had an 80% interest prior to the purchase of the remaining 20% interest on February 14, 2020. 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.

	Three months ended September 30,					
	2020			2019		
	Occupancy	ADR	RevPAR	Occupancy	ADR	RevPAR
Total Same-Store Portfolio	53.15%	$ 89.56	$ 47.60	78.06%	$ 120.81	$ 94.31

	Nine months ended September 30,					
	2020			2019		
	Occupancy	ADR	RevPAR	Occupancy	ADR	RevPAR
Total Same-Store Portfolio	51.07%	$ 104.13	$ 53.17	80.17%	$ 126.87	$ 101.71

Total same-store RevPAR decreased by 49.5% in the third quarter of 2020, driven by both a decline in occupancy of 31.9% and a decline in ADR of 25.9% caused by the COVID-19 pandemic. The Company's largest declines in RevPAR were at the Leawood Aloft (66.2%), the San Antonio SpringHill Suites (65.7%), and the Atlanta Aloft (63.3%). The least impacted hotels included the Tallahassee Home2 Suites (19.8%), the Southaven Home2 Suites (28.3%), and the Lexington Home2 Suites (33.7%).

Similarly, total same-store RevPAR decreased by 47.7% in the three quarters of 2020, with occupancy decreasing by 36.3% and ADR decreasing by 17.9%. The Company's largest declines in RevPAR were at the Atlanta Aloft (61.1%), the San Antonio SpringHill Springs (60.2%), the Round Rock Home2 Suites (56.2%), and the Leawood Aloft (50.7%). The least impacted hotels included the Southaven Home2 Suites (37.7%), the Tallahassee Home2 Suites (38.1%), the Atlanta Hotel Indigo (38.8%), and the Solomons Hilton Garden Inn (39.3%).

Results of Operations

Comparison of the three months ended September 30, 2020 to the three months ended September 30, 2019 (in thousands)

	Three months ended September 30,		
	2020	**2019**	**Change**
Revenue	$ 8,841	$ 14,666	$ (5,825)
Hotel and property operations expense	(7,334)	(9,718)	2,384
Depreciation and amortization expense	(2,780)	(2,405)	(375)
General and administrative expense	(894)	(1,210)	316
Acquisition and terminated transactions expense	-	(1)	1
Strategic alternatives, net	(636)	(1,052)	416
Net loss on disposition of assets	(3)	(14)	11
Equity in loss of joint venture	-	(84)	84
Net gain (loss) on derivatives and convertible debt	131	(223)	354
Other expense, net	(4)	(27)	23
Interest expense	(2,103)	(1,912)	(191)
Income tax expense	(27)	(8)	(19)
Net loss	$ (4,809)	$ (1,988)	$ (2,821)

Revenue

Revenue decreased by a total of $5,825, or 39.7%, as a result of the decreases in RevPAR resulting from the COVID-19 pandemic as discussed above, partially offset by $1,125 in increased revenue resulting from the acquisition of the remaining interest in the Atlanta JV in the first quarter of 2020.

Operating Expenses and Interest Expense

Hotel and property operations expense decreased by $2,384. Increased operating expenses of $1,080 from the acquisition of the remaining interest in the Atlanta JV in the first quarter of 2020 were more than offset by decreased operating expenses due to decreased revenue and occupancy as discussed above. Decreases in operating expenses did not keep pace with the sudden and unexpected declines in revenue caused by the COVID-19 pandemic during the third quarter of 2020.

Depreciation and amortization expense increased in total by $375 as a result of the acquisition of the remaining interest in the Atlanta JV during the first quarter of 2020.

General and administrative expense decreased by $316 driven by decreased compensation costs and decreased travel, office rent, and miscellaneous expenses as a result of the COVID-19 pandemic and decreased corporate activity.

In the third quarters of 2020 and 2019, significant expenses were recognized as strategic alternatives expenses, or costs incurred related to the Company's strategic alternatives initiative that generated the Agreement and Plan of Merger and handled the ultimate termination of that agreement as discussed further above with *Termination and Settlement of Agreement and Plan of Merger.* Additionally, during the second quarter of 2020, the Company received nonrefundable cash of $500 from NHT Parties in connection with the then ongoing discussions concerning potential adjustments to restructure the Agreement and Plan of Merger. In the event a transaction occurred, the amount was to be credited against the acquisition purchase price. This deposit was recognized as a reduction of strategic alternatives expense, net upon the termination of the Merger Agreement on September 18, 2020.

Interest expense increased in total by $191, with an increase in debt outstanding due to the acquisition of the remaining interest in the Atlanta JV during the first quarter of 2020 being partially offset by a decrease in the weighted average interest rate on total debt outstanding due to changing market conditions (from 4.52% at September 30, 2019 to 3.63% at September 30, 2020).

Equity in Loss of Joint Venture

Equity in loss of joint venture decreased by $84 between the periods, to $0 in the third quarter of 2020, as a result of the acquisition of the remaining interest in the Atlanta JV during the first quarter of 2020, after which point the results from the Atlanta JV were fully consolidated and no longer recorded as an equity method investment.

Net Gain / Loss on Derivatives and Convertible Debt

The change in the gain/loss on derivatives and convertible debt was driven by differences in the value of the Company's interest rate swap on its Wells Fargo debt, which is adjusted to fair market value each period, as a result of differences in the interest rate environment. The fair value of this instrument increased by $123 during the third quarter of 2020, while during the third quarter of 2019, an unrealized loss of $126 was recognized.

Income Tax Expense

Income tax expense in both periods was driven primarily by income (loss) earned by the TRS as well as miscellaneous state taxes owed by the Company. Management believes the combined federal and state income tax rate for the TRS will be approximately 24%. Beginning with the second quarter of 2020 and continuing through September 30, 2020, after an assessment of the realizability of deferred tax assets based on projected reversals of deferred income tax liabilities, projected future taxable income, and tax planning strategies, the Company recognized a full valuation allowance against net deferred tax assets, leading to a valuation allowance of $1,170 recorded as of September 30, 2020.

