UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2024

OR

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

For the transition period from to

SOTHERLY HOTELS INC.

(Exact name of registrant as specified in its charter)

MARYLAND	**001-32379**	**20-1531029**
(State or Other Jurisdiction of Incorporation or Organization)	**(Commission File Number)**	**(I.R.S. Employer Identification No.)**

SOTHERLY HOTELS LP

(Exact name of registrant as specified in its charter)

DELAWARE	**001-36091**	**20-1965427**
(State or Other Jurisdiction of Incorporation or Organization)	**(Commission File Number)**	**(I.R.S. Employer Identification No.)**

306 South Henry Street, Suite 100
Williamsburg, Virginia 23185
(Address of Principal Executive Officers) (Zip Code)
757-229-5648
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Registrant	Title of Each Class	Trading Symbols	Name of Each Exchange on Which Registered
Sotherly Hotels Inc.	Common Stock, $0.01 par value	SOHO	The NASDAQ Stock Market LLC
Sotherly Hotels Inc.	8.0% Series B Cumulative Redeemable Perpetual Preferred Stock, $0.01 par value	SOHOB	The NASDAQ Stock Market LLC
Sotherly Hotels Inc.	7.875% Series C Cumulative Redeemable Perpetual Preferred Stock, $0.01 par value	SOHOO	The NASDAQ Stock Market LLC
Sotherly Hotels Inc.	8.25% Series D Cumulative Redeemable Perpetual Preferred Stock, $0.01 par value	SOHON	The NASDAQ Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined by Rule 405 of the Securities Act.
Sotherly Hotels Inc. Yes ☐ No ☒ **Sotherly Hotels LP** Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
Sotherly Hotels Inc. Yes ☐ No ☒ **Sotherly Hotels LP** Yes ☐ No ☒

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.
Sotherly Hotels Inc. Yes ☒ No ☐ **Sotherly Hotels LP** 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).
Sotherly Hotels Inc. Yes ☒ No ☐ **Sotherly Hotels LP** Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or emerging growth company. (See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Securities Exchange Act of 1934).

Sotherly Hotels Inc.

Large Accelerated Filer ☐ Accelerated Filer ☐ Non-accelerated Filer ☒ Smaller Reporting Company ☒ Emerging growth company ☐

Sotherly Hotels LP

Large Accelerated Filer ☐ Accelerated Filer ☐ Non-accelerated Filer ☒ Smaller 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. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

Sotherly Hotels Inc. Yes ☐ No ☒ **Sotherly Hotels LP** Yes ☐ No ☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Sotherly Hotels Inc. Yes ☐ No ☒ **Sotherly Hotels LP** Yes ☐ No ☒

The aggregate market value of common stock held by non-affiliates of Sotherly Hotels Inc. as of June 30, 2024, the last business day of Sotherly Hotels Inc.'s most recently completed second fiscal quarter, was approximately $22,826,540 based on the closing price quoted on the NASDAQ ® Stock Market.

As of March 15, 2025, there were 20,126,415 shares of Sotherly Hotels Inc.'s common stock issued and outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Part III of this Form 10-K incorporates by reference certain portions of Sotherly Hotels Inc.'s proxy statement for its 2025 annual meeting of stockholders to be filed with the Securities and Exchange Commission not later than 120 days after the end of the fiscal year covered by this report (or information will be provided by amendment to this Form 10-K).

Auditor Firm Id: 686 Auditor Name: Forvis Mazars, LLP Auditor Location: Jacksonville, Florida

SOTHERLY HOTELS INC.
SOTHERLY HOTELS LP

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EXPLANATORY NOTE

We refer to Sotherly Hotels Inc. as the “Company” or "Sotherly", Sotherly Hotels LP as the “Operating Partnership,” the Company’s common stock as “common stock,” the Company’s preferred stock as “preferred stock,” the Operating Partnership’s partnership interests as “partnership units,” and the Operating Partnership’s preferred interests as the “preferred units.” References to “we” and “our” mean the Company, its Operating Partnership and its subsidiaries and predecessors, collectively, unless the context otherwise requires or where otherwise indicated.

The Company is a real estate investment trust, or a "REIT." It conducts virtually all of its activities through the Operating Partnership and is its sole general partner. The Operating Partnership holds substantially all of the Company's assets. The partnership agreement provides that the Operating Partnership will assume and pay when due, or reimburse the Company for payment of, all costs and expenses relating to the ownership and operations of, or for the benefit of, the Operating Partnership. The partnership agreement of the Operating Partnership further provides that all expenses of the Company are deemed to be incurred for the benefit of the Operating Partnership. The Company does not conduct business itself, other than (a) acting as the sole general partner of the Operating Partnership, (b) issuing public equity from time to time, and (c) guaranteeing certain unsecured debt of the Operating Partnership and certain of its subsidiaries and affiliates. The Operating Partnership holds substantially all of the assets of the business, directly or indirectly. The Operating Partnership conducts the operations of the business and is structured as a partnership with no publicly traded equity. Except for net proceeds from equity issuances made by the Company, which are generally contributed to the Operating Partnership in exchange for partnership units, the Operating Partnership generates the capital required by the business through the Operating Partnership's operations, incurrence of indebtedness, and issuance of partnership units to third parties.

This report combines the Annual Reports on Form 10-K for the period ended December 31, 2024 of the Company and the Operating Partnership. We believe combining the annual reports into this single report results in the following benefits:

- combined reports better reflect how management and investors view the business as a single operating unit;
- combined reports enhance investors’ understanding of the Company and the Operating Partnership by enabling them to view the business as a whole and in the same manner as management;
- combined reports are more efficient for the Company and the Operating Partnership and result in savings of time, effort and expense; and
- combined reports are more efficient for investors by reducing duplicative disclosure and providing a single document for their review.

To help investors understand the significant differences between the Company and the Operating Partnership, this report presents the following separate sections for each of the Company and the Operating Partnership:

- Item 5 – Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities – selected portions;
- Item 9A – Controls and Procedures;
- Consolidated Financial Statements;
- the following Notes to Consolidated Financial Statements:
  - Note 7 – Preferred Stock and Units;
  - Note 8 – Common Stock and Units;
  - Note 13 – Earnings (Loss) per Share and per Unit; and
- Certifications of CEO and CFO Pursuant to Sections 302 and 906 of the Sarbanes-Oxley Act.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Information included and incorporated by reference in this Form 10-K 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. Forward-looking statements, which are based on certain assumptions and describe our current strategies, expectations and future plans, are generally identified by our use of words, such as “intend,” “plan,” “may,” “should,” “will,” “project,” “estimate,” “anticipate,” “believe,” “expect,” “continue,” “potential,” “opportunity,” and similar expressions, whether in the negative or affirmative, but the absence of these words does not necessarily mean that a statement is not forward looking. All statements regarding our expected financial position, business and financing plans are forward-looking statements.

Factors which could have a material adverse effect on the Company’s future operations, results, performance and prospects include, but are not limited to:

- national and local economic and business conditions that affect occupancy rates and revenues at our hotels and the demand for hotel products and services;
- risks associated with the hotel industry, including competition and new supply of hotel rooms, increases in wages, energy costs and other operating costs;
- risks associated with the level of our indebtedness and our ability to meet covenants in our debt agreements, and, as necessary, to refinance or seek an extension of the maturity of such indebtedness or further modification of such debt agreements on similar or more favorable terms;
- risks associated with adverse weather conditions, including hurricanes;
- impacts on the travel industry from pandemic diseases, including COVID-19;
- the availability and terms of financing and capital and the general volatility of the securities markets;
- management and performance of our hotels;
- risks associated with maintaining our system of internal controls;
- risks associated with the conflicts of interest of the Company’s officers and directors;
- risks associated with redevelopment and repositioning projects, including delays and cost overruns;
- supply and demand for hotel rooms in our current and proposed market areas;
- risks associated with our ability to maintain our franchise agreements with our third party franchisors;
- our ability to acquire additional properties and the risk that potential acquisitions may not perform in accordance with expectations;
- our ability to successfully expand into new markets;
- legislative/regulatory changes, including changes to laws governing taxation of real estate investment trusts (“REITs”);
- the Company’s ability to maintain its qualification as a REIT and the limitations imposed on the Company's business due to such maintenance; and
- our ability to maintain adequate insurance coverage.

Although the Company believes that the assumptions underlying the forward-looking statements contained herein are reasonable, any of the assumptions could be inaccurate, and therefore there can be no assurance that such statements included in this report will prove to be accurate. In light of the significant uncertainties inherent in the forward-looking statements included herein, the inclusion of such information should not be regarded as a representation by the Company or any other person that the results or conditions described in such statements or the objectives and plans of the Company will be achieved.

Additional factors that could cause actual results to vary from our forward-looking statements are set forth under the Section titled “Risk Factors” in Item 1A of this annual report.

These risks and uncertainties should be considered in evaluating any forward-looking statement contained in this report or incorporated by reference herein. All forward-looking statements speak only as of the date of this report or, in the case of any document incorporated by reference, the date of that document. All subsequent written and oral forward-looking statements attributable to us or any person acting on our behalf are qualified by the cautionary statements in this section. We undertake no

obligation to update or publicly release any revisions to forward-looking statements to reflect events, circumstances or changes in expectations after the date of this report, except as required by law. In addition, our past results are not necessarily indicative of our future results.

PART I

Item 1. *Business*

Organization

Sotherly Hotels Inc. (the "Company") is a self-managed and self-administered lodging real estate investment trust, or REIT, that was formed in August 2004 to own, acquire, renovate and reposition full-service, primarily upscale and upper-upscale hotel properties located in primary markets in the mid-Atlantic and southern United States. On December 21, 2004, the Company successfully completed its initial public offering and elected to be treated as a self-advised REIT for federal income tax purposes. The Company conducts its business through Sotherly Hotels LP, its operating partnership (the "Operating Partnership"), of which the Company is the general partner. As of the filing date, the Company owns approximately 98.2% of the general and limited partnership units in the Operating Partnership. Other individuals and entities own the remaining 1.8% limited partnership units in the Operating Partnership.

As of December 31, 2024, our portfolio consisted of ten full-service, primarily upscale and upper-upscale hotels located in seven states with an aggregate of 2,786 hotel rooms, and interests in two condominium hotels and their associated rental programs. All of our hotels are wholly-owned by subsidiaries of the Operating Partnership and are managed on a day-to-day basis by Our Town Hospitality, LLC ("Our Town"). Our portfolio is concentrated in markets that we believe possess multiple demand generators and have significant barriers to entry for new product delivery, which are important factors for us in identifying hotel properties that we expect will be capable of providing strong risk-adjusted returns.

In order for the Company to qualify as a REIT, it cannot directly manage or operate our hotels. Therefore, we lease our wholly-owned hotel properties to entities that we refer to as our "TRS Lessees", which are wholly-owned subsidiaries of MHI Hospitality TRS Holding, Inc. ("MHI Holding", and collectively with the TRS Lessees, the "MHI TRS Entities"). The MHI TRS Entities, in turn, have engaged Our Town, which is an eligible independent contractor, to manage the day-to-day operations at our hotels. MHI Holding is a taxable REIT subsidiary ("TRS") for federal income tax purposes.

Our corporate office is located at 306 South Henry Street, Suite 100, Williamsburg, Virginia 23185. Our telephone number is (757) 229-5648.

Our Properties

As of December 31, 2024, our hotels were located in Florida, Georgia, Maryland, Virginia, North Carolina, Pennsylvania and Texas. Seven of these hotels operate under franchise agreements with major hotel brands, and three are independent hotels. We also own the hotel commercial condominium units of the Lyfe Resort & Residences and Hyde Beach House Resort & Residences condominium hotels. See Item 2 in Part I and Item 7 in Part II of this Form 10-K for additional detail on our properties.

Our Strategy and Investment Criteria

Our strategy is to grow through acquisitions of full-service, upscale and upper-upscale hotel properties located in the primary markets of the southern United States. The Company may also opportunistically acquire hotels throughout other regions of the United States. We intend to grow our portfolio through disciplined acquisitions of hotel properties and believe that we will be able to source significant external growth opportunities through our management team's extensive network of industry, corporate and institutional relationships. Current market conditions and the terms of our loan agreements limit our ability to pursue our growth strategy, but as economic conditions improve and demand and consumer confidence increase, we intend to position the Company to execute on our growth strategy. We are not subject to limitations on the amount or percentage of our total assets that may be invested in any one property. Additionally, no limits have been set on the concentration of investments in any one location or facility type. Our policy is to acquire assets primarily for income and long-term appreciation.

Our investment criteria are further detailed below:

- *Geographic Growth Markets:* Our growth strategy focuses on the major markets in the Southern region of the United States. Our management team remains confident in the long-term growth potential associated with this part of the United States. We believe these markets have, during the Company's and our predecessors' existence, been characterized by population growth, economic expansion, growth in new businesses and growth in the resort, recreation and leisure segments. We will continue to focus on these markets, including coastal locations, and will investigate other markets for acquisitions only if we believe these new markets will provide similar long-term growth prospects. Sotherly may also opportunistically acquire hotels throughout the United States.
- *Full-Service Hotels:* Our acquisition strategy focuses on the full-service hotel segment. Our full-service hotels fall primarily under the upscale to upper-upscale categories and include such brands as Doubletree by Hilton, Tapestry

Collection by Hilton, and Hyatt Centric, as well as independent hotels. We may also acquire commercial unit(s) within upscale to upper-upscale condominium hotel projects, allowing us to establish and operate unit rental programs. We do not own limited service or extended-stay hotels. We believe that full-service hotels, in the upscale to upper-upscale categories, will outperform the broader U.S. hotel industry, and thus offer the highest returns on invested capital. Sotherly may also opportunistically acquire hotels outside of the full-service, upscale or upper-upscale category.

- *Significant Barriers to Entry:* We intend to execute a strategy that focuses on the acquisition of hotels in prime locations with significant barriers to entry.
- *Proximity to Demand Generators:* We seek to acquire hotel properties located in central business districts for both leisure and business travelers within the respective markets, including large state universities, airports, convention centers, corporate headquarters, sports venues and office buildings. We seek to be in walking locations that are proximate to the markets' major demand generators.

We generally have a bias toward acquiring underperforming hotels, which we typically define as those that are poorly managed, suffer from significant deferred maintenance and capital investment and that are not properly positioned in their respective markets. In pursuing these opportunities, we hope to improve revenue and cash flow and increase the long-term value of the underperforming hotels we acquire. Our ultimate goal is to achieve a total investment that is substantially less than replacement cost of a hotel or the acquisition cost of a market performing hotel. In analyzing a potential investment in an underperforming hotel property, we typically characterize the investment opportunity as one of the following:

- *Branding Opportunity:* The acquisition of properties that includes a repositioning of the property through a change in brand affiliation, which may include positioning the property as an independent hotel. Branding opportunities typically include physical upgrades and enhanced efficiencies brought about by changes in operations.
- *Shallow-Turn Opportunity:* The acquisition of an underperforming but structurally sound hotel that requires moderate renovation to re-establish the hotel's appeal in its market.
- *Deep-Turn Opportunity:* The acquisition of a hotel that is closed or functionally obsolete and requires a restructuring of both the business components of the operations as well as the physical plant of the hotel, including extensive renovation of the building, furniture, fixtures and equipment.

Typically, in our experience, a deep-turn opportunity takes a total of approximately four years from the initial acquisition of a property until it achieves full post-renovation stabilization. Therefore, when evaluating future opportunities in underperforming hotels, we intend to focus on up-branding and shallow-turn opportunities, and to pursue deep-turn opportunities on a more limited basis, preferably within the structure of joint venture or partnership.

