

Code of Business Conduct Sotherly Hotels Inc.

Introduction

This Code of Business Conduct (the “Code”) applies to Sotherly Hotels Inc. (“Sotherly” or the “Company”), its subsidiaries and affiliates.

Sotherly expects each officer, director and employee to use sound judgment to help it maintain appropriate compliance procedures and to carry out its business in compliance with laws and high ethical standards. Each Company employee is expected to read the Code and demonstrate personal commitment to the standards set forth herein.

Sotherly’s officers and other supervising employees are expected to be leaders in demonstrating a personal commitment to the standards outlined in the Code and in recognizing any indications of illegal or improper conduct.

All Company employees are expected to report appropriately any indications of illegal or improper conduct.

Any Company employee who does not comply with the standards set forth in the Code may be subject to discipline in light of the nature of the violation, including termination of employment.

The Code is not a contract and is not intended as a detailed guide for all situations one may face. Sotherly employees are also expected to comply with its employee handbook and other workplace rules Sotherly may from time to time communicate, all of which supplement the Code.

Sotherly’s Commitment to its Shareholders

The Company expects its employees to share a commitment to protect its assets and manage its business in the best interests of Sotherly’s shareholders.

- **Accuracy of our records and reporting:** All financial and other business information pertaining to the Company must be accurately recorded, all financial records and transactions must adhere to Sotherly’s system of internal controls and accounting requirements, and no one shall enter any false or artificial information in Sotherly’s records or reporting systems. All Company information must be reported honestly and accurately, whether in internal personnel, safety or other records or in information Sotherly releases to the public or files with government or regulatory agencies.
- **Disclosure Controls and Procedures.** Sotherly is required by Securities and Exchange Commission (“SEC”) rules and regulations to maintain effective “disclosure controls and procedures” so that financial and non-financial information the Company is required to report to the SEC is timely and accurately reported, both to Sotherly’s senior management and in the Company’s SEC filings. All Sotherly employees are expected, within the scope of their respective employment duties, to support the effectiveness of Sotherly’s disclosure controls and procedures. To that end, it is Sotherly’s policy to promote the full, fair, accurate, timely and understandable disclosure in reports and documents that the Company files or furnishes with the SEC and otherwise communicate to the public. Please see the Company’s Disclosure Controls and Procedures policy for more information in this regard.

- Financial Code of Ethics for Employees with Financial Reporting Obligations. Because Sotherly's Chief Executive Officer, Chief Financial Officer and other members of its finance department have a special role in promoting the fair and timely reporting of Company financial results and condition, these individuals are also bound by the following Financial Code of Ethics. By accepting the Code, each of these individuals further agrees that, within the scope of his or her respective employment positions, he or she will:
- act with honesty and integrity;
 - avoid actual or apparent conflicts of interest in personal and professional relationships;
 - promote full, fair, accurate, timely and understandable disclosure in reports and documents that the Company provides to government and regulatory agencies and in other public communications;
 - comply with applicable governmental laws, rules and regulations;
 - act in good faith, responsibly, with due care, competence and diligence, without misrepresenting material facts or allowing one's independent judgment to be subordinated;
 - respect the confidentiality of information acquired in the course of one's work except when authorized or otherwise legally obligated to so disclose;
 - not utilize any confidential information acquired in the course of one's work for personal advantage;
 - share knowledge and maintain skills important and relevant to the goals of the Code;
 - proactively promote ethical behavior among peers, in the work environment and in the community;
 - achieve responsible use of and control over all Company assets and resources employed by or entrusted to such individual;
 - promptly report under the reporting procedures outlined herein, or, if appropriate, report directly to the chairperson of the audit committee of Sotherly's Board of Directors as well as to the Company's General Counsel or Compliance Officer, any conduct that the individual believes to be a violation of law, business ethics or the Company's Code; and
 - be accountable for adherence to the Financial Code of Ethics outlined in the Code.
- Prohibition on Improper Influence on Conduct of Audits. It is against the Code and Sotherly's other policies, and it is a violation of SEC rules, for any of Sotherly's officers or directors, or any person acting under their direction, to coerce, manipulate, mislead or fraudulently influence the independent auditors selected to audit or review Company financial statements when the officer, director or other person knew or should have known that the action, if successful, could result in rendering Company financial statements materially misleading.