Comparison of the nine months ended September 30, 2020 to the nine months ended September 30, 2019 (in thousands)

	Nine months ended September 30,		
	2020	2019	Change
Revenue	$ 26,879	$ 46,746	$ (19,867)
Hotel and property operations expense	(22,238)	(29,266)	7,028
Depreciation and amortization expense	(8,267)	(7,161)	(1,106)
General and administrative expense	(3,101)	(4,445)	1,344
Acquisition and terminated transactions expense	-	(15)	15
Strategic alternatives, net	(860)	(1,886)	1,026
Net gain (loss) on disposition of assets	(13)	9	(22)
Equity in earnings of joint venture	80	595	(515)
Net loss on derivatives and convertible debt	(609)	(916)	307
Other expense, net	(90)	(80)	(10)
Interest expense	(6,153)	(6,169)	16
Income tax (expense) benefit	340	(655)	995
Net loss	$ (14,032)	$ (3,243)	$ (10,789)

Revenue

Revenue decreased by a total of $19,867, or 42.5%, as a result of the decreases in RevPAR resulting from the COVID-19 pandemic as discussed above, partially offset by $2,485 in increased revenue resulting from the acquisition of the remaining interest in the Atlanta JV in the first quarter of 2020. Additionally, decreased revenue from the Solomons Quality Inn, which was sold at the end of the first quarter of 2019, contributed $63 to the decrease in total revenue.

Operating Expenses and Interest Expense

Hotel and property operations expense decreased by $7,028. Increased operating expenses of $2,574 from the acquisition of the remaining interest in the Atlanta JV in the first quarter of 2020 were more than offset by decreased operating expenses due to decreased revenue and occupancy as discussed above. Decreases in operating expenses did not keep pace with the sudden and unexpected declines in revenue caused by the COVID-19 pandemic during 2020.

Depreciation and amortization expense increased in total by $1,106 as a result of the acquisition of the remaining interest in the Atlanta JV during the first quarter of 2020.

General and administrative expense decreased by $1,344 driven by decreased compensation costs and decreased travel, office rent, and miscellaneous expenses as a result of the COVID-19 pandemic and decreased corporate activity.

During the first three quarters of 2020 and 2019, significant expenses were recognized as strategic alternatives expenses, or costs incurred related to the Company's strategic alternatives initiative that generated the Agreement and Plan of Merger and handled the ultimate termination of that agreement as discussed further above with *Termination and Settlement of Agreement and Plan of Merger.* Additionally, during the second quarter of 2020, the Company received nonrefundable cash of $500 from NHT Parties in connection with the then ongoing discussions concerning potential adjustments to restructure the Agreement and Plan of Merger. In the event a transaction occurred, the amount was to be credited against the acquisition purchase price. This deposit was recognized as a reduction of strategic alternatives expense, net upon the termination of the Merger Agreement on September 18, 2020.

Interest expense remained relatively stable between the periods, decreasing in total by $16, with an increase in debt outstanding due to the acquisition of the remaining interest in the Atlanta JV offset by a decrease in the weighted average interest rate on total debt outstanding due to changing market conditions (from 4.52% at September 30, 2019 to 3.63% at September 30, 2020).

Equity in Earnings of Joint Venture

Equity in earnings of joint venture decreased by $515 between the periods as a result of the acquisition of the remaining interest in the Atlanta JV during the first quarter of 2020, after which point the results from the Atlanta JV were fully consolidated and no longer recorded as an equity method investment.

Net Loss on Derivatives and Convertible Debt

The net losses on derivatives and convertible debt were driven by changes value of the Company's interest rate swap on its Wells Fargo debt, which is adjusted to fair market value each period, as a result of differences of decreases in interest rates during both periods.

Income Tax Expense (Benefit)

Income tax expense in both periods was driven primarily by income (loss) earned by the TRS as well as miscellaneous state taxes owed by the Company. Management believes the combined federal and state income tax rate for the TRS will be approximately 24%. Beginning with the second quarter of 2020 and continuing through September 30, 2020, after an assessment of the realizability of deferred tax assets based on projected reversals of deferred income tax liabilities, projected future taxable income, and tax planning strategies, the Company recognized a full valuation allowance against net deferred tax assets, leading to a valuation allowance of $1,170 recorded as of September 30, 2020.

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 ("U.S. 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.

Funds from Operations ("FFO") & Adjusted FFO ("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 terminated transaction and strategic alternatives costs, net of related receipts. 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 (loss) to FFO and AFFO for the three and nine months ended September 30, 2020 and 2019 (in thousands). All amounts presented include our portion of the results of our unconsolidated Atlanta JV prior to our acquisition of the remaining 20% interest from our joint venture partner on February 14, 2020.

	Three months ended September 30,		Nine months ended September 30,	
Reconciliation of Net loss to FFO and AFFO	**2020**	**2019**	**2020**	**2019**
Net loss	$ (4,809)	$ (1,988)	$ (14,032)	$ (3,243)
Depreciation and amortization expense	2,780	2,405	8,267	7,161
Depreciation and amortization expense from JV	-	299	145	895
Net (gain) loss on disposition of assets	3	14	13	(9)
Net loss on disposition of assets from JV	-	2	-	2
FFO	(2,026)	732	(5,607)	4,806
Dividends declared and undeclared on preferred stock	(169)	(145)	(458)	(434)
FFO attributable to common shares and common units	(2,195)	587	(6,065)	4,372
Net (gain) loss on derivatives and convertible debt	(131)	223	609	916
Net loss on derivatives from JV	-	-	-	1
Acquisition and terminated transactions expense	-	1	-	15
Strategic alternatives expense, net	636	1,052	860	1,886
Stock-based compensation expense	70	141	236	901
Amortization of deferred financing fees	284	286	829	981

Amortization of deferred financing fees from JV	-	143	93	234
Loss on extinguishment of debt from JV	-	138	-	138
AFFO attributable to common shares and common units	$ (1,336)	$ 2,571	$ (3,438)	$ 9,444

Earnings Before Interest, Taxes, Depreciation, and Amortization ("EBITDA"), EBITDAre, Adjusted EBITDAre, and Hotel EBITDA

We calculate EBITDA, EBITDA*re,* and Adjusted EBITDA*re* 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 EBITDA*re* 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 EBITDA*re.* To calculate Adjusted EBITDA*re*, we adjust EBITDA*re* to add back acquisition and terminated transactions expense and strategic alternatives expense, net of related receipts, 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, EBITDA*re,* and Adjusted EBITDA*re*, as presented, may not be comparable to similarly titled measures of other companies.

