

**CHARTER  
OF THE  
NOMINATING, CORPORATE GOVERNANCE AND COMPENSATION COMMITTEE  
OF  
THE BOARD OF DIRECTORS  
OF  
SOTHERLY HOTELS INC.  
("SOTHERLY" OR THE "CORPORATION")**

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## **Purpose**

The primary purposes of the Nominating, Corporate Governance and Compensation Committee (the "NCGC Committee") are to have direct responsibility to:

- Review and approve corporate goals and objectives relevant to the chief executive officer's (the "CEO") compensation;
- Evaluate the CEO's performance in light of those goals and objectives;
- Either as the NCGC Committee or, if so directed by Sotherly's Board of Directors (the "Board"), together with Sotherly's other independent directors, determine and approve the CEO's compensation based on this evaluation;
- Either as the NCGC Committee or, if so directed by the Board together with the other independent directors, determine and approve the compensation for the chief financial officer (the "CFO") and the chief operating officer (the "COO"), and recommend to Board for determination, based on the preliminary determination by the CEO, the compensation for the chief accounting officer (the "CAO") and the general counsel (the "General Counsel");
- Administer the Corporation's incentive compensation plans and equity-based plans;
- Select the individuals qualified to serve on the Board, consistent with criteria that the Board has approved, for election by stockholders at each annual meeting of stockholders and to fill vacancies on the Board;
- Develop, assess and recommend to the Board corporate governance policies for the Corporation;
- Oversee risks associated with corporate governance guidelines, executive compensation plans and arrangements, the code of business conduct, including compliance with any applicable listing standards for independent directors, Board committee assignments and conflicts of interest; and
- Oversee the evaluation of the Board.

## **COMPOSITION**

*At least two (2) members.* The NCGC Committee must consist of at least two (2) independent directors. The Board may designate a NCGC Committee member as the chairperson of the NCGC Committee, or if the Board does not do so, the NCGC Committee members will appoint a NCGC Committee member as chairperson by a majority vote of the authorized number of NCGC Committee members.

*Independence.* All NCGC Committee members must have been determined by the Board to be independent as defined and to the extent required in the NASDAQ® Stock Market listing standards, as they may be amended from time to time, or such other listing standards then applicable to the Corporation (the "Listing Standards").

*Appointment.* Subject to any requirements of the Listing Standards, the Board may appoint and remove NCGC Committee members in accordance with the Corporation's bylaws. NCGC Committee members will serve for such terms as the Board may fix, and in any case, at the Board's will, whether or not a specific term is fixed.

## **DUTIES AND RESPONSIBILITIES**

### ***Compensation***

*Compensation goals.* The NCGC Committee will review and approve at least annually corporate goals and objectives relevant to the compensation of the CEO.

*Determination of executive officer compensation.* The NCGC Committee will:

- Evaluate at least annually the performance of the Corporation's executive officers in light of the corporate goals and objectives. For purposes of the NCGC Committee's charter (the "Charter"), "executive officers" means the individuals classified by the Corporation as officers for purposes of Securities and Exchange Commission ("SEC") rules under Section 16 of the Securities Exchange Act of 1934, as amended;
- At least annually, either as the NCGC Committee or together with the other independent directors, as directed by the Board, in light of the corporate goals and objectives and the performance evaluations: (1) determine and approve the compensation of the CEO, including individual elements of salary, bonus, supplemental retirement, incentive and equity compensation; (2) approve the compensation for the CFO and COO based on recommendations from the CEO; and (3) approve the compensation for the CAO and General Counsel based on recommendations from the CEO;
- Administer the Corporation's incentive compensation plans and equity-based plans;
- Review, as the NCGC Committee considers appropriate in setting executive officer compensation, the Corporation's performance's and relative stockholder return, compensation at comparable companies, past years' compensation to the Corporation's executive officers and other relevant factors;
- Review and approve all employment agreements, separation and severance agreements and other compensatory contracts, arrangements, perquisites and payments with respect to the CEO, and review and make recommendations to the Board regarding all such agreements, contracts, arrangements, perquisites and payments with respect to other executive officers; and
- In any deliberations or voting to determine the compensation of the CEO, the CEO must not be present; however, in any deliberations regarding the compensation of other executive officers, the NCGC Committee may elect to invite the CEO to be present but not vote.

*Succession planning.* The NCGC Committee will review and assist the Board in developing succession plans for the executive officers and other appropriate management personnel.

*Non-employee director compensation.* The NCGC Committee will recommend to the Board compensation programs for non-employee directors, Board committee chairpersons and Board committee members, consistent with any applicable requirements of the Listing Standards for independent directors and including consideration of cash and equity components of this compensation.

*Equity plan awards.* The NCGC Committee will grant stock options, restricted stock and other discretionary awards under the Corporation's stock option and other equity incentive plans, and otherwise exercise the authority of the Board with respect to the administration of the Corporation's stock-based and other incentive compensation plans. The NCGC Committee may delegate to one or more officers designated by the NCGC Committee the authority to make grants of options and restricted stock to eligible individuals other than directors and executive officers, provided that the NCGC Committee shall have fixed the exercise price or a formula for determining the exercise price for each grant, approved the form of documentation evidencing each grant and determined the number of shares or the basis for determining such number of shares by position, compensation level or category of personnel. Any

Sotherly officer to whom such authority is delegated must regularly report to the NCGC Committee the grants so made.