Investment Vehicles. In pursuit of our investment strategy, we may employ various traditional and non-traditional investment vehicles:

- *Direct Purchase Opportunity:* Our traditional investment strategy is to acquire direct ownership interests via our Operating Partnership in properties that meet our investment criteria, including opportunities that involve full-service, upscale and upper-upscale properties in identified geographic growth markets that have significant barriers to entry for new product delivery. Such properties, or portfolio of properties, may or may not be acquired subject to a mortgage, or other financing or lending instruments, by the seller or third-party.
- *Joint Venture/Mezzanine Lending Opportunities:* We may, from time to time, undertake a significant renovation and rehabilitation project that we characterize as a deep-turn opportunity. In such cases, we may acquire a functionally obsolete hotel whose renovation may be very lengthy and require significant capital. In these projects, we may choose to structure such acquisitions as a joint venture, or mezzanine lending program, in order to avoid severe short-term dilution and loss of current income commonly referred to as the "negative carry" associated with such extensive renovation programs. We will not pursue joint venture or mezzanine programs in which we would become a "de facto" lender to the real estate community.
- *Investments in Mortgages, Structured Financings and Other Lending Policies:* In sourcing acquisitions for our core turnaround growth strategy, we may pursue investments in debt instruments that are collateralized by underperforming hotel properties. In certain circumstances, we believe that owning these debt instruments is a way to (i) ultimately acquire the underlying real estate asset and (ii) provide a non-dilutive current return to the Company's stockholders in the form of interest payments derived from the ownership of the debt. Our principal goal in pursuing distressed debt opportunities is ultimately to acquire the underlying real estate. By owning the debt, we believe that we may be in a position to acquire deeds to properties that fit our investment criteria in lieu of foreclosures. We do not have a policy limiting our ability to invest in loans secured by properties or to make loans to other persons. We may consider offering purchase money financing in connection with the sale of properties where the provision of that financing will increase the value to be

received by us for the property sold. We may make loans to joint ventures in which we may participate in the future. However, neither Sotherly nor the Operating Partnership intend to engage in significant lending activities.

Portfolio and Asset Management Strategy

We intend to ensure that the management of our hotel properties maximizes market share, as evidenced by revenue per available room ("RevPAR") penetration indices, and that our market share yields the optimum level of revenues for our hotels in their respective markets. Our strategy is designed to actively monitor our hotels' operating expenses in an effort to maximize hotel earnings before interest, taxes, depreciation and amortization ("Hotel EBITDA").

Over our long history in the lodging industry, we have refined many portfolio and asset management techniques that we believe provide for exceptional cash returns at our hotels. We undertake extensive budgeting due diligence wherein we examine market trends, one-time or exceptional revenue opportunities, and/or changes in the regulatory climate that may impact costs. We review daily revenue results and revenue management strategies at the hotels, and we focus on our manager's ability to produce high quality revenues that translate to higher profit margins. We look for ancillary forms of revenues, such as leasing roof-top space for cellular towers and other communication devices and also look to lease space to third parties in our hotels, which may include, but are not limited to, gift shops or restaurants. We have and will continue to engage parking management companies to maximize parking revenue. Our efforts further include periodic review of property insurance costs and coverage, and the cost of real and personal property taxes. We generally appeal tax increases in an effort to secure lower tax payments and routinely pursue strategies that allow for lower overall insurance costs, such as purchasing re-insurance.

We also require detailed and refined reporting data from our hotel manager, which includes detailed accounts of revenues, revenue segments, expenses and forecasts based on current and historic booking patterns. We also believe we optimize and successfully manage capital costs at our hotels while ensuring that adequate product standards are maintained to provide a positive guest experience.

None of our hotels are managed by a major national or global hotel franchise company. Through our long history in the lodging industry, we have found that management of our hotels by management companies other than franchisors is preferable to and more profitable than management services provided by the major franchise companies, specifically with respect to optimization of operating expenses and the delivery of guest service.

Our portfolio management strategy includes efforts to optimize labor costs. Our hotel manager is responsible for hiring and maintaining the labor force at each of our hotels. Although we do not directly employ or manage employees at our hotels, we monitor our hotel manager's human resource strategy and make recommendations regarding the operation of our hotels, if appropriate. The labor force in our hotels is predominately non-unionized, with only one property, the DoubleTree by Hilton Jacksonville Riverfront, having approximately 94 employees electing to participate under a collective bargaining arrangement. Further, the employees at our hotels that are managed by Our Town are eligible to receive health and other insurance coverage through Our Town, which self-insures. Self-insuring has, in our opinion and experience, provided significant savings over traditional insurance company sponsored plans.

Asset Disposition Strategy. When a property no longer fits with our investment objectives, we will pursue a direct sale of the property for cash so that our investment capital can be redeployed according to the investment strategies outlined above. Where possible, we will seek to subsequently purchase a hotel in connection with the requirements of a tax-free exchange. Such a strategy may be deployed in order to mitigate the tax consequence that a direct sale may cause.

Our Principal Agreements

Management Agreements

Our hotels are managed on a day-to-day basis by Our Town, an eligible independent contractor. The base management fee for each of our hotels is a percentage of the gross revenues of the hotel and is due monthly. The applicable percentages of gross revenue for the base management fee for each of our wholly-owned hotels and our condominium hotel rental programs are shown below:

Hotel Name	Commencement Date	Expiration Date	Percentage Fee
Hotel Ballast Wilmington, Tapestry Collection by Hilton	January 1, 2020	March 31, 2035	2.50%
The DeSoto	January 1, 2020	March 31, 2035	2.50%
DoubleTree by Hilton Philadelphia Airport	January 1, 2020	March 31, 2035	2.50%
Hotel Alba Tampa, Tapestry Collection by Hilton	January 1, 2020	March 31, 2035	2.50%
DoubleTree by Hilton Jacksonville Riverfront	January 1, 2020	March 31, 2035	2.50%
DoubleTree by Hilton Laurel	January 1, 2020	March 31, 2035	2.50%
Georgian Terrace	January 1, 2020	March 31, 2035	2.50%
The Whitehall	January 1, 2020	March 31, 2035	2.50%
DoubleTree Resort by Hilton Hollywood Beach	April 1, 2020	March 31, 2035	2.50%
Lyfe Resort & Residences	April 1, 2020	March 31, 2035	2.50%
Hyde Beach House Resort & Residences	April 1, 2020	March 31, 2035	2.50%
Hyatt Centric Arlington	November 15, 2020	March 31, 2035	2.50%

Agreements with Our Town. Our Town is the management company for each of our ten wholly-owned hotels, as well as the manager for our two condominium rental programs.

On September 6, 2019, we entered into a master agreement with Our Town and the former majority owner of Our Town related to the management of certain of our hotels, as amended and restated on November 6, 2024 (as amended, the "OTH Master Agreement"). On December 13, 2019, and subsequent dates we entered into a series of individual hotel management agreements for the management of our hotels. Those hotel management agreements for our ten wholly-owned hotels and the two rental programs are each referred to as an "OTH Hotel Management Agreement" and, together, the "OTH Hotel Management Agreements".

The OTH Master Agreement:

- expires on March 31, 2035, or earlier if all of the OTH Hotel Management Agreements expire or are terminated prior to that date. The OTH Master Agreement shall be extended beyond 2035 for such additional periods as an OTH Hotel Management Agreement remains in effect;
- sets an incentive management fee for each of the hotels managed by Our Town, and any future hotels, equal to 10% of the amount by which gross operating profit, as defined in the OTH Hotel Management Agreements, for a given year exceeds the budgeted gross operating profit for such year; provided, however, that the incentive management fee payable in respect of any such year shall not exceed 0.25% of the gross revenues of the hotel included in such calculation;
- provides a mechanism and establishes conditions on which the Company will offer Our Town the opportunity to manage hotels acquired by the Company in the future, pursuant to a negotiated form of single facility management agreement, with the caveat that the Company is not required to offer the management of future hotels to Our Town; and
- sets a base management fee for future hotels of 2.00% for the first year of the term, 2.25% for the second year of the term, and 2.50% for the third and any additional years of the term.

Each of the OTH Hotel Management Agreements has an initial term ending March 31, 2035. Each of the OTH Hotel Management Agreements may be extended for up to two additional periods of five years subject to the approval of both parties with respect to any such extension. The agreements provide that Our Town will be the sole and exclusive manager of the hotels as the agent of the respective TRS Lessee, at the sole cost and expense of the TRS Lessee, and subject to certain operating standards. Each OTH Hotel Management Agreement may be terminated in connection with a sale of the related hotel. In connection with a termination upon the sale of the hotel, Our Town will be entitled to receive a termination fee equal to the lesser of the management fee paid with respect to the prior twelve months or the management fees paid for that number of months prior to the closing date of the hotel sale equal to the number of months remaining on the current term of the OTH Hotel Management Agreement. Upon the sale of a hotel, no termination fee will be due in the event the Company elects to provide Our Town with the opportunity to manage another comparable hotel and Our Town is not precluded from accepting such opportunity. Our Town is required to qualify as an eligible independent contractor in order to permit the Company to continue to operate as a real estate investment trust.

Pursuant to the management agreements for the Lyfe Resort & Residences and the Hyde Beach House Resort & Residences, Our Town manages the rental of individually owned condominium units pursuant to rental agreements entered into with individual condominium unit owners. We have also entered into an Association Sub Management and Assignment Agreement with Our Town for the management and operation of the condominium association responsible for the operation of the Hyde Beach House Resort & Residences, and a Rental Sales Management Agreement pursuant to which Our Town agreed to manage the marketing and negotiation of rental agreements with individual condominium unit owners.

As of March 14, 2025, an affiliate of Andrew M. Sims, our Chairman, an affiliate of David R. Folsom, our President and Chief Executive Officer, and Andrew M. Sims Jr., our Vice President - Operations & Investor Relations, beneficially owned approximately 62.77%, 6.21%, and 15.0%, respectively, of the total outstanding ownership interests in Our Town. Mr. Sims, Mr. Folsom, and Mr. Sims Jr. serve as directors of Our Town.

Franchise Agreements

As of December 31, 2024, all but three of our wholly-owned hotels operate under franchise licenses from national hotel companies. As our franchise agreements expire, we will continue to evaluate each hotel on a case-by-case basis and decide whether to re-license or re-brand with the existing franchisor, re-brand and license with a new franchisor, or re-brand as an independent hotel. We also periodically review our independent hotels to determine whether they would be better served by operating under a franchise license.

Our TRS Lessees hold the franchise licenses for our wholly-owned hotels. Under the terms of each hotel management agreement, our hotel manager must operate each of our hotels in accordance with and pursuant to the terms of the franchise agreement for the hotel.

The franchise licenses generally specify certain management, operational, record keeping, accounting, reporting and marketing standards and procedures with which the franchisee must comply. Under the franchise licenses, the franchisee must comply with the franchisors' standards and requirements with respect to:

- training of operational personnel;
- safety;
- maintaining specified insurance;
- the types of services and products ancillary to guest room services that may be provided;
- display of signage;
- marketing standards including print media, billboards, and promotions standards; and
- the type, quality and age of furniture, fixtures and equipment included in guest rooms, lobbies and other common areas.

As the franchisee, our TRS Lessees are required to pay franchise/royalty fees, as well as certain other fees for marketing and reservations services in amounts that range from approximately 3.0% to 4.0% of gross revenues. The following table sets forth certain information for the franchise licenses of our wholly-owned hotel properties as of December 31, 2024:

	Franchise/Royalty Fee [1]	Expiration Date
Hotel Alba Tampa, Tapestry Collection by Hilton	5.0%	June 2029
DoubleTree by Hilton Jacksonville Riverfront	5.0%	September 2025
DoubleTree by Hilton Laurel [2]	5.0%	October 2030
DoubleTree by Hilton Philadelphia – Airport	5.0%	October 2024
DoubleTree Resort by Hilton Hollywood Beach	5.0%	October 2027
Hotel Ballast Wilmington, Tapestry Collection by Hilton	5.0%	April 2028
Hyatt Centric Arlington	5.0 %	March 2038

(1) Percentage of room revenues payable to the franchisor.
(2) The Franchise/Royalty Fee is reduced to 4.0% from December 2023 through November 2025, and 5.0% thereafter.

Lease Agreements

TRS Leases

In order for the Company to maintain qualification as a REIT, neither the Company nor the Operating Partnership or its subsidiaries can operate our hotels directly. Our wholly-owned hotels are leased to our TRS Lessees, which have engaged Our Town to manage the hotels. Each lease has a non-cancelable term ranging from four to thirty years, subject to earlier termination upon the occurrence of certain contingencies described in the lease.

During the term of each lease, our TRS Lessees are obligated to pay a fixed annual base rent plus a percentage rent and certain other additional charges. Base rent accrues and is paid monthly. Percentage rent is calculated by multiplying fixed percentages by gross room revenues, in excess of certain threshold amounts and is paid monthly or quarterly, according to the terms of the agreement.

Other Leases

We lease the land underlying the Hyatt Centric Arlington hotel pursuant to a ground lease. The ground lease initially requires us to make rental payments of $50,000 per year in base rent and percentage rent equal to 3.5% of gross room revenue in excess of certain thresholds, as defined in the ground lease agreement. The ground lease contains a rent reset provision that will reset the rent in June 2025, and each successive 10 year period, to a fixed amount per annum equal to 8.0% of the land value, subject to an appraisal process. The appraisal process was completed in 2024 and, beginning in July 2025, the rent will adjust to $149,333 per month. The initial term of the ground lease expires in 2035 and may be extended by us for four additional renewal periods of 10 years each. In order to sell the Hyatt Centric Arlington hotel and assign our leasehold interest in the ground lease, we are required to obtain the consent of the third-party lessor.

In connection with the acquisition of the Hyde Beach House Resort & Residences hotel commercial condominium unit in 2019, we entered into a 20-year parking and cabana management agreement for the parking garage and poolside cabanas associated with the resort. In exchange for rights to the parking and cabana revenue, we pay the condominium association an annual payment of $271,000 for the initial five years of the term, with 5.0% increases on every fifth year of the term.

We lease approximately 8,500 square feet of commercial office space in Williamsburg, Virginia for our corporate offices, under an agreement with a ten-year term beginning January 1, 2020. The initial annual rent under the agreement is $218,875, with the rent for each successive annual period increasing by 3.0% over the prior annual period's rent. The annual rent was offset by a tenant improvement allowance of $200,000, applied against one-half of each monthly rent payment until the tenant improvement allowance was exhausted in 2021. In December 2023, we received a rent concession of $257,731 against accrued and unpaid rents, and effective January 1, 2024, the landlord agreed to a one-third reduction in future rents.

Competition

The hotel industry is highly competitive with various participants competing on the basis of price, level of service and geographic location. Each of our hotels is located in a developed area that includes other hotel properties. The number of competitive hotel properties in a particular geographic area could have a material adverse effect on occupancy, ADR and RevPAR of our hotels or at hotel properties we acquire in the future. We believe that brand recognition, location, the quality of the hotel, consistency of services provided, and price are the principal competitive factors affecting our hotels.

Our hotels currently compete primarily in the full-service upscale and upper-upscale segments of the market. Positive competitive factors affecting our position include geographic location, markets with growth potential and strong franchise partners, while certain disadvantages to our position include limited geographic diversity and smaller size in relation to larger competitors.

Seasonality

The operations of our hotel properties have historically been seasonal. The months of April and May are traditionally strong, as is October. The periods from mid-November through mid-February are traditionally slow with the exception of hotels located in certain markets, namely Florida and Texas, which typically experience significant room demand during this period.

Tax Status

The Company elected to be taxed as a REIT under Sections 856 through 860 of the Internal Revenue Code of 1986, as amended (the "Code"), commencing with its taxable year ended December 31, 2004. In order to maintain its qualification as a REIT, the Company must meet a number of organizational and operational requirements, including a requirement that it currently distribute, as "qualifying distributions," at least 90.0% of its taxable income (determined without regard to the deduction for dividends paid and by excluding its net capital gains and reduced by certain non-cash items) to its stockholders. The Company has adhered to these requirements each taxable year since its formation in 2004 and intends to continue to adhere to these requirements and maintain its qualification for taxation as a REIT. As a REIT, the Company generally will not be subject to federal corporate income tax on that portion of its taxable income (including its net capital gain) that is distributed to its stockholders. If the Company fails to qualify for taxation as a REIT in any taxable year, and no relief provision applies, it will be subject to federal income taxes at regular corporate rates and it would be disqualified from re-electing treatment as a REIT until the fifth taxable year after the year in which it failed to qualify as a REIT. Even if the Company qualifies for taxation as a REIT, it may be subject to certain state and local taxes on its income and property, and to federal income and excise taxes on its undistributed taxable income. In addition, taxable income from non-REIT activities managed through taxable REIT subsidiaries, or TRSs, is subject to federal, state and local income taxes.