- **Stock Trading and Confidential Information Policy.** The Company’s Insider Trading Policy prohibits any Company employee who is aware of material nonpublic information concerning the Company, or concerning third parties with whom the Company does business, from buying or selling Sotherly securities or of those third parties (until after any such material information has been fully disclosed to the public). Company employees must not disclose or “tip” any of this material nonpublic information to family, friends or others outside the Company. As detailed in the Company’s Insider Trading Policy, the trading restriction on Sotherly securities would not apply to sales or purchases in accordance with a “trading plan” validly adopted in compliance with applicable SEC Rule 10b5-1.
 - **No Selective Disclosure.** In addition, SEC rules generally also prohibit selective disclosure of material nonpublic information to those outside the Company. Therefore, all employees are expected to assist the Company in keeping all material nonpublic information about Sotherly strictly confidential unless and until the Company makes an authorized press release or other authorized public communication or filing. Please see the Company’s Disclosure Controls and Procedures policy for more information in this regard
 - **Information to the Public.** The Code and Sotherly’s other policies provide for timely public dissemination of material information relating to Company business only through its employees authorized for this purpose. Company employees are not under any circumstance to discuss the Company’s financial, business or other information with the media or press (except for those Company employees expressly authorized for this purpose) or on any Internet or other “discussion board,” “chat room” or similar forum. Requests from the media, analysts or shareholders about Sotherly must be forwarded to an authorized officer or the Company employee in charge of Sotherly’s investor relations function for review by personnel having responsibility for these matters. Please see the Company’s Regulation FD Corporate Communications Policy for more information in this regard.
- **Protection of Company Assets.** Each Company employee is personally responsible to use Company assets only for lawful, corporate purposes approved by Sotherly management. All Company employees should help Sotherly to protect its assets from misuse, theft, damage or other loss. Improper or unauthorized personal use of Company assets is prohibited.
- **Intellectual Property.** Company employees should help Sotherly maintain the value of its intellectual property by using care to keep its trade secrets and other nonpublic information confidential, and limit access to nonpublic information to those authorized to use it in their duties for the Company. If customers or suppliers provide nonpublic information to Sotherly in their dealings with the Company, Company employees are expected to treat that information in the same manner as they would treat Sotherly’s intellectual property.
- **Communications.** Company employees are expected to use appropriate judgment and discretion in their email, memos, notes and other formal and informal communications relating to Sotherly’s business. Communications relating to Company business must avoid inappropriate or derogatory comments about other individuals or companies, unprofessional language and unauthorized financial, legal or business statements.
- **Retention of Records.** Company employees are expected to follow the records retention and destruction policies that Sotherly implements and communicates from time to time. It is the Company’s policy not to destroy or alter its records or documents (whether in paper form, emails

or otherwise) in response to or in anticipation of any legal proceeding or government inquiry or investigation. Federal criminal liability may be imposed on any person who:

- corruptly alters, destroys, mutilates or conceals a record, document or other object with the intent to impair its availability for use in an official proceeding; or
- knowingly alters, covers up, falsifies or makes a false entry in any record, document or tangible object with the intent to impede or obstruct the investigation or administration of any matter by a federal government agency or bankruptcy court.

Sotherly's Commitment to Customers and Business Partners

Sotherly is committed to excellence in service and performance for its customers and building mutually advantageous alliances with its business partners.

- Customer Relationships. Company policy is to build lasting relationships with its customers through superior delivery and execution and honest sales and marketing. Sotherly will comply with applicable advertising laws and standards, including a commitment that its advertising and marketing will be truthful, non-deceptive and fair, and will be backed up with evidence before advertising claims are made. Company policy also prohibits making false or deceptive statements about its competitors and giving or accepting kickbacks, bribes, inappropriate gifts and other matters prohibited under the conflict of interest topic in the Code.
- Protecting Information about Others. Sotherly is committed to treating confidential information of our customers and business partners with at least the care we use to protect its own proprietary or confidential information. All Company employees are expected to use sound judgment in limiting access to confidential information about Sotherly's customers and business partners to those individuals in the Company who need to know this information to carry out their duties.
- Commitment to Quality. Sotherly's long term reputation and business viability depend upon its continued maintenance of high quality in the services it provides. Sotherly is committed to deliver its services in accordance with industry service standards and other Company procedures maintained from time to time.
- Suppliers. Sotherly's contracts with suppliers of products and services to the Company, including MHI Hotels Services, LLC, are to be based exclusively on the best interests of the Company and its business, shall reflect a fair price for the deliverables provided to Sotherly and shall be documented in accordance with appropriate Company approval, contracting and internal control procedures.
- Business with Third Parties. Sotherly expects that its consultants, agents, subcontractors and other business partners will adhere to lawful and ethical business practices. It is important to the Company's reputation for it to avoid doing business with companies which violate applicable laws or have reputations which could harm Sotherly's business. Company procedures prohibit engaging agents or other third parties to conduct indirectly what Sotherly should not conduct under the Code and Sotherly's other policies.