We believe EBITDA, EBITDA*re,* and Adjusted EBITDA*re* 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 and office and banking fees) from Adjusted EBITDA*re* 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 (loss) to EBITDA, EBITDA*re,* Adjusted EBITDA*re*, and Hotel EBITDA for the three and nine months ended September 30, 2020 and 2019 (in thousands). All amounts presented include our portion of the results of our unconsolidated Atlanta JV prior to our acquisition of the remaining 20% interest from our joint venture partner on February 14, 2020.

Reconciliation of Net loss to EBITDA, EBITDA*re*, Adjusted EBITDA*re*, and Hotel EBITDA	**Three months ended September 30,**		**Nine months ended September 30,**	
	2020	**2019**	**2020**	**2019**
Net loss	$ (4,809)	$ (1,988)	$ (14,032)	$ (3,243)
Interest expense	2,103	1,912	6,153	6,169
Interest expense from JV	-	536	225	1,645
Income tax expense (benefit)	27	8	(340)	655
Loss on extinguishment of debt from JV	-	138	-	138
Depreciation and amortization expense	2,780	2,405	8,267	7,161
Depreciation and amortization expense from JV	-	299	145	895
EBITDA	101	3,310	418	13,420
Net loss (gain) on disposition of assets	3	14	13	(9)
Net loss on disposition of assets from JV	-	2	-	2
EBITDA*re*	104	3,326	431	13,413
Net loss (gain) on derivatives and convertible debt	(131)	223	609	916

Net loss on derivative from JV	-	-	-	1
Stock-based compensation expense	70	141	236	901
Acquisition and terminated transactions expense	-	1	-	15
Strategic alternatives expense, net	636	1,052	860	1,886
Adjusted EBITDA*re*	679	4,743	2,136	17,132
General and administrative expense, excluding stock compensation expense	824	1,069	2,865	3,544
Other expense, net	4	27	90	80
Unallocated hotel and property operations expense	55	86	278	153
Hotel EBITDA	$ 1,562	$ 5,925	$ 5,369	$ 20,909
Revenue	$ 8,841	$ 14,666	$ 26,879	$ 46,746
JV revenue	-	2,446	1,218	8,092
Condor and JV revenue	$ 8,841	$ 17,112	$ 28,097	$ 54,838
Hotel EBITDA as a percentage of revenue	17.7%	34.6%	19.1%	38.1%

Liquidity, Capital Resources, and Equity Transactions

Liquidity Requirements

As previously discussed, due to the COVID-19 pandemic, the hospitality industry has experienced significant drops in demand. We temporarily closed two of our hotels during the second quarter of 2020, both of which reopened on July 1, 2020. We believe the ongoing effects of the COVID-19 pandemic on our operations have had, and will continue to have, a material negative impact on the hospitality industry, and thus on our financial results and liquidity, and such negative impact may continue beyond the containment of the pandemic. While we cannot assure you that that the assumptions used to estimate our future liquidity will be correct, the Company believes it can generate the liquidity required to operate through the crisis through a combination of the continued operation of our portfolio with significant cost reduction measures in place, the proceeds from the termination of the Merger Agreement (see discussion in *Termination and Settlement of Agreement and Plan of Merger* above) and, if necessary, additional debt and equity financings. However, there can be no assurance that the Company will be able to obtain such financing on acceptable terms or at all. Additionally, although the Company was in compliance with, or obtained waivers with respect to, all its debt covenants as of September 30, 2020, management has determined that the Company may violate certain financial covenants under its debt agreements within the next twelve months if covenant waivers or amendments are not obtained. If the Company were to violate one or more financial covenants, the lenders could declare the Company in default and could accelerate the amounts due under a portion or all of the Company's outstanding debt. The Company believes it will receive such waivers or amendments before any covenants are violated. However, any waivers or amendments would be granted at the sole discretion of the lenders, and there can be no assurance that the Company will be able to obtain such waivers or amendments.

Based on a combination of these factors and the guidance in U.S. GAAP that requires that, in making this determination for the one year period following the date of the financial statements, the Company cannot consider future fundraising activities or the likelihood of obtaining covenant waivers or amendments, all of which are outside of the Company's sole control, the Company has determined that there is substantial doubt about the Company's ability to continue as a going concern for the one year period after the date the financial statements are issued. Management believes it will obtain required waivers or amendments from its lenders before any covenants are violated given that conditions are not exclusive to the Company and based on the actions of lenders thus far in this crisis, including waivers or amendments already granted to the Company. However, there can be no assurance that the Company will be able to obtain waivers or amendments on acceptable terms or at all. The consolidated financial statements have been prepared assuming that the Company will continue as a going concern and do not include any adjustments that might result from the outcome of this uncertainty.

Sources and Uses of Cash

Cash provided by (used in) Operating Activities. Our cash related to operations was ($2.3 million) and $9.6 million for the nine months ended September 30, 2020 and 2019, respectively. The decrease in operating cash flows was the result of a decrease in net income, after adjustment for non-cash items, of $11.5 million. Changes in operating assets and liabilities between the periods were individually insignificant.

Cash provided by (used in) Investing Activities. Our cash flows related to investing activities were ($7.1 million) and $4.6 million for the nine months ended September 30, 2020 and 2019, respectively. The decrease in these cash flows in 2020 was driven by the $7.2 million in cash, net, spent in the first quarter of 2020 to acquire the remaining interest in the Atlanta JV as well as $4.2 million in cash received related to the sale of hotel properties in the first quarter of 2019 that did not recur in 2020. Additionally, capital expenditures related to property maintenance and upgrades decreased by $0.8 million as a result of COVID-19 related cash constraints and distributions from the Atlanta JV declined by $1.2 million as a result of the purchase of the Atlanta JV prior to the receipt of a second and third quarter 2020 distribution.

Cash provided by (used in) Financing Activities. Our cash flows related to financing activities were $10.4 million and ($11.4 million) for the nine months ended September 30, 2020 and 2019, respectively. This increase was primarily the result of increased net cash inflows from debt activities of $14.3 million, resulting from cash drawn under the credit facility to acquire the remaining interest in the Atlanta JV during the first quarter of 2020 as well as the absence of debt repayments associated with property sales that occurred in the first quarter of 2019. Additionally, $7.3 million was paid for dividends during the first three quarters of 2019 that were not paid in 2020.

