

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 March 31, 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
(State or other jurisdiction of
incorporation or organization)

1800 West Pasewalk Avenue, Ste. 200, Norfolk, NE
(Address of principal executive offices)
Telephone number: (901) 861-3305

52-1889-548
(IRS Employer
Identification Number)

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 filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12-02 of the Exchange Act.

Large accelerated filer
Non-accelerated filer

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 May 13, 2020 there were 12,003,950 shares of common stock, par value \$0.01 per share, outstanding.

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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	
	March 31, 2020	December 31, 2019
Assets		
Investment in hotel properties, net	\$ 273,718	\$ 222,063
Investment in unconsolidated joint venture	-	4,244
Cash and cash equivalents	2,641	2,584
Restricted cash, property and debt service escrows	8,285	5,811
Accounts receivable, net	773	1,099
Prepaid expenses and other assets	881	1,118
Derivative assets, at fair value	-	22
Total Assets	\$ 286,298	\$ 236,941
Liabilities and Equity		
Liabilities		
Accounts payable, accrued expenses, and other liabilities	\$ 5,879	\$ 5,523
Dividends and distributions payable	289	145
Land option liability	8,497	-
Derivative liabilities, at fair value	1,143	366
Convertible debt, at fair value	1,040	1,080
Long-term debt, net of deferred financing costs	176,725	134,001
Total Liabilities	193,573	141,115
Equity		
Shareholders' Equity		
Preferred stock, 40,000,000 shares authorized:		
6.25% Series E, 925,000 shares authorized, \$0.01 par value, 925,000 shares outstanding, liquidation preference of \$9,539 and \$9,395	10,050	10,050
Common stock, \$0.01 par value, 200,000,000 shares authorized; 11,996,289 and 11,993,608 shares outstanding	120	120
Additional paid-in capital	233,258	233,189
Accumulated deficit	(150,751)	(147,582)
Total Shareholders' Equity	92,677	95,777
Noncontrolling interest in consolidated partnership (Condor Hospitality Limited Partnership), redemption value of \$17 and \$47	48	49
Total Equity	92,725	95,826
Total Liabilities and Equity	\$ 286,298	\$ 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 March 31,	
	2020	2019
Revenue		
Room rentals and other hotel services	\$ 13,227	\$ 15,903
Operating Expenses		
Hotel and property operations	9,815	9,793
Depreciation and amortization	2,710	2,362
General and administrative	1,193	1,663
Acquisition and terminated transactions	-	7
Strategic alternatives	144	-
Total operating expenses	13,862	13,825
Operating income (loss)	(635)	2,078
Net gain (loss) on disposition of assets	(9)	39
Equity in earnings of joint venture	80	513
Net loss on derivatives and convertible debt	(759)	(237)
Other expense, net	(28)	(29)
Interest expense	(1,980)	(2,165)
Earnings (loss) before income taxes	(3,331)	201
Income tax benefit (expense)	306	(186)
Net earnings (loss)	(3,025)	15
Loss attributable to noncontrolling interest	1	1
Net earnings (loss) attributable to controlling interests	(3,024)	16
Dividends declared and undeclared on preferred stock	(145)	(145)
Net loss attributable to common shareholders	\$ (3,169)	\$ (129)
Earnings (Loss) per Share		
Total - Basic Earnings (Loss) per Share	\$ (0.27)	\$ (0.01)
Total - Diluted Earnings (Loss) per Share	\$ (0.27)	\$ (0.01)

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 March 31, 2019						Total Shareholders' equity	Noncontrolling interest	Total equity
	Shares of Preferred stock	Preferred stock	Shares of Common stock	Common stock	Additional paid-in capital	Accumulated deficit			
Balance at December 31, 2018	925	\$ 10,050	11,886	\$ 119	\$ 231,805	\$ (134,970)	\$ 107,004	\$ 848	\$ 107,852
Stock-based compensation	-	-	32	-	271	-	271	-	271
Dividends and distributions declared	-	-	-	-	-	-	-	-	-
Series E Preferred dividends declared	-	-	-	-	-	(145)	(145)	-	(145)
Common Stock (\$0.195 per share)	-	-	-	-	-	(2,324)	(2,324)	-	(2,324)
Common unit distribution declared (\$0.00375 per unit)	-	-	-	-	-	-	-	(11)	(11)
Redemption of common units	-	-	-	-	6	-	6	(48)	(42)
Net earnings	-	-	-	-	-	16	16	(1)	15
Balance at March 31, 2019	<u>925</u>	<u>\$ 10,050</u>	<u>11,918</u>	<u>\$ 119</u>	<u>\$ 232,082</u>	<u>\$ (137,423)</u>	<u>\$ 104,828</u>	<u>\$ 788</u>	<u>\$ 105,616</u>

	Three months ended March 31, 2020						Total Shareholders' equity	Noncontrolling interest	Total equity
	Shares of Preferred stock	Preferred stock	Shares of Common stock	Common stock	Additional paid-in capital	Accumulated deficit			
Balance at December 31, 2019	925	\$ 10,050	11,994	\$ 120	\$ 233,189	\$ (147,582)	\$ 95,777	\$ 49	\$ 95,826
Stock-based compensation	-	-	2	-	69	-	69	-	69
Dividends and distributions declared and undeclared	-	-	-	-	-	-	-	-	-
Series E Preferred dividends undeclared	-	-	-	-	-	(145)	(145)	-	(145)
Net loss	-	-	-	-	-	(3,024)	(3,024)	(1)	(3,025)
Balance at March 31, 2020	<u>925</u>	<u>\$ 10,050</u>	<u>11,996</u>	<u>\$ 120</u>	<u>\$ 233,258</u>	<u>\$ (150,751)</u>	<u>\$ 92,677</u>	<u>\$ 48</u>	<u>\$ 92,725</u>

See accompanying notes to consolidated financial statements.

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

	Three months ended March 31,	
	2020	2019
Cash flows from operating activities:		
Net earnings (loss)	\$ (3,025)	\$ 15
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities:		
Depreciation and amortization expense	2,710	2,362
Net (gain) loss on disposition of assets	9	(39)
Net loss on derivatives and convertible debt	759	237
Equity in earnings of joint venture	(80)	(513)
Amortization of deferred financing costs	275	373
Stock-based compensation expense	84	336
Provision for deferred taxes	(333)	180
Changes in operating assets and liabilities:		
(Increase) decrease in assets	748	(838)
Increase (decrease) in liabilities	(12)	959
Net cash provided by operating activities	<u>1,135</u>	<u>3,072</u>
Cash flows from investing activities:		
Additions to hotel properties	(254)	(791)
Distributions in excess of cumulative earnings from joint venture	480	200
Hotel acquisitions, net of cash acquired	(7,175)	-
Net proceeds from sale of hotel assets	1	4,189
Net cash provided by (used in) investing activities	<u>(6,958)</u>	<u>3,598</u>
Cash flows from financing activities:		
Deferred financing costs	(345)	(283)
Proceeds from long-term debt	9,020	1,500
Principal payments on long-term debt	(306)	(4,393)
Redemption of common units	-	(42)
Tax withholdings on stock compensation	(15)	(65)
Cash dividends paid to common shareholders	-	(2,318)
Cash dividends paid to common unit holders	-	(12)
Net cash provided by (used in) financing activities	<u>8,354</u>	<u>(5,613)</u>
Increase in cash, cash equivalents, and restricted cash	2,531	1,057
Cash, cash equivalents, and restricted cash beginning of period	8,395	9,156
Cash, cash equivalents, and restricted cash end of period	<u>\$ 10,926</u>	<u>\$ 10,213</u>
Supplemental cash flow information:		
Interest paid	\$ 1,564	\$ 1,690
Income taxes paid, net of refunds	\$ 1	\$ 66
Schedule of noncash investing and financing activities:		
Debt assumed in acquisition	\$ 34,080	\$ -
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 March 31, 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 March 31, 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.

Agreement and Plan of Merger

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

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

The Merger Agreement provides that, upon the terms and subject to the conditions set forth therein, Merger OP will merge with and into the operating partnership (the "Partnership Merger"), and Merger Sub will merge with and into the Company (the "Company Merger" and, together with the Partnership Merger, the "Mergers"). Upon completion of the Partnership Merger, Merger OP will survive and the separate existence of the operating partnership will cease. Upon completion of the Company Merger, the Company will survive and the separate existence of Merger Sub will cease. The Mergers and the other transactions contemplated by the Merger Agreement were unanimously approved by the Company's Board of Directors (the "Company Board"), and subsequently approved by the holders of the Company's common stock (the "Company common stock") and 6.25% Series E Cumulative Convertible Preferred Stock (the "Series E Preferred Stock") at a special meeting of shareholders held on September 23, 2019.

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

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

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

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

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

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

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

Basis of Presentation

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

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

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 coronavirus globally or in the regions in which we operate, or future widespread outbreak of infectious or contagious disease, can continue to reduce national and international travel in general. The extent to which the hospitality industry, and thus our business will be affected by the coronavirus 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 the coronavirus, and new information and developments that may emerge concerning the severity of the coronavirus and the actions to contain the coronavirus or treat its impact, among others. To the extent that travel activity in the U.S. is and will be materially and adversely affected by the coronavirus, 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 to provide extension options out to March 1, 2022, waivers / modifications of certain covenants, and establishment of interest reserves for near term debt service payments as necessary (see further discussion of the Sixth Amendment 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.
- Applications by Condor and its hotel operators for Paycheck Protection Program loans authorized under the recently congressionally approved CARES Act.
- Seeking potential recovery of certain losses through insurance coverage.
- Pursuing corporate cost reductions, including staffing reductions resulting in an approximately 20% decrease in non-consulting expenses compared to historical operations.
- With its credit facility amended, representing over 55% of Condor's loans, Condor has approached three of its remaining lenders for potential modifications to provide interest reserves or accruals during the second

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- quarter of 2020. Two lenders representing approximately 26% of Condor's loans have agreed, while discussions are in process with the third lender representing approximately 15% of Condor's loans.
- 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 has determined that it is advisable and the best business practice to cause a temporary closure of 30 to 90 days of two of its hotels in April 2020, the Solomons Hilton Garden Inn and at the Leawood Aloft. The Company is evaluating on a daily basis similar temporary closures at the Lake Mary Hampton Inn & Suites, the San Antonio SpringHill Suites, and the Round Rock Home2 Suites, however, all other hotels currently remain open.

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 a majority of our portfolio with significant cost reduction measures in place 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 all its debt covenants as of March 31, 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 before any covenants are violated. However, any waivers 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.

Based on a combination of these factors and the guidance in U.S. generally accepted accounting principles ("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, 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 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 already granted to the Company. However, there can be no assurance that the Company will be able to obtain waivers 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).

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Notes to Consolidated Financial Statements
(Unaudited – In thousands, except share and per share data)

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

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

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

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

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

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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 March 31,			
	2020		2019	
Rooms	\$	12,526	\$	15,151
Food and beverages		349		359
Other		352		392
Total revenue	\$	13,227	\$	15,903

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

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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 March 31, 2020 and December 31, 2019:

	As of	
	March 31, 2020	December 31, 2019
Land	\$ 34,925	\$ 20,200
Buildings, improvements, vehicle	243,978	206,971
Furniture and equipment	24,511	21,805
Initial franchise fees	1,784	1,784
Construction-in-progress	9	100
Right of use asset	76	80
Investment in hotel properties	305,283	250,940
Less accumulated depreciation	(31,565)	(28,877)
Investment in hotel properties, net	\$ 273,718	\$ 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, with a weighted average rate of 5.2% at March 31, 2020. The right-of-use assets and liabilities are amortized to rent expense, included in either hotel and property operations expenses or general and administrative expenses depending on the nature of the lease, over the term of the underlying lease agreements. The weighted average remaining life of the Company's operating leases, including options to extend when it is reasonably certain the Company will exercise such options, was 6.5 years at March 31, 2020.

As of March 31, 2020, the Company's right-of-use assets, net of \$76 are included in investment in hotel properties, net and its related lease liabilities of \$76 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		104
Total investment in net assets	\$	11,248
Cash	\$	125
Working capital		(462)
Land		14,723
Buildings, improvements, and vehicle		37,008
Furniture and equipment		2,431
Debt assumed at acquisition		(34,080)
Land option liability (1)		(8,497)
Total allocation to net assets	\$	11,248

(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 months ended March 31, 2020 are total revenues of \$813 and total operating loss of \$287 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.

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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 16). 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 and \$116 for the three months ended March 31, 2020 and 2019, respectively. The management of the Atlanta Aloft hotel was moved to Ambridge 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 and \$200 in the three months ended March 31, 2020 and 2019, respectively, were received by the Company from the Atlanta JV.

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 three months ended March 31, 2020 and 2019.

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	For the period of January 1 to February 14,		Three months ended March 31,	
	2020		2019	
Revenue				
Room rentals and other hotel services	\$	1,522	\$	3,874
Operating Expenses				
Hotel and property operations		960		2,177
Depreciation and amortization		181		371
Total operating expenses		1,141		2,548
Operating income		381		1,326
Net loss on derivative		-		(1)
Interest expense		(281)		(684)
Net earnings	\$	100	\$	641
Condor allocated earnings	\$	80	\$	513
TWC allocated earnings		20		128
Net earnings	\$	100	\$	641

NOTE 5. DISPOSITIONS OF HOTEL PROPERTIES

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

During the three months ended March 31, 2020, the Company sold no hotels. During the three months ended March 31, 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 obligor on the New Term Loan and drew an additional \$7,300 under its credit facility with Key Bank to fund the transaction. The New Term Loan was refinanced using the credit facility subsequent to quarter end as discussed in Subsequent Events (see Note 16).

On March 30, 2020, the Company entered into a Sixth Amendment to its credit facility with Key Bank which, among other things, makes 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

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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.

Additionally, 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.

Subsequent to quarter end, the Company amended its credit facility with Key Bank and its loan agreements with Wells Fargo and Great Western Bank as discussed in Subsequent Events (see Note 16).