Sotherly's Commitment to Each Other

Sotherly expects each Company employee to promote a positive working environment for all.

- Respect for Company Employees. Sotherly’s employment decisions will be based on reasons related to its business, such as job performance, individual skills and talents and other business-related factors. Company policy requires adherence to all national, state or other local employment laws. Company policy prohibits discrimination in any aspect of employment based on race, color, religion, age, sex, sexual orientation, marital or familial status, national origin or ancestry, disability or veteran status, in accordance with applicable laws.
- Abusive or Harassing Conduct Prohibited. Company policy prohibits abusive or harassing conduct by its employees toward others, such as unwelcome sexual advances, comments based on ethnic, religious or racial aspects or other non-business, personal comments or conduct which make others uncomfortable in their employment with the Company. Sotherly encourages its employees to report harassment or other inappropriate conduct as soon as it occurs.
- Health and Safety. Sotherly expects all Company employees to help it to maintain a healthy and safe working environment and to report promptly any unsafe or hazardous conditions or materials, injuries and accidents connected with Company business. Company employees must not work under the influence of any substances that would impair or impact the safety of others. All threats or acts of physical violence or intimidation are prohibited.

Competition

Sotherly is committed to compete effectively, but lawfully, in its business markets.

- Fair Methods of Competition. Sotherly is committed to competition on a lawful and ethical basis. Company employees must not use improper or illegal means of gaining competitive information that is confidential or proprietary information owned by others. Company employees must not use or disclose confidential or proprietary information which they may have from past employment with other employers.

Conflicts of Interest

Sotherly expects all of its employees to avoid allowing their private interests to interfere, or appear to interfere, with the interests of the Company as a whole. It is Company policy to promote the ethical handling of actual or apparent conflicts of interest between personal and professional relationships.

- Generally. Company employees are expected to make or participate in business decisions and actions in the course of their employment with Sotherly based on the best interests of the Company as a whole, and not based on personal relationships or benefits. Although some general guidelines are provided in the Code, Company employees are expected to apply sound judgment to avoid conflicts of interest that could negatively affect Sotherly or its business, whether or not it has specific rules for that particular situation. Company employees are expected to disclose to Sotherly any situations that may involve inappropriate or improper conflicts of interests affecting them personally or affecting other Company employees or those with whom Sotherly conducts business, as described below under “How to Report Your Concerns.”
- Business Referrals. No Company employee may personally attempt to give or steer Sotherly’s business transactions to companies in which a family relative or personal friend has a financial or other interest, except as may be mandated in the Company’s Strategic Alliance Agreement with MHI Hotels Services, LLC or any similar agreements entered in to in the future and approved pursuant to Sotherly’s policies.