While the Operating Partnership is generally not subject to federal and state income taxes, the unit holders of the Operating Partnership, including the Company, are subject to tax on their respective allocable shares of the Operating Partnership's taxable income.

The Company has one TRS, MHI Holding, in which it owns an interest through the Operating Partnership. MHI Holding is subject to federal, state and local income taxes. MHI Holding has operated at a cumulative taxable loss, through December 31, 2024, of approximately $56.1 million and deferred timing differences of approximately $4.2 million attributable to accrued, but not currently deductible, vacation and sick pay amounts, business interest, depreciation and other miscellaneous differences. Neither the Company nor MHI Holding has incurred federal income taxes since its formation. With the onset of the COVID-19 pandemic and the anticipation of significant losses to MHI Holding, we reduced our deferred tax asset through the establishment of a 100% valuation allowance. As of December 31, 2024, we have a valuation allowance of approximately $14.3 million.

Environmental Matters

In connection with the ownership and operation of the hotels, we are subject to various federal, state and local laws, ordinances and regulations relating to environmental protection. Under these laws, a current or previous owner or operator of real estate may be liable for the costs of removal or remediation of certain hazardous or toxic substances on, under, or in such property. Such laws often impose liability without regard to whether the owner or operator knew of, or was responsible for, the presence of hazardous or toxic substances. In addition, the presence of contamination from hazardous or toxic substances, or the failure to remediate such contaminated property properly, may adversely affect the owner's ability to borrow using such property as collateral. Furthermore, a person who arranges for the disposal or treatment of a hazardous or toxic substance at a property owned by another, or who transports such substance to or from such property, may be liable for the costs of removal or remediation of such substance released into the environment at the disposal or treatment facility. The costs of remediation or removal of such substances may be substantial, and the presence of such substances may adversely affect the owner's ability to sell such real estate or to borrow using such real estate as collateral. In connection with the ownership and operation of the hotels, we may be potentially liable for such costs.

We believe that our hotels are in compliance, in all material respects, with all federal, state and local environmental ordinances and regulations regarding hazardous or toxic substances and other environmental matters, the violation of which would have a material adverse effect on us. We have not received written notice from any governmental authority of any material noncompliance, liability or claim relating to hazardous or toxic substances or other environmental matters in connection with any of our present hotel properties.

Employees and Human Capital

As of December 31, 2024, we employed nine full-time persons, all of whom work at our corporate office in Williamsburg, Virginia. We believe relations with our employees are positive. Our human capital resources objectives include attracting and

retaining talented and well-qualified employees. Our compensation program, including competitive salaries and other benefits, are designed to attract, hire, retain and motivate highly qualified employees and executives. We are committed to enhancing our culture through efforts to promote and preserve inclusion and by providing and maintaining a safe work environment. All persons employed in the day-to-day operations of each of our hotels are employees of our third-party hotel manager engaged by our TRS Lessees to operate such hotels.

Available Information

We maintain an Internet site, http://www.sotherlyhotels.com, which contains additional information concerning Sotherly Hotels Inc. We make available free of charge through our Internet site all our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, definitive proxy statements and other reports filed with the Securities and Exchange Commission as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission. We have also posted on this website the Company's Code of Business Conduct and the charters of the Company's Nominating, Corporate Governance and Compensation Committee ("NCGC Committee") and Audit Committee of the Company's board of directors. We intend to disclose on our website any changes to, or waivers from, the Company's Code of Business Conduct. Information on the Company's Internet site is neither part of nor incorporated into this Form 10-K.

Item 1A. ***Risk Factors***

The following are the material risks that may affect us. Any of the risks discussed herein can materially adversely affect our business, liquidity, operations, industry or financial position or our future financial performance.

SUMMARY

Risks Related to Our Business and Properties

- Risks related to the limited number of hotels that we own.
- Risks related to increased hotel operating expenses and decreased hotel revenues.
- Risks related to our investment strategy, and the acquisition, renovation, or repositioning of hotels.
- Risks related to our management company.
- Risks related to our ability to make distributions.
- Risks related to the geographic concentration of our hotels.
- Risks related to the concentration of our hotel franchise agreements.
- Risks related to our ground lease for the Hyatt Centric Arlington.
- Risks related to hedging against interest rate exposure.
- Risks related to investment opportunities and growth prospects.
- Risks related to internal controls.
- Risks related to information technology.
- Risks related to natural disasters and the physical effects of climate change.
- Risks related to restrictions on our investments and business activities by the applicable REIT laws.

Risks Related to the Lodging Industry

- Risks related to the overall economy and our financial performance.
- Risks related to operating risks, seasonality of the hotel business, investment concentration in particular segments of a single industry, and capital expenditures.
- Risks related to operating hotels with franchise agreements.
- Risks related to restrictive covenants in certain of our franchise agreements.
- Risks related to hotel re-development.
- Risks related to obtaining financing.
- Risks related to uninsured and underinsured losses.
- Risks related to governmental regulations, including regulations covering environmental matters or the Americans with Disabilities Act.
- Risks related to unknown or contingent liabilities.
- Risks related to future terrorist activities.
- Risks related to pandemic diseases.
- Risks related to heightened focus on corporate responsibility.

General Risks Related to the Real Estate Industry

- Risks related to illiquidity of real estate investments.
- Risks related to future acquisitions.
- Risks related to property damage including harmful mold.

- Risks related to increases in property taxes or insurance costs.

Risks Related to Our Debt and Financing

- Risks related to our financial leverage.
- Risks related to our financial covenants.
- Risks related to our debt maturities.
- Risks related to our borrowing costs and fluctuations in interest rates.

Risks Related to Our Organization and Structure

- Risks related to changes of control.
- Risks related to our executive employment agreements.
- Risks related to our Nasdaq listing.
- Risks related to ownership limitations on our common stock and preferred stock.
- Risks related to our preferred stock.
- Risks related to future indebtedness.
- Risks related to our REIT status.
- Risks related to our major corporate policies.
- Risks related to key personnel.

Risks Related to Conflicts of Interest of Our Officers and Directors

- Risks related to conflicts of interest of our officers and directors.

Federal Income Tax Risks Related to the Company's Status as a REIT.

- Risks related to potential failure to qualify as a REIT.
- Risks related to potential failure to make distributions.
- Risks related to MHI Holding, including its TRS qualification and potential tax liability.
- Risks related to potential tax liabilities.
- Risks related to highly technical and complex REIT compliance requirements.
- Risks related to Operating Partnership's qualification as a partnership for federal income tax purposes.
- Risks related to the qualification of our hotel manager as an "eligible independent contractor".
- Risks related to our TRS leases.
- Risks related to taxation of dividend income and U.S. withholding tax.
- Risks related to foreign investors.
- Risks related to U.S. tax reform and related regulatory action.

DETAIL

Risks Related to Our Business and Properties

We own a limited number of hotels and significant adverse changes at one hotel could have a material adverse effect on our financial performance and may limit our ability to make distributions to stockholders.

As of December 31, 2024, our portfolio consisted of ten wholly-owned hotels with a total of 2,786 rooms and the hotel commercial condominium units of the Lyfe Resort & Residences and the Hyde Beach House Resort & Residences condominium hotels. Significant adverse changes in the operations of any one hotel could have a material adverse effect on our financial performance and, accordingly, on our ability to make distributions to stockholders.

We are subject to risks of increased hotel operating expenses and decreased hotel revenues.

Our leases with our TRS Lessees provide for the payment of rent based in part on gross revenues from our hotels. Our TRS Lessees are subject to hotel operating risks including decreased hotel revenues and increased hotel operating expenses, including but not limited to the following:

- wage and benefit costs;
- repair and maintenance expenses;
- energy costs;
- insurance costs; and
- other operating expenses.

Any increases in these operating expenses can have a significant adverse impact on our TRS Lessees' ability to pay rent and other operating expenses and, consequently, our earnings and cash flow.

In keeping with our investment strategy, we may acquire, renovate and/or re-brand hotels in new or existing geographic markets as part of our repositioning strategy. Unanticipated expenses and insufficient demand for newly repositioned hotels could adversely affect our financial performance and our ability to comply with loan covenants and to make distributions to the Company's stockholders.

We have in the past, and may in the future, develop or acquire hotels in geographic areas in which our management may have little or no operating experience. Additionally, those properties may also be renovated and re-branded as part of a repositioning strategy. Potential customers may not be familiar with our newly renovated hotel or be aware of the brand change. As a result, we may have to incur costs relating to the opening, operation and promotion of those new hotel properties that are substantially greater than those incurred in other geographic areas. These hotels may attract fewer customers than expected and we may choose to increase spending on advertising and marketing to promote the hotel and increase customer demand. Unanticipated expenses and insufficient demand at new hotel properties, therefore, could adversely affect our financial performance and our ability to comply with loan covenants and to make distributions to the Company's stockholders.

We do not have the authority to require any hotel to be operated in a particular manner or to govern any particular aspect of the daily operations of any hotel and as a result, our returns are dependent on the management of our hotels by our hotel management company.

Since federal income tax laws restrict REITs and their subsidiaries from operating or managing hotels, we do not operate or manage our hotels. Instead, we lease all of our hotels to our TRS Lessees, and our TRS Lessees retain managers to operate our hotels pursuant to management agreements. All of our hotels currently are managed by Our Town.

Under the terms of our management agreements with our hotel manager and the REIT qualification rules, our ability to participate in operating decisions regarding the hotels is limited. We will depend on our hotel manager to operate our hotels as provided in the management agreements. We do not have the authority to require any hotel to be operated in a particular manner or to govern any particular aspect of the daily operations of any hotel. Thus, even if we believe our hotels are being operated inefficiently or in a manner that does not result in satisfactory occupancy rates, RevPAR, and average daily rates ("ADR"), we may not be able to force a hotel management company to change its method of operating our hotels. Additionally, in the event that we need to replace the manager of one or more of our hotels, we may be required by the terms of the applicable management agreement to pay substantial termination fees and may experience significant disruptions at the affected hotels.

Our ability to make distributions to the Company's stockholders is subject to fluctuations in our financial performance, operating results and capital improvement requirements.

As a REIT, the Company is required to distribute, as "qualifying distributions," at least 90.0% of its REIT taxable income (determined without regard to the dividends-paid deduction and by excluding its net capital gains, and reduced by certain noncash items), each year to the Company's stockholders. However, several factors may make us unable to declare or pay distributions to the Company's stockholders, including poor operating results and financial performance or unanticipated capital improvements to our hotels, including capital improvements that may be required by our franchisors.

We lease all of our hotels to our TRS Lessees. Our TRS Lessees are subject to hotel operating risks, including risks of sustaining operating losses after payment of hotel operating expenses, including management fees. Among the factors which could cause our TRS Lessees to fail to make required rent payments are reduced net operating profits or operating losses, increased debt service requirements and capital expenditures at our hotels, including capital expenditures required by the franchisors of our hotels. Among the factors that could reduce the net operating profits of our TRS Lessees are decreases in hotel revenues and increases in hotel operating expenses. Hotel revenue can decrease for a number of reasons, including increased competition from a new supply of hotel rooms and decreased demand for hotel rooms. These factors can reduce both occupancy and room rates at our hotels and limit the volume of food and beverage revenue and other operating revenue such as parking revenue.

The declaration of distributions to holders of our securities is subject to the sole discretion of the Company's board of directors, which will consider, among other factors, our financial performance, debt service obligations, debt covenants and capital expenditure requirements. We cannot assure you that we will generate sufficient cash to fund distributions. We have not paid any common stock dividend distributions following the payment of dividends in January 2020. Once the payment of all preferred dividends in arrears has been made, the Company may make the common stock dividend distribution that was declared in January 2020 to shareholders of record on March 13, 2020.

Geographic concentration of our hotels makes our business vulnerable to economic downturns in the mid-Atlantic and southern United States.

Our hotels are located in the mid-Atlantic and southern United States. As a result, economic conditions in the mid-Atlantic and southern United States significantly affect our revenues and the value of our hotels to a greater extent than if we had a more geographically diversified portfolio. Business layoffs or downsizing, industry slowdowns, changing demographics and other similar factors that may adversely affect the economic climate in these areas could have a significant adverse impact on our business. Any resulting oversupply or reduced demand for hotels in the mid-Atlantic and southern United States and in our markets in particular would therefore have a disproportionate negative impact on our revenues and limit our ability to make distributions to stockholders.

A substantial number of our hotels operate under brands owned by Hilton Worldwide Holdings, Inc.("Hilton"); therefore, we are subject to risks associated with concentrating our portfolio in one brand. We also own a hotel operated under the brand owned by Hyatt Hotels Corporation ("Hyatt").

In our portfolio, the majority of the hotels that we owned as of December 31, 2024, utilize brands owned by Hilton. As a result, our success is dependent in part on the continued success of Hilton and their respective brands. If market recognition or the positive perception of Hilton is reduced or compromised, the goodwill associated with the Hilton branded hotels in our portfolio may be adversely affected, which may have a material adverse effect on our business, financial condition, results of operations and our ability to make distributions to our stockholders. As of March 1, 2025, we owned one property that utilizes a brand owned by Hyatt. Our success is also dependent in part on the continued success, market recognition, and positive perception of these brands.

Our ground lease for the Hyatt Centric Arlington may constrain us from acting in the best interest of stockholders or require us to make certain payments.

The Hyatt Centric Arlington is subject to a ground lease with a third-party lessor which requires us to obtain the consent of the relevant third-party lessor in order to sell the Hyatt Centric Arlington hotel or to assign our leasehold interest in the ground lease. Accordingly, we may be prevented from completing such a transaction if we are unable to obtain the required consent from the lessor, even if we determine that the sale of this hotel or the assignment of our leasehold interest in the ground lease is in the best interest of the Company or our stockholders. In addition, at any given time, potential purchasers may be less interested in buying a hotel subject to a ground lease and may demand a lower price for the hotel than for a comparable property without such a restriction, or they may not purchase the hotel at any price. For these reasons, we may have a difficult time selling the hotel or may receive lower proceeds from any such sale. The ground lease is subject to four additional renewal periods of 10 years each, following the first renewal period which expires in 2035. At the beginning of each renewal period, certain provisions of the lease may be adjusted by the lessor, which could impact payments we are required to make to the lessor. The ground lease contains a rent reset provision that will reset the rent in June 2025, and each successive 10 year period, to a fixed amount per annum equal to 8.0% of the land value, subject to an appraisal

process. The appraisal process was completed in 2024 and, beginning in July 2025, the rent will adjust to $149,333 per month. If we are not able to come to reasonable terms with the lessor at the end of the term or if we are found to have breached certain obligations under the ground lease, the hotel may suffer a substantial decline in value and we may be forced to dispose of the hotel at a substantial loss.

Hedging against interest rate exposure may adversely affect us and our hedges may fail to protect us from the losses that the hedges were designed to offset.

Subject to maintaining the Company's qualification as a REIT, we may elect to manage our exposure to interest rate volatility by using interest rate hedging arrangements, such as cap agreements and swap agreements. These agreements involve the risks that these arrangements may fail to protect or adversely affect us because, among other things:

- interest rate hedging can be expensive, particularly during periods of rising and volatile interest rates;
- available interest rate hedges may not correspond directly with the interest rate risk for which protection is sought;
- the financial instruments we select may not have the effect of reducing our interest rate risk;
- the duration of the hedge may not match the duration of the related liability;
- the credit quality of the hedging counterparty owing money on the hedge may be downgraded to such an extent that it impairs our ability to sell or assign our side of the hedging transaction; and
- the hedging counterparty owing money in the hedging transaction may default on its obligation to pay.

As a result of any of the foregoing, our hedging transactions, which are intended to limit losses, may fail to protect us from the losses that the hedges were designed to offset and could have a material adverse effect on us.