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

Lender	Balance at March 31, 2020	Interest rate at March 31, 2020	Maturity	Amortization provision	Properties encumbered at March 31, 2020	Balance at December 31, 2019
Fixed rate debt						
Morgan Stanley Bank of America Merrill Lynch Trust 2014-C18	\$ 8,593	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
Total fixed rate debt	<u>22,707</u>					<u>22,900</u>
Variable rate debt						
Wells Fargo	25,499	3.97% (2)	11/2022 (6)	30 years	3	25,612
KeyBank credit facility (3)	95,865	4.84% (4)	4/2021 (7)	Interest only	9	86,845
KeyBank Aloft	34,080	3.05% (8)	5/2020 (9)	Interest only	1	-
Total variable rate debt	<u>155,444</u>				<u>15</u>	<u>112,457</u>
Total long-term debt	<u>\$ 178,151</u>					<u>\$ 135,357</u>
Less: Deferred financing costs	<u>(1,426)</u>					<u>(1,356)</u>
Total long-term debt, net of deferred financing costs	<u>\$ 176,725</u>					<u>\$ 134,001</u>

(1) Both loans are collateralized by Aloft Leawood.

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

(3) 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

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hotel properties securing the facility. The commitment fee on the unused facility was 0.20%. On March 30, 2020, the Sixth Amendment to the credit facility, as discussed above, modified this availability to set the size of the facility at \$102,000 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. 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) Borrowings accrue interest at the Company's option at LIBOR plus 2.25% or a base rate plus 1.25%.

(9) Matures upon the earlier to occur of (a) consummation of the merger under the Merger Agreement (see Note 1) and (b) May 8, 2020. This loan was refinanced using the credit facility subsequent to quarter end as discussed in Subsequent Events (see Note 16).

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

	Total
Remainder of 2020	\$ 35,002
2021	110,209
2022	24,886
2023	214
2024	7,840
Thereafter	-
Total	\$ 178,151

After consideration of the refinancing of the New Term Loan on May 13, 2020 as discussed above, aggregate annual principal payments on debt for the remainder of 2020 and thereafter are as follows:

	Total
Remainder of 2020	\$ 922
2021	144,289
2022	24,886
2023	214
2024	7,840
Thereafter	-
Total	\$ 178,151

Financial Covenants

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

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

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- **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, the Company has received waivers from Great Western Bank with respect to compliance with its quarterly debt service coverage ratios (consolidated and for the Leawood Aloft collateral) for March 31, 2020 and June 30, 2020 and modifications for September 30, 2020, December 31, 2020, March 31, 2021, and June 30, 2021 (providing for lower collateral covenant and use of 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 March 31, 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 Series E Preferred Stock is required to be converted or is redeemed in whole (see Note 10). The Note is not convertible to the extent that a conversion would cause RES, together with its affiliates, to beneficially own more than 49% of the voting stock of the Company at the time of the conversion. Any conversion reduces the principal amount of the Note proportionally.

The Company has made an irrevocable election to record this 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 \$40 and (\$48) during the three months ended March 31, 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 March 31, 2020:

	Fair value as of March 31, 2020	Unpaid principal balance as of March 31, 2020	Fair value carrying amount over/(under) unpaid principal
6.25% Convertible Debt	\$ 1,040	\$ 1,012	\$ 28

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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 March 31, 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), in the valuation of the stock-based compensation grants (see Note 12), and in the assessment of impaired and potentially impaired hotels during the three months ended March 31, 2020 and 2019. No impairments or recoveries of impairment were recognized during the three months ended March 31, 2020 or March 31, 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 March 31, 2020 and December 31, 2019 are as follows:

Associated debt	Type	Terms	Effective Date	Maturity Date	Notional amount at March 31, 2020		Notional amount at December 31, 2019	
Wells Fargo	Swap	Swaps 30-day LIBOR for fixed rate of 2.053%	11/2017	11/2022	\$	25,499 ⁽¹⁾	\$	25,612 ⁽¹⁾
Credit facility	Cap	Caps 30-day LIBOR at 3.35%	4/1/2019	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 losses of \$799 and \$189 for the three months ended March 31, 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 March 31, 2020			Level 1			Level 2			Level 3		
Interest rate derivatives	\$	(1,143)	\$	-	\$	(1,143)	\$	-	\$	-	\$	-
Series E Preferred embedded redemption option		-		-		-		-		-		-
Convertible debt		(1,040)		-		-		-		-		(1,040)
Total	\$	(2,183)	\$	-	\$	(1,143)	\$	-	\$	-	\$	(1,040)

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	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 months ended March 31, 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 March 31,								
	2020				2019				
	Series E Preferred embedded redemption option	Convertible debt	Total	Series E Preferred embedded redemption option	Convertible debt	Total	Series E Preferred embedded redemption option	Convertible debt	
Fair value, beginning of period	\$ 22	\$ (1,080)	\$ (1,058)	\$ 289	\$ (1,000)	\$ (711)	\$ 22	\$ (1,080)	\$ (1,058)
Net gains (losses) recognized in earnings	(22)	40	18	67	(48)	19	-	-	-
Fair value, end of period	<u>\$ -</u>	<u>\$ (1,040)</u>	<u>\$ (1,040)</u>	<u>\$ 356</u>	<u>\$ (1,048)</u>	<u>\$ (692)</u>	<u>\$ -</u>	<u>\$ (1,048)</u>	<u>\$ (1,048)</u>
Total unrealized gains (losses) during the period included in earnings related to instruments held at end of period	\$ (22)	\$ 40	\$ 18	\$ 67	\$ (48)	\$ 19	-	-	-

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			
	March 31, 2020	December 31, 2019	March 31, 2020	December 31, 2019	March 31, 2020	December 31, 2019	March 31, 2020	December 31, 2019
Total	\$ 176,725	\$ 134,001	\$ 178,643	\$ 134,288	\$ 176,725	\$ 134,001	\$ 178,643	\$ 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, the dividend rate increases to 9.50% per annum. Dividends on the Series E Preferred Stock accrue whether or not the Company has earnings, whether or not there are funds legally available for the payment of such dividends, whether or not such dividends are declared, and whether or not such dividends are prohibited by agreement. Under the Sixth

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Amendment to the credit facility, no cash dividends can be paid to common or preferred shareholders. As of March 31, 2020, there are \$289 of accrued but unpaid dividends related to the Series E Preferred Stock.

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 March 31, 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 \$17 and \$47 at March 31, 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 months ended March 31, 2020. During the three months ended March 30, 2019, 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

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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 March 31, 2020, there were 507,140 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 three months ended March 31, 2020 and 2019:

		For the three months ended March 31,			
		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		1,216	\$ 11.04	18,443	\$ 8.24
Vested		(5,547)	\$ 10.03	(8,559)	\$ 10.46
Unvested at March 31		42,351	\$ 10.20	86,384	\$ 10.00

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 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

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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 first quarter of 2020, there were no shares issued related to performance based share awards. During the first quarter of 2019, 13,778 shares with a grant date fair value totaling \$122 were awarded to the executive based on 2018 FFO. Simultaneously, 2,550 fully vested shares were issued to the executive with a fair value of \$22 as a discretionary 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 3,162 and 4,409 shares were issued during the three months ended March 31, 2020 and 2019, respectively, 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 March 31, 2020 and 2019 was \$84 and \$336, respectively, all of which is included in general and administrative expense. Total unrecognized compensation cost related to all awards at March 31, 2020 was \$485, which is expected to be recognized over a weighted-average remaining service period of 2.4 years.

NOTE 13. INCOME TAXES

During the three months ended March 31, 2020 and 2019, income tax benefit (expense) totaling \$306 and (\$186), respectively, was recognized primarily related to income earned by the TRS. Management believes the combined federal and state effective 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 March 31, 2020 as determined for federal income tax purposes was \$2,476. The availability of the loss carryforwards will expire from 2027 through 2034, with an indefinite carryforward for losses arising after December 31, 2017.

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NOTE 14. EARNINGS PER SHARE

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

	Three months ended March 31,	
	2020	2019
Numerator: Basic		
Net loss attributable to common shareholders	\$ (3,169)	\$ (129)
Less: Allocation to participating securities	-	(17)
Net loss attributable to common shareholders, net of amount allocated to participating securities	\$ (3,169)	\$ (146)
Numerator: Diluted		
Net loss attributable to common shareholders, net of amount allocated to participating securities	\$ (3,169)	\$ (146)
Denominator		
Weighted average number of common shares - Basic and Diluted	11,951,413	11,817,677
Earnings (Loss) per Share		
Basic Earnings (Loss) per Share	\$ (0.27)	\$ (0.01)
Diluted Earnings (Loss) per Share	\$ (0.27)	\$ (0.01)

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 March 31,	
	2020	2019
Unvested restricted stock	45,173	82,168
Series E Preferred Stock	668,111	668,111
Convertible debt	97,269	97,269
Operating partnership common units ⁽¹⁾	4,214	61,767
Total potentially dilutive securities excluded from the denominator	814,767	909,315

(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

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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 March 31, 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 \$396 and \$474, respectively, for the three months ended March 31, 2020 and 2019, all of which was included as hotel and property operations expense. Incentive management fees totaled \$0 and \$44, respectively, for the three months ended March 31, 2020 and 2019.

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 March 31, 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 \$982 and \$1,227 for the three months ended March 31, 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. The Company is actively addressing the matter relating to the surveys and has plans in place which it believes will resolve these issues.

Leases

The Company has no land lease agreements in place related to properties owned at March 31, 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 \$13 and \$39 in the three months ended March 31, 2020 and 2019, 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	\$ 16
2021	21
2022	20
2023	4
2024	4
Thereafter	26
Total lease payments	\$ 91
Less: Imputed interest	(15)

Present value of lease liabilities

\$

76

Litigation

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

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

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

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

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

NOTE 16. SUBSEQUENT EVENTS

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;
- 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; and

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- 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 an amendment to its credit facility with Key Bank which, among other things, (a) 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 and (b) increases the floor to LIBOR for purposes of calculating the applicable interest rate under the credit facility from 0.25% to 0.50%. At the closing of the amendment, the Company borrowed \$34,080 under the credit facility to repay the principal outstanding under the mortgage loan that previously financed the hotel and the hotel was added to the collateral pool of hotels securing the credit facility.

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.

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 March 31, 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 March 31, 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

Agreement and Plan of Merger

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

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

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 coronavirus globally or in the regions in which we operate, or future widespread outbreak of infectious or contagious disease, can continue to reduce national and international travel in general. The extent to which the hospitality industry, and thus our business will be affected by the coronavirus will largely depend on future developments which we cannot accurately predict, and impact on customer travel, including the duration of the outbreak, the continued spread and treatment of the coronavirus, and new information and developments that may emerge concerning the severity of the coronavirus and the actions to contain the coronavirus or treat its impact, among others. To the extent that travel activity in the U.S. is and will be materially and adversely affected by the coronavirus, 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 to provide extension options out to March 1, 2022, waivers / modifications of certain covenants, and establishment of interest reserves for near term debt service payments as necessary (see further discussion of the Sixth Amendment 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.
- Applications by Condor and its hotel operators for Paycheck Protection Program loans authorized under the recently congressionally approved CARES Act.
- Seeking potential recovery of certain losses through insurance coverage.
- Pursuing corporate cost reductions, including staffing reductions resulting in an approximately 20% decrease in non-consulting expenses compared to historical operations.
- With its credit facility amended, representing over 53% of Condor's loans, Condor has approached three of its remaining lenders for potential modifications to provide interest reserves or accruals during the second quarter of 2020. Two lenders representing approximately 26% of Condor's loans have agreed, while discussions are in process with the third lender representing approximately 15% of Condor's loans.
- 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 has determined that it is advisable and the best business practice to cause a temporary closure of 30 to 90 days of two of its hotels in April 2020, the Solomons Hilton Garden Inn and at the Leawood Aloft. The Company is evaluating on a daily basis similar temporary closures at the Lake Mary Hampton Inn & Suites, the San Antonio SpringHill Suites, and the Round Rock Home2 Suites, however, all other hotels currently remain open.

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 March 31, 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 [®]	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 March 31, 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. 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		104
Total investment in net assets	\$	11,248
Cash		125
Working capital	\$	(462)
Land		14,723
Buildings, improvements, and vehicle		37,008
Furniture and equipment		2,431
Debt assumed at acquisition		(34,080)
Land option liability (1)		(8,497)
Total allocation to net assets	\$	11,248

(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 months ended March 31, 2020.

Operating Performance Metrics

The following tables present our same-store occupancy, average daily rate ("ADR"), and Revenue per Available Room ("RevPAR") for all our hotels owned on March 31, 2020. 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 March 31,					
	2020			2019		
	Occupancy	ADR	RevPAR	Occupancy	ADR	RevPAR
Total Same-Store Portfolio	63.97%	\$ 124.28	\$ 79.50	79.82%	\$ 133.20	\$ 106.32

Total same-store RevPAR decreased by 25.2% in the first quarter of 2020, driven by both a decline in occupancy of 19.9% and a decline in ADR of 6.7% caused by the COVID-19 pandemic. The Company's largest declines in RevPAR were at the Atlanta Aloft (40.1%), the Round Rock Home2 Suites (35.8%), the San Antonio SpringHill Suites (29.9%), the Tallahassee Home2 Suites (26.9%), and the Lake Mary Hampton Inn & Suites (25.2%). The least immediately impacted hotels included the El Paso Fairfield Inn & Suites (8.0%), the Southaven Home2 Suites (14.3%), and the Jacksonville Courtyard by Marriott (15.4%).

Despite the tepid hotel demand caused by the COVID-19 pandemic, the Company has, subsequent to quarter end, been experiencing some increases in hotel occupancy. Following February 2020 where the occupancy of the portfolio was 79.1%, the rapid shutdown of demand in March caused total occupancy across the portfolio to drop to a low of 12.9% on March 29, 2020. In the subsequent weeks, occupancy for the thirteen hotels in the portfolio that have remained operational grew to 17.6% on April 20, 20.2% on April 27, 2020, has been in the range of 26.8% to 28.9% for the five days ending May 8, 2020. With ten of the fifteen hotels in the Company's portfolio located in Florida, Texas, and Georgia, states that began early opening up businesses on a limited basis, the portfolio has been positioned to gain the benefit of being located in states taking actions to stimulate economic conditions.