- Personal Investments. Generally, Company employees must avoid investments in other companies with which Sotherly does business if these investments could create the fact or appearance of a conflict of interest, except as permitted in their respective employment agreement, if any. Investing in relatively small positions of publicly traded securities of other companies is generally not prohibited so long as there is no violation of the Company's Insider Trading Policy, specifically relating to trading while in possession of material nonpublic information about other companies.
- Corporate Opportunities. Company employees must also refrain from purchasing property or otherwise taking for themselves personally a business opportunity that they learn about through their employment with Sotherly or use of Company information.
- Prohibited Competition. Company employees may not compete with Sotherly during the term of their employment, and may not initiate any steps to compete with Sotherly while still employed by the Company.
- Outside Compensation and Activities. While employed by Sotherly, Company employees must not work for or seek or accept personal payments from any customer, supplier, competitor or other business partner of the Company, except as approved in writing by an authorized officer of Sotherly. Trade secrets and other nonpublic information learned at Sotherly must not be used in activities outside the Company or in other ways that could impair, impact or otherwise harm Sotherly's business.
- Outside Board Service. Company employees are required to obtain prior written authorization from Sotherly for service as a director, general partner, manager, officer or similar position with any privately-held or public business entity or as an appointee to any kind of governmental or quasi-governmental agency or body. Service solely as a director or trustee of nonprofit corporations engaged in charitable activities does not require approval unless that activity could involve improper conflicts of interest. These restrictions do not apply to Sotherly non-employee directors who disclose their relationships to the Company.
- Gifts and Gratuities. Company employees must not seek or accept gifts or gratuities in the form of services or other items of value from Sotherly customers, other business partners or other parties with whom the Company contracts. Company employees must not offer or give anything of value to any individual or entity that could be or appear to be a bribe or otherwise illegal payment. These prohibitions do not apply to items of truly nominal value such as generally free promotional items, assuming these items are not otherwise prohibited by applicable law or custom. Company employees should never accept anything that would appear to create a conflict of interest. In the unusual situation where refusal to accept a true gift might hurt Sotherly's business, please consult with an appropriate Sotherly officer of concerning the proper means of resolving the situation.
- Business Entertainment. Extending or accepting invitations to reasonable meals, public events and similar business activities incurred for bona fide business purposes are generally acceptable, assuming the costs are not disproportionate to the business purpose and otherwise do not create the fact or appearance of a conflict of interest. Company employees are expected to avoid sponsoring or accepting invitations to highly expensive events funded with corporate funds or personal celebrations such as birthday parties with costs paid with corporate funds at which the business purpose may appear incidental. Attending entertainment events that may appear contrary to professional standards of conduct should be avoided. Government officials should not

be invited to entertainment events without first assuring that appropriate Company management approves the invitation and confirms that it is not prohibited by law.

- **Travel.** Employees are expected to comply with the Company's travel policies in effect from time to time. Sotherly expects that all travel-related expenses must be used, accurately reported and recorded in compliance with any such policies. If these expenses are to be paid by a customer or other business partner of Sotherly, or if a Company employee wishes to pay the expenses of a customer or other business contact or any representative of a government agency travelling to Sotherly's location, a Company officer must approve any such expenses in advance.

Legal Compliance Generally

Sotherly expects its employees to be committed to pro-active compliance with all applicable laws and regulations affecting the Company and its business. In addition to the laws referred to elsewhere in the Code:

- **General Standard of Compliance.** Company employees must comply with all applicable listing and governmental rules and regulations in every location in which Sotherly conducts its business. Competitive factors, personal goals and pressure from supervisors, customers or others shall never be an acceptable excuse for violating applicable laws.
- **Prohibited Corrupt Practices.** Sotherly and its employees must comply with the United States Foreign Corrupt Practices Act and other anti-corruption laws that apply wherever it conducts business. Company employees and agents must not directly or indirectly offer or make a corrupt payment to any domestic or foreign government official, political party or candidate, or employee of any enterprise owned or controlled by a government agency, for the purpose of influencing any official act or inaction, or obtaining, retaining or directing business. Company employees must not engage in any form of fraud, including but not limited to, embezzlement, theft, hiding or misuse of company assets or falsification of records.
- **Prohibited Political Contributions.** Unless first approved by an authorized Company officer, no Company employees shall contribute in Sotherly's name or on Sotherly's behalf any cash, services or property of any kind for or in support of any political candidate, political committee, political initiative or political activity. No lobbying efforts or contracts for such political purposes shall be undertaken in Sotherly's name or on Sotherly's behalf without the prior approval of Sotherly's Board of Directors.
- **Prohibited Loans to Executive Officers and Directors.** It is unlawful for the Company, directly or indirectly, to extend or maintain credit, to arrange for the extension of credit or to renew an extension of credit in the form of a personal loan to or for any Sotherly director or Sotherly executive officer.
- **Environmental Laws.** Sotherly respects the policies and requirements of domestic laws aimed at protecting the environment and expects compliance with any such laws or regulations. Sotherly expects a commitment from its employees to report appropriately any violations of environmental laws and any exposure to hazardous materials or substances which are not being handled or disposed of properly.
- **Intellectual Property Laws.** Sotherly expects Company employees to conduct its business and use its business systems and facilities in ways that avoid any violations of copyright, trademark, service mark, patent, trade secret or other intellectual property rights held by third parties.