Outstanding Indebtedness

Significant Debt Transactions

On February 14, 2020, with the purchase of the remaining interest in the Atlanta JV (see Note 3), the Company became the primary obligator on the New Term Loan and drew an additional $7.3 million under its credit facility with KeyBank to fund the transaction. The New Term Loan was refinanced on May 13, 2020 with the Seventh Amendment to its credit facility with KeyBank as subsequently discussed.

On March 30, 2020, the Company entered into a Sixth Amendment to its credit facility with KeyBank which, among other things, made the following changes to the credit facility:

- Sets the size of the credit facility at $102.0 million 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) with the satisfaction of certain conditions, including payment of extension fees, no defaults existing, delivery of evidence of pro forma compliance with financial covenants and delivery of updated appraisals.
- 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%.
- Provides for an interest reserve account, which was funded with $1.7 million on March 30, 2020. The funds are available to make interest payments under the credit facility upon the satisfaction of certain conditions, including if the Company's unrestricted cash balance is less than $1.5 million. The entirety of this reserve account was used to make interest payments prior to September 30, 2020.

On March 30, 2020, the Company entered into an agreement with Great Western Bank to defer the monthly principal and interest payments due under that loan on April 1, 2020, May 1, 2020, and June 1, 2020 until the loan's maturity date in December 2021.

On April 4, 2020 and April 11, 2020, the Company obtained three PPP loans totaling $2.3 million. Management expects that the entire amount of the loans will be used for payroll, utilities and interest, and therefore, management anticipates that the loans will be substantially forgiven. To the extent that they are not forgiven, the Company would be required to repay that portion at an interest rate of 1% over a period of two years with first installments beginning in December 2020.

On May 12, 2020, the Company entered into an amendment to its loan agreement with Wells Fargo Bank which, among other things:

- Suspends principal payments under the loan agreement until October 2020.
- Suspends measurement of the debt yield for purposes of determining if a cash trap has occurred under the loan agreement until February 1, 2021.
- Suspends payments to the monthly furniture, fixtures, and equipment ("FF&E") reserve under the loan agreement until November 2020.
- Permits the withdrawal of $0.7 million from the FF&E reserve under the loan agreement between May 2020 and September 2020 to pay operating expenses of the borrowers thereunder, all of which was withdrawn for this purpose prior to September 30, 2020.
- Provides for the allocation of 50% of the excess cash flow of the borrowers thereunder to the FF&E reserve starting in January 2021 and continuing until the FF&E reserve is replenished with $0.9 million.
- Suspends the ability of the borrowers thereunder to make dividends and other distributions until the FF&E reserve is replenished.

On May 13, 2020, the Company entered into the Seventh Amendment to its credit facility with KeyBank which, among other things:

- Increases the commitments under the credit facility from $102.0 million to $136.1 million and provides for an additional advance in order to refinance the New Term Loan related to the Aloft hotel located in downtown Atlanta, Georgia. At the closing of the amendment, the Company borrowed $34.1 million under the credit facility to repay the New Term Loan and the hotel was added to the collateral pool of hotels securing the credit facility.
- Increases the floor to LIBOR for purposes of calculating the applicable interest rate under the credit facility from 0.25% to 0.50%.

On May 13, 2020, the Company entered into an amendment to its loan agreement with Great Western Bank which, among other things, provides for the following modifications to the debt service coverage ratio covenant for the Leawood, Kansas Aloft collateral:

- Reduces the pre-distribution covenant from 1.35x to 1.00x for March 31, 2021 and June 30, 2021;
- Reduces the post-distribution covenant from 1.05x to 1.00x for March 31, 2021 and June 30, 2021; and
- Provides for the use of annualized results for purposes of measuring the covenants through March 31, 2021.

On July 20, 2020, the Company entered into an agreement with Great Western Bank to defer the monthly principal and interest payments due under that loan on July 1, 2020, August 1, 2020, and September 1, 2020 until the loan's maturity date in December 2021.

Subsequent to the end of the quarter, on November 16, 2020, the Company entered into the Eighth Amendment to its credit facility with KeyBank which extends the initial testing date for the financial covenants on debt yield and fixed charge coverage ratio to November 30, 2020.

Outstanding Debt

At September 30, 2020, we had long-term debt of $180.3 million, with a weighted average term to maturity of 1.0 years and a weighted average interest rate of 3.63%. Of this total, at September 30, 2020, $24.9 million was fixed rate debt with a weighted average term to maturity of 1.5 years and a weighted average interest rate of 4.09% and $155.4 million was variable rate debt with a weighted average term to maturity of 0.8 years and a weighted average interest rate of 3.55%. 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%.

Aggregate annual principal payments on debt for the remainder of 2020 and thereafter are as follows (in thousands):

		Total
Remainder of 2020	$	305
2021		146,120
2022		25,844
2023		214
2024		7,839
Thereafter		-
Total	$	180,322

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 November 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 1.50 to 1 as of the end of the fiscal period ending November 30, 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.

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.

As a result of the actual and anticipated impact of the COVID-19 virus on the hotel industry generally, (a) 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 September 30, 2020 and (b) the Company and certain of its other lenders have modified various financial covenants for September 30, 2020, December 31, 2020, March 31, 2021, and June 30, 2021 (by suspending measurements, providing for lower covenants, and/or using annualized results).

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 September 30, 2020, we are not in default of any of our loans.

Contractual Obligations

Below is a summary of our contractual obligations as of September 30, 2020 and the effect such obligations are expected to have on our future liquidity and cash flows (in thousands):

		Payments due by period			
Contractual obligations	**Total**	**Remainder of 2020**	**2021-2022**	**2023-2024**	**2025 and After**
Long-term debt including interest [1]	$ 191,836	$ 3,405	$ 179,772	$ 8,659	-
Equipment leases	79	5	41	8	25
Total contractual obligations	$ 191,915	$ 3,410	$ 179,813	$ 8,667	$ 25

(1) Interest rate payments on our variable rate debt have been estimated using interest rates in effect at September 30, 2020.