Results of Operations

Comparison of the three months ended March 31, 2020 to the three months ended March 31, 2019 (in thousands)

	Three months ended March 31,			Variance
	2020	2019		
Revenue	\$ 13,227	\$ 15,903	\$	(2,676)
Hotel and property operations expense	(9,815)	(9,793)		(22)
Depreciation and amortization expense	(2,710)	(2,362)		(348)
General and administrative expense	(1,193)	(1,663)		470
Acquisition and terminated transactions expense	-	(7)		7
Strategic alternatives	(144)	-		(144)
Net gain (loss) on disposition of assets	(9)	39		(48)
Equity in earnings of joint venture	80	513		(433)
Net loss on derivatives and convertible debt	(759)	(237)		(522)
Other expense, net	(28)	(29)		1
Interest expense	(1,980)	(2,163)		183
Income tax expense (benefit)	306	(186)		492
Net earnings (loss)	\$ (3,025)	\$ 15	\$	(3,040)

Revenue

Revenue decreased by a total of \$2,676, or 16.8%, as a result of the decreases in RevPAR resulting from the COVID-19 pandemic as discussed above, partially offset by \$813 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 increased by \$22. Increased operating expenses of \$809 from the acquisition of the remaining interest in the Atlanta JV in the first quarter of 2020 were partially offset by decreased operating expenses due 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 first quarter of 2020.

Depreciation and amortization expense increased in total by \$348 as a result of the acquisition of the remaining interest in the Atlanta JV during the first quarter of 2020.

Interest expense decreased in total by \$183, with an increase in debt outstanding due to the acquisition of the remaining interest in the Atlanta JV being more than offset by a decrease in the weighted average interest rate on total debt outstanding due to changing market conditions (from 5.19% at March 31, 2019 to 4.52% at March 31, 2020).

General and administrative expense decreased by \$470 driven by decreased compensation costs and decreased professional services fees.

In the first quarter of 2020, \$144 of expenses were recognized as strategic alternatives expenses which include costs incurred related to the Company's strategic alternatives initiative that generated the Agreement and Plan of Merger discussed further below with *Liquidity, Capital Resources, and Equity Transactions*.

Equity in earnings of joint venture

Equity in earnings of joint venture decreased by \$433 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 increase in the loss on derivatives and convertible debt was driven a decrease 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, including a significant decrease in interest rates during the first quarter of 2020.

Income Tax Expense (Benefit)

Income tax expense (benefit) in both periods was driven primarily by income earned by the TRS. Management believes the combined federal and state income tax rate for the TRS will be approximately 24% and income tax benefit or expense will vary based on the taxable earnings or loss of the TRS.

Non-GAAP Financial Measures

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

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. 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 months ended March 31, 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 March 31,	
	2020	2019
Reconciliation of Net earnings (loss) to FFO and AFFO		
Net earnings (loss)	\$ (3,025)	\$ 15
Depreciation and amortization expense	2,710	2,362
Depreciation and amortization expense from JV	145	297
Net (gain) loss on disposition of assets	9	(39)
FFO	(161)	2,635
Dividends declared and undeclared on preferred stock	(145)	(145)
FFO attributable to common shares and common units	(306)	2,490
Net loss on derivatives and convertible debt	759	237
Net loss on derivatives from JV	-	1
Acquisition and terminated transactions expense	-	7
Strategic alternatives	144	-
Stock-based compensation expense	84	336
Amortization of deferred financing fees	275	373
Amortization of deferred financing fees from JV	93	45
AFFO attributable to common shares and common units	\$ 1,049	\$ 3,489

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

We calculate EBITDA, EBITDAre, and Adjusted EBITDAre by adding back to net earnings or loss certain non-operating expenses and certain non-cash charges which are based on historical cost accounting that we believe may be of limited significance in evaluating current performance. We believe these adjustments can help eliminate the accounting effects of depreciation and amortization and financing decisions and facilitate comparisons of core operating profitability between periods. In calculating EBITDA, we add back to net earnings or loss interest expense, loss on debt extinguishment, income tax expense, and depreciation and amortization expense. NAREIT adopted EBITDAre in order to promote an industry-wide measure of REIT operating performance. We adjust EBITDA by adding back net gain/loss on disposition of assets and impairment charges to calculate EBITDAre. To calculate Adjusted EBITDAre, we adjust EBITDAre to add back acquisition and terminated transactions expense and strategic alternatives expense, which are cash charges. We also add back stock-based compensation expense and gain/loss on derivatives and convertible debt, which are non-cash charges. EBITDA, EBITDAre, and Adjusted EBITDAre, as presented, may not be comparable to similarly titled measures of other companies.

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

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

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

The following table reconciles net earnings (loss) to EBITDA, EBITDAre, Adjusted EBITDAre, and Hotel EBITDA for the three months ended March 31, 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 earnings (loss) to EBITDA, EBITDAre, Adjusted EBITDAre, and Hotel EBITDA	Three months ended March 31,	
	2020	2019
Net earnings (loss)	\$ (3,025)	\$ 15
Interest expense	1,990	2,163
Interest expense from JV	225	547
Income tax expense (benefit)	(306)	186
Depreciation and amortization expense	2,710	2,362
Depreciation and amortization expense from JV	145	297
EBITDA	1,729	5,570
Net loss (gain) on disposition of assets	9	(39)
EBITDAre	1,738	5,531
Net loss on derivatives and convertible debt	759	237
Net loss on derivative from JV	-	1
Stock-based compensation expense	84	336
Acquisition and terminated transactions expense	-	7
Strategic alternatives	144	-
Adjusted EBITDAre	2,725	6,112
General and administrative expense, excluding stock compensation expense	1,109	1,327
Other expense, net	28	29
Unallocated hotel and property operations expense	94	45

Hotel EBITDA	\$	3,956	\$	7,513
Revenue				
JV revenue	\$	13,237	\$	15,903
Condor and JV revenue		1,218		3,100
Hotel EBITDA as a percentage of revenue		27.4%		39.5%

Liquidity, Capital Resources, and Equity Transactions

Agreement and Plan of Merger

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

Liquidity Requirements

As previously discussed, due to the COVID-19 pandemic, the hospitality industry has experienced significant drops in demand. The Company has temporarily closed two of our hotels while our remaining hotels operate in a significantly reduced capacity. 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 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 a majority of our portfolio with significant cost reduction measures in place 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 all its debt covenants as of March 31, 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 before any covenants are violated. However, any waivers 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.

Based on a combination of these factors and the guidance in U.S. generally accepted accounting principles ("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, 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 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 already granted to the Company. However, there can be no assurance that the Company will be able to obtain waivers 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 Operating Activities. Our cash provided by operations was \$1.1 million and \$3.1 million for the three months ended March 31, 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 \$2.6 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 (\$7.0 million) and \$3.6 million for the three months ended March 31, 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.

Cash provided by (used in) Financing Activities. Our cash flows provided by (used in) financing activities were \$8.4 million and (\$5.6 million) for the three months ended March 30, 2020 and 2019, respectively. This increase was primarily the result of increased net cash inflows from debt activities of \$11.5 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, \$2.3 million was paid for common stock dividends in the first quarter of 2019 that were not paid during the first quarter of 2020.

Outstanding Indebtedness

Significant Debt Transactions

On February 14, 2020, with the purchase of the remaining interest in the Atlanta JV, the Company became the primary obligator of the New Term Loan and drew an additional \$7.3 million under its credit facility with Key Bank to fund the transaction.

On March 30, 2020, the Company entered into a Sixth Amendment to its credit facility with Key Bank which, among other things, makes 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.
- 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.

Additionally, 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.

Subsequent to quarter end, 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 \$0.65 million from the FF&E reserve under the loan agreement between May 2020 and September 2020 to pay operating expenses of the borrowers thereunder;
- 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 \$0.9225 million; and
- suspends the ability of the borrowers thereunder to make dividends and other distributions until the FF&E reserve is replenished.

Subsequent to quarter end, on May 13, 2020, the Company entered into an amendment to its credit facility with Key Bank which, among other things, (a) increases the commitments under the credit facility from \$102.0 million to \$136.08 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 and (b) increases the floor to LIBOR for purposes of calculating the applicable interest rate under the credit facility from 0.25% to 0.50%. At the closing of the amendment, the Company borrowed \$34.08 million under the credit facility to repay the principal outstanding under the mortgage loan that previously financed the hotel and the hotel was added to the collateral pool of hotels securing the credit facility.

Additionally, 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.

Outstanding Debt

At March 31, 2020, we had long-term debt of \$178.2 million, with a weighted average term to maturity of 1.3 years and a weighted average interest rate of 4.32%. Of this total, at March 31, 2020, \$22.7 million was fixed rate debt with a weighted average term to maturity of 2.0 years and a weighted average interest rate of 4.41% and \$155.5 million was variable rate debt with a weighted average term to maturity of 1.1 years and a weighted average interest rate of 4.31%. 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	\$ 35,002
2021	110,209
2022	24,886
2023	214
2024	7,840
Thereafter	-
Total	\$ 178,151

After consideration of the refinancing of the New Term Loan on May 13, 2020 as discussed above, aggregate annual principal payments on debt for the remainder of 2020 and thereafter are as follows:

	Total
Remainder of 2020	\$ 922
2021	144,289
2022	24,886
2023	214
2024	7,840
Thereafter	-
Total	\$ 178,151

Financial Covenants

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

- **Debt Yield:** The ratio of adjusted net operating income for the borrowing base properties to indebtedness outstanding under the credit facility cannot be less than 10%. The covenant is first tested on September 30, 2020 and for purposes of calculating compliance with the covenant, annualized results are used until June 30, 2021 when the calculation is based on the most recently ended four fiscal quarters.
- **Consolidated Leverage Ratio:** The ratio of consolidated total indebtedness to consolidated total asset value cannot exceed 60%.
- **Fixed Charge Coverage Ratio:** The ratio of adjusted consolidated EBITDA to consolidated fixed charges cannot be less than (a) 1.25 to 1 as of the end of the fiscal quarter ending September 30, 2020 and (b) 1.50 to 1 as of the end of the fiscal quarter ending December 31, 2020 and each fiscal quarter thereafter. For purposes of calculating compliance with the covenant, annualized results are used until June 30, 2021 when the calculation is based on the most recently ended four fiscal quarters.
- **Borrowing Base Leverage Ratio:** The ratio of indebtedness outstanding under the credit facility to borrowing base asset value (based on updated appraisals required by the lenders) cannot exceed 65%. The covenant is first tested on June 30, 2021.

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, the Company has received waivers from Great Western Bank with respect to compliance with its quarterly debt service coverage ratios (consolidated and for the Leawood Aloft collateral) for March 31, 2020 and June 30, 2020 and modifications for September 30, 2020, December 31, 2020, March 31, 2021, and June 30, 2021 (providing for lower collateral covenant and use of 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 March 31, 2020, we are not in default of any of our loans.

Contractual Obligations

Below is a summary of our contractual obligations as of March 31, 2020 and the effect such obligations are expected to have on our future liquidity and cash flows (in thousands), without consideration of the refinancing of the New Term Loan on May 13, 2020 as previously discussed:

Contractual obligations	Total	Payments due by period			
		Remainder of 2020	2021-2022	2023-2024	2025 and After
Long-term debt inclusive interest ⁽¹⁾	\$ 191,456	\$ 40,348	\$ 142,449	\$ 8,659	-
Equipment leases	91	16	41	8	26
Total contractual obligations	\$ 191,547	\$ 40,364	\$ 142,490	\$ 8,667	\$ 26

(1) Interest rate payments on our variable rate debt have been estimated using interest rates in effect at March 31, 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 March 31, 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 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 March 31, 2020, we have an interest rate swap in place which effectively locks the variable interest rate on our Wells Fargo debt (March 31, 2020 balance of \$25.4 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 (March 31, 2020 balance of \$95.9 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 March 31, 2020, without consideration of the refinancing of the New Term Loan on May 13, 2020 as previously discussed. 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.

	Remainder of 2020		2021		2022		2023		2024		Total	
Fixed rate debt	\$	922	\$	14,344	\$	24,886	\$	214	\$	7,840	\$	48,206
Average fixed interest rate		4.40 %		4.34 %		4.44 %		4.54 %		4.54 %		4.43 %
Variable rate debt	\$	34,080	\$	95,865	\$	-	\$	-	\$	-	\$	129,945
Average variable interest rate		3.05 %		4.84 %		-%		-%		-%		4.37 %
Total debt	\$	35,002	\$	110,209	\$	24,886	\$	214	\$	7,840	\$	178,151
Total average interest rate		3.08 %		4.78 %		4.34 %		4.44 %		4.54 %		4.39 %

At March 31, 2020, approximately 27% of our outstanding debt is subject to fixed interest rates or effectively locked with an interest rate swap, while 73% of our debt is subject to floating rates. Assuming no increase in the level of our variable debt outstanding at March 31, 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 March 31, 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.

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

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

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

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

ITEM 1A. RISK FACTORS

Other than the addition of the text below, 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.

Changes in economic and industry conditions relating to the COVID-19 pandemic have had, and will continue to have, adverse effects on the hospitality industry, and thus our financial conditions, results of operations and cash flows for an indeterminate period of time, and the financial impact could negatively impact our future compliance with our debt covenants and result in a default and potential acceleration of our indebtedness.

There have been significant changes in business and economic conditions generally in the United States and in the hotel industry in particular as the COVID-19 pandemic crisis continues. Financial markets have been disrupted and there has been an industry-wide significant falling off of hotel occupancies.

The COVID-19 pandemic has caused, and is expected to continue to cause, a sharp decline in group, business and leisure travel, including negative public perceptions of travel and public gatherings in light of the perceived risks associated with COVID-19. The reduced economic activity could also result in an economic recession, and increased unemployment, which could negatively impact future lodging demand. The potential negative impact on the health of our employees and hotel employees could result in a deterioration in operational performance during and after the COVID-19 pandemic.