- Money Laundering Prevention. People engaged in certain criminal activities such as illegal drugs and fraud may try to disguise proceeds of their crimes as legitimate funds. Many countries, including the United States, have enacted laws against money laundering that prohibit businesses from accepting or processing proceeds of criminal activities. Some of these laws require the reporting of defined cash or other suspicious transactions. Company employees responsible for documenting customer transactions should use due care to “know your customer,” follow proper procedures for documenting the source and manner of payment and otherwise help Sotherly to avoid transactions that may involve illegal money laundering.

Our Communities

Sotherly respects its employees’ involvement in community, charity, religious and political activities and causes. Sotherly encourages such involvement so long as any such activities do not interfere with Company job responsibilities. No Company employee may represent that the employee’s views or activities represent those of Sotherly. Company employees must not engage in any unwanted solicitations or pressure toward other Company employees relating to any such community, charitable, religious or political causes.

Waivers Requested by Sotherly Officers and Directors

The Code applies to Sotherly’s directors and officers as well as to its employees generally. Sotherly’s directors are expected to abide by the principles of the Code, within the scope of their duties as directors, as if they were employees of Sotherly. Any waiver of the Code for any individual Sotherly officer or director must be approved, if at all, by Sotherly’s Board of Directors. Any such waivers granted, as well as substantive amendments to the Code, will be publicly disclosed by appropriate means in compliance with applicable listing standards and SEC rules.

Enforcement

It is Company policy to promote and implement prompt and consistent enforcement of the Code, fair treatment for persons reporting any questionable behavior pursuant thereto, clear and objective standards for compliance and a fair process by which to determine violations.

How to Report Concerns

- Where to Direct Questions. If you have questions about the Code or concerns about any of the matters listed herein, please first consider speaking with your immediate Sotherly manager or supervisor. If you do not wish to communicate with such person on the matter, please feel free to contact any member of Sotherly’s management.
- Good Faith Concerns Are Protected. Sotherly encourages each of its employees to report any concerns that others in the Company, or its agents, may have engaged in illegal or unethical conduct relating to Company business. Sotherly does not discriminate against Company employees who reasonably believe there has been illegal or unethical conduct and who in good faith report these concerns to the Company.
- Federal Law Protects Assistance in Investigations. Under federal law, Sotherly may not discharge or otherwise discriminate against a Company employee for any lawful act by such employee to provide information, or assist, in an investigation of conduct such employee reasonably believes to be a violation of federal securities and other laws. This applies to an

investigation conducted by Sotherly, any federal agency or a member of Congress or its committees. It is also unlawful for any person, knowingly and with intent to retaliate, to interfere with the lawful employment or livelihood of another person for providing to any law enforcement officer any truthful information relating to possible violations of any federal law.

- False Claims Are Prohibited. It is a violation of Sotherly's standards and policies for any Company employee to knowingly communicate any false report or information claiming illegal or unethical conduct.
- Prompt Reporting of Concerns. Sotherly encourages all its employees to report promptly all violations of the Code to an appropriate person or persons under the circumstances. Sotherly expects all its employees to be accountable for adherence to the Code, including the responsibility to report violations.
- Where to Report Concerns. If you wish to report or discuss any problem concerning Sotherly or the matters outlined below, please promptly inform your supervising manager or report the matter to Sotherly's Chief Executive Officer, Chief Financial Officer, General Counsel or Compliance Officer (via telephone at 757-229-5648 or e-mail at such individual's related e-mail address). If you wish to communicate any matter anonymously, you are free to do so, and Sotherly will maintain the confidentiality of your communication to the extent possible under applicable laws. Communications intended to be confidential should be mailed in writing without indicating your name or address to 410 West Francis Street, Williamsburg, Virginia 23185, Attention: Chief Financial Officer. Alternatively, you may communicate any concerns anonymously via **report it**, Sotherly's contracted independent third party hotline service, via the below methods:

- Toll free hotline number: 1.877.778.5463
- Online: www.reportit.net

For both the toll free hotline number and online, enter the following at the related prompt:

- Username: sotherly
- Password: whistle

- Audit Committee Available to Review Accounting Matters. In addition to the above, if you have concerns about accounting, internal accounting controls or auditing matters relating to Sotherly, you are also free to contact the Audit Committee of our Board of Directors directly. Inquiries or communications intended to be anonymous should be mailed in writing without indicating your name or address to 410 West Francis Street, Williamsburg, Virginia 23185, Attention: Audit Committee. If you wish to speak in person to an audit committee member, please see the contact information posted on Sotherly's website. Alternatively, you may communicate any concerns anonymously via **report it**, Sotherly's contracted independent third party hotline service, as described above.