Our investment opportunities and growth prospects may be affected by competition for acquisitions.

We compete for investment opportunities with other entities, some of which have substantially greater financial resources than we do. This competition may generally limit the number of suitable investment opportunities offered to us, which may limit our ability to grow. This competition may also increase the bargaining power of property owners seeking to sell to us, making it more difficult for us to acquire new properties on attractive terms, or at all.

If we fail to maintain an effective system of internal controls, we may not be able to accurately determine our financial results or prevent fraud. As a result, the Company's stockholders could lose confidence in our financial results, which could harm our business and the value of the Company's shares.

Effective internal controls are necessary for us to provide reliable financial reports and effectively prevent fraud. Section 404 of the Sarbanes-Oxley Act of 2002 requires us to evaluate and report on our internal controls over financial reporting. Our internal controls and financial reporting are not subject to attestation by our independent registered public accounting firm pursuant to the Sarbanes-Oxley Act of 2002. While we have undertaken substantial work to maintain effective internal controls, we cannot be certain that we will be successful in maintaining adequate internal controls over our financial reporting and financial processes in the future. In the future, we may discover areas of our internal controls that need improvement. Furthermore, as we grow our business, our internal controls will become more complex, and we will require significantly more resources to ensure our internal controls remain effective. If we or our independent auditors discover a material weakness, the disclosure of that fact, even if quickly remedied, could reduce the market value of the Company's shares and make it more difficult for the Company to raise capital. Additionally, the existence of any material weakness or significant deficiency would require management to devote significant time and incur significant expense to remediate any such material weaknesses or significant deficiencies and management may not be able to remediate any such material weaknesses or significant deficiencies in a timely manner.

We and our hotel manager rely on information technology in our operations, and any material failure, inadequacy, interruption or security failure of that technology could harm our business.

We and our hotel manager rely on information technology networks and systems, including the Internet, to process, transmit and store electronic information, and to manage or support a variety of business processes, including financial transactions and records, personal identifying information, reservations, billing and operating data. We and our hotel manager purchase some of our information technology from vendors, on whom our systems depend. We and our hotel manager rely on commercially available systems, software, tools and monitoring to provide security for processing, transmission and storage of confidential operator and other customer information, such as individually identifiable information, including information relating to financial accounts. Although we and our hotel manager have taken steps we believe are necessary to protect the security of our information systems and the data maintained in

those systems, it is possible that the safety and security measures taken will not be able to prevent the systems' improper functioning or damage, or the improper access or disclosure of personally identifiable information such as in the event of cyber-attacks. Security breaches, including physical or electronic break-ins, computer viruses, attacks by hackers and similar breaches, can create system disruptions, shutdowns or unauthorized disclosure of confidential information. Any failure to maintain proper functionality, security and availability of our information systems could interrupt our operations, damage our reputation, subject us to liability claims or regulatory penalties and could have a material adverse effect on our business, financial condition and results of operations. Our hotel manager carries cyber insurance policies to protect and offset a portion of potential costs incurred from a security breach. Additionally, we currently have cyber risk coverage to provide supplemental coverage above the coverage carried by our hotel manager. Despite various precautionary steps to protect our hotels from losses resulting from cyber-attacks, any cyber-attack occurrence could still result in losses at our properties, which could affect our results of operations. As of December 31, 2024, no risk from cybersecurity threats, including as a result of any previous cybersecurity incidents, has materially affected or is reasonably likely to materially affect the Company, including our business strategy, results of operations or financial condition. We also rely on the reservation systems of our brand partners and others to transmit and manage customer and payment information. Those systems may be hacked or subject to denial of service attacks which in turn may result in losses at our properties.

We face possible risks associated with natural disasters and the physical effects of climate change.

We are subject to the risks associated with natural disasters and the physical effects of climate change, which can include more frequent or severe storms, droughts, hurricanes and flooding, any of which could have a material adverse effect on our hotels, operations and business. In 2024, we experienced a casualty at our Tampa, Florida hotel as a result of Hurricane Helene. While this casualty was insured, both in terms of physical damage and business interruption, the storm impacted operations at the hotel. Over time, our coastal markets are expected to experience increases in storm intensity and rising sea-levels causing damage to our properties. As a result, we could become subject to significant losses and/or repair costs that may or may not be fully covered by insurance. Other markets may experience prolonged variations in temperature or precipitation that may limit access to the water needed to operate our hotels or significantly increase energy costs, which may subject those hotels to additional regulatory burdens, such as limitations on water usage or stricter energy efficiency standards. Climate change also may affect our business by increasing the cost of (or making unavailable) property insurance on terms we find acceptable in areas most vulnerable to such events, increasing operating costs at our hotels, such as the cost of water or energy, and requiring us to expend funds as we seek to repair and protect our hotels against such risks. There can be no assurance that climate change will not have a material adverse effect on our hotels, operations or business.

Our investments and business activities are restricted by the applicable REIT laws.

As a REIT, the Company is subject to various restrictions on the types of revenues it can earn, assets it can own and activities in which it can engage. Business activities that could be restricted by applicable REIT laws include, but are not limited to, developing alternative uses of real estate and the ownership of hotels that are not leased to a TRS, including the development and/or sale of timeshare or condominium units or the related land parcels. Due to these restrictions, we anticipate that we will continue to conduct certain business activities through MHI Holding. MHI Holding is taxable as a C corporation and is subject to federal, state, local, and, if applicable, foreign taxation on its taxable income.

Risks Related to the Lodging Industry

If the economy falls into a recessionary period or fails to maintain positive growth, our operating performance and financial results may be harmed by declines in occupancy, average daily room rates and/or other operating revenues.

The performance of the lodging industry and the general economy historically have been closely linked. In an economic downturn, business and leisure travelers may seek to reduce costs by limiting travel and/or reducing costs on their trips. Our hotels, which are all full-service hotels, may be more susceptible to a decrease in revenue, as compared to hotels in other categories that have lower room rates. A decrease in demand for hotel stays and hotel services, such as the decrease experienced due to COVID-19, will negatively affect our operating revenues, which will lower our cash flow and may affect our ability to make distributions to stockholders and to maintain compliance with our loan obligations. An economic downturn, such as the one caused by COVID-19, may result in losses or reduce our income in the future. A weakening of the economy may adversely and materially affect our industry, business and results of operations and we cannot predict the likelihood, severity or duration of any such downturn. Moreover, reduced revenues as a result of a weakening economy may also reduce our working capital and impact our long-term business strategy.

Our ability to comply with the terms of our loan covenants, our ability to make distributions to the Company's stockholders and the value of our hotels in general, may be adversely affected by factors in the lodging industry.

Operating Risks

Our hotel properties are subject to various operating risks common to the lodging industry, many of which are beyond our control, including the following:

- competition from other hotel properties in our markets;
- over-building of hotels in our markets, which adversely affects occupancy and revenues at our hotels;
- dependence on business and commercial travelers and tourism;
- increases in energy costs and other expenses affecting travel, which may affect travel patterns and reduce the number of business and commercial travelers and tourists;
- increases in operating costs due to inflation and other factors, including increases in labor costs, that may not be offset by increased room rates;
- changes in interest rates and in the availability, cost and terms of debt financing;
- changes in governmental laws and regulations, fiscal policies and zoning ordinances and the related costs of compliance with laws and regulations, fiscal policies and ordinances;
- adverse effects of international, national, regional and local economic and market conditions;
- adverse effects of a downturn in the lodging industry; and
- risks generally associated with the ownership of hotel properties and real estate, as we discuss in detail below.

These factors could reduce the net income of our TRS Lessees, which in turn could adversely affect the value of our hotels and our ability to make distributions to the Company's stockholders.

Seasonality of the Hotel Business

The lodging industry is seasonal in nature, which can be expected to cause quarterly fluctuations in our revenues. Our quarterly earnings may be adversely affected by factors outside our control, including weather conditions and poor economic factors. As a result, we may have to enter into short-term borrowings in certain quarters in order to offset these fluctuations in revenues and to make distributions to the Company's stockholders.

Investment Concentration in Particular Segments of a Single Industry

Our entire business is lodging-related. Therefore, a downturn in the lodging industry, in general, and the full-service, upscale and upper-upscale segments in which we operate, in particular, will have a material adverse effect on the value of our hotels, our financial condition and the extent to which cash may be available for distribution to the Company's stockholders.

Capital Expenditures

Our hotel properties have an ongoing need for renovations and other capital improvements, including replacements, from time to time, of furniture, fixtures and equipment. The franchisors of our hotels also require us to make periodic capital improvements as a condition of keeping the franchise licenses. In addition, several of our mortgage lenders require that we set aside amounts for capital improvements to the secured properties on a monthly basis. For the years ended December 31, 2024 and 2023, we spent approximately $14.6 million and approximately $8.2 million, respectively, on capital improvements to our hotels. Capital improvements and renovation projects may give rise to the following risks:

- possible environmental problems;
- construction cost overruns and delays;
- a possible shortage of available cash to fund capital improvements and the related possibility that financing for these capital improvements may not be available to us on affordable terms; and
- uncertainties as to market demand or a loss of market demand after capital improvements have begun.

The costs of all these capital improvements as well as future capital improvements could adversely affect our financial condition and amounts available for distribution to the Company's stockholders.

Operating our hotels under franchise agreements could increase our operating costs and lower our net income.

Most of our hotels operate under franchise agreements which subject us to risks in the event of negative publicity related to one of our franchisors.

The maintenance of the franchise licenses for our hotels is subject to our franchisors' operating standards and other terms and conditions. Many operating standards and other terms can be modified or expanded at the sole discretion of the franchisor. Our franchisors periodically inspect our hotels to ensure that we, our TRS Lessees, and our management company follow their standards. Failure by us, our TRS Lessees or our management company to maintain these standards or other terms and conditions could result in a franchise license being canceled. If a franchise license terminates due to our failure to make required improvements or to otherwise comply with its terms, we may also be liable to the franchisor for a termination payment, which varies by franchisor and by hotel. As a condition of continuing a franchise license, a franchisor may require us to make capital expenditures, even if we do not believe the capital improvements are necessary or desirable or will result in an acceptable return on our investment. Nonetheless, we may risk losing a franchise license if we do not make franchisor-required capital expenditures.

If a franchisor terminates the franchise license, we may try either to obtain a suitable replacement franchise license or to operate the hotel without a franchise license. The loss of a franchise license could significantly decrease the revenues at the hotel and reduce the underlying value of the hotel because of the loss of associated name recognition, marketing support and centralized reservation systems provided by the franchisor. A loss of a franchise license for one or more hotels could materially and adversely affect our revenues. This loss of revenues could, therefore, also adversely affect our financial condition and results of operations, our ability to comply with the terms of the loan covenants and reduce our cash available for distribution to stockholders.

Restrictive covenants in certain of our franchise agreements contain provisions that may operate to limit our ability to sell or refinance our hotels, which could have a material adverse effect on us.

Franchise agreements typically contain covenants that may affect our ability to sell or refinance a hotel, including requirements to obtain the consent of the franchisor in the event of such a sale or refinancing transaction. In the event that a franchisor's consent is not forthcoming, the terms of a sale or refinancing may be less favorable to us than would otherwise be the case. Some of our franchise agreements provide the franchisor with a right of first offer in the event of certain sales or transfers of a hotel and provide that the franchisor has the right to approve any change in the hotel management company engaged to manage the hotel. Generally, we may be limited in our ability to sell, lease or otherwise transfer hotels unless the transferee is not a competitor of the franchisor and the transferee agrees to assume the related franchise agreements. If the franchisor does not consent to the sale or financing of our hotels, we may be unable to consummate transactions that are in our best interests or the terms of those transactions may be less favorable to us, which could have a material adverse effect on our financial condition and the execution of our strategies.

Hotel re-development is subject to timing, budgeting and other risks that would increase our operating costs and limit our ability to make distributions to stockholders.

We intend to acquire hotel properties from time to time as suitable opportunities arise, taking into consideration general economic conditions, and seek to re-develop or reposition these hotels. Redevelopment of hotel properties involves a number of risks, including risks associated with:

- construction delays or cost overruns that may increase project costs;
- receipt of zoning, occupancy and other required governmental permits and authorizations;
- development costs incurred for projects that are not pursued to completion;
- acts of God such as earthquakes, hurricanes, floods or fires that could adversely impact a project;
- financing; and
- governmental restrictions on the nature or size of a project.

We cannot assure you that any re-development project will be completed on time or within budget. Our inability to complete a project on time or within budget would increase our operating costs and reduce our net income.

The hotel business is capital intensive and our inability to obtain financing could limit our growth.

Our hotel properties will require periodic capital expenditures and renovation to remain competitive. Acquisitions or development of additional hotel properties will require significant capital expenditures. In addition, several of our mortgage lenders require that we set aside annual amounts for capital improvements to the secured property. We may not be able to fund capital improvements or acquisitions solely from cash provided from our operating activities because we must distribute at least 90.0% of our

REIT taxable income, excluding net capital gains, each year to maintain our REIT tax status. As a result, our ability to fund significant capital expenditures, acquisitions or hotel development through retained earnings is very limited. Consequently, we rely upon the availability of debt or equity capital to fund any significant investments or capital improvements. Our ability to grow through acquisitions or development of hotels will be limited if we cannot obtain satisfactory debt or equity financing which will depend on market conditions. Neither our charter nor our bylaws limit the amount of debt that we can incur. However, we cannot assure you that we will be able to obtain additional equity or debt financing or that we will be able to obtain such financing on favorable terms.

Uninsured and underinsured losses could adversely affect our operating results and our ability to make distributions to the Company's stockholders.

We maintain comprehensive insurance on each of our hotel properties, including liability, fire and extended coverage, of the type and amount we believe are customarily obtained for or by hotel owners. There are no assurances that current coverage will continue to be available at reasonable rates. Various types of catastrophic losses, like hurricanes, earthquakes and floods, such as Hurricane Helene in September 2024, Hurricane Ian in September 2022, Hurricanes Harvey and Irma in August and September 2017, respectively, Hurricane Matthew in October 2016 and Hurricane Sandy in October 2012, losses from foreign terrorist activities, such as those on September 11, 2001, losses from power outages or losses from domestic terrorist activities, such as the Oklahoma City bombing on April 19, 1995, may not be insurable or may not be economically insurable. Currently, our insurers provide terrorism coverage in conjunction with the Terrorism Risk Insurance Program sponsored by the federal government through which insurers are able to receive compensation for insured losses resulting from acts of terrorism.

In the event of a substantial loss, our insurance coverage may not be sufficient to cover the full current market value or replacement cost of our lost investment. Should an uninsured loss or a loss in excess of insured limits occur, we could lose all or a portion of the capital we have invested in a hotel, as well as the anticipated future revenue from the hotel. In that event, we might nevertheless remain obligated for any mortgage debt or other financial obligations related to the property. Inflation, changes in building codes and ordinances, environmental considerations and other factors might also keep us from using insurance proceeds to replace or renovate a hotel after it has been damaged or destroyed. Under those circumstances, the insurance proceeds we receive might be inadequate to restore our economic position on the damaged or destroyed property.

Noncompliance with governmental regulations could adversely affect our operating results.

Environmental Matters

Our hotels may be subject to environmental liabilities. An owner of real property can face liability for environmental contamination created by the presence or discharge of hazardous substances on the property. We may face liability regardless of:

- our knowledge of the contamination;
- the timing of the contamination;
- the cause of the contamination; or
- the party responsible for the contamination of the property.

There may be unknown environmental problems associated with our properties. If environmental contamination exists on our properties, we could become subject to strict, joint and several liability for the contamination by virtue of our ownership interest.

The presence of hazardous substances on a property may adversely affect our ability to sell the property and we may incur substantial remediation costs. The discovery of environmental liabilities attached to our properties could have a material adverse effect on our results of operations and financial condition and our ability to comply with our covenants and to pay distributions to stockholders.