As with the hospitality industry, generally our occupancy rates for our hotels have been significantly declined, which reduces our revenue, results of operations and cash flows. As many others in the lodging industry have determined, we deemed it advisable and in the best business practice to cause temporary closures of two of our hotels located in Solomons, Maryland and Leawood, Kansas. We continue to evaluate similar temporary closures of our hotels located in Lake Mary, Florida, San Antonio, Texas and Round Rock, Texas but as occupancies at these locations have increased slightly in late April and early May 2020, we have at this time refrained from temporarily closing these hotels. We also continue to evaluate potential temporary closings of other hotels, based on specific market trends.

Lower occupancy and hotel closures reduce our revenues, results of operations and cash flows, and as a consequence we have sought and received certain accommodations from some of our lenders. The accommodations among such lenders varied and included waivers and modifications of certain debt covenants, temporary suspension of principal and interest payments, establishment of interest reserves for near term debt service payments, temporary suspension of accruing certain cash reserves on deposit, and temporary use of certain cash reserves on deposit. We can provide no assurance that we would receive such or other accommodations from lenders if needed in the future.

Changes in economic and industry conditions relating to COVID-19 pandemic have had, and will continue to have, adverse effects on our financial conditions, results of operations and cash flows for an indeterminate period of time. The financial impact of the COVID-19 pandemic could negatively impact our future compliance with our debt covenants and result in a default and potential acceleration of our indebtedness.

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), Item 1.02 (Termination of a Material Definitive Agreement) and Item 2.03 (Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of Registrant) of Form 8-K.

Credit Facility Amendment

On May 13, 2020, the Company entered into a Seventh 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 "Seventh Amendment"). The Seventh 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 and Sixth Amendment dated as of March 30, 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 and June 30, 2019 and Annual Report on Form 10-K for the year ended December 31, 2019, and is incorporated herein by reference.

The Seventh Amendment, among other things, (a) increases the commitments under the Credit Agreement from \$102.00 million to \$136.08 million and provides for an additional advance in order to refinance the Aloft hotel located in downtown Atlanta, Georgia and (b) increases the floor to LIBOR for purposes of calculating the applicable interest rate under the Credit Agreement from 0.25% to 0.50%.

At the closing of the Seventh Amendment, the operating partnership borrowed \$34.08 million under the Credit Agreement, which was used in connection with the repayment and termination of the term loan financing the Aloft hotel in downtown Atlanta, Georgia. The term loan was evidenced by the Term Loan Agreement dated as of August 9, 2019 among the operating partnership, Spring Street Hotel Property LLC and Spring Street Hotel OpCo LLC, as borrowers, KeyBank National Association and the other lenders party thereto, as lenders, and KeyBank National Association, as administrative agent.

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 Seventh Amendment does not purport to be complete and is qualified in its entirety by reference to the Seventh Amendment, a copy of which is attached as Exhibit 10.6 and is incorporated herein by reference.

Wells Fargo Amendment

On May 12, 2020, the Company, through its indirect wholly-owned subsidiaries CDOR Jax Court, LLC, TRS Jax Court, LLC, CDOR Atl Indy, LLC, TRS Atl Indy, LLC, CDOR San Spring, LLC and TRS San Spring, LLC (the "Borrowers"), entered into a First Loan Modification Agreement with Wells Fargo Bank, National Association (the "First Amendment"). The First Amendment amends the Loan Agreement dated as of October 4, 2017 between the Borrowers and Wells Fargo Bank, National Association (the "Loan Agreement"). The Loan Agreement is described in the Company's Current Report on Form 8-K dated October 4, 2017, and is incorporated herein by reference.

The First Amendment, 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 FF&E reserve under the Loan Agreement until November 2020;
- permits the withdrawal of \$650,000 from the FF&E reserve under the Loan Agreement between May 2020 and September 2020 to pay operating expenses of the Borrowers;
- provides for the allocation of 50% of the Borrower's excess cash flow to the FF&E reserve starting in January 2021 and continuing until the FF&E reserve is replenished with \$922,500; and
- suspends the ability of the Borrowers to make dividends and other distributions until the FF&E reserve is replenished.

The lender in the Loan Agreement and/or its 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 First Amendment does not purport to be complete and is qualified in its entirety by reference to the First Amendment, a copy of which is attached as Exhibit 10.7 and is incorporated herein by reference.

Great Western Bank Amendment

On May 13, 2020, the Company, through its indirect wholly-owned subsidiaries CDOR KCI Loft, LLC and TRS KCI Loft, LLC (the "Borrowers"), entered into a Third Amendment to Loan Agreement with Great Western Bank (the "Third Amendment"). The Third Amendment amends the Loan Agreement dated as of December 14, 2016 between the Borrowers and Great Western Bank, as amended by the First Amendment to Loan Agreement dated as of March 8, 2019 and Second Amendment to Loan Agreement dated as of March 30, 2020 (collectively, the "Loan Agreement"). The Loan Agreement is described in the Company's Current Reports on Form 8-K dated December 14, 2016 and March 5, 2019 and Annual Report on Form 10-K for the year ended December 31, 2019, and is incorporated herein by reference.

The Third Amendment, 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.

The lender in the Loan Agreement and/or its 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.

The foregoing summary of the Third Amendment does not purport to be complete and is qualified in its entirety by reference to the Third Amendment, a copy of which is attached as Exhibit 10.8 and is incorporated herein by reference.

ITEM 6. EXHIBITS

- 2.1 [Amendment No. 3 dated as of January 30, 2020 to Agreement and Plan of Merger dated as of July 19, 2019 by and among NHT Operating Partnership, LLC, NHT REIT Merger Sub, LLC, NHT Operating Partnership II, LLC, the Company and Condor Hospitality Limited Partnership \(incorporated herein by reference to Exhibit 2.2 to the Company's Current Report on Form 8-K \(Commission file number 001-34087\) dated January 30, 2020\).](#)
- 2.2 [Amendment No. 4 dated as of March 15, 2020 to Agreement and Plan of Merger dated as of July 19, 2019 by and among NHT Operating Partnership, LLC, NHT REIT Merger Sub, LLC, NHT Operating Partnership II, LLC, the Company and Condor Hospitality Limited Partnership \(incorporated herein by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K \(Commission file number 001-34087\) dated March 15, 2020\).](#)
- 10.1 [First Amendment to Term Loan Agreement dated as of February 6, 2020 by and among Condor Hospitality Limited Partnership, Spring Street Hotel Property LLC and Spring Street Hotel OpCo LLC, as Borrowers, Condor Hospitality REIT Trust and the Company, as Guarantors, and KeyBank National Association, as Administrative Agent \(incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K \(Commission file number 001-34087\) dated February 6, 2020\).](#)
- 10.2 [Sixth Amendment to Credit Agreement dated as of March 30, 2020 among Condor Hospitality Limited Partnership, as Borrower, the Company and the subsidiary guarantors party thereto, as Guarantors, KeyBank National Association and the other lenders party thereto, as Lenders, and KeyBank National Association, as Administrative Agent \(incorporated herein by reference to Exhibit 10.83 to the Company's Annual Report on Form 10-K \(Commission file number 001-34087\) for the year ended December 31, 2019\).](#)

- 10.3 Exhibit A to Sixth Amendment to Credit Agreement dated as of March 30, 2020 among Condor Hospitality Limited Partnership, as Borrower, the Company and the subsidiary guarantors party thereto, as Guarantors, KeyBank National Association and the other lenders party thereto, as Lenders, and KeyBank National Association, as Administrative Agent (incorporated herein by reference to Exhibit 10.84 to the Company's Annual Report on Form 10-K (Commission file number 001-34087) for the year ended December 31, 2019).
- 10.4 Exhibit B to Sixth Amendment to Credit Agreement dated as of March 30, 2020 among Condor Hospitality Limited Partnership, as Borrower, the Company and the subsidiary guarantors party thereto, as Guarantors, KeyBank National Association and the other lenders party thereto, as Lenders, and KeyBank National Association, as Administrative Agent (incorporated herein by reference to Exhibit 10.85 to the Company's Annual Report on Form 10-K (Commission file number 001-34087) for the year ended December 31, 2019).
- 10.5 Second Amendment to Loan Agreement dated as of March 30, 2020 among CDOR KCI Loft, LLC, TRS KCLLoft, LLC and Great Western Bank (incorporated herein by reference to Exhibit 10.86 to the Company's Annual Report on Form 10-K (Commission file number 001-34087) for the year ended December 31, 2019).
- 10.6* Seventh Amendment to Credit Agreement dated as of May 13, 2020 among Condor Hospital Limited Partnership, as Borrower, Condor Hospitality Trust, Inc. and the other subsidiary guarantors party thereto, as Guarantors, Keybank National Association and the other lenders thereto, as Lenders, and Keybank National Association, as Administrative Agent.
- 10.7* First Loan Modification Agreement dated as of May 12, 2020 among CDOR Jax Court, LLC, TRS Jax Court, LLC, CDOR All Indy, LLC, TRS All Indy, LLC, CDOR San Spring, LLC and TRS San Spring, LLC, as the Borrowers, and Wells Fargo Bank, National Association, as the Lender
- 10.8* Third Amendment to Loan Agreement dated as of May 13, 2020 among CDOR KCI Loft, LLC and TRS KCI Loft, LLC, as the Borrowers, and Great Western Bank, as the Lender
- 31.1* Section 302 Certificate of Chief Executive Officer
- 31.2* Section 302 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 March 31, 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.

May 14, 2020

Condor Hospitality Trust, Inc.

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

/s/ Arinn Cavey
Arinn Cavey
Chief Financial Officer and Chief Accounting Officer

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Section 2: EX-10.6 (EX-10.6)

Exhibit 10.6

**SEVENTH AMENDMENT TO CREDIT AGREEMENT AND
OTHER LOAN DOCUMENTS**

THIS SEVENTH AMENDMENT TO CREDIT AGREEMENT AND OTHER LOAN DOCUMENTS (this "Amendment"), dated as of May 13, 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").

WITNESSETH:

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"), and as amended by that certain Sixth Amendment to Credit Agreement and Other Loan Documents dated as of March 30, 2020 (the "Sixth Amendment") (such Credit Agreement, as amended by the First Amendment, the Second Amendment, the Third Amendment, the Fourth Amendment, the Fifth Amendment and the Sixth 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 and the Sixth Amendment (as such Guaranty, as amended by the First Amendment and the Sixth Amendment, may be further varied, extended, supplemented, consolidated, replaced, increased, renewed, modified or amended from time to time, the "Guaranty");

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 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 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 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 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 pursuant to that certain Joinder Agreement dated February 21, 2018; and

WHEREAS, Spring Street Hotel Property LLC and Spring Street Hotel OPKO LLC have become a party to the Guaranty pursuant to that certain Joinder Agreement dated of even date herewith; and

WHEREAS, the Borrower has delivered an Increase Notice, and 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:

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.

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 their entirety the definitions of "LIBOR" and "Total Commitment" appearing in §1.1 of the Credit Agreement and inserting in lieu thereof the following:

"LIBOR. For any LIBOR Rate Loan for any Interest Period, the average rate as shown in Reuters Screen LIBOR 01 Page (or any successor service, or if such Person no longer reports such rate as determined by the Agent, by another commercially available source providing such quotations approved by the Agent) at which deposits in U.S. dollars are offered by first class banks in the London Interbank Market at approximately 11:00 a.m. (London time) on the day that is two (2) LIBOR Business Days prior to the first day of such Interest Period with a maturity approximately equal to such Interest Period and in an amount approximately equal to the amount to which such Interest Period relates, adjusted for reserves and taxes if required by future regulations. If such service or such other Person approved by the Agent described above no longer reports such rate or the Agent determines in good faith that the rate so reported no longer accurately reflects the rate available to the Agent in the London Interbank Market, Loans shall accrue interest at the Base Rate plus the Applicable Margin for such Loan. For any period during which a Reserve Percentage shall apply, LIBOR with respect to LIBOR Rate Loans shall be equal to the amount determined above divided by an amount equal to 1 minus the Reserve Percentage. Notwithstanding the foregoing, if the rate shown on Reuters Screen LIBOR01 Page (or any successor service designated

pursuant to this definition) shall be less than positive 0.50%, such rate shall be deemed to be positive 0.50% for the purposes of this Agreement.”

“Total Commitment. The sum of the Commitments of the Lenders, as in effect from time to time. As of May 13, 2020, the Total Commitment is One Hundred Thirty-Six Million Eighty Thousand and No/100 Dollars (\$136,080,000.00). The Total Commitment may increase in accordance with §2.11.”

(b) By deleting in its entirety the definition of “Benchmark Replacement” appearing in §4.15(e) of the Credit Agreement and inserting in lieu thereof the following:

“Benchmark Replacement” means the sum of: (a) the alternate benchmark rate (which may include Term SOFR) that has been selected by the Agent and the Borrower giving due consideration to (i) any selection or recommendation of a replacement rate or the mechanism for determining such a rate by the Relevant Governmental Body or (ii) any evolving or then-prevailing market convention for determining a rate of interest as a replacement to LIBOR for U.S. dollar-denominated syndicated credit facilities at such time and (b) the Benchmark Replacement Adjustment; provided that, if the Benchmark Replacement as so determined would be less than positive 0.50%, the Benchmark Replacement will be deemed to be positive 0.50% for the purposes of this Agreement.”

(c) By deleting in its entirety the last sentence of §8.1 of the Credit Agreement, and inserting in lieu thereof the following:

“Notwithstanding anything to the contrary in this Agreement, including without limitation, this §8.1, neither the Borrower, Guarantor, nor any of their respective Subsidiaries shall create, incur, assume, guarantee or become liable, contingently or otherwise, on or after March 30, 2020 with respect to any Recourse Indebtedness except for (i) Recourse Indebtedness under this Agreement and (ii) a Paycheck Protection Program loan under the Coronavirus Aid, Relief, and Economic Security Act in an amount not to exceed \$2,700,000.00 (provided that for the purposes of calculating compliance with the financial covenants, such Paycheck Protection Program loan shall not be considered Indebtedness for so long as no principal and interest is payable with respect thereto).”