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.

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. All of our significant accounting policies, including certain critical accounting policies, are disclosed in our Annual Report on Form 10-K for the year ended December 31, 2019.

Recent Accounting Standards

See Note 1, *Organization and Summary of Significant Accounting Policies*, to our consolidated interim financial statements for additional information relating to recently adopted and recently issued accounting pronouncements.

ITEM 3. 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 September 30, 2020, 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 6.25% Series E Cumulative Convertible Preferred Stock (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 September 30, 2020, we have an interest rate swap in place which effectively locks the variable interest rate on our Wells Fargo debt (September 30, 2020 balance of $25.5 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 (September 30, 2020 balance of $129.9 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 September 30, 2020. 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	Total
Fixed rate debt	$ 305	$ 16,175	$ 25,844	$ 214	$ 7,839	$ 50,377
Average fixed interest rate	3.24 %	4.04 %	4.34 %	4.54 %	4.54 %	4.27 %
Variable rate debt	$ -	$ 129,945	$ -	$ -	$ -	$ 129,945
Average variable interest rate	-%	3.75 %	-%	-%	-%	3.75 %
Total debt	$ 305	$ 146,120	$ 25,844	$ 214	$ 7,839	$ 180,322
Total average interest rate	3.24 %	3.78 %	4.34 %	4.54 %	4.54 %	3.90 %

At September 30, 2020, approximately 28% of our outstanding debt is subject to fixed interest rates or effectively locked with an interest rate swap, while 72% of our debt is subject to floating rates. Assuming no increase in the level of our variable debt outstanding at September 30, 2020 and after giving effect to our interest rate swap, if interest rates increased by 1.0% our cash flow related to hotel properties would decrease by approximately $1.3 million per year.

ITEM 4. 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 September 30, 2020, 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 for 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.

Changes in Internal Control Over Financial Reporting

There have been no changes to our internal control over financial reporting during our most recent fiscal quarter that have materially effected, or are reasonably likely to materially effect, our internal controls over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. 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.

ITEM 1A. RISK FACTORS

There have been no material changes from the risk factors disclosed in the *Risk Factors* section of our Annual Report on Form 10-K for the year ended December 31, 2019 and our Quarterly Report on Form 10-Q for the quarter ended March 31, 2020.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

Because this Quarterly Report on Form 10-Q is being filed within four business days after the applicable triggering events, the information below is being disclosed under this Item 5 instead of under Item 1.01 (Entry into a Material Definitive Agreement) of Form 8-K.

Modification of KeyBank Credit Facility

On November 16, 2020, the Company entered into an Eighth 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 "Eighth Amendment"). The Eighth 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, Fifth Amendment dated as of August 9, 2019, Sixth Amendment dated as of March 30, 2020 and Seventh Amendment dated as of May 13, 2020 (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, Quarterly Reports on Form 10-Q for the quarters ended March 31, 2019, June 30, 2019 and March 31, 2020 and Annual Report on Form 10-K for the year ended December 31, 2019, and is incorporated herein by reference.

The Eighth Amendment extends the initial testing date for the financial covenants on debt yield and fixed charge coverage ratio to November 30, 2020.

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.

The foregoing summary of the Eighth Amendment does not purport to be complete and is qualified in its entirety by reference to the Eighth Amendment, a copy of which is attached as Exhibit 10.1 and is incorporated herein by reference.

ITEM 6. EXHIBITS

10.1*	Eighth Amendment to Credit Agreement dated as of November 16, 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.
31.1*	Section 302 Certificate of Chief Executive Office
31.2*	Section 302 Certificate of Chief Financial Officer
32.1*	Section 906 Certifications of Chief Executive Officer and Chief Financial Officer
101.1*	The following materials from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2020, formatted in XBRL (eXtensible Business Reporting Language): (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Operations, (iii) the Consolidated Statements of Cash Flows and (iv) Notes to Consolidated Financial Statements.

***** Filed herewith

SIGNATURES

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

	Condor Hospitality Trust, Inc.
November 16, 2020	
	/s/ J. William Blackham J. William Blackham Chief Executive Officer
	/s/ Jill Burger Jill Burger Chief Financial Officer and Chief Accounting Officer

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Section 2: EX-10.1 (EX-10.1)

Exhibit 10.1

EIGHTH AMENDMENT TO CREDIT AGREEMENT

THIS EIGHTH AMENDMENT TO CREDIT AGREEMENT (this "Amendment"), dated as of November 16, 2020, by and among **CONDOR HOSPITALITY LIMITED PARTNERSHIP**, a Virginia limited partnership ("Borrower"), the undersigned parties to this Amendment executing as "Guarantors" (hereinafter referred to individually as "Guarantor" and collectively as "Guarantors"), **KEYBANK NATIONAL ASSOCIATION** ("KeyBank"), **THE HUNTINGTON NATIONAL BANK** ("Huntington"), **BMO HARRIS BANK N.A.** ("BMO"; KeyBank, Huntington and BMO collectively, the "Lenders"), and KeyBank as Agent for itself and the other Lenders from time to time a party to the Credit Agreement (as hereinafter defined) (KeyBank, in its capacity as Agent, is hereinafter referred to as "Agent").

W I T N E S S E T H:

WHEREAS, the Borrower, Agent, KeyBank and the lenders party thereto are parties to that certain Credit Agreement dated as of March 1, 2017, as amended by that certain First Amendment to Credit Agreement and Other Loan Documents dated as of May 11, 2017 (the "First Amendment"), as amended by that certain Second Amendment to Credit Agreement dated as of December 13, 2017 (the "Second Amendment"), as amended by that certain Third Amendment to Credit Agreement dated as of March 8, 2019 (the "Third Amendment"), as amended by that certain Fourth Amendment to Credit Agreement dated as of May 3, 2019 (the "Fourth Amendment"), as amended by that certain Fifth Amendment to Credit Agreement dated as of August 9, 2019 (the "Fifth Amendment"), as amended by that certain Sixth Amendment to Credit Agreement and Other Loan Documents dated as of March 30, 2020 (the "Sixth Amendment"), and as amended by that certain Seventh Amendment to Credit Agreement and Other Loan Documents dated as of May 13, 2020 (the "Seventh Amendment") (such Credit Agreement, as amended by the First Amendment, the Second Amendment, the Third Amendment, the Fourth Amendment, the Fifth Amendment, the Sixth Amendment and the Seventh Amendment, may be further varied, extended, supplemented, consolidated, replaced, increased, renewed, modified or amended from time to time, the "Credit Agreement");