Americans with Disabilities Act and Other Changes in Governmental Rules and Regulations

Under the Americans with Disabilities Act of 1990 ("ADA"), all public accommodations must meet various federal requirements related to access and use by disabled persons. Compliance with the ADA's requirements could require removal of access barriers, and non-compliance could result in the U.S. government imposing fines or in private litigants winning damages. If we are required to make substantial modifications to our hotels, whether to comply with the ADA or other changes in governmental rules and regulations, our financial condition, results of operations and ability to comply with the terms of our loan covenants and to make distributions to the Company's stockholders could be adversely affected.

Our hotels may be subject to unknown or contingent liabilities which could cause us to incur substantial costs.

The hotel properties that we acquire may be subject to unknown or contingent liabilities for which we may have no recourse, or only limited recourse, against the sellers. Contingent or unknown liabilities with respect to entities or properties acquired might include:

- liabilities for environmental conditions;
- losses in excess of our insured coverage;
- accrued but unpaid liabilities incurred in the ordinary course of business;
- tax, legal and regulatory liabilities;
- claims of customers, vendors or other persons dealing with the Company's predecessors prior to our acquisition transactions that had not been asserted or were unknown prior to the Company's acquisition transactions; and
- claims for indemnification by the general partners, officers and directors and others indemnified by the former owners of our properties.

In general, the representations and warranties provided under the transaction agreements related to the sales of the hotel properties may not survive the closing of the transactions. While we will likely seek to require the sellers to indemnify us with respect to breaches of representations and warranties that survive, such indemnification may be limited and subject to various materiality thresholds, a significant deductible or an aggregate cap on losses. As a result, there is no guarantee that we will recover any amounts with respect to losses due to breaches by the sellers of their representations and warranties. In addition, the total amount of costs and expenses that may be incurred with respect to liabilities associated with these hotels may exceed our expectations, and we may experience other unanticipated adverse effects, all of which may adversely affect our financial condition, results of operations and our ability to make distributions to the Company's stockholders.

Future terrorist activities may adversely affect, and create uncertainty in, our business.

Terrorism in the United States or elsewhere could have an adverse effect on our business, although the degree of impact will depend on a number of factors, including the U.S. and global economies and global financial markets. Previous terrorist attacks in the United States and subsequent terrorism alerts have adversely affected the travel and hospitality industries in the past. Such attacks, or the threat of such attacks, could have a material adverse effect on our business, our ability to finance our business, our ability to insure our properties and/or our results of operations and financial condition, as a whole.

We face risks related to pandemic diseases, including COVID-19 and its variants, which could materially and adversely affect travel and result in reduced demand for our hotels.

Our business could be materially and adversely affected by the effect of a pandemic disease on the travel industry. For example, the outbreaks of SARS and avian flu in 2003 had a severe impact on the travel industry, the outbreaks of H1N1 flu in 2009 threatened to have a similar impact, the perceived threat of a Zika virus outbreak in 2016 had an impact on the south Florida market, and the COVID-19 pandemic had a severe impact on the travel industry. A prolonged recurrence of COVID-19, SARS, avian flu, H1N1 flu, Ebola virus, Zika virus or another pandemic disease also may result in health or other government authorities imposing restrictions on travel. Any of these events could result in a significant drop in demand for our hotels and adversely affect our financial conditions and results of operations.

Heightened focus on corporate responsibility, specifically related to ESG practices, may impose additional costs and expose the Company to new risks.

Companies across industries face increasing scrutiny from various stakeholders on how they address a variety of Environmental, Social and Governance ("ESG") matters. Potential and current employees, hotel brands, hotel management companies and vendors may consider these factors when establishing and extending business relationships and hotel guests may consider these factors when choosing a hotel. With this increased focus, public reporting regarding ESG practices is becoming more broadly expected. The focus on and activism around ESG and related matters may constrain business operations or cause the Company to incur additional costs. The Company may face reputational damage in the event the Company's corporate responsibility initiatives do not meet the standards set by various constituencies, including those of third-party providers of corporate responsibility ratings and reports. Furthermore, if competitors outperform the Company in such metrics, potential or current investors may elect to invest with the Company's competitors, and employees, hotel brands, hotel management companies, vendors and guests may choose not to do business with the Company, which could have a material and adverse impact on the Company's financial condition, the market price of its common shares and ability to raise capital. In addition, the SEC has issued new ESG disclosure and other requirements that would impact the Company, but such new regulations are currently voluntarily stayed by the SEC, pending resolution of certain legal challenges.

As the Company continues to invest and focus on ESG practices that the Company believes are appropriate for its business, the Company could also be criticized by ESG detractors for the scope or nature of its initiatives or goals. The Company could be subjected to negative responses of governmental actors (such as anti-ESG legislation or retaliatory legislative treatment), hotel brands, hotel management companies and hotel guests, that could have a material adverse effect on the Company's reputation, financial condition and results of operations.

General Risks Related to the Real Estate Industry

Illiquidity of real estate investments could significantly impede our ability to respond to adverse changes in the performance of our properties and harm our financial condition.

Because real estate investments are relatively illiquid, our ability to promptly sell one or more hotel properties in our portfolio in response to changing economic, financial and investment conditions is limited.

The real estate market is affected by many factors that are beyond our control, including:

- adverse changes in international, national, regional and local economic and market conditions;
- changes in interest rates and in the cost and terms of debt financing;
- absence of liquidity in credit markets which limits the availability and amount of debt financing;
- changes in governmental laws and regulations, fiscal policies and zoning ordinances and the related costs of compliance with laws and regulations, fiscal policies and ordinances;
- the ongoing need for capital improvements, particularly in older structures;
- changes in operating expenses; and
- civil unrest, acts of war or terrorism and the consequences of terrorist acts, acts of God, including earthquakes, hurricanes, floods and other natural disasters, which may result in uninsured losses.

We may decide to sell our hotels in the future. We cannot predict whether we will be able to sell any hotel property for the price or on the terms set by us, or whether any price or other terms offered by a prospective purchaser would be acceptable to us. We also cannot predict the length of time needed to find a willing purchaser and to close the sale of a hotel property.

We may be required to expend funds to correct defects or to make improvements before a hotel property can be sold. We cannot assure you that we will have funds available to correct those defects or to make those improvements. In acquiring a hotel property, we may agree to lock-out provisions that materially restrict us from selling that property for a period of time or impose other restrictions, such as a limitation on the amount of debt that can be placed or repaid on that property. These factors and any others that would impede our ability to respond to adverse changes in the performance of our properties could have a material adverse effect on our operating results and financial condition, as well as our ability to pay distributions to stockholders.

Future acquisitions may not yield the returns expected, may result in disruptions to our business, may strain management resources and may result in stockholder dilution.

Our business strategy may not ultimately be successful and may not provide positive returns on our investments. Acquisitions may cause disruptions in our operations and divert management's attention away from day-to-day operations. The issuance of equity securities in connection with any acquisition could be substantially dilutive to the Company's stockholders.

Our hotels may contain or develop harmful mold, which could lead to liability for adverse health effects and costs of remediating the problem.

When excessive moisture accumulates in buildings or on building materials, mold growth may occur, particularly if the moisture problem remains undiscovered or is not addressed over a period of time. Some molds may produce airborne toxins or irritants. Concern about indoor exposure to mold has been increasing, as exposure to mold may cause a variety of adverse health effects and symptoms, including allergic or other reactions. As a result, the presence of significant mold at any of our properties could require us to undertake a costly remediation program to contain or remove the mold from the affected property, which would reduce our cash available for distribution. In addition, the presence of significant mold could expose us to liability from our guests, employees or the management company and others if property damage or health concerns arise and could harm our reputation.

Increases in property taxes or insurance costs would increase our operating costs, reduce our income and adversely affect our ability to make distributions to the Company's stockholders.

Each of our hotel properties is subject to real and personal property taxes. These taxes may increase as tax rates change and as the properties are assessed or reassessed by taxing authorities. Additionally, we must procure property and casualty, general liability, and other lines of insurance for our hotels. The premiums we pay for insurance may increase significantly due to a number of factors, including natural disasters. If property taxes or insurance costs increase, our financial condition, results of operations and our ability to make distributions to the Company's stockholders could be materially and adversely affected and the market price of the Company's shares could decline.

Risks Related to Our Debt

We have substantial financial leverage.

As of December 31, 2024, the aggregate principal balances of our mortgages and unsecured debt amounted to approximately $319.3 million, not accounting for reductions of unamortized premiums or deferred financing costs as shown on our balance sheet. Historically, we have incurred debt for acquisitions and to fund our renovation, redevelopment and rebranding programs. Limitations upon our access to additional debt could adversely affect our ability to fund these programs or acquire hotels in the future.

Our financial leverage could negatively affect our business and financial results, including the following:

- require us to dedicate a substantial portion of our cash flow from operations to payments on our debt, thereby reducing funds available for operations, working capital, capital expenditures, future business opportunities, paying dividends or other purposes;
- limit our ability to obtain additional financing for working capital, renovation, redevelopment and rebranding plans, acquisitions, debt service requirements and other purposes;
- adversely affect our ability to satisfy our financial obligations, including those related to our loan covenants;
- limit our ability to refinance existing debt;
- require us to agree to additional restrictions and limitations on our business operations and capital structure to obtain financing or to modify the terms of existing obligations;
- force us to dispose of one or more of our properties, possibly on unfavorable terms;
- increase our vulnerability to adverse economic and industry conditions, and to interest rate fluctuations;
- force us to issue additional equity, possibly on terms unfavorable to existing stockholders;
- limit our flexibility to make, or react to, changes in our business and our industry; and
- place us at a competitive disadvantage, compared to our competitors that have less debt.

We must comply with financial covenants in our mortgage loan agreements.

Our mortgage loan agreements contain various financial covenants. Failure to comply with these financial covenants could result from, among other things, changes in the local competitive environment, general economic conditions and disruption caused by renovation activity or major weather disturbances.

If we violate the financial covenants contained in our mortgage loan agreements, we may attempt to negotiate waivers of the violations or amend the terms of the applicable mortgage loan agreement with the lender; however, we can make no assurance that we would be successful in any such negotiation or that, if successful in obtaining waivers or amendments, such waivers or amendments would be on attractive terms. Some mortgage loan agreements provide alternate cure provisions which may allow us to otherwise comply with the financial covenants by obtaining an appraisal of the hotel, prepaying a portion of the outstanding indebtedness or by providing cash collateral until such time as the financial covenants are met by the collateralized property without consideration of the cash collateral. Alternate cure provisions which include prepaying a portion of the outstanding indebtedness or providing cash collateral may have a material impact on our liquidity.

If we are unable to negotiate a waiver or amendment or satisfy alternate cure provisions, if any, or unable to meet any alternate cure requirements and a default were to occur, we would possibly have to refinance the debt through debt financing, private or public offerings of debt securities, additional equity financing, or by disposing of an asset. We are uncertain whether we will be able to refinance these obligations or if refinancing terms will be favorable.

We have five mortgage debt obligations maturing in 2025 and 2026 and if we are not successful in extending the terms of this indebtedness or in refinancing this debt on acceptable economic terms or at all, our overall financial condition could be materially and adversely affected.

We will be required to seek additional capital in the near future to refinance or replace existing long-term mortgage debt that is maturing. The ability to refinance or replace mortgage debt is subject to market conditions and could become limited in the future. There can be no assurance that we will be able to obtain future financings on acceptable terms, if at all. In June 2025, the mortgage on the Georgian Terrace matures. In October 2025, the mortgage on the DoubleTree Resort by Hilton Hollywood Beach matures. In April 2026, the mortgage on the DoubleTree by Hilton Philadelphia Airport matures. In July 2026, the first and second mortgages on The DeSoto mature. We also have additional significant obligations maturing in subsequent years. The total aggregate amount of our debt obligations scheduled to mature in 2025, inclusive of monthly principal and interest amortization of all our indebtedness, not including lease obligations, is approximately $110.5 million, which represents approximately 30.2% of our total debt obligations outstanding as of December 31, 2024. The total aggregate amount of our debt obligations scheduled to mature in 2026, inclusive of monthly principal and interest amortization of all our mortgage indebtedness, is approximately $111.5 million, which represents approximately 30.5% of our total debt obligations outstanding as of December 31, 2024. The Hotel Ballast Wilmington, Tapestry Collection by Hilton's aggregate debt, is set to mature on January 1, 2027, for approximately $29.8 million, however this is included in the 2026 maturities due to timing. The total aggregate amount of our debt obligations scheduled to mature in 2027, inclusive of monthly principal and interest amortization of all our mortgage indebtedness, is approximately $10.9 million, which represents approximately 3.0% of our total debt obligations outstanding as of December 31, 2024.

We will need to, and plan to, renew, replace or extend our long-term indebtedness prior to the respective maturity date. If we are unable to extend our maturing loans, we may be required to repay the outstanding principal amount at maturity or a portion of such indebtedness upon refinance. If we do not have sufficient funds to repay any portion of the indebtedness, it may be necessary to raise capital through debt financing, private or public offerings of debt securities or equity financings. We are uncertain whether we will be able to refinance this obligation or if refinancing terms will be favorable. If, at the time of any refinancing, prevailing interest rates or other factors result in higher interest rates on refinancing, increases in interest expense would lower our cash flow, and, consequently, cash available to meet our financial obligations. If we are unable to obtain alternative or additional financing arrangements in the future, or if we cannot obtain financing on acceptable terms, we may not be able to execute our business strategies or we may be forced to dispose of hotel properties on disadvantageous terms, potentially resulting in losses and potentially reducing cash flow from operating activities if the sale proceeds in excess of the amount required to satisfy the indebtedness could not be reinvested in equally profitable real property investments. Moreover, the terms of any additional financing may restrict our financial flexibility, including the debt we may incur in the future, or may restrict our ability to manage our business as we had intended. To the extent we cannot repay our outstanding debt, we risk losing some or all of our hotel properties to foreclosure and we could be required to invoke insolvency proceedings including, but not limited to, commencing a voluntary case under the U.S. Bankruptcy Code.

For tax purposes, a foreclosure of any of our hotels would be treated as a sale of the hotel for a purchase price equal to the outstanding balance of the debt secured by the mortgage. If the outstanding balance of the debt secured by the mortgage exceeds our tax basis in the hotel, we would recognize taxable income on foreclosure, but we would not receive any cash proceeds, which could hinder Sotherly's ability to meet the REIT distribution requirements imposed by the Code. In addition, we have given full or partial guarantees to lenders of mortgage debt on behalf of the entities that own our hotels. When we give a guarantee on behalf of an entity that owns one of our hotels, we will be responsible to the lender for satisfaction of the debt if it is not paid by such entity.

Our borrowing costs are sensitive to fluctuations in interest rates.

Higher interest rates could increase our debt service requirements and interest expense. Currently, our floating rate debt is limited to the mortgages on the DoubleTree by Hilton Jacksonville Riverfront, the DoubleTree by Hilton Philadelphia Airport, and The Whitehall, in Houston, Texas. The mortgages on the DoubleTree by Hilton Jacksonville Riverfront and the DoubleTree by Hilton Philadelphia Airport bear interest at a rate tied to SOFR. The mortgage on The Whitehall, in Houston, Texas bears interest at a rate tied to the New York Prime Rate. Each mortgage provides for a substitute rate and minimum rates of interest. To the extent that increases in SOFR or New York Prime Rate, or a substitute rate of interest cause the interest on the mortgages to exceed the minimum rates of interest, we are exposed to rising interest rates.

Should we obtain new debt financing or refinance existing indebtedness, we may increase the amount of floating rate debt that currently exists. In addition, adverse economic conditions could also cause the terms on which we borrow to be unfavorable.

Risks Related to Our Organization and Structure

Our ability to effect a merger or other business combination transaction may be restricted by our Operating Partnership agreement.

In the event of a change of control of the Company, the limited partners of our Operating Partnership will have the right, for a period of 30 days following the change of control event, to cause the Operating Partnership to redeem all of the units held by the limited partners for a cash amount equal to the cash redemption amount otherwise payable upon redemption pursuant to the

partnership agreement. This cash redemption right may make it more unlikely or difficult for a third party to propose or consummate a change of control transaction, even if such transaction were in the best interests of the Company's stockholders.