(d) By deleting in its entirety Schedule 1.1 attached to the Credit Agreement, and inserting in lieu thereof Schedule 1.1 attached hereto and made a part hereof.

(e) By deleting in its entirety Schedule 5.5 attached to the Credit Agreement and inserting in lieu thereof Schedule 5.5 attached hereto and made a part hereof.

2. Modification of the Guaranty. Guarantors, Agent and Lenders do hereby modify and amend the Guaranty by deleting in its entirety paragraph (a) appearing on page 1 of the Guaranty, and inserting in lieu thereof the following:

“(a) the full and prompt payment when due, whether by acceleration or otherwise, either before or after maturity thereof, of the Revolving Credit Notes made by

Borrower to the order of the Lenders in the aggregate principal face amount of up to One Hundred Thirty-Six Million Eighty Thousand and No/100 Dollars (\$136,080,000.00), together with interest as provided in the Revolving Credit Notes and together with any replacements, supplements, renewals, modifications, consolidations, restatements, increases and extensions thereof; and”.

Commitments

(a) As of the “Effective Date” (as hereinafter defined) of this Amendment and following satisfaction of all conditions thereto as provided herein, the amount of each Lender’s (including KeyBank’s) Commitment shall be the amount set forth on Schedule J attached hereto. In connection with the increase of the Commitments, KeyBank shall be issued a replacement Revolving Credit Note in the principal face amount of its Commitment, which will be a “Revolving Credit Note” under the Credit Agreement. Such Revolving Credit Note shall be a replacement Revolving Credit Note, and KeyBank will promptly return to Borrower its existing Revolving Credit Note that is being replaced marked “Replaced”.

(b) The Commitments of Huntington and BMO have been further reduced to the amount set forth on Schedule J attached hereto. In connection with this Amendment, each of Huntington and BMO shall be issued a replacement Revolving Credit Note in the principal face amount of its Commitment, which will be a “Revolving Credit Note” under the Credit Agreement. Each such Revolving Credit Note shall be a replacement Revolving Credit Note, and Huntington and BMO shall each promptly return to Borrower its existing Revolving Credit Note that is being replaced marked “Replaced”.

(c) On the Effective Date of this Amendment, KeyBank shall advance to the Borrower the Commitment Increase of \$34,080,000.00 to be used for the purposes set forth in the Sixth Amendment.

References to Credit Agreement and Guaranty

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

Consent of Guarantors

By execution of this Amendment, Guarantors hereby expressly consent to the modifications and amendments relating to the Credit Agreement and Guaranty as set forth herein and the execution and delivery of and any other agreements contemplated in hereby, and Borrower and Guarantors hereby acknowledge, represent and agree that the Credit Agreement and Guaranty, 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.

Representations

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

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 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.

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.

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.

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).

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.

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.

Ratification

. Except as hereinabove set forth, all terms, covenants and provisions of the Credit Agreement, the Guaranty 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, the Guaranty 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.

Counterparts

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

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.

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.

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:

- (d) the execution and delivery of this Amendment by Borrower, Guarantors, Agent, and the Required Lenders;
- (e) Borrower shall have paid to Agent and KCM the fees set forth in a separate letter between Borrower, Agent and KCM;
- (f) the delivery to Agent of a Revolving Credit Note duly executed by the Borrower in favor of each Lender in the amount set forth next to such Lender's name on Schedule 1.1 attached hereto;
- (g) the Real Estate securing the Aloft Atlanta Term Loan shall simultaneously become a Borrowing Base Property;
- (h) delivery to Agent of a current Compliance Certificate and Borrowing Base Certificate acceptable to Agent;

- (i) receipt by Agent of such other consents, resolutions, certificates, documents, instruments and agreements as the Agent may reasonably request; and
 - (j) the Borrower shall have paid the reasonable fees and expenses of Agent in connection with this Amendment and the transactions contemplated hereby.
3. 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/ Arinn Cavey
Name: Arinn Cavey
Title: Vice President

GUARANTORS:

CONDOR HOSPITALITY REIT TRUST, a
Maryland real estate investment trust

By: /s/ Arinn Cavey
Name: Arinn Cavey
Title: Vice President

CONDOR HOSPITALITY TRUST, INC., a
Maryland corporation

By: /s/ Arinn Cavey
Name: Arinn Cavey
Title: Chief Financial Officer

TRS LEASING, INC., a Virginia corporation

By: /s/ Arinn Cavey
Name: Arinn Cavey
Title: Vice President

CDOR AUS LOUIS, LLC, a Delaware
limited liability company

By: /s/ Arinn Cavey
Name: Arinn Cavey
Title: Vice President

(Signatures Continued On Next Page)

Signature Page to Seventh Amendment to Credit Agreement - KeyBank/Condor

(Signatures Continued On Next Page)

Signature Page to Seventh Amendment to Credit Agreement - KeyBank/Condor

CDOR LEX LOWRY, LLC, a Delaware limited liability company

By: /s/ Arinn Cavey
Name: Arinn Cavey
Title: Vice President

CDOR TLH MAGNOLIA, LLC, a Delaware limited liability company

By: /s/ Arinn Cavey
Name: Arinn Cavey
Title: Vice President

TRS AUS LOUIS, LLC, a Delaware limited liability company

By: /s/ Arinn Cavey
Name: Arinn Cavey
Title: Vice President

TRS LEX LOWRY, LLC, a Delaware limited liability company

By: /s/ Arinn Cavey
Name: Arinn Cavey
Title: Vice President

TRS TLH MAGNOLIA, LLC, a Delaware limited liability company

By: /s/ Arinn Cavey
Name: Arinn Cavey
Title: Vice President

CDOR MCO VILLAGE, LLC, a Delaware limited liability company

By: /s/ Arinn Cavey
Name: Arinn Cavey
Title: Vice President

(Signatures Continued On Next Page)

Signature Page to Seventh Amendment to Credit Agreement - KeyBank/Condor

TRS MCO VILLAGE, LLC, a Delaware
limited liability company

By: /s/ Arinn Cavey
Name: Arinn Cavey
Title: Vice President

CDOR ELP EDGE, LLC, a Delaware
limited liability company

By: /s/ Arinn Cavey
Name: Arinn Cavey
Title: Vice President

TRS ELP EDGE, LLC, a Delaware limited
liability company

By: /s/ Arinn Cavey
Name: Arinn Cavey
Title: Vice President

CDOR AUS CASEY, LLC, a Delaware
limited liability company

By: /s/ Arinn Cavey
Name: Arinn Cavey
Title: Vice President

TRS AUS CASEY, LLC, a Delaware limited
liability company

By: /s/ Arinn Cavey
Name: Arinn Cavey
Title: Vice President

CDOR AUS TECH, LLC, a Delaware
limited liability company

By: /s/ Arinn Cavey
Name: Arinn Cavey
Title: Vice President

(Signatures Continued On Next Page)

Signature Page to Seventh Amendment to Credit Agreement - KeyBank/Condor

TRS AUS TECH, LLC, a Delaware limited liability company

By: /s/ Arinn Cavey
Name: Arinn Cavey
Title: Vice President

CDOR CHS HOLIDAY, LLC, a Delaware limited liability company

By: /s/ Arinn Cavey
Name: Arinn Cavey
Title: Vice President

TRS CHS HOLIDAY, LLC, a Delaware limited liability company

By: /s/ Arinn Cavey
Name: Arinn Cavey
Title: Vice President

SPPR-DOWELL, LLC, a Delaware limited liability company

By: SPPR-Dowell Holdings, Inc., a Delaware corporation, its manager

By: /s/ Arinn Cavey
Name: Arinn Cavey
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/ Arinn Cavey
Name: Arinn Cavey
Title: Vice President

(Signatures Continued On Next Page)

Signature Page to Seventh Amendment to Credit Agreement - KeyBank/Condor

SPPR-DOWELL HOLDINGS, INC., a Delaware corporation

By: /s/ Arinn Cavey
Name: Arinn Cavey
Title: Vice President

SPRING STREET HOTEL PROPERTY LLC, a Delaware limited liability company

By: /s/ Arinn Cavey
Name: Arinn Cavey
Title: Vice President

SPRING STREET HOTEL OPFCO LLC, a Delaware limited liability company

By: /s/ Arinn Cavey
Name: Arinn Cavey
Title: Vice President

(Signatures Continued On Next Page)

Signature Page to Seventh Amendment to Credit Agreement - KeyBank/Condor

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

SCHEDULE 1.1

LENDERS AND COMMITMENTS

<u>Name and Address</u>	<u>Commitment</u>	<u>Commitment Percentage¹</u>
KeyBank National Association 1200 Abernathy Road, N.E., Suite 1550 Atlanta, Georgia 30328 Attention: Tom Schmitt Telephone: 770-510-2109 Facsimile: 770-510-2195	\$69,152,663.04	50.817653622687%
LIBOR Lending Office: Same as Above		
The Huntington National Bank 200 Public Square, 7th Floor Cleveland, Ohio 44114 Attention: Scott A. Childs Telephone: 216-515-6529 Facsimile: 888-987-9315	\$33,463,668.48	24.591173188657%
LIBOR Lending Office: Same as Above		
BMO Harris Bank N.A. 115 S. LaSalle Street, 36W Chicago, Illinois 60603 Attention: Gwen Gatz Telephone: 312-461-2238	\$33,463,668.48	24.591173188657%
LIBOR Lending Office: Same as Above		
TOTAL	\$136,080,000.00	100%

¹ Percentages may not equal 100% due to rounding.

SCHEDULE 5.5
MINIMUM RELEASE PRICES

Brand	City	Franchise	Minimum Release Price
Hilton Garden Inn	Dowell	Hilton	<u>\$10,350,000</u>
Home 2 Suites	Round Rock	Hilton	<u>\$15,075,000</u>
Home 2 Suites	Lexington	Hilton	<u>\$14,850,000</u>
Home 2 Suites	Tallahassee	Hilton	<u>\$19,350,000</u>
Hampton Inn & Suites	Lake Mary	Hilton	<u>\$17,325,000</u>
Residence Inn	Austin	Marriott	<u>\$19,710,000</u>
Fairfield Inn	El Paso	Marriott	<u>\$14,670,000</u>
TownePlace Suites	Austin	Marriott	<u>\$17,775,000</u>
Home 2 Suites	Summerville	Hilton	<u>\$14,692,500</u>
Aloft	Atlanta	Marriott	<u>\$50,940,000</u>

Schedule 5.5 to Seventh Amendment to Credit Agreement - KeyBank/Condor

[\(Back To Top\)](#)

Section 3: EX-10.7 (EX-10.7)

FIRST LOAN MODIFICATION AGREEMENT

Exhibit 10.7

THIS FIRST LOAN MODIFICATION AGREEMENT (this "*Agreement*") is dated and executed as of May 12, 2020 and effective as of April 30, 2020 (the "*Effective Date*") by and among **CDOR JAX COURT, LLC**, a Delaware limited liability company ("*Jacksonville Owner*"), **CDOR ATL INDY, LLC**, a Delaware limited liability company ("*Atlanta Owner*"), **CDOR SAN SPRING, LLC**, a Delaware limited liability company ("*San Antonio Owner*" and, together with Jacksonville Owner and Atlanta Owner, individually or collectively, as the context may require, "*Owner*"); and **TRS ATL INDY, LLC**, a Delaware limited liability company ("*Atlanta Operating Tenant*"), **TRS JAX COURT, LLC**, a Delaware limited liability company ("*Jacksonville Operating Tenant*"), and **TRS SAN SPRING LLC**, a Delaware limited liability company ("*San Antonio Operating Tenant*", together with Atlanta Operating Tenant and Jacksonville Operating Tenant, individually or collectively as the context may require, "*Operating Tenant*" and, together with Owner, individually or collectively, as the context may require, "*Borrower*"); **CONDOR HOSPITALITY TRUST INC.**, a Maryland corporation ("*Guarantor*" and, together with Borrower, individually or collectively, as the context may require, "*Borrower Party*"); and **WELLS FARGO BANK, NATIONAL ASSOCIATION** (together with its successors and assigns, "*Lender*"), having an address at Wells Fargo Center, 1901 Harrison Street, 2nd Floor, Oakland, California 94612.

WITNESSETH:

WHEREAS, on October 4, 2017, Lender made a loan (the "*Loan*") to Borrower in the original principal amount of TWENTY-SIX MILLION FIVE HUNDRED THOUSAND AND NO/100 DOLLARS (\$26,500,000.00) (the "*Loan Amount*"), pursuant to that certain Loan Agreement, dated as of October 4, 2017, by and between Borrower and Lender (as the foregoing may from time to time be amended or replaced, the "*Loan Agreement*"), and evidenced and secured by, without limitation, the following documents:

- A. That certain Promissory Note, dated as of October 4, 2017, in the Loan Amount made by Borrower in favor of Lender (as the foregoing may from time to time be amended or replaced, the "*Note*");
- B. That certain Deed of Trust, Assignment of Leases and Rents, Security Agreement and Fixture Filing, dated as of even date with the Note, executed by San Antonio Owner and San Antonio Operating Tenant in favor of Lender (the "*San Antonio Security Instrument*"); that certain Deed to Secure Debt, Assignment of Leases and Rents and Security Agreement, and Fixture Filing, dated as of even date with the Note, executed by Atlanta Owner and Atlanta Operating Tenant in favor of Lender (the "*Atlanta Security Instrument*"); and that certain Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing, dated as of even date with the Note, executed by Jacksonville Owner and Jacksonville Operating Tenant in favor of Lender (the "*Jacksonville Security Instrument*", together with the San Antonio Security Instrument and the Atlanta Security Instrument, individually or collectively as the context may require, and as the foregoing may from time to time be amended or replaced, the "*Security Instrument*");
- C. That certain Guaranty of Recourse Obligations, dated as of even date with the Note, made by Guarantor in favor of Lender (as the foregoing may have been amended or replaced from time to time, the "*Guaranty*");

D. That certain Environmental Indemnity Agreement, dated as of even date with the Note, made by Borrower and Guarantor in favor of Lender (as the foregoing may have been from time to time amended or replaced, the "*Environmental Indemnity*"); and

E. That certain Cash Management Agreement, dated as of even date with the Note, made by Lender, Owner and Operating Tenant (as the foregoing may have been from time to time amended or replacement, the "*Cash Management Agreement*").