*Evaluate and approve stock and incentive plans.* The NCGC Committee will periodically review and make recommendations to the Board concerning the Corporation's stock and incentive compensation plans. The NCGC Committee will approve all equity arrangements and plans, and amendments to these arrangements or plans, that may be exempt from the general requirement of the Listing Standards to obtain stockholder approval of equity arrangements, plans and amendments, or for which approval by the NCGC Committee is otherwise appropriate or required under applicable laws or Listing Standards.

### **Nominations**

*Qualifications of directors.* The NCGC Committee will periodically assess and develop and communicate with the full Board concerning the appropriate criteria for nominating and appointing directors, including:

- The Board's size and composition;
- Corporate governance policies;
- Applicable Listing Standards and laws;
- Individual director performance, expertise and willingness to serve actively;
- The number of other public and private company boards on which a director candidate serves;
- Consideration of director nominees proposed or recommended by stockholders and related policies and procedures; and
- Other appropriate factors, including, but not limited to, a director nominee's general understanding of marketing and finance; understanding of the Corporation's business; education and professional background; personal accomplishment; diversity of viewpoint; business expertise; and industry knowledge.

*Director nominees and vacancies.* The NCGC Committee will recommend to the Board the individuals to be nominated for election as directors at each annual meeting of stockholders and to fill vacancies on the Board, subject to legal rights, if any, of third parties to nominate or appoint directors. The NCGC Committee will evaluate each individual, consistent with the types of criteria outlined above, in the context of the Board as whole. The NCGC Committee will also evaluate each incumbent director to determine whether he should be nominated to stand for re-election, based on the types of criteria outlined above as well as the director's contributions to the Board during the current term.

*Board committee appointments.* If and when requested periodically by the Board, the NCGC Committee will identify and recommend to the Board the appointees to be selected by the Board for service on Board committees.

### **Governance**

*Governance policies.* The NCGC Committee will develop and assess and make recommendations to the Board concerning appropriate corporate governance policies and guidelines.

*Code of Business Conduct.* The NCGC Committee will review and assess and enforce the Corporation's code of business conduct.

*Board evaluation.* The NCGC Committee will oversee an annual review of the performance of the full Board.

*Risk oversight.* The NCGC Committee will oversee risks associated with corporate governance guidelines, executive compensation plans and arrangements, the code of business conduct, including compliance with any applicable Listing Standards for independent directors, Board committee assignments and conflicts of interest.

*Other functions.* The NCGC Committee may perform any other activities consistent with the Charter, the Corporation's corporate governance documents and applicable Listing Standards, laws and regulations as the NCGC Committee or the Board considers appropriate.

*Annual performance review.* The NCGC Committee will evaluate its own performance as a Board committee and review the Charter on an annual basis.

## **MEETINGS, REPORTS AND RESOURCES**

*Meetings.* The NCGC Committee will meet as often as it determines is necessary, but not less than annually. The NCGC Committee may also hold special meetings or act by unanimous written consent as the NCGC Committee may decide consistent with the Corporation's bylaws. The NCGC Committee may meet by telephone conference or by any other means permitted under Maryland law. The NCGC Committee may meet in separate sessions with other directors, the CEO and other Sotherly employees, agents or representatives invited by the NCGC Committee.

*Procedures.* The NCGC Committee may establish its own procedures, including the formation and delegation of authority to subcommittees, in a manner not inconsistent with the Charter, the Corporation's bylaws and other corporate governance documents, applicable laws or regulations or the Listing Standards. The chairperson or majority of the NCGC Committee members may call meetings of the NCGC Committee. A majority of the authorized number of NCGC Committee members will constitute a quorum for the transaction of NCGC Committee business, and the vote of a majority of the NCGC Committee members present at a meeting at which a quorum is present will be the act of the NCGC Committee, unless in either case a greater number is required by the Charter, the Corporation's bylaws or any applicable Listing Standards. The NCGC Committee will keep written minutes of its meetings and deliver copies of the minutes to the corporate secretary for inclusion in the corporate records.

*Reports.* The NCGC Committee will provide to the Board at an appropriate time, before the preparation of the Corporation's proxy statement for its annual meeting, its director nominees for the annual meeting of stockholders. The NCGC Committee will also report to the Board annually the results of:

- An oversight review of the performance of the Board;
- The NCGC Committee's assessment of the Corporation's corporate governance policies and implementation; and
- An annual review by the NCGC Committee of its own performance.

The NCGC Committee will further report to the Board on the major items covered by the NCGC Committee at each NCGC Committee meeting, and provide additional reports to the Board as the NCGC Committee may determine to be appropriate.

*NCGC Committee access and information.* The NCGC Committee is at all times authorized to have direct, independent and confidential access to the Corporation's other directors, management and personnel to carry out the NCGC Committee's purposes. The NCGC Committee is authorized to obtain at the Corporation's expense compensation surveys, reports on the design and implementation of compensation programs for the Corporation's directors, officers and employees and other data and documentation as the NCGC Committee considers appropriate.

*NCGC Committee advisers and funding.* The NCGC Committee will have sole authority to retain at the Corporation's expense and terminate any compensation consulting firm, search firm used to identify director candidates, independent counsel or other advisers to the NCGC Committee and to approve the related fees and other retention terms.

*Reliance on others.* Nothing in the Charter is intended to preclude or impair the protection provided in Section 2-405.1(c) of the Maryland General Corporation Law for good faith reliance by members of the NCGC Committee on reports or other information provided by others.