Provisions of the Company's charter may limit the ability of a third party to acquire control of the Company.

Aggregate Share and Common Share Ownership Limits

The Company's charter provides that no person may directly or indirectly own more than 9.9% of the value of the Company's outstanding shares of capital stock or more than 9.9% of the number of the Company's outstanding shares of common stock. These ownership limitations may prevent an acquisition of control of the Company by a third party without the Company's board of directors' approval, even if the Company's stockholders believe the change of control is in their best interest. The Company's board of directors has discretion to waive that ownership limit if, including other considerations, the board receives evidence that ownership in excess of the limit will not jeopardize the Company's REIT status.

Authority to Issue Stock

The Company's amended and restated charter authorizes our board of directors to issue up to 69,000,000 shares of common stock and up to 11,000,000 shares of preferred stock, to classify or reclassify any unissued shares of common stock or preferred stock and to set the preferences, rights and other terms of the classified or reclassified shares. Issuances of additional shares of stock may have the effect of delaying or preventing a change in control of the Company, including transactions at a premium over the market price of the Company's stock, even if stockholders believe that a change of control is in their best interest. The Company will be able to issue additional shares of common or preferred stock without stockholder approval, unless stockholder approval is required by applicable law or the rules of any stock exchange or automated quotation system on which the Company's securities may be listed or traded.

Provisions of Maryland law may limit the ability of a third party to acquire control of the Company.

Certain provisions of the Maryland General Corporation Law ("MGCL") may have the effect of inhibiting a third party from making a proposal to acquire us or of impeding a change of control under circumstances that otherwise could provide the holders of shares of the Company's common stock with the opportunity to realize a premium over the then-prevailing market price of such shares, including:

- "business combination" provisions that, subject to limitations, prohibit certain business combinations between us and an "interested stockholder" (defined generally as any person who beneficially owns 10.0% or more of the voting power of our shares or an affiliate thereof) for five years after the most recent date on which the stockholder becomes an interested stockholder, and thereafter imposes special appraisal rights and special stockholder voting requirements on these combinations; and
- "control share" provisions that provide that "control shares" of the Company (defined as shares which, when aggregated with other shares controlled by the stockholder, entitle the stockholder to exercise one of three increasing ranges of voting power in electing directors) acquired in a "control share acquisition" (defined as the direct or indirect acquisition of ownership or control of "control shares") have no voting rights except to the extent approved by the Company's stockholders by the affirmative vote of at least two-thirds of all the votes entitled to be cast on the matter, excluding all interested shares.

The Company has opted out of these provisions of the MGCL, in the case of the business combination provisions of the MGCL, by resolution of the Company's board of directors, and in the case of the control share provisions of the MGCL pursuant to a provision in the Company's bylaws. However, the Company's board of directors may by resolution elect to opt into the business combination provisions of the MGCL and the Company may, by amendment to its bylaws, opt into the control share provisions of the MGCL in the future. The Company's board of directors has the exclusive power to amend the Company's bylaws.

Additionally, Title 8, Subtitle 3 of the MGCL permits the Company's board of directors, without stockholder approval and regardless of what is currently provided in the Company's charter or bylaws, to implement takeover defenses, some of which (for example, a classified board) the Company does not currently have. These provisions may have the effect of inhibiting a third party from making an acquisition proposal for the Company or of delaying, deferring or preventing a change in control of the Company under the circumstances that otherwise could provide the holders of the Company's common stock with the opportunity to realize a premium over the then current market price.

Provisions in the Company's executive employment agreements may make a change of control of the Company more costly or difficult.

The Company's employment agreements with Andrew M. Sims, our Chairman, David R. Folsom, our President and Chief Executive Officer, Anthony E. Domalski, our Secretary and Chief Financial Officer, Scott M. Kucinski, our Executive Vice President and Chief Operating Officer, Robert E. Kirkland IV, our General Counsel, and Andrew M. Sims Jr., our Vice President - Operations &

Investor Relations, contain provisions providing for substantial payments to these officers in the event of a change of control of the Company. Specifically, if the Company terminates these executives' employment without cause or the executive resigns with good reason (which for Sims, Folsom, and Domalski, includes a failure to nominate Andrew M. Sims to the Company's board of directors or his involuntary removal from the Company's board of directors, unless for cause or by vote of the stockholders), or if there is a change of control, each of these executives is entitled to the following:

- any accrued but unpaid salary and bonuses;
- vesting of any previously issued stock options and restricted stock;
- payment of the executive's life, health and disability insurance coverage for a period of five years following termination;
- any unreimbursed expenses; and
- a severance payment equal to three times for each executive's respective combined salary and actual bonus compensation for the preceding fiscal year.

In the event that the Company elects not to renew Mr. Folsom's employment agreement, then Mr. Folsom is entitled to receive the following: (i) any accrued but unpaid salary and bonuses; (ii) a severance payment equal to Mr. Folsom's combined salary and actual bonus compensation for the preceding fiscal year, to be paid within five (5) days of Mr. Folsom's last day of employment; and (iii) payment of the full premium (including administrative fee) for continuing health insurance coverage under COBRA or any similar state law for a period of two (2) years following the expiration of Mr. Folsom's employment agreement.

In addition, these executives will receive additional payments to compensate them for the additional taxes, if any, imposed on them under Section 4999 of the Code by reason of receipt of excess parachute payments. We will not be able to deduct any of the above amounts paid to the executives for tax purposes.

These provisions may make a change of control of the Company, even if it is in the best interests of the Company's stockholders, more costly and difficult and may reduce the amounts the Company's stockholders would receive in a change of control transaction.

Failure to meet Nasdaq's continued listing requirements could result in the delisting of our common stock, negatively impact the price of our common stock and negatively impact our ability to raise additional capital.

We must continue to satisfy The Nasdaq Stock Market LLC ("Nasdaq") continued listing requirements, including, among other things, certain corporate governance requirements and a minimum closing bid price requirement of $1.00 per share. If a company fails for 30 consecutive business days to meet the $1.00 minimum closing bid price requirement, Nasdaq will send a deficiency notice to the company, advising that it has been afforded a "compliance period" of 180 calendar days to regain compliance with the applicable requirements.

On February 11, 2025, we received a deficiency letter from Nasdaq notifying us that, for the last 30 consecutive business days, the closing bid price for our common stock was below the minimum $1.00 per share required for continued listing on Nasdaq pursuant to the minimum closing bid price requirement. The Nasdaq deficiency letter had no immediate effect on the listing of our common stock. In accordance with Nasdaq Listing Rule 5810(c)(3)(A), we have been given 180 calendar days, or until August 11, 2025, to regain compliance with the minimum closing bid price requirement by causing our stock to close above $1.00 for a minimum of 10 consecutive trading days. If we do not regain compliance with the minimum closing bid price requirement by August 11, 2025, we may be afforded a second 180 calendar day period to regain compliance. To qualify, we would be required to transfer to The Nasdaq Capital Market and meet the continued listing and all other applicable requirements for initial listing on The Nasdaq Capital Market, except for the minimum bid price requirement. In addition, we would be required to notify Nasdaq of our intent to cure the deficiency during the second compliance period. If Nasdaq concludes that we will not be able to cure the deficiency, or if we do not regain compliance with the minimum bid price requirement within such additional 180 calendar day compliance period, Nasdaq will provide written notification to us that our common stock will be subject to delisting. We will have the right to appeal a delisting determination, and our common stock will remain listed on Nasdaq until the completion of the appeal process.

If our common stock becomes subject to delisting, it would be subject to rules that impose additional sales practice requirements on broker-dealers who sell our securities. The additional burdens imposed upon broker-dealers by these requirements could discourage broker-dealers from effecting transactions in our common stock. This would adversely affect the ability of investors to trade our common stock and would adversely affect the value of our common stock. These factors could contribute to lower prices and larger spreads in the bid and ask prices for our common stock. If we seek to implement a reverse stock split in order to remain listed on Nasdaq, the announcement or implementation of such a reverse stock split could negatively affect the price of our common stock.

Our ownership limitations may restrict or prevent you from engaging in certain transfers of the Company's common stock or preferred stock.

In order to maintain the Company's REIT qualification, it cannot be closely held (i.e., more than 50.0% in value of our outstanding stock cannot be owned, directly or indirectly, by five or fewer individuals during the last half of any taxable year). To preserve the Company's REIT qualification, the Company's charter contains a 9.9% aggregate share ownership limit and a 9.9% common share ownership limit. Generally, any shares of the Company's stock owned by affiliated persons will be added together for purposes of the aggregate share ownership limit, and any shares of common stock owned by affiliated owners will be added together for purposes of the common share ownership limit.

If anyone transfers shares in a way that would violate the aggregate share ownership limit or the common share ownership limit, or prevent the Company from continuing to qualify as a REIT under the federal income tax laws, those shares instead will be transferred to a trust for the benefit of a charitable beneficiary and will be either redeemed by us or sold to a person whose ownership of the shares will not violate the aggregate share ownership limit or the common share ownership limit. If this transfer to a trust fails to prevent such a violation or fails to preserve the Company's continued qualification as a REIT, then the Company will consider the initial intended transfer to be null and void from the outset. The intended transferee of those shares will be deemed never to have owned the shares. Anyone who acquires shares in violation of the aggregate share ownership limit, the common share ownership limit or the other restrictions on transfer in the Company's charter bears the risk of suffering a financial loss when the shares are redeemed or sold if the market price of the Company's stock falls between the date of purchase and the date of redemption or sale.

The Company's articles supplementary establishing and fixing the rights and preferences of each of our 8.0% Series B Cumulative Redeemable Perpetual Preferred Stock (the "Series B Preferred Stock"), 7.875% Series C Cumulative Redeemable Perpetual Preferred Stock (the "Series C Preferred Stock"), and 8.25% Series D Cumulative Redeemable Perpetual Preferred Stock (the "Series D Preferred Stock", and together with the Series B Preferred Stock and the Series C Preferred Stock, the "Preferred Stock"), provide that no person may directly or indirectly own more than 9.9% of the aggregate number of outstanding shares of Series B Preferred Stock, Series C Preferred Stock, or Series D Preferred Stock, respectively, excluding any outstanding shares of Series B Preferred Stock, Series C Preferred Stock, or Series D Preferred Stock not treated as outstanding for federal income tax purposes. The Company's board of directors has discretion to waive that ownership limit if, including other considerations, the board receives evidence that ownership in excess of the limit will not jeopardize the Company's REIT status.

Holders of our outstanding preferred shares have dividend, liquidation and other rights that are senior to the rights of the holders of our common shares.

Our board of directors has the authority to designate and issue preferred shares with liquidation, dividend and other rights that are senior to those of our common shares. As of December 31, 2024, 1,464,100 shares of our Series B Preferred Stock were issued and outstanding, 1,346,110 shares of our Series C Preferred Stock were issued and outstanding, and 1,163,100 shares of our Series D Preferred Stock were issued and outstanding. The aggregate liquidation preference with respect to the outstanding shares of Series B Preferred Stock is approximately $44.7 million, and annual dividends on our outstanding shares of Series B Preferred Stock are approximately $2.9 million. The aggregate liquidation preference with respect to the outstanding shares of Series C Preferred Stock is approximately $40.9 million, and annual dividends on our outstanding shares of Series C Preferred Stock are approximately $2.7 million. The aggregate liquidation preference with respect to the outstanding shares of Series D Preferred Stock is approximately $35.7 million, and annual dividends on our outstanding shares of Series D Preferred Stock are approximately $2.4 million. Holders of our Preferred Stock are entitled to cumulative dividends before any dividends may be declared or set aside on our common shares. Upon our voluntary or involuntary liquidation, dissolution or winding up, before any payment is made to holders of our common shares, holders of these preferred shares are entitled to receive a liquidation preference of $25.00 per share plus any accrued and unpaid distributions. This will reduce the remaining amount of our assets, if any, available to distribute to holders of our common shares. In addition, holders of the Series B Preferred Stock, Series C Preferred Stock, and Series D Preferred Stock voting together as a separate class have the right to elect two additional directors to our board of directors whenever dividends on the preferred shares are in arrears in an aggregate amount equivalent to six or more quarterly dividends (whether or not consecutive). As of December 31, 2024, distributions on our Preferred Stock are in arrears for the last eleven quarterly payments. Therefore, the holders of our Preferred Stock are entitled to vote for the election of a total of two additional directors of the Company, at a special meeting or at the next annual meeting of stockholders and at each subsequent annual meeting of the stockholders until full cumulative distributions for all past unpaid periods are paid or declared and a sum sufficient for the payment thereof in cash is set aside. No dividends may be paid on our common stock until such time as the Preferred Stock distributions are made current.

Because our decision to issue securities will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of any future preferred offerings. Thus, our stockholders bear the risk of our future securities issuances reducing the market price of our common shares and diluting their interest.

The change of control conversion and redemption features of the Company's preferred stock may make it more difficult for a party to take over our Company or discourage a party from taking over our Company.

Upon a change of control (as defined in our charter), holders of our Preferred Stock will have the right (unless, as provided in our charter, we have provided or provide notice of our election to exercise our special optional redemption right before the relevant date) to convert some or all of their shares of preferred stock into shares of our common stock (or equivalent value of alternative consideration). Upon such a conversion, holders will be limited to a maximum number of shares equal to the share cap, subject to adjustments. Each holder of Series B Preferred Stock is entitled to receive a maximum of 8.29187 shares of our common stock per share of Series B Preferred Stock, which may result in the holder receiving value that is less than the liquidation preference of the Series B Preferred Stock. Each holders of Series C Preferred Stock is entitled to receive a maximum of 8.50340 shares of our common stock per share of Series C Preferred Stock, which may result in the holder receiving value that is less than the liquidation preference of the Series C Preferred Stock. Each holder of Series D Preferred Stock is entitled to receive a maximum of 7.39645 shares of our common stock per share of Series D Preferred Stock, which may result in the holder receiving value that is less than the liquidation preference of the Series D Preferred Stock. In addition, those features of our Preferred Stock may have the effect of inhibiting or discouraging a third party from making an acquisition proposal for our Company or of delaying, deferring or preventing a change in control of our Company under circumstances that otherwise could provide the holders of shares of our common stock and shares of our Preferred Stock with the opportunity to realize a premium over the then current market price or that stockholders may otherwise believe is in their best interests.

Our organizational documents have no limitation on the amount of indebtedness we may incur. As a result, we may become highly leveraged in the future, which could materially and adversely affect us.

Our business strategy contemplates the use of both secured and unsecured debt to finance long-term growth. In addition, our organizational documents contain no limitations on the amount of debt that we may incur, and the Company's board of directors may change our financing policy at any time. As a result, we may be able to incur substantial additional debt, including secured debt, in the future. Incurring debt could subject us to many risks, including the risks that:

- our cash flows from operations may be insufficient to make required payments of principal and interest;
- our debt may increase our vulnerability to adverse economic and industry conditions;
- we may be required to dedicate a substantial portion of our cash flows from operations to payments on our debt, thereby reducing cash available for funds available for operations and capital expenditures, future business opportunities or other purposes; and
- the terms of any refinancing may not be in the same amount or on terms as favorable as the terms of the existing debt being refinanced.

The board of directors' revocation of the Company's REIT status without stockholder approval may decrease the Company's stockholders' total return.

The Company's charter provides that the Company's board of directors may revoke or otherwise terminate the Company's REIT election, without the approval of the Company's stockholders, if the Company's board of directors determines that it is no longer in the Company's best interest to continue to qualify as a REIT. If the Company ceases to be a REIT, it would become subject to federal income tax on its taxable income and would no longer be required to distribute most of its taxable income to the Company's stockholders, which may have adverse consequences on our total return to the Company's stockholders.

The ability of the Company's board of directors to change the Company's major corporate policies may not be in your best interest.

The Company's board of directors determines the Company's major corporate policies, including its acquisition, financing, growth, operations and distribution policies. The Company's board of directors may amend or revise these and other policies from time to time without the vote or consent of the Company's stockholders.

Our success depends on key personnel whose continued service is not guaranteed.