The Note, the Security Instrument, the Loan Agreement, the Guaranty, the Environmental Indemnity, the Assignment of Management Agreement, and the Cash Management Agreement, together with any and all other documents from time to time executed by Borrower, Lender and/or Guarantor in connection with the Loan, including, without limitation, this Agreement, are collectively called the "*Loan Documents*." All capitalized terms not otherwise defined herein shall have the meaning ascribed to them in the Loan Agreement.

WHEREAS, Borrower has requested that Lender amend and supplement the Loan Documents as provided herein (the "*Loan Modification*"); and

WHEREAS, Lender hereby consents to the Loan Modification upon and subject to all covenants, terms and conditions herein provided, and on the basis of the facts and statements contained in the foregoing recitals.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Lender, Borrower and Guarantor agree as follows:

I. Conditions Precedent to Loan Modification.

F. As of the Effective Date, Borrower agrees to continue to make monthly payments as provided under the Note, Loan Agreement and this Agreement on each Monthly Payment Date up to and including the applicable Maturity Date in the same manner set forth in the Loan Documents, except as modified herein.

G. Lender's consent to the Loan Modification is subject to the satisfaction of the following conditions, all of which shall be completed to the satisfaction of Lender:

1. As of the Effective Date, an original copy of this Agreement, duly executed by Borrower and Guarantor, shall have been delivered to Lender;
2. As of the Effective Date, Borrower shall have delivered to Lender a copy of the 90-day budget for the Property, which shall set forth in reasonable detail budgeted monthly operating income and monthly operating expenses and other cash expenses for the Property;
3. As of the Effective Date and giving effect to the Loan Modification set forth herein, each of Borrower and Guarantor hereby certifies to Lender that (A) no Default or Event of Default has occurred and is continuing under the Loan Documents to which each is a party, as applicable, and (B) Borrower and Guarantor are in compliance with all of the terms applicable to Borrower and Guarantor under the Loan Documents, including, but not limited to, all financial covenants, financial reporting and special conditions of the Loan;

4. As of the Effective Date, Borrower shall have paid to Lender (x) any monthly payments of principal and/or interest due and payable in accordance with this Agreement and the terms of the Note, (y) any other sums due and payable under the Loan Documents and (z) all other out-of-pocket costs and expenses (including, without limitation, reasonable attorneys' fees) incurred by Lender in connection with the Loan Modification.

Lender hereby further acknowledges that by its execution of this Agreement, those certain conditions to the Loan Modification set forth in this Section 1 have been satisfied.

Loan Modification.

Subject to the satisfaction or waiver of all conditions set forth in Section 1 of this Agreement, the Loan Documents are hereby modified as follows:

- H. As of the Effective Date, the definition of Schedule V of the Loan Agreement shall be deleted in its entirety and replaced with Exhibit A attached hereto.
- I. As of the Effective Date, the definition of "Cash Trap Event Period" in Section 1(a)(v) of the Cash Management Agreement shall be deleted in its entirety and replaced with the following:
- "Cash Trap Event Period"** shall mean a period commencing upon the earlier of (i) the occurrence and continuance of an Event of Default (including, without limitation, the termination or loss of the franchise for an Individual Property) or (ii) the Debt Yield being less than 10% (tested quarterly), which such Cash Trap Event Period shall expire (y) with regard to any Cash Trap Event Period commenced in connection with clause (i) above, upon the cure (if applicable) of such Event of Default (provided that a Cash Trap Event Period has not occurred and is not continuing pursuant to clause (ii) above), or (z) with regard to any Cash Trap Event Period commenced in connection with clause (ii) above, upon the date that the Debt Yield is equal to or greater than 10.5% (provided that no Event of Default shall have occurred and be continuing during and at the time of the expiration of such period). Borrower shall have the right to cure a Cash Trap Event Period commenced in connection with clause (ii) above by prepaying the Loan in an amount which would cause the Debt Yield to be 10.5%; provided however, notwithstanding the foregoing, the occurrence of the items in clause (ii) above shall not constitute a Cash Trap Event Period if occurring on any testing date between May 1, 2020 and January 31, 2021. Any such prepayment shall be made in accordance with Section 2.7 of the Loan Agreement without payment of any Exit Fee.
- J. As of the Effective Date, the following shall be added to Section 1(a) of the Cash Management Agreement:
- "Replenishment Cap"** shall have the meaning set forth in the Loan Agreement.
- "Replenishment Payment"** shall have the meaning set forth in Section 5(b)(ix) herein.
- K. As of the Effective Date, the following definitions shall be added to Section 1.1 of the Loan Agreement in their respective alpha-numeric position:
- "First Modification"** shall mean that First Loan Modification Agreement, dated and executed as of May 12, 2020 and effective as of April 30, 2020, and executed by and among Lender, Borrower and Guarantor.

"**Loan Documents**" shall mean, collectively, this Agreement, the Note, the Security Instrument, the Environmental Indemnity, the Assignment of Management Agreement, the Cash Management Agreement, the Guaranty, the Subordination Agreement, the Collateral Assignment of Interest Rate Protection Agreement (as applicable), the First Loan Modification, and all other documents executed and/or delivered in connection with the Loan.

"**Suspension Period**" shall mean the Monthly Payment Dates occurring in May 2020 through and including October 2020.

"**Replenishment Payment**" shall have the meaning set forth in the Cash Management Agreement.

"**Replenishment Cap**" shall mean Nine Hundred Twenty-Two Thousand Five Hundred Dollars and No/100 (\$922,500.00).

"**Replenishment Date**" shall mean the first Monthly Payment Date in which total sum of Replenishment Payments made is equal to or greater than the Replenishment Cap.

"**Repurposed FF&E Funds**" shall have the definition set forth in Section 8.8(c) of the Loan Agreement.

L. As of the Effective Date, clause (i) of Section 4.12(a) of the Loan Agreement is deleted in its entirety and replaced with the following:

a. (ii) quarterly (and (a) for each calendar month commencing in April 2020 through and including November 2020, (b) if required by Lender after an Event of Default and/or (c) as otherwise required by Lender, monthly) operating statements of the Property, prepared and certified by a Responsible Officer of Borrower in the form required by Lender, detailing the revenues received, the expenses incurred and major capital improvements for the period of calculation and containing appropriate year-to-date information, within thirty (30) days after the end of each calendar month or thirty (30) days after the end of each calendar quarter, as applicable;

M. As of the Effective Date, Section 8.8 of the Loan Agreement is deleted in its entirety and replaced with the following:

Section 8.8 FF&E Reserve Funds.

(a) Borrower shall deposit with Lender (i) on each Monthly Payment Date occurring after the Closing Date through and including the Monthly Payment Date occurring in April 2020 an amount equal to the FF&E Reserve Monthly Deposit for the costs and expenses of replacement and maintenance of the Property, Improvements and Personal Property, including furniture, furnishings, fixtures and equipment for the hotel on the Property as set forth in a budget as approved by Lender, or such other costs and expenses as reasonably approved by Lender, relating to the replacement and maintenance of the Property, Improvements and Personal Property, including furniture, furnishings, fixtures and equipment that may be incurred following the date hereof to fully equip (collectively, the "**FF&E Work**"), (ii) on each Monthly Payment Date occurring during the Suspension Period, an amount equal to \$0.00, (iii) on each Monthly Payment Date occurring in November, 2020 through and including the Monthly Payment Date occurring in December,

2020, an amount equal to the FF&E Reserve Monthly Deposit, (iv) on each Monthly Payment Date occurring in January 2021, an amount equal to the Replenishment Payment, up to and including the Replenishment Date and (v) on each Monthly Payment Date occurring after the Replenishment Date through the remainder of the term of the Loan, an amount equal to the FF&E Reserve Monthly Deposit. Amounts deposited pursuant to this Section 8.8 are referred to herein as the "**FF&E Reserve Funds**". Based on the annual operating statements for the Property, the FF&E Reserve Monthly Deposit shall be one-twelfth of four percent (4.0%) of the operating income for the prior fiscal year. All FF&E Reserve Funds shall be held by Lender or Servicer in an Eligible Account (the "**FF&E Reserve Account**").

(b) Lender shall disburse to Borrower the FF&E Reserve Funds upon satisfaction by Borrower of each of the following conditions: (i) Borrower shall submit a request for payment to Lender at least ten (10) days prior to the date on which Borrower requests such payment be made and specifies the cost of the FF&E Work to be paid; (ii) on the date such request is received by Lender and on the date such payment is to be made, no Event of Default shall exist and remain uncured; (iii) Lender shall have reviewed and approved the invoice in respect of the furniture, fixtures or equipment to be acquired; (iv) Intentionally Omitted; (v) Lender shall have received a certificate from Borrower (A) stating that all FF&E Work to be funded by the requested disbursement have been completed in good and workmanlike manner and in accordance with all Applicable Law, such certificate to be accompanied by a copy of any license, permit or other approval by any Governmental Authority required in connection with the FF&E Work, (B) identifying each Person that supplied materials or labor in connection with the FF&E Work to be funded by the requested disbursement and (C) stating that each such Person has been paid in full or will be paid in full upon such disbursement, such certificate to be accompanied by lien waivers or other evidence of payment satisfactory to Lender; (vi) at Lender's option a title search for the Property indicating that the Property is free from all liens, claims and other encumbrances not previously approved by Lender (other than Permitted Encumbrances); and (vii) Lender shall have received such other evidence as Lender shall reasonably request that the FF&E Work to be funded by the requested disbursement have been completed (to the extent applicable) and are paid for or will be paid upon such disbursement to Borrower. Lender shall not be required to disburse FF&E Work Reserve Funds more frequently than once each calendar month nor in an amount less than the Minimum Disbursement Amount (or a lesser amount if the total amount of FF&E Reserve Funds is less than the Minimum Disbursement Amount, in which case only one disbursement of the amount remaining in the account shall be made).

(c) Notwithstanding the foregoing or anything herein to the contrary, Lender shall, (i) on each Monthly Payment Dates occurring in May 2020 up to and including the Monthly Payment Date occurring in July 2020, release One Hundred Fifty Thousand and No/100 Dollars (\$150,000.00) from the FF&E Reserve to Borrower for the payment of the Monthly Operating Expense Amount and (ii) on each Monthly Payment Date occurring in August 2020 up to and including the Monthly Payment Date occurring in September 2020, release One Hundred Thousand and No/100 Dollars (\$100,000.00) from the FF&E Reserve to Borrower for the payment of the Monthly Operating Expense Amount, provided that on the date such payment is to be made, no Event of Default shall exist and remain uncured (these disbursements being the "**Repurposed FF&E Funds**").

N. As of the Effective Date, the following is added as Section 8.9 of the Loan Agreement:

Section 8.9 Borrower Dividends and/or Distributions. Commencing on the date of the First Modification through and including the Replenishment Date, Borrower shall not pay to any party (including, without limitation, Guarantor, Operating Tenant, and any Affiliate of Borrower, Guarantor, or Operating Tenant), any dividends, distributions, property or asset management fees (including, without limitation, any fees payable under a Management Agreement to the extent the Manager is an Affiliate of Borrower) and/or any other forms of equity or income recapture relating to the Property. Notwithstanding the foregoing, this Section 8.9 shall not prohibit Operating Tenant from paying rent due to Owner under any Operating Leases. The foregoing provisions of this Section 8.9 shall not require Borrower to deposit excess cash flow from the Property with Lender except to the extent required pursuant to the terms of the Loan Documents, and shall in no way limit or modify the provisions of the Loan Documents relating to cash management.

O. As of the Effective Date, the following is added as Section 10.1(x) of the Loan Agreement:

(x) if Borrower shall fail to use the Repurposed FF&E Funds in accordance with Section 8.8(c) hereof, or otherwise misappropriates the Repurposed FF&E Reserve Funds.

P. As of the Effective Date, Section 5(b) of the Cash Management Agreement is deleted in its entirety and replaced with the following:

(b) Disbursements. Upon the occurrence and during the continuance of a Cash Trap Event Period, Lender or Servicer, on behalf of Lender, shall, on each Monthly Payment Date and provided no Event of Default has occurred and is continuing withdraw all funds, if any, on deposit in the Cash Management Account (other than the Minimum Account Balance) and disburse such funds in the following order of priority:

(i) First, the monthly amount required to be deposited pursuant to the Loan Agreement for the payment of Taxes shall be deposited in the Tax Subaccount;

(ii) Second, the monthly amount required to be deposited pursuant to the Loan Agreement for the payment of Insurance Premiums shall be deposited in the Insurance Subaccount;

(iii) Third, funds sufficient to pay any interest accruing at the Default Rate and late payment charges, if any, shall be deposited in the Debt Service Subaccount;

(iv) Fourth, funds sufficient to pay the Debt Service due on such Monthly Payment Date shall be deposited in the Debt Service Subaccount;

(v) Fifth, funds sufficient to pay the FF&E Reserve Monthly Deposit shall be deposited in the FF&E Reserve Subaccount;

(vi) Sixth, funds sufficient to pay the PIP Reserve Monthly Deposit shall be deposited in the PIP Reserve Subaccount;

(vii) Seventh, funds sufficient to pay any other amounts then due and payable under the Loan Documents (without duplication of other amounts payable pursuant to this subsection (b)), if any, shall be deposited with or as directed by Lender;

(viii) Eighth, funds sufficient to pay the Monthly Operating Expense Amount shall be disbursed to Borrower;

(ix) Ninth, beginning on the Monthly Payment Date occurring in January 2021 and continuing until the Replenishment Date, fifty percent (50%) of all amounts remaining in the Cash Management Account after deposits for items (i) through (viii) above shall be deposited in the FF& Reserve Subaccount and credited towards the Replenishment Cap (the "**Replenishment Payment**"); and

(x) Tenth, all amounts remaining in the Cash Management Account after deposits for items (i) through (ix) above ("**Excess Cash Flow**"), shall be deposited into the Excess Cash Flow Subaccount.