WHEREAS, certain of the Guarantors executed and delivered to Agent that certain Unconditional Guaranty of Payment and Performance dated as of March 1, 2017, as amended by the First Amendment, the Sixth Amendment and the Seventh Amendment (as such Guaranty, as amended by the First Amendment, the Sixth Amendment and the Seventh Amendment, may be further varied, extended, supplemented,

consolidated, replaced, increased, renewed, modified or amended from time to time, the "Guaranty");

WHEREAS, Borrower and certain of the Guarantors executed and delivered to Agent that certain Cash Collateral Account Agreement dated as of March 1, 2017, as amended by that certain First Amendment to Cash Collateral Account Agreement dated as of March 24, 2017, as amended by the First Amendment, as amended by that certain Second Amendment to Cash Collateral Account Agreement dated as of June 21, 2017, as amended by that certain Third Amendment to Cash Collateral Account Agreement dated as of August 31, 2017, as amended by that certain Fourth Amendment to Cash Collateral Account Agreement dated as of January 17, 2018, and as amended by that certain Fifth Amendment to Cash Collateral Account Agreement dated as of February 21, 2018, as amended by the Sixth Amendment, and as amended by the Sixth Amendment to Cash Collateral Account Agreement dated as of May 13, 2020 (as the same may

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be further varied, extended, supplemented, consolidated, replaced, increased, renewed, modified or amended from time to time, the "Cash Collateral Agreement");

WHEREAS, CDOR TLH Magnolia, LLC, TRS TLH Magnolia, LLC, CDOR LEX Lowry, LLC, TRS LEX Lowry, LLC, CDOR AUS Louis, LLC and TRS AUS Louis, LLC have become a party to the Guaranty and the Cash Collateral Agreement pursuant to that certain Joinder Agreement dated March 24, 2017; and

WHEREAS CDOR MCO Village, LLC and TRS MCO Village, LLC have become a party to the Guaranty and the Cash Collateral Agreement pursuant to that certain Joinder Agreement dated June 21, 2017; and

WHEREAS, CDOR ELP Edge, LLC, TRS ELP Edge, LLC, CDOR AUS Casey, LLC and TRS AUS Casey, LLC have become a party to the Guaranty and the Cash Collateral Agreement pursuant to that certain Joinder Agreement dated August 31, 2017; and

WHEREAS, CDOR AUS Tech, LLC and TRS AUS Tech, LLC have become a party to the Guaranty and the Cash Collateral Agreement pursuant to that certain Joinder Agreement dated January 17, 2018; and

WHEREAS, CDOR CHS Holiday, LLC and TRS CHS Holiday, LLC have become a party to the Guaranty and the Cash Collateral Agreement pursuant to that certain Joinder Agreement dated February 21, 2018; and

WHEREAS, Spring Street Hotel Property LLC and Spring Street Hotel OPCO LLC have become a party to the Guaranty and the Cash Collateral Agreement pursuant to that certain Joinder Agreement dated May 13, 2020; and

WHEREAS, the Borrower and the Guarantors have requested that the Agent and the Lenders make certain modifications to the Credit Agreement, and Agent and the undersigned Lenders have consented to such modifications, subject to the execution and delivery of this Amendment.

NOW, THEREFORE, for and in consideration of the sum of TEN and NO/100 DOLLARS ($10.00), and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto do hereby covenant and agree as follows:

1. Definitions. Capitalized terms used in this Amendment, but which are not otherwise expressly defined in this Amendment, shall have the respective meanings given thereto in the Credit Agreement.

2. Modifications of the Credit Agreement. The Borrower, Agent and the Lenders do hereby modify and amend the Credit Agreement as follows:

(a) By deleting in its entirety §9.1 of the Credit Agreement and inserting in lieu thereof the following:

"§9.1 Debt Yield. Commencing November 30, 2020 and continuing thereafter, the Debt Yield shall at all times be greater than ten percent (10%)."

(b) By deleting in its entirety §9.5 of the Credit Agreement, and inserting in lieu thereof the following:

"§9.5 Adjusted Consolidated EBITDA to Fixed Charges. The Borrower will not at any time permit the ratio of Adjusted Consolidated EBITDA determined for the most recently ended four (4) fiscal quarters to Fixed Charges determined for the most recently ended four (4) fiscal quarters to be less than the following.

For the Period:	**Ratio**
Commencing November 30, 2020 and continuing thereafter	1.50 to 1

For the purposes of determining compliance with this §9.5, commencing upon November 30, 2020, the Consolidated EBITDA and Fixed Charges shall be calculated (i) [reserved], (ii) for the fiscal quarter ending December 31, 2020, by multiplying the Consolidated EBITDA and Fixed Charges for the period from July 1, 2020 through and including December 31, 2020, by two (2), (iii) for the fiscal quarter ending March 31, 2021, by multiplying the Consolidated EBITDA and Fixed Charges for the period from July 1, 2020 through and including March 31, 2021, by one and one-third (1.33), and (iv) for each calendar quarter thereafter, Consolidated EBITDA and Fixed Charges shall be calculated for the prior four (4) consecutive fiscal quarters most recently ended.

3. References to Credit Agreement. All references in the Loan Documents to the Credit Agreement shall be deemed a reference to the Credit Agreement as modified and amended herein.

4. Consent of Guarantors. By execution of this Amendment, Guarantors hereby expressly consent to the modifications and amendments relating to the Credit Agreement as set forth herein and the execution and delivery of and any other agreements contemplated hereby, and Borrower and Guarantors hereby acknowledge, represent and agree that the Credit Agreement, as modified and amended herein, and the other Loan Documents, as the same may be modified in connection with this Amendment, remain in full force and effect and constitute the valid and legally binding obligation of Borrower and Guarantors, respectively, enforceable against such Persons in accordance with their respective terms, except as enforceability is limited by bankruptcy, insolvency, reorganization, moratorium or other laws relating to or affecting generally the enforcement of creditors' rights and the effect of general principles of equity, and that the Guaranty extends to and applies to the foregoing documents as modified and amended.