We depend on the efforts and expertise of our Chairman, Andrew M. Sims; our President and Chief Executive Officer, David R. Folsom; our Executive Vice President and Chief Operating Officer, Scott M. Kucinski; and our Secretary and Chief Financial Officer, Anthony E. Domalski, to manage our day-to-day operations and strategic business direction. The loss of any of their services could have an adverse effect on our operations.

Risks Related to Conflicts of Interest of Our Officers and Directors

Conflicts of interest could result in our executive officers and certain of our directors acting in a manner other than in the Company's stockholders' best interest.

Conflicts of interest relating to Our Town, the entity that manages our ten wholly-owned hotels and our two condominium hotel rental programs, and the terms of our management agreements with Our Town may lead to management decisions that are not in the stockholders' best interest.

Conflicts of interest relating to Our Town may lead to management decisions that are not in the stockholders' best interest. An affiliate of Andrew M. Sims, our Chairman, an affiliate of David R. Folsom, our President and Chief Executive Officer, and Andrew M. Sims Jr., our Vice President - Operations & Investor Relations, together own an interest of approximately 84.0%, as of March 14, 2025, in Our Town. Mr. Sims, Mr. Folsom, and Mr. Sims Jr. serve as directors of Our Town.

Our management agreements with Our Town establish the terms of Our Town's management of our hotels covered by those agreements. The OTH Master Agreement provides that in the event the agreement is terminated in connection with the sale of a hotel, and Our Town accepts an offer to manage another hotel which is reasonably comparable to the hotel that was sold, we will not be liable for any termination fee. If we do not offer Our Town such opportunity or Our Town declines such opportunity, then a termination fee equivalent to the lesser of the management fees paid for the prior twelve-month period or the management fees for the period prior to the sale that is equal to the number of months remaining under the term of the agreement will be due. If we terminate a hotel management agreement at the end of any renewable five-year term, Our Town is due a termination fee equivalent to one month's management fees, as determined under the agreement.

As owners of Our Town, which would receive any management and management termination fees payable by us under the management agreements, Mr. Sims or Mr. Folsom may influence our decisions to sell a hotel or acquire or develop a hotel when it is not in the best interests of the Company's stockholders to do so. In addition, Mr. Sims and Mr. Folsom will have conflicts of interest with respect to decisions to enforce provisions of the management agreements, including any termination thereof.

Mr. Sims and Mr. Folsom approve the budgets upon which the incentive management fee payable to Our Town is based. As owners of Our Town, which would receive any incentive management fees payable by us under the management agreements, Mr. Sims or Mr. Folsom may influence the budget process, including the revenue and profitability targets set for each hotel. The incentive management fees are based on each hotel exceeding budgeted profitability targets.

We purchase employee medical benefits through Our Town (or its affiliate) for those employees employed by Our Town who work exclusively for our properties. Mr. Sims and Mr. Folsom participate in the budget approval process confirming employee insurance rates paid to Our Town. For the year ended December 31, 2023, we received a rebate from Our Town equal to 70% of the annual surplus for the respective year. For the year ended December 31, 2024, no annual surplus was deemed to exist.

There can be no assurance that provisions in our bylaws will always be successful in mitigating conflicts of interest.

Under our bylaws, a committee consisting of only independent directors must approve any transaction between us and Our Town, or any interested director. However, there can be no assurance that these policies always will be successful in mitigating such conflicts, and decisions could be made that might not fully reflect the interests of all of the Company's stockholders.

Federal Income Tax Risks Related to the Company's Status as a REIT

The federal income tax laws governing REITs are complex.

The Company intends to operate in a manner that will maintain its qualification as a REIT under the federal income tax laws. The REIT qualification requirements are extremely complex, however, and interpretations of the federal income tax laws governing qualification as a REIT are limited. The Company has not requested or obtained a ruling from the Internal Revenue Service ("IRS") that it qualifies as a REIT. Accordingly, we cannot be certain that the Company will be successful in operating in a manner that will permit it to qualify as a REIT. At any time, new laws, interpretations or court decisions may change the federal tax laws or the federal income tax consequences of the Company's qualification as a REIT. We cannot predict when or if any new federal income tax law, regulation or administrative interpretation, or any amendment to any existing federal income tax law, regulation or administrative interpretation, will be adopted, promulgated or become effective and any such law, regulation or interpretation may take effect retroactively. The Company and its stockholders could be adversely affected by any such change in, or any new, federal income tax law, regulation or administrative interpretation. We are not aware, however, of any pending tax legislation that would adversely affect the Company's ability to qualify as a REIT.

Failure to make distributions could subject the Company to tax.

In order to maintain its qualification as a REIT, each year the Company must pay out to its stockholders in distributions, as "qualifying distributions," at least 90.0% of its REIT taxable income, computed without regard to the deductions for dividends paid and excluding net capital gains and reduced by certain noncash items. To the extent that the Company satisfies this distribution requirement, but distributes less than 100.0% of its taxable income (including its net capital gain), it will be subject to federal corporate income tax on its undistributed taxable income. In addition, the Company will be subject to a 4.0% nondeductible excise tax if the actual amount that it pays out to its stockholders as a "qualifying distribution" for a calendar year is less than the sum of: (A) 85.0% of our ordinary income for such calendar year, plus (B) 95.0% of our capital gain net income for such calendar year. The Company's only recurring source of funds to make these distributions comes from rent received from its TRS Lessees whose only recurring source of funds with which to make these payments and distributions is the net cash flow (after payment of operating and other costs and expenses and management fees) from hotel operations, and any dividend and other distributions that we may receive from MHI Holding. Accordingly, the Company may be required to borrow money or sell assets to make distributions sufficient to enable it to pay out enough of its taxable income to satisfy the distribution requirement and to avoid corporate income tax and the 4.0% nondeductible excise tax in a particular year.

Failure to qualify as a REIT would subject the Company to federal income tax.

If the Company fails to qualify as a REIT in any taxable year, it will be required to pay federal income tax on its taxable income at regular corporate rates. The resulting tax liability might cause the Company to borrow funds, liquidate some of its investments or take other steps that could negatively affect its operating results in order to pay any such tax. Unless it is entitled to relief under certain statutory provisions, the Company would be disqualified from treatment as a REIT for the four taxable years following the year in which it lost its qualification. If the Company lost its REIT status, its net earnings available for investment or distribution to stockholders would be significantly reduced for each of the years involved. In addition, the Company would no longer be required to make distributions to its stockholders, and it would not be able to deduct any stockholder distributions in computing its taxable income. This would substantially reduce the Company's earnings, cash available to pay distributions, and the value of common stock.

Failure to qualify as a REIT may cause the Company to reduce or eliminate distributions to its stockholders, and the Company may face increased difficulty in raising capital or obtaining financing.

If the Company fails to remain qualified as a REIT, it may have to reduce or eliminate any distributions to its stockholders in order to satisfy its income tax liabilities. Any distributions that the Company does make to its stockholders would be treated as taxable dividends to the extent of its current and accumulated earnings and profits. This may result in negative investor and market perception regarding the market value of the Company's stock, and the value of its stock may be reduced. In addition, the Company and the Operating Partnership may face increased difficulty in raising capital or obtaining financing if the Company fails to qualify or remain qualified as a REIT because of the resulting tax liability and potential reduction of its market valuation.

If MHI Holding exceeds certain value thresholds, this could cause the Company to fail to qualify as a REIT.

A REIT may own up to 100% of the stock of one or more TRSs. A TRS may hold assets and earn income that would not be qualifying assets or income if held or earned directly by a REIT. Overall, no more than 20.0% of the value of a REIT's assets may consist of stock or securities of one or more TRSs. MHI Holding is a TRS and the Company may form other TRSs in the future. The Company plans to monitor the value of its shares of MHI Holding and of any other TRS the Company may form. However, there can be no assurance that the IRS will not attempt to attribute additional value to the shares of MHI Holding or to the shares of any other TRS that the Company may form. If the Company is treated as owning securities of one or more TRSs with an aggregate value that is in excess of the thresholds outlined above, the Company could lose its status as a REIT or become subject to penalties.

The Company's transactions with MHI Holding may cause it to be subject to a 100% excise tax on certain income or deductions if such transactions are not conducted on arm's-length terms.

Rent paid to the Company by the TRS Lessees cannot be based on net income or profits for such rents to qualify as "rents from real property." We receive some percentage rent from the TRS Lessees that is calculated based on the gross revenues—not based on net income or profits. If the IRS determines that the rent paid pursuant to our leases with the TRS Lessees are excessive, the deductibility thereof by the TRS Lessees may be challenged, and we could be subject to a 100% excise tax on "re-determined rent" or "re-determined deductions" to the extent that such rent exceeds an arm's-length amount. We believe that our rent and other transactions with the TRS Lessees are based on arm's-length amounts and reflect normal business practices, but there can be no assurance that the IRS will agree with our belief.

Even if the Company remains qualified as a REIT, it may face other tax liabilities that reduce its cash flow.

Even if the Company remains qualified for taxation as a REIT, it may be subject to certain federal, state and local taxes on its income and assets. For example:

- it will be required to pay federal and state corporate income tax on undistributed REIT taxable income (including net capital gain);
- if it has net income from the disposition of foreclosure property held primarily for sale to customers in the ordinary course of business or other non-qualifying income from foreclosure property, it must pay federal corporate income tax on such income;
- if it (or the Operating Partnership or any subsidiary of the Operating Partnership other than MHI Holding) sells a property in a "prohibited transaction," its gain, or its share of such gain, from the sale would be subject to a 100.0% penalty tax. A "prohibited transaction" would be a sale of property, other than a foreclosure property, held primarily for sale to customers in the ordinary course of business;
- it may, in certain circumstances, be required to pay an excise or penalty tax (which could be significant in amount) in order to utilize one or more relief provisions under the Code to maintain its qualification as a REIT;
- MHI Holding is a fully taxable corporation and is required to pay federal and state taxes on its taxable income; and
- it may experience increases in its state and/or local income tax burdens as states and localities continue to look to modify their tax laws in order to raise revenues, including by (among other things) changing from a net taxable income-based regime to a gross receipts-based regime, suspending and/or limiting the use of net operating losses ("NOL"), increasing tax rates and fees, imposing surcharges and subjecting partnerships to an entity-level tax, and limiting or disallowing certain U.S. federal deductions such as the dividends-paid deduction.

Complying with REIT requirements may cause the Company to forgo attractive opportunities that could otherwise generate strong risk-adjusted returns and instead pursue less attractive opportunities, or none at all.

To qualify as a REIT for federal income tax purposes, the Company must continually satisfy tests concerning, among other things, the sources of its income, the nature and diversification of its assets, the amounts it distributes to its stockholders and the ownership of its stock.

In general, when applying these tests, the Company is treated as owning its proportionate share of the Operating Partnership's assets (which share is determined in accordance with the Company's capital interest in the Operating Partnership) and as being entitled to the Operating Partnership's income attributable to such share. Thus, compliance with the REIT requirements may hinder our ability to operate solely on the basis of generating strong risk-adjusted returns on invested capital for our stockholders.

Complying with REIT requirements may force the Company to liquidate otherwise attractive investments, which could result in an overall loss on its investments.

To maintain qualification as a REIT, the Company must ensure that at the end of each calendar quarter at least 75.0% of the value of its assets consists of cash, cash items, government securities and qualified REIT real estate assets. The remainder of the Company's assets (other than securities of one or more TRSs) generally cannot include more than 10.0% of the outstanding voting securities of any one issuer or more than 10.0% of the total value of the outstanding securities of any one issuer. In addition, in general, no more than 5.0% of the value of the Company's assets (other than government securities, qualified real estate assets and securities of one or more TRSs) can consist of the securities of any one issuer, and no more than 20.0% of the value of the Company's total assets can be represented by securities of one or more TRSs.

When applying these asset tests, the Company is treated as owning its proportionate share of the Operating Partnership's assets (which is determined in accordance with the Company's capital interest in the Operating Partnership). If the Company fails to comply with these requirements at the end of any calendar quarter, it must correct such failure within 30 days after the end of the calendar quarter to avoid losing its REIT status and suffering adverse tax consequences. If the Company fails to comply with these requirements at the end of any calendar quarter, and the failure exceeds a de-minimis threshold, the Company may be able to preserve its REIT status if the failure was due to reasonable cause and not to willful neglect. In this case, we will be required to dispose of the assets causing the failure within six months after the last day of the quarter in which the failure occurred, and we will be required to pay an additional tax of the greater of $50,000 or the product of the net income generated on those assets multiplied by the federal corporate income tax rate of 21.0%.

As a result, we may be required to liquidate otherwise attractive investments.

If the Operating Partnership fails to qualify as a partnership for federal income tax purposes, the Company could cease to qualify as a REIT and suffer other adverse consequences.

We believe that the Operating Partnership will continue to qualify to be treated as a partnership for U.S. federal income tax purposes for so long as the Operating Partnership has more than one partner. As a partnership, the Operating Partnership is not subject to federal income tax on its income. Instead, each of its partners, including the Company, will be required to pay tax on its allocable share of the Operating Partnership's income. We cannot assure you, however, that the IRS will not challenge the Operating Partnership's status as a partnership for U.S. federal income tax purposes, or that a court would not sustain such a challenge. If the IRS were successful in treating the Operating Partnership as a corporation for federal income tax purposes, the Company could fail to meet the gross income tests and certain of the asset tests applicable to REITs and, accordingly, cease to qualify as a REIT. Also, if the Operating Partnership were to be classified as a corporation for federal income tax purposes, the Operating Partnership would become subject to federal and state corporate income tax, which would reduce significantly the amount of cash available for debt service and for distribution to its partners, including the Company.

The Company's failure to qualify as a REIT would have serious adverse consequences to its stockholders.

The Company elected to be taxed as a REIT under Sections 856 through 860 of the Code, commencing with its taxable year ended December 31, 2004. The Company believes it has operated so as to qualify as a REIT under the Code and believes that its current organization and method of operation comply with the rules and regulations promulgated under the Code to enable the Company to continue to qualify as a REIT. However, it is possible that the Company has been organized or has operated in a manner that would not allow it to qualify as a REIT, or that its future operations could cause it to fail to qualify. Qualification as a REIT requires the Company to satisfy numerous requirements (some on an annual and others on a quarterly basis) established under highly technical and complex sections of the Code for which there are only limited judicial and administrative interpretations and involves the determination of various factual matters and circumstances not entirely within its control. For example, in order to qualify as a REIT, the Company must satisfy a 75.0% gross income test pursuant to Code Section 856(c)(3) and a 95.0% gross income test pursuant to Code Section 856(c)(2) each taxable year. In addition, the Company must pay dividends, as "qualifying distributions," to its stockholders aggregating annually at least 90.0% of its REIT taxable income (determined without regard to the dividends-paid deduction and by excluding capital gains and also reduced by certain noncash items) and must satisfy specified asset tests on a quarterly basis. While historically the Company has satisfied the distribution requirement discussed above, by making cash distributions to its stockholders, the Company may choose to satisfy this requirement by making distributions of cash or other property, including, in limited circumstances, its stock. The provisions of the Code and applicable Treasury regulations regarding qualification as a REIT are more complicated in the Company's case because it holds its assets through the Operating Partnership.

If MHI Holding does not qualify as a TRS, or if the Company's hotel manager does not qualify as an "eligible independent contractor," the Company would fail to qualify as a REIT and would be subject to higher taxes and have less cash available for distribution to its stockholders.

Rent paid by a lessee that is a "related party tenant" of ours will not be qualifying income for purposes of the two gross income tests applicable to REITs, as noted above. The Company currently leases substantially all of its hotels to the TRS Lessees, which are disregarded entities for U.S. federal income tax purposes and are wholly-owned by MHI Holding, a TRS, and expects to continue to do so. So long as MHI Holding qualifies as a TRS, it will not be treated as a "related party tenant" with respect to the Company's properties that are managed by an independent hotel management company that qualifies as an "eligible independent contractor." The Company believes that MHI Holding will continue to qualify to be treated as a TRS for federal income tax purposes, but there can be no assurance that the IRS will not challenge this status or that a court would not sustain such a challenge. If the IRS were successful in such challenge, it is possible that the Company would fail to meet the asset tests applicable to REITs and substantially all of its income would fail to be qualifying income for purposes of the two gross income tests. If the Company failed to meet any of the asset or gross income tests, it would likely lose its REIT qualification for federal income tax purposes.