Q. As of the Effective Date, the following is added as Section 4.15(e) of the Loan Agreement:

Notwithstanding the foregoing, if Manager is an Affiliate of Borrower, Borrower shall cause Manager to defer its right to collect any fees under any Management Agreement or otherwise from the Property until the Replenishment Date and, thereafter, such deferred fees shall only be payable from excess cash flow from the Property (if any) after the payment of all operating expenses of the Property and all amounts required to be paid by Borrower pursuant to the Loan Documents.

II. Consent to Management Change

A. Pursuant to Section 4.15(a) of the Loan Agreement, Lender hereby consents to the management of the Property by Aimbridge Hospitality, LLC, a Delaware limited liability company ("**Manager**"), and that certain Hotel Management Agreement between San Antonio Operating Tenant, dated as of August 1, 2019 ("**San Antonio Management Agreement**"); and that certain Hotel Management Agreement between Atlanta Operating Tenant and Manager, dated as of August 1, 2019 ("**Atlanta Management Agreement**"); that certain Hotel Management Agreement between Jacksonville Operating Tenant and Manager, dated as of August 1, 2019 ("**Jacksonville Management Agreement**"); and that certain Concession and Service Agreement between Manager and AHTRST Concessions, LLC, a Delaware limited liability company ("**San Antonio Concession Agreement**"); together with the San Antonio Management Agreement, the Atlanta Management Agreement and the Jacksonville Management Agreement, individually or collective, as the context may require, the "**Management Agreement**". Lender's consent herein is conditioned on Manager entering into an Assignment of Management Agreement with Lender for each Management Agreement. For purposes of the Loan Documents, from and affect the Effective Date, "Manager" shall mean each of Aimbridge Hospitality, LLC, a Delaware limited liability company and AHTRST Concessions, LLC, a Delaware limited liability company, or such other entity selected as the manager of the Property in accordance with the terms of the Loan Documents and "Management Agreement" shall mean each Management Agreement defined in this section III.A. hereof in addition to or any replacement management agreement entered into by and between Borrower and any Manager in accordance with the terms of the Loan Documents, pursuant to which Manager is to provide management and other services with respect to the Property.

III. Representations, Warranties and Covenants.

- A. As of the Effective Date and in accordance with Section 1 of this Agreement, Borrower and Guarantor each represents, warrants and covenants that (i) each of the representations and warranties of Borrower and Guarantor contained in the respective Loan Documents is true, complete and correct in all material respects as of the Effective Date, (ii) it is in compliance with all of the terms applicable to it under the Loan Documents and (iii) no Default or Event of Default exists.
- B. As of the Effective Date Borrower and Guarantor each hereby acknowledges that, except as expressly set forth herein, nothing contained herein shall be construed to relieve Borrower or Guarantor from any of their respective obligations under the Note, the Security Instrument, the Loan Agreement, the Guaranty, the Environmental Indemnity or the other Loan Documents.
- C. As of the Effective Date, each of Borrower and Guarantor, on its own behalf and not on behalf of the other, represents, warrants and covenants that it has the full power, authority and legal right to execute this Agreement and to keep and observe all of the terms of this Agreement on its part to be observed or performed.

IV. **Release of Claims and Indemnity.**

- A. As a material inducement to Lender to enter into this Agreement and to grant the additional concessions to the Borrower Parties reflected herein, all in accordance with and subject to the terms and conditions of this Agreement, and all of which are to the direct advantage and benefit of the Borrower Parties, each Borrower Party, on its own behalf and on behalf of each of their respective past, present, and future predecessors, successors, heirs, subsidiaries, parent entities, assigns, shareholders, partners, members, owners, other principals, affiliates, managers, employees, officers, directors, attorneys, agents, other representatives, insurers, and any other individuals and entities claiming or acting by, through, under, or in concert with any of the Borrower Parties (collectively, the "*Borrower Party Releasees*"), hereby fully and forever release, relinquish, remise, discharge, satisfy and acquit Lender (including any servicer or other agent or representative acting on its behalf) and any of their respective past, present, and future predecessors, heirs, successors, subsidiaries, parent entities, assigns, participants, shareholders, partners, members, owners, other principals, affiliates, managers, employees, officers, directors, attorneys, agents, other representatives, insurers, and any other individuals and/or entities claiming or acting by, through, under, or in concert with each such entity or individual (the "*Lender Releasees*"), of and from and against any and all claims, demands, obligations, duties, liabilities, damages, expenses, claims of offset, indebtedness, debts, bonds, breaches of contract, duty or relationship, acts, omissions, misfeasance, malfeasance, causes of action of any nature whatsoever, sums of money, accounts, compensation, contracts, controversies, promises, damages, costs, losses and remedies therefor, choses in action, rights of indemnity or liability of any type, kind, nature, description, or character whatsoever, arising directly or indirectly, either now accrued or hereafter maturing and whether known or unknown, which any Borrower Party now has by reason of any matter, cause or thing, including specifically, but without limitation, matters arising out of, in connection with or relating to (i) the Loan, the Loan Documents and/or the indebtedness evidenced thereby, including, the administration thereof, (ii) the Property, (iii) Lender Releasees' acts, statements, conduct, representations, and/or omissions made in connection therewith, including, without limitation, the disbursement of funds from

any and all escrows, reserves, and/or accounts, or any election of Lender to refrain from any such disbursements, and the negotiation of this Agreement, (iv) any other relationship, agreement or transaction between Borrower Party Releasers and Lender Releasees, and (v) any existing fact, matter, transaction, or event relating thereto, whether known or unknown, suspected or unsuspected, whether liquidated or unliquidated, each as though fully set forth herein at length (collectively, the "Released Claims", or individually the "Released Claim"); provided, however, that nothing herein shall be construed to obligate any of the Borrower Party Releasers to release any Released Claims against the Lender Releasees to the extent any such Released Claims arose out of or in connection with Lender's willful misconduct or gross negligence.

- B. Borrower Party Releasers hereby waive the provisions of any applicable laws restricting the release of claims which the Borrower Party Releasers do not know or suspect to exist at the time of release, which, if known, would have materially affected the decision to agree to these releases. In this connection, Borrower Party Releasers hereby agree, represent, and warrant to Lender Releasees that Borrower Party Releasers realize and acknowledge that factual matters presently existing but unknown as of the Effective Date may have given rise to causes of action, claims, demands, debts, controversies, damages, costs, losses, and expenses which are presently unknown, unanticipated, and unsuspected, and Borrower Party Releasers further agree, represent, and warrant that the releases provided herein have been negotiated and agreed upon in light of that realization and that Borrower Party Releasers nevertheless hereby intend to release, discharge, and acquit the Lender Releasees from any such presently existing but unknown causes of action, claims, demands, debts, controversies, damages, costs, losses, and expenses which are in any manner set forth in or related to the Loan, the Loan Documents, the Property, and all dealings first occurring on or prior to the Effective Date in connection therewith.
- C. Borrower Party Releasers hereby acknowledge that they have not relied upon any representation of any kind made by Lender (including any servicer or other agent or representative acting on its behalf including, without limitation, Servicer) or any affiliate of any of them in making the foregoing release, except as specifically set forth herein or in the other Loan Documents.
- D. Borrower Party Releasers represent and warrant to Lender that Borrower Party Releasers have not heretofore assigned or transferred, or purported to assign or to transfer, to any person or entity any matter released by such party hereunder or any portion thereof or interest therein, and each Borrower Party Releaser agrees to indemnify, protect, defend, and hold each of the Lender Releasees harmless from and against any and all claims based on or arising out of any such assignment or transfer or purported assignment or transfer by such party.
- E. Each Borrower Party each hereby agrees to indemnify, defend and hold Lender and each of its agents, servicers, predecessors, successors and assigns harmless against any and all liability, obligations, losses, damages, penalties, claims, actions, suits, costs and expenses (including Lender's reasonable attorneys' fees) of whatever kind or nature which may be asserted against, imposed on or incurred by Lender in connection with this Agreement. Each Borrower Party hereby acknowledges that the obligations set forth in this paragraph obligate each such Borrower Party even if the liabilities, obligations, losses, penalty, fines, claims, suits or other proceedings and

costs and expenses arose out of a claim, cause of action, or suit that is based on or alleged to be based on Lender's negligence or strict liability of Lender; provided, however, that nothing herein shall be construed to obligate any Borrower Party to indemnify, defend and hold harmless Lender from and against any and all liabilities, obligations, losses, damages, penalties, claims, actions, suits, costs and expenses enacted against, imposed on or incurred by Lender by reason of Lender's willful misconduct or gross negligence.

V. Electronic Signatures.

- A. Borrower, Guarantor and Lender consents to do business electronically in connection with this Agreement. Delivery of an executed counterpart of a signature page of this Agreement by telecopy, emailed pdf. or any other electronic means that reproduces an image of the actual executed signature page shall be effective as delivery of a manually executed counterpart of this Agreement.
- B. The words "execution," "signed," "signature," "delivery," and words of like import in or relating to this Agreement or any notice issued in connection herewith shall be deemed to include Electronic Signatures, deliveries or the keeping of records in electronic form, each of which shall be of the same legal effect, validity, admissibility into evidence and enforceability as a manually executed signature, physical delivery thereof or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any applicable law, including the Federal Electronic Signatures in Global and National Commerce Act, Uniform Real Property Electronic Recording Act ("*URPERA*"), if applicable, the New York State Electronic Signatures and Records Act, the Illinois Electronic Commerce Security Act or any other similar state laws based on the Uniform Electronic Transactions Act, if applicable; provided that nothing herein shall require Borrower, Guarantor or Lender to accept Electronic Signatures in any form or format without its prior written consent, which consent can be withheld in its sole discretion. For purposes hereof, "Electronic Signature" means an electronic sound, symbol, or process attached to, or associated with, a contract or other record and adopted by a Person with the intent to sign, authenticate or accept such contract or record.
- C. Without limiting the generality of the foregoing, Borrower, Guarantor and Lender hereto hereby (i) agree that, for all purposes electronic images of this Agreement (with respect to the signature pages hereto) shall have the same legal effect, validity, admissibility into evidence and enforceability as any paper original and (ii) waive any argument, defense or right to contest the validity, admissibility into evidence or enforceability of this Agreement based solely on the lack of paper original copies of this Agreement, including with respect to any signatures hereon.
- D. Even though Borrower, Guarantor and Lender agree that such Electronic Signatures are legally enforceable and intended to be effective for all purposes, the signing parties agree if requested by any of Borrower, Guarantor or Lender in its sole discretion to promptly deliver to any such requesting party the requested original document bearing an original manual signature, (i) in order to reduce the risk of fraud, comply with potentially applicable regulations, (ii) to the extent required or advisable to be delivered in connection with any program made available to Borrower, Guarantor or Lender or any of their respective affiliates by the Federal Reserve, U.S. Treasury Department or any other federal or state regulatory body, (iii) to the extent required pursuant to the order of any court or administrative agency or in any pending legal, judicial or administrative proceeding, or as

otherwise as required by applicable law, rule or regulation or compulsory legal process, or as requested by a governmental and/or regulatory authority (including any self-regulatory authority, such as the National Association of Insurance Commissioners), or (iv) for other operational or risk management purposes.

VI. Miscellaneous.

- A. In the event of any conflict or ambiguity between the terms, covenants and provisions of this Agreement and those of the Note, the Security Instrument, the Loan Agreement, the Guaranty, the Environmental Indemnity, the Assignment of Management Agreement, the Cash Management Agreement, and the other Loan Documents, the terms, covenants and provisions of this Agreement shall control.
- B. This Agreement may not be modified, amended, waived, changed or terminated orally, but only by an agreement in writing signed by the party against whom the enforcement of the modification, amendment, waiver, change or termination is sought.
- C. This Agreement shall be binding upon and inure to the benefit of Borrower, Guarantor and Lender and their respective successors and assigns.
- D. This Agreement may be executed in any number of duplicate originals and each such duplicate original shall be deemed to constitute but one and the same instrument. Any counterpart delivered by facsimile or electronic means shall be binding as though the same were an original counterpart hereto.
- E. If any term, covenant or condition of this Agreement shall be held to be invalid, illegal or unenforceable in any respect, this Agreement shall be construed without such provision.
- F. This Agreement shall be governed by, and construed in accordance with, the laws of the state of New York without regard to choice of law rules.
- G. It is the intention and understanding of the parties hereto that this Agreement shall act as a modification of the Loan and that this Agreement shall not act as a novation of such Loan.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, Borrower, Guarantor and Lender have executed and delivered this Agreement on the Effective Date.