5. Representations. Borrower and Guarantors represent and warrant to Agent and the Lenders as follows as of the date of this Amendment:

(a) Authorization. The execution, delivery and performance by the Borrower and the Guarantors of this Amendment and any other agreements contemplated hereby and the transactions contemplated hereby and thereby (i) are within the authority of Borrower and Guarantors, (ii) have been duly authorized by all necessary proceedings on the part of such Persons, (iii) do not and will not conflict with or result in any breach or contravention of any provision of law, statute, rule or regulation to which any of such Persons is subject or any judgment, order, writ, injunction, license or permit applicable to such Persons, (iv) do not and will not conflict with or constitute a default (whether with the passage of time or the giving of notice, or both) under any provision of the partnership agreement, operating agreement, articles of incorporation or other charter documents or bylaws of, or any agreement or other instrument

binding upon, any of such Persons or any of its properties, (v) do not and will not result in or require the imposition of any lien or other encumbrance on any of the properties, assets or rights of such Persons other than the liens and encumbrances in favor of the Agent contemplated by this Amendment and the other Loan Documents, and (vi) do not require any approval or consent of any Person other than those already obtained and delivered to the Agent.

(b) Enforceability. This Amendment and each other document executed and delivered in connection with this Amendment are the valid and legally binding obligations of Borrower and Guarantors, enforceable in accordance with the respective terms and provisions hereof, except as enforceability is limited by bankruptcy, insolvency, reorganization, moratorium or other laws relating to or affecting generally the enforcement of creditors' rights and the effect of general principles of equity.

(c) Approvals. The execution, delivery and performance by the Borrower and the Guarantors of this Amendment and any other agreements contemplated hereby and the transactions contemplated hereby and thereby do not require the approval or consent of, or filing or registration with, or the giving of any notice to, any court, department, board, governmental agency or authority other than those already obtained.

(d) Reaffirmation. Each of the representations and warranties made by or on behalf of Borrower, Guarantors or any of their respective Subsidiaries contained in this Amendment, the Credit Agreement, the other Loan Documents or in any document or instrument delivered pursuant to or in connection with the Credit Agreement or this Amendment are true in all material respects as of the date as of which they were made and are true in all material respects as of the date hereof, with the same effect as if made at and as of that time, except to the extent of changes resulting from transactions permitted by the Loan Documents (it being understood and agreed that any representation or warranty which by its terms is made as of a specified date shall be required to be true and correct only as of such specified date).

(e) No Default. By execution hereof, the Borrower and Guarantors certify that the Borrower and Guarantors are and will be in compliance with all covenants under the Loan Documents immediately after the execution and delivery of this Amendment and the other documents executed in connection herewith, and that no Default or Event of Default has occurred and is continuing.

6. Waiver of Claims. Borrower and Guarantors acknowledge, represent and agree that Borrower and Guarantors as of the date hereof have no defenses, setoffs, claims, counterclaims or causes of action of any kind or nature whatsoever with respect to the Loan Documents, the administration or funding of the Loans or Letters of Credit or with respect to any acts or omissions of Agent or any Lender, or any past or present officers, agents or employees of Agent or any Lender, and each of Borrower and Guarantors does hereby expressly waive, release and relinquish any and all such defenses, setoffs, claims, counterclaims and causes of action, if any.

7. Ratification. Except as hereinabove set forth, all terms, covenants and provisions of the Credit Agreement and the other Loan Documents remain unaltered and in full force and effect, and the parties hereto do hereby expressly ratify and confirm the Credit Agreement and the other Loan Documents. Nothing in this Amendment or any other document executed in connection herewith shall be deemed or construed to constitute, and there has not otherwise occurred, a novation, cancellation, satisfaction, release, extinguishment or substitution of the indebtedness

evidenced by the Notes or the other obligations of Borrower and Guarantors under the Loan Documents (including without limitation the Guaranty). This Amendment shall constitute a Loan Document.

8. Counterparts. This Amendment may be executed in any number of counterparts which shall together constitute but one and the same agreement.

9. Miscellaneous. THIS AMENDMENT SHALL, PURSUANT TO NEW YORK GENERAL OBLIGATIONS LAW SECTION 5-1401, BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK. This Amendment shall be binding upon and shall inure to the benefit of the parties hereto and their respective permitted successors, successors-in-title and assigns as provided in the Credit Agreement.

10. Amendments of Other Loan Documents. The Lenders authorized Agent to execute and deliver amendments to the other Loan Documents as Agent deems appropriate contemporaneously with the execution and delivery of this Amendment.

11. Effective Date. This Amendment shall be deemed effective and in full force and effect (the "Effective Date") upon confirmation by the Agent of the satisfaction of the following conditions:

(a) the execution and delivery of this Amendment by Borrower, Guarantors, Agent, and the Lenders;

(b) Borrower shall have paid to Agent for the pro rata account of all of the Lenders in accordance with their respective Commitments a fee in an amount equal to thirty (30) basis points on the Total Commitment in effect on October 1, 2020 (which fee was payable on October 1, 2020);

(c) receipt by Agent of such other consents, resolutions, certificates, documents, instruments, amendments to Loan Documents and agreements as the Agent may reasonably request; and

(d) the Borrower shall have paid the reasonable fees and expenses of Agent in connection with this Amendment and the transactions contemplated hereby.

12. Amendment as a Loan Document. The Amendment shall constitute a Loan Document.

[CONTINUED ON NEXT PAGE]

IN WITNESS WHEREOF, the parties hereto, acting by and through their respective duly authorized officers and/or other representatives, have duly executed this Amendment under seal as of the day and year first above written.

BORROWER:
CONDOR HOSPITALITY LIMITED PARTNERSHIP, a Virginia limited partnership
By: Condor Hospitality REIT Trust, a Maryland real estate investment trust, its general partner
By: /s/ Jill Burger
Name: Jill Burger
Title: Vice President

GUARANTORS:
CONDOR HOSPITALITY REIT TRUST, a Maryland real estate investment trust
By: /s/ Jill Burger
Name: Jill Burger
Title: Vice President

CONDOR HOSPITALITY TRUST, INC., a Maryland corporation
By: /s/ Jill Burger
Name: Jill Burger
Title: Interim Chief Financial Officer

TRS LEASING, INC., a Virginia corporation
By: /s/ Jill Burger
Name: Jill Burger
Title: Vice President

(Signatures Continued On Next Page)

CDOR AUS LOUIS, LLC, a Delaware limited liability company
By: /s/ Jill Burger
Name: Jill Burger
Title: Vice President

CDOR LEX LOWRY, LLC, a Delaware limited liability company
By: /s/ Jill Burger
Name: Jill Burger
Title: Vice President

CDOR TLH MAGNOLIA, LLC, a Delaware limited liability company
By: /s/ Jill Burger
Name: Jill Burger
Title: Vice President

TRS AUS LOUIS, LLC, a Delaware limited liability company

By: /s/ Jill Burger
Name: Jill Burger
Title: Vice President

TRS LEX LOWRY, LLC, a Delaware limited liability company

By: /s/ Jill Burger
Name: Jill Burger
Title: Vice President

TRS TLH MAGNOLIA, LLC, a Delaware limited liability company

By: /s/ Jill Burger
Name: Jill Burger
Title: Vice President

(Signatures Continued On Next Page)

CDOR MCO VILLAGE, LLC, a Delaware limited liability company

By: /s/ Jill Burger
Name: Jill Burger
Title: Vice President

TRS MCO VILLAGE, LLC, a Delaware limited liability company

By: /s/ Jill Burger
Name: Jill Burger
Title: Vice President

CDOR ELP EDGE, LLC, a Delaware limited liability company

By: /s/ Jill Burger
Name: Jill Burger
Title: Vice President

TRS ELP EDGE, LLC, a Delaware limited liability company

By: /s/ Jill Burger
Name: Jill Burger
Title: Vice President

CDOR AUS CASEY, LLC, a Delaware limited liability company

By: /s/ Jill Burger
Name: Jill Burger
Title: Vice President

TRS AUS CASEY, LLC, a Delaware limited liability company

By: /s/ Jill Burger
Name: Jill Burger
Title: Vice President

(Signatures Continued On Next Page)

CDOR AUS TECH, LLC, a Delaware limited liability company

By: /s/ Jill Burger
Name: Jill Burger
Title: Vice President

TRS AUS TECH, LLC, a Delaware limited liability company

By: /s/ Jill Burger
Name: Jill Burger
Title: Vice President

CDOR CHS HOLIDAY, LLC, a Delaware limited liability company

By: /s/ Jill Burger
Name: Jill Burger
Title: Vice President

TRS CHS HOLIDAY, LLC, a Delaware limited liability company

By: /s/ Jill Burger
Name: Jill Burger
Title: Vice President

(Signatures Continued On Next Page)

SPPR-DOWELL, LLC, a Delaware limited liability company
By: SPPR-Dowell Holdings, Inc., a Delaware corporation, its manager
By: /s/ Jill Burger
Name: Jill Burger
Title: Vice President

SPPR-DOWELL TRS SUBSIDIARY, LLC, a Delaware limited liability company
By: Condor Hospitality REIT Trust, a Maryland real estate investment trust, its manager
By: /s/ Jill Burger
Name: Jill Burger
Title: Vice President

SPPR-DOWELL HOLDINGS, INC., a Delaware corporation
By: /s/ Jill Burger
Name: Jill Burger
Title: Vice President

(Signatures Continued On Next Page)

SPRING STREET HOTEL PROPERTY LLC, a Delaware limited liability company

By: /s/ Jill Burger
Name: Jill Burger
Title: Vice President

SPRING STREET HOTEL OPCO LLC, a Delaware limited liability company

By: /s/ Jill Burger
Name: Jill Burger
Title: Vice President

(Signatures Continued On Next Page)

LENDERS:

KEYBANK NATIONAL ASSOCIATION, individually and as Agent

By: /s/ Thomas Z. Schmitt
Name: Thomas Z. Schmitt
Title: Assistant Vice President

THE HUNTINGTON NATIONAL BANK

By: /s/ Rebecca Stirnkorb
Name: Rebecca Stirnkorb
Title: Assistant Vice President

BMO HARRIS BANK N.A.

By: /s/ Gwendolyn Gatz
Name: Gwendolyn Gatz
Title: Director

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Section 3: EX-31.1 (EX-31.1)

Exhibit 31.1

CERTIFICATIONS

I, J. William Blackham, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the period ended September 30, 2020 of Condor Hospitality Trust, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the

period covered by this report, based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

November 16, 2020

/s/ J. William Blackham

J. William Blackham
Chief Executive Officer

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Section 4: EX-31.2 (EX-31.2)

Exhibit 31.2

CERTIFICATIONS

I, Jill Burger, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the period ended September 30, 2020 of Condor Hospitality Trust, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report, based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

November 16, 2020

/s/ Jill Burger

Jill Burger
Chief Financial Officer and Chief Accounting Officer

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Section 5: EX-32.1 (EX-32.1)

Exhibit 32.1

Certification Pursuant to
18 U.S.C. Section 1350,
as Adopted Pursuant to
Section 906 of The Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of Condor Hospitality Trust, Inc. on Form 10-Q for the period ended September 30, 2020 as filed with the Securities and Exchange Commission (the "Report"), I, J. William Blackham, Chief Executive Officer of Condor Hospitality Trust Inc., certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Condor Hospitality Trust, Inc. at the dates and for the periods indicated.

November 16, 2020

/s/ J. William Blackham
J. William Blackham
Chief Executive Officer

Certification Pursuant to
18 U.S.C. Section 1350,
as Adopted Pursuant to
Section 906 of The Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of Condor Hospitality Trust, Inc., on Form 10-Q for the period ended September 30, 2020 as filed with the Securities and Exchange Commission (the "Report"), I, Jill Burger, Chief Financial Officer and Chief Accounting Officer of Condor Hospitality Trust, Inc., certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Condor Hospitality Trust, Inc. at the dates and for the periods indicated.

November 16, 2020

/s/ Jill Burger
Jill Burger
Chief Financial Officer and Chief Accounting Officer

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