BORROWER:

CDOR SAN SPRING, LLC, a Delaware limited liability company

By: /s/ Arinn Cavey

Title: VP

Name: Arinn Cavey

CDOR JAX COURT, LLC, a Delaware limited liability company

By: /s/ Arinn Cavey

Title: VP

Name: Arinn Cavey

CDOR ATL INDY, LLC, a Delaware limited liability company

By: /s/ Arinn Cavey

Title: VP

Name: Arinn Cavey

[SIGNATURES CONTINUE ON NEXT PAGE]

TRS SAN SPRING, LLC, a Delaware limited liability company

By: /s/ Arinn Cavey

Name: Arinn Cavey

Title: VP

TRS JAX COURT, LLC, a Delaware limited liability company

By: /s/ Arinn Cavey

Name: Arinn Cavey

Title: VP

TRS ATL INDY, LLC, a Delaware limited liability company

By: /s/ Arinn Cavey

Name: Arinn Cavey

Title: VP

[SIGNATURES CONTINUE ON NEXT PAGE]

GUARANTOR:

CONDOR HOSPITALITY TRUST, INC., a Maryland corporation

By: /s/ Arinn Cavey

Name: Arinn Cavey

Title: VP

[SIGNATURES CONTINUE ON NEXT PAGE]

LENDER:

WELLS FARGO BANK, NATIONAL ASSOCIATION

By: s/ John G. Nicol
Name: John G. Nicol
Title: Managing Director

Exhibit A
[to be attached]

SCHEDULE V
AMORTIZATION SCHEDULE - LOAN MODIFICATION

30 Year Amortization at a 4.443% rate. Equates to a fixed monthly payment of \$133,375.60				
Month	Start	End	Principal Balance	Principal Payment
1	11/01/2017	12/01/2017	26,500,000.00	\$35,259.35
2	12/01/2017	1/01/2018	26,464,740.65	\$32,123.71
3	1/01/2018	2/01/2018	26,432,616.94	\$32,246.61
4	2/01/2018	3/01/2018	26,400,370.33	\$42,144.72
5	3/01/2018	4/01/2018	26,358,225.61	\$32,531.23
6	4/01/2018	5/01/2018	26,325,694.38	\$35,904.72
7	5/01/2018	6/01/2018	26,289,789.66	\$32,793.06
8	6/01/2018	7/01/2018	26,256,996.60	\$36,159.07
9	7/01/2018	8/01/2018	26,220,837.53	\$33,056.86
10	8/01/2018	9/01/2018	26,187,780.67	\$33,183.33
11	9/01/2018	10/01/2018	26,154,597.34	\$36,538.20
12	10/01/2018	11/01/2018	26,118,059.14	\$33,450.08
13	11/01/2018	12/01/2018	26,084,609.06	\$36,797.33
14	12/01/2018	1/01/2019	26,047,811.73	\$33,718.84
15	1/01/2019	2/01/2019	26,014,092.89	\$33,847.85
16	2/01/2019	3/01/2019	25,980,245.04	\$43,596.53
17	3/01/2019	4/01/2019	25,936,648.51	\$34,144.14
18	4/01/2019	5/01/2019	25,902,504.37	\$37,471.58
19	5/01/2019	6/01/2019	25,865,032.79	\$34,418.14
20	6/01/2019	7/01/2019	25,830,614.65	\$37,737.75
21	7/01/2019	8/01/2019	25,792,876.90	\$34,694.20
22	8/01/2019	9/01/2019	25,758,182.70	\$34,826.94
23	9/01/2019	10/01/2019	25,723,355.76	\$38,134.88
24	10/01/2019	11/01/2019	25,685,220.88	\$35,106.09
25	11/01/2019	12/01/2019	25,650,114.79	\$38,406.05
26	12/01/2019	1/01/2020	25,611,708.74	\$35,387.34
27	1/01/2020	2/01/2020	25,576,321.40	\$35,522.73
28	2/01/2020	3/01/2020	25,540,798.67	\$41,962.95
29	3/01/2020	4/02/2020	25,499,835.72	\$35,819.18
30	4/02/2020	5/01/2020	25,463,016.54	
31	5/01/2020	6/01/2020	25,463,016.54	
32	6/01/2020	7/01/2020	25,463,016.54	
33	7/01/2020	8/01/2020	25,463,016.54	
34	8/01/2020	9/01/2020	25,463,016.54	
35	9/01/2020	10/01/2020	25,463,016.54	
36	10/01/2020	11/01/2020	25,463,016.54	\$36,825.86

37	11/01/2020	12/01/2020	25,426,190.68	\$40,076.72
38	12/01/2020	1/01/2021	25,386,113.96	\$37,120.09
39	1/01/2021	2/01/2021	25,348,993.87	\$37,262.11
40	2/01/2021	3/01/2021	25,311,731.76	\$46,692.18
41	3/01/2021	4/01/2021	25,265,039.58	\$37,583.31
42	4/01/2021	5/01/2021	25,227,456.27	\$40,812.53
43	5/01/2021	6/01/2021	25,186,643.74	\$37,883.24
44	6/01/2021	7/01/2021	25,148,760.50	\$41,103.90
45	7/01/2021	8/01/2021	25,107,656.60	\$38,185.44
46	8/01/2021	9/01/2021	25,069,471.16	\$38,331.54
47	9/01/2021	10/01/2021	25,031,139.62	\$41,539.40
48	10/01/2021	11/01/2021	24,989,600.22	\$38,637.12
49	11/01/2021	12/01/2021	24,950,963.10	\$41,836.25
50	12/01/2021	1/01/2022	24,909,126.85	\$38,945.00
51	1/01/2022	2/01/2022	24,870,181.85	\$39,094.00
52	2/01/2022	3/01/2022	24,831,087.85	\$48,353.12
53	3/01/2022	4/01/2022	24,782,734.73	\$39,428.57
54	4/01/2022	5/01/2022	24,743,308.16	\$42,605.10
55	5/01/2022	6/01/2022	24,700,701.06	\$39,742.42
56	6/01/2022	7/01/2022	24,660,958.64	\$42,909.99
57	7/01/2022	8/01/2022	24,618,048.55	\$40,058.64
58	8/01/2022	9/01/2022	24,577,990.01	\$40,211.90
59	9/01/2022	10/01/2022	24,537,778.11	\$43,366.07
60	10/01/2022	11/01/2022	24,494,412.04	\$24,494,412.04

\$26,500,000.00

[\(Back To Top\)](#)

Section 4: EX-10.8 (EX-10.8)

Exhibit 10.8

THIRD AMENDMENT TO LOAN AGREEMENT

This THIRD AMENDMENT TO LOAN AGREEMENT (this "Amendment"), is effective as of May 13, 2020 and is entered into by and between CDOR KCI LOFT, LLC, a Delaware limited liability company ("CDOR KCI") and TRS KCI LOFT, LLC, a Delaware limited liability company ("TRS KCI", and together with CDOR KCI, individually a "Borrower" and collectively, the "Borrowers") and GREAT WESTERN BANK ("Bank").

PRELIMINARY STATEMENTS. Borrowers and Bank entered into a Loan Agreement dated as of December 14, 2016, as amended by a First Amendment to Loan Agreement dated as of March 8, 2019 and by a Second Amendment to Loan Agreement dated as of March 30, 2020 (and as amended by any and other modifications or amendments thereto is hereinafter referred to as the "Loan Agreement"; the terms defined in the Loan Agreement are used herein as therein defined). Borrowers and Bank have agreed to amend certain provisions of the Loan Agreement.

NOW, THEREFORE, Borrowers and Bank agree as follows:

SECTION 1. Amendment to Section 5.01 of the Loan Agreement. Section 5.01(k) of the Loan Agreement is hereby amended and restated in its entirety as follows:

(k) **Debt Service Coverage Ratio.** Maintain (i) a Debt Service Coverage Ratio (pre-distribution) of not less than (A) 1.00 to 1.00 as of the end of the fiscal quarters ending September 30, 2020, December 31, 2020, March 31, 2021, and June 30, 2021, respectively and (B) 1.35 to 1.00 as of the end of fiscal quarter ending September 30, 2021 and each fiscal quarter thereafter and (ii) a Debt Service Coverage Ratio (post-distribution) of not less than (A) 1.00 to 1.00 as of the end of the fiscal quarters ending September 30, 2020, December 31, 2020, March 31, 2021, and June 30, 2021, respectively and (B) 1.05 to 1.00 as of the end of fiscal quarter ending September 30, 2021 and each fiscal quarter thereafter.

Notwithstanding any provision contained in this Loan Agreement to the contrary, for purposes of the Debt Service Coverage Ratio calculated as of September 30, 2020, the term "Adjusted Net Operating Income" shall be defined as follows:

"Adjusted Net Operating Income" means the net operating income of Borrowers as of the end of the end of the fiscal quarter ending September 30, 2020, for the preceding three (3) month period, annualized, minus (a) an amount equal to four percent (4%) of gross room revenues from Hotel for furniture, fixtures and equipment reserve and (b) an amount equal to four percent (4%) of gross room revenues from the Hotel for management fees, both for the preceding twelve (12) month period.

Notwithstanding any provision contained in this Loan Agreement to the contrary, for purposes of the Debt Service Coverage Ratio calculated as of December 31, 2020, the term "Adjusted Net Operating Income" shall be defined as follows:

"Adjusted Net Operating Income" means the net operating income of Borrowers as of the end of the fiscal quarter ending December 31, 2020, for the preceding six (6) month period, annualized, minus (a) an amount equal to four percent (4%) of gross room revenues from Hotel for furniture, fixtures and equipment reserve and (b) an amount equal to four percent (4%) of gross room revenues from the Hotel for management fees, both for the preceding twelve (12) month period.

Notwithstanding any provision contained in this Loan Agreement to the contrary, for purposes of the Debt Service Coverage Ratio calculated as of March 31, 2021, the term "Adjusted Net Operating Income" shall be defined as follows:

"Adjusted Net Operating Income" means the net operating income of Borrowers as of the end of the fiscal quarter ending March 31, 2021, for the preceding nine (9) month period, annualized, minus (a) an amount equal to four percent (4%) of gross room revenues from Hotel for furniture, fixtures and equipment reserve and (b) an amount equal to four percent (4%) of gross room revenues from the Hotel for management fees, both for the preceding twelve (12) month period.

For the avoidance of doubt, Borrowers and Lender agree that their intention is to deduct the referenced percentages for the furniture, fixtures and equipment reserve and the management fee once from the Hotel gross revenues when calculating "Adjusted Net Operating Income" in connection with determining the Debt Service Coverage Ratio for the applicable measuring period.

SECTION 2. Representations and Warranties of Borrowers. Each Borrower represents and warrants as follows:

- (a) Such Borrower is duly organized, validly existing and in good standing under the laws of the jurisdiction of its formation.
- (b) The execution, delivery and performance by such Borrower of this Amendment and the Loan Agreement, as amended hereby, are within such Borrower's powers, have been duly authorized by all necessary action and do not contravene such Borrower's Organization Documents, or any law or any contractual restriction binding on or affecting such Borrower, or result in, or require, the creation of any lien, security interest or other charge or encumbrance upon or with respect to any of its properties.
- (c) No authorization, approval or other action by, and no notice to or filing with, any Governmental Authority is required for the due execution, delivery and performance by such Borrower of this Amendment and the Loan Agreement, as amended hereby.

- (d) This Amendment and the Loan Agreement, as amended hereby, constitute, legal, valid and binding obligations of such Borrower enforceable against such Borrower in accordance with their respective terms.
- (e) There is no pending or threatened action or proceeding affecting such Borrower before any arbitrator or Governmental Authority, which may materially adversely affect the financial condition or operations of such Borrower.
- (f) No Event of Default under the Loan Agreement has occurred and is continuing.

SECTION 3. Effectiveness. This Amendment shall become effective when and only when Bank shall have received counterparts of this Amendment duly executed by Borrowers and Guarantor and a modification fee in the amount of \$500 and Bank's legal counsel has received all legal fees incurred in connection with this Third Amendment.

SECTION 4. Reference to and Effect on the Loan Agreement.

- (a) Upon the effectiveness of this Amendment, on and after the date hereof, each reference in the Loan Agreement to "this Agreement", "hereunder" "hereof", "herein" or words of like import shall mean and be a reference to the Loan Agreement as amended hereby.
- (b) Except as specifically amended above, the Loan Agreement shall remain in full force and effect and is hereby ratified and confirmed.
- (c) The execution, delivery and effectiveness of this Amendment shall not, except as expressly provided herein, operate as a waiver of any right, power or remedy of the Bank under the Loan Agreement, nor constitute a waiver of any provision of the Loan Agreement.

SECTION 5. Execution in Counterparts. This Amendment may be executed in any number of counterparts, each of which when so executed and delivered shall be deemed to be an original and all of which taken together shall constitute but one and the same instrument.

SECTION 6. Governing Law. This Amendment shall be governed by, and construed in accordance with, the laws (without giving effect to the conflicts of laws principles thereof) of the State of Nebraska.

SECTION 7. Costs and Expenses. Borrowers agree to pay on demand all costs and expenses in connection with the preparation, execution, delivery and administration of this Amendment, including, without limitation, the reasonable fees and out-of-pocket expenses of counsel for Bank with respect thereto and with respect to advising Bank as to its rights and responsibilities under this Amendment.

-No further text on this page-

[BORROWERS SIGNATURE PAGE TO THIRD AMENDMENT TO LOAN AGREEMENT]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed by their respective officers thereunto duly authorized, as of the date first above written.

BORROWERS:

CDOR KCI LOFT, LLC, a Delaware limited liability company

By: /s/ J. William Blackham
Name: Bill Blackham
Its: President

TRS KCI LOFT, LLC, a Delaware limited liability company

By: /s/ J. William Blackham
Name: Bill Blackham
Its: President

GUARANTOR CONSENT

The undersigned hereby (i) acknowledges and consents to this Third Amendment to Loan Agreement and (ii) confirms that the undersigned's Guaranty remains in full force and effect and guarantees all obligations of Borrower under the Loan Agreement as amended.

GUARANTOR:
CONDOR HOSPITALITY TRUST, INC., a Maryland corporation

By: /s/ J. William Blackham
Name: Bill Blackham
Its: President

BANK:
GREAT WESTERN BANK, a South Dakota corporation

By: /s/ Kraig Williams
Kraig Williams, SVP Commercial Real Estate

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Third Amendment to Loan Agreement
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Section 5: 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 March 31, 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.

May 14, 2020

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

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Section 6: EX-31.2 (EX-31.2)

Exhibit 31.2

CERTIFICATIONS

I, Arinn Cavey, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the period ended March 31, 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)) 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.

May 14, 2020

/s/ Arinn Cavey
Arinn Cavey
Chief Financial Officer and Chief Accounting Officer

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Section 7: 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 March 31, 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.

May 14, 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 March 31, 2020 as filed with the Securities and Exchange Commission (the "Report"), I, Arinn Cavey, 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.

May 14, 2020

/s/ Arinn Cavey
Arinn Cavey
Chief Financial Officer and Chief Accounting Officer

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