Additionally, if the Company's hotel manager does not qualify as an "eligible independent contractor," the Company would fail to qualify as a REIT. Each hotel manager that enters into a management contract with the TRS Lessees must qualify as an "eligible independent contractor" under the REIT rules in order for the rent paid by the TRS Lessees to be qualifying income for purposes of the REIT gross income tests. Among other requirements, in order to qualify as an eligible independent contractor, a hotel manager must not own, directly or through its stockholders, more than 35.0% of the Company's outstanding shares, taking into account certain ownership attribution rules. The ownership attribution rules that apply for purposes of these 35.0% thresholds are complex. Although the Company intends to monitor ownership of its shares by its hotel manager and its owners, there can be no assurance that these ownership levels will not be exceeded.

In addition, for the Company's hotel management company to qualify as an "eligible independent contractor," such company or a related person must be actively engaged in the trade or business of operating "qualified lodging facilities" (as defined below) for one or more persons not related to the REIT or its TRSs at each time that such company enters into a hotel management contract with a

TRS. The Company believes the hotel manager operates qualified lodging facilities for certain persons who are not related to the REIT or its TRSs. However, no assurances can be provided that this will continue to be the case or that any other hotel management companies that the Company may engage in the future will in fact comply with this requirement in the future. Failure to comply with this requirement would require the Company to find other managers for future contracts, and, if the Company hired a management company without knowledge of the failure, it could jeopardize the Company's status as a REIT.

As noted above, each hotel with respect to which a TRS Lessee pays rent must be a "qualified lodging facility". A "qualified lodging facility" is a hotel, motel, or other establishment more than one-half of the dwelling units in which are used on a transient basis, including customary amenities and facilities, provided that no wagering activities are conducted at or in connection with such facility by any person who is engaged in the business of accepting wagers and who is legally authorized to engage in such business at or in connection with such facility. The Company believes that all of the hotels leased to the TRS Lessees are qualified lodging facilities. Although the Company intends to monitor future acquisitions and improvements of hotels, the REIT provisions of the Code provide only limited guidance for making determinations under the requirements for qualified lodging facilities, and there can be no assurance that these requirements will be satisfied in all cases.

Foreign investors may be subject to U.S. tax on the disposition of the Company's stock if the Company does not qualify as a "domestically controlled" REIT.

A foreign person disposing of a "U.S. real property interest," which includes stock of a U.S. corporation whose assets consist principally of U.S. real property interests, is generally subject to U.S. federal income tax under the Foreign Investment in Real Property Tax Act of 1980 ("FIRPTA") on the gain recognized on the disposition, unless such foreign person is a "qualified foreign pension fund" or one of the certain publicly traded non-U.S. "qualified collective investment vehicles". Additionally, the transferee will be required to withhold 15.0% on the amount realized on the disposition if the foreign transferor is subject to U.S. federal income tax under FIRPTA. This 15.0% is creditable against the U.S. federal income tax liability of the foreign transferor in connection with such transferor's disposition of the Company's stock. FIRPTA does not apply, however, to the disposition of stock in a REIT if the REIT is "domestically controlled" (i.e., less than 50.0% of the REIT's capital stock, by value, has been owned directly or indirectly by persons who are not qualifying U.S. persons during a continuous five-year period ending on the date of disposition or, if shorter, during the entire period of the REIT's existence). Effective April 25, 2024, the IRS released final regulations under FIRPTA that require a new REIT to "look-through" any nonpublic domestic corporation if more than 50% of the corporation's stock (by value) is owned (directly or indirectly) by foreign persons in determining whether such REIT is considered to be "domestically controlled." The final regulations included a transition rule that exempts existing domestically controlled REITs from the "look-through" rule until April 24, 2034 (i.e., 10 years following the effective date of the final regulations) if the following conditions are met —(a) the aggregate value of U.S. real property interests acquired by the REIT after April 25, 2024 does not exceed 20% of the aggregate value of U.S. real property interest held by the REIT as of April 25, 2024, and (b) the REIT does not undergo what is essentially a more than 50% change in ownership (measured by value) by a "non-look-through person" following April 25, 2024. The final regulations are complex and we cannot be sure that the Company will qualify as a "domestically controlled" REIT. If the Company does not so qualify, gain realized by foreign investors on a sale of the Company's stock would be subject to U.S. income and withholding tax under FIRPTA, unless the Company's stock were traded on an established securities market.

If the leases between the Operating Partnership and the TRS Lessees are recharacterized, the Company may fail to qualify as a REIT.

To qualify as a REIT for federal income tax purposes, the Company must satisfy two gross income tests, under which specified percentages of the Company's gross income must be derived from certain sources, including "rents from real property". Rents paid by the TRS Lessees to the Operating Partnership and its subsidiaries pursuant to the leases of the Company's hotel properties will constitute substantially all of the Company's gross income. In order for such rent to qualify as "rents from real property" for purposes of the gross income tests, the leases must be respected as true leases for federal income tax purposes and not be treated as service contracts, joint ventures, or some other type of arrangement. If the leases between the TRS Lessees to the Operating Partnership and its subsidiaries are not respected as true leases for federal income tax purposes, the Company could fail to qualify as a REIT for federal income tax purposes.

MHI Holding increases our overall tax liability.

Our TRS Lessees are single-member limited liability companies that are wholly-owned, directly or indirectly, by MHI Holding, a TRS that is wholly-owned by the Operating Partnership. Each of our TRS Lessees is disregarded as an entity separate from MHI Holding for U.S. federal income tax purposes, such that the assets, liabilities, income, gains, losses, credits and deductions of our TRS Lessees are treated as the assets, liabilities, income, gains, losses, credits and deductions of MHI Holding for U.S. federal income tax purposes. MHI Holding is subject to federal and state income tax on its taxable income, which will consist of the revenues from the hotels leased by the Company's TRS Lessees, net of the operating expenses for such hotels and rent payments. Accordingly, although the Company's ownership of MHI Holding and the TRS Lessees will allow it to participate in the operating income from its hotels in

addition to receiving rent, that operating income will be fully subject to federal and state corporate income tax. The after-tax net income of MHI Holding, if any, will be available for distribution to the Company via the Operating Partnership.

The Company will incur a 100.0% excise tax on its transactions with MHI Holding and the TRS Lessees that are not conducted on an arm's-length basis. For example, to the extent that the rent paid by the TRS Lessees exceeds an arm's-length rental amount, such amount potentially will be subject to this excise tax. The Company intends that all transactions among itself, MHI Holding and the TRS Lessees will be conducted on an arm's-length basis and, therefore, that the rent paid by the TRS Lessees will not be subject to this excise tax. While the Company believes its leases have customary terms and reflect normal business practices and that the rents paid thereto reflect market terms, there can be no assurance that the IRS will agree.

Taxation of dividend income could make the Company's stock less attractive to certain investors and reduce the market price of its stock.

The federal income tax laws governing REITs, or the administrative interpretations of those laws, may be amended at any time. Any new laws or interpretations may take effect retroactively and could adversely affect the Company or could adversely affect its stockholders. Currently, "qualified dividends," which include dividends from domestic C corporations that are paid to non-corporate stockholders, are subject to a reduced maximum U.S. federal income tax rate of 20.0%, plus a 3.8% "Medicare surtax" discussed below. Because REITs generally do not pay corporate-level taxes as a result of the dividends-paid deduction to which they are entitled, dividends from REITs generally are not treated as qualified dividends and thus do not qualify for a reduced tax rate. Under the Tax Cuts and Jobs Act ("TCJA"), for taxable years prior to January 1, 2026, a non-corporate taxpayer may deduct 20% of ordinary REIT dividends that are not "capital gain dividends" or "qualified dividend income" resulting in an effective maximum U.S. federal income tax rate of 29.6% (based on the current maximum U.S. federal income tax rate for individuals of 37%). Individuals, trusts and estates whose income exceeds certain thresholds are also subject to a 3.8% Medicare surtax on dividends received from the Company. The more favorable rates applicable to regular corporate qualified dividends could cause investors who are taxed at individual rates to perceive investments in REITs to be relatively less attractive than investments in the stocks of non-REIT corporations that pay dividends, which could adversely affect the value of the Company's stock. Moreover, there is no assurance that we will always distribute ordinary income dividends, or that Congress will not repeal such legislation.

Investors may be subject to a 3.8% Medicare surtax in connection with an investment in the Company's stock.

The U.S. tax laws impose a 3.8% Medicare surtax on the "net investment income" (i.e., interest, dividends, capital gains, annuities, and rents that are not derived in the ordinary course of a trade or business) of individuals with income exceeding $200,000 ($250,000 if married filing jointly or $125,000 if married filing separately), and of estates and trusts. Dividends on the Company's stock as well as gains from the disposition of the Company's stock may be subject to the Medicare surtax. Prospective investors should consult with their independent advisors as to the applicability of the Medicare surtax to an investment in the Company's stock in light of such investors' particular circumstances.

Investors may be subject to U.S. withholding tax under the "Foreign Account Tax Compliance Act."

On March 18, 2010, the Hiring Incentives to Restore Employment Act (the "HIRE Act") was enacted in the United States. The HIRE Act includes provisions known as the Foreign Account Tax Compliance Act ("FATCA"), that generally impose a 30.0% U.S. withholding tax on "withholdable payments," which consist of (i) U.S.-source dividends, interest, rents and other "fixed or determinable annual or periodical income" paid after June 30, 2014 and (ii) certain U.S.-source gross proceeds paid after December 31, 2018 to (a) "foreign financial institutions" unless (x) they enter into an agreement with the IRS to collect and disclose to the IRS information regarding their direct and indirect U.S. owners or (y) they comply with the terms of any FATCA intergovernmental agreement executed between the authorities in their jurisdiction and the U.S., and (b) "non-financial foreign entities" (i.e., foreign entities that are not foreign financial institutions) unless they certify certain information regarding their direct and indirect U.S. owners. Final regulations under FATCA were issued by the IRS on January 17, 2013 and have been subsequently supplemented by additional regulations and guidance. FATCA does not replace the existing U.S. withholding tax regime. However, the FATCA regulations contain coordination provisions to avoid double withholding on U.S.-source income.

A foreign investor that receives dividends on the Company's stock or gross proceeds from a disposition of shares of the Company's stock may be subject to FATCA withholding tax with respect to such dividends or gross proceeds.

Foreign investors will be subject to U.S. withholding tax on the receipt of ordinary dividends on the Company's stock.

The portion of dividends received by a foreign investor payable out of the Company's current and accumulated earnings and profits which are not attributable to capital gains and which are not effectively connected with a U.S. trade or business of the foreign investor will generally be subject to U.S. withholding tax at a statutory rate of 30.0%. This 30.0% withholding tax may be reduced by an applicable income tax treaty. The FATCA and nonresident withholding regulations are complex. Even if the 30.0% withholding is

reduced or eliminated by treaty for payments made to a foreign investor, FATCA withholding of 30.0% could apply depending upon the foreign investor's FATCA status. Foreign investors should consult with their independent advisors as to the U.S. withholding tax consequences to such investors with respect to their investment in the Company's stock in light of their particular circumstances, as well as determining the appropriate documentation required to reduce or eliminate U.S. withholding tax.

Foreign investors will be subject to U.S. income tax on the receipt of capital gain dividends on the Company's stock.

Under FIRPTA, distributions that we make to a foreign investor that are attributable to gains from our dispositions of U.S. real property interests ("capital gain dividends") will be treated as income that is effectively connected with a U.S. trade or business, and therefore subject to U.S. federal income tax, in the hands of the foreign investor, unless such foreign person is a "qualified foreign pension fund" or one of certain publicly traded non-U.S. "qualified collective investment vehicles". A foreign investor who is subject to tax under FIRPTA will be subject to U.S. federal income tax (at the rates applicable to U.S. investors) on any capital gain dividends and will also be required to file U.S. federal income tax returns to report such capital gain dividends. Furthermore, capital gain dividends are subject to an additional 30.0% "branch profits tax" (which may be reduced by an applicable income tax treaty) in the hands of a foreign investor who is subject to tax under FIRPTA if such foreign investor is treated as a corporation for U.S. federal income tax purposes.

U.S. tax reform and related regulatory action could adversely affect you and the Company.

Because our operations are governed to a significant extent by the federal tax laws, new legislative or regulatory action could adversely affect investors in Company stock. The TCJA made significant changes to the U.S. federal tax system. Specifically, and as relevant to the Company and its subsidiaries, the TCJA reduced the maximum corporate tax rate from 35% to 21%, allows for full expensing of certain property, revised the NOL provisions, set limitations on certain types of interest deductions, and expanded limitations on deductions for executive compensation. The TCJA also temporarily reduced individual federal income tax rates on ordinary income (the highest individual federal income tax rate has been reduced from 39.6% to 37% for taxable years beginning after December 31, 2017 and before January 1, 2026).

The IRS, the U.S. Treasury Department and Congress frequently review U.S. federal income tax legislation, regulations and other guidance. At any time, the U.S. federal income tax laws governing REITs or the administrative interpretations of those laws may be amended or modified. Changes to the tax laws, possibly with retroactive application, may adversely affect taxation of the Company or the Company's stockholders. The Company urges stockholders and prospective stockholders to consult with their tax advisors with respect to the status of legislative, regulatory or administrative developments and proposals and their potential effect on an investment in the Company's shares. We cannot predict whether any of these proposed changes will become law, or the long-term effect of any future law changes on the Company and its stockholders. We and our stockholders could be adversely affected by any such change in, or any new, U.S. federal income tax law, regulation or administrative interpretation.

Item 1B. ***Unresolved Staff Comments***

Not applicable.

Item 1C. ***Cybersecurity***

The Company's management recognizes the critical importance of monitoring for and properly addressing cybersecurity threats. Our Chief Financial Officer is the executive primarily responsible for identifying and managing risks to the Company from cybersecurity threats. With respect to the Company's information systems, we rely on third-party technology and software providers to manage the cybersecurity risk to which those systems are subject. For elements of cybersecurity risk which fall outside the purview of the third-party technololgy and software providers, our Chief Financial Officer oversees the implementation of additional controls to reduce the likelihood of a cybersecurity incident occurring as well as to reduce the impact of any such incident, should it occur. At least annually, he discusses cybersecurity risk and the Company's mitigation efforts and effectiveness of controls with the Audit Committee of the Board of Directors, which is the committee that has primary responsibility for overseeing our risk assessment and is composed solely of independent directors. The Audit Committee reviews and discusses our cybersecurity risk and reviews the tests of controls performed by consultants that perform the Company's internal audit function. The chair of the Audit Committee may, at his discretion, report to the Chairman of the Board or the full Board of Directors.

As of December 31, 2024, no risk from cybersecurity threats, including as a result of any previous cybersecurity incidents, has materially affected or is reasonably likely to materially affect the Company, including our business strategy, results of operations or financial condition. Although we have implemented controls to protect our data and information systems and monitor our systems on an ongoing basis, such efforts may not prevent material compromises to our information systems in the future, including those that could have a material adverse effect on our business. We maintain cybersecurity insurance coverage to mitigate our financial

exposure to certain incidents, and we consult with our consultants that perform the Company's internal audit function regarding opportunities and enhancements to strengthen our policies and procedures.

We do not retain any confidential information from our customers. While we have control over our information systems, we do not have control over the information systems of our hotel manager, Our Town, or of our franchisors. Although we set expectations for Our Town and our franchisors, we rely on them to manage the cybersecurity risk to which they are subject. Our hotel manager maintains separate cybersecurity insurance coverage to offset a portion of potential costs incurred from a security breach.

We currently do not have a cybersecurity incident response plan with respect to our data and information systems. We rely on our hotel manager and their cybersecurity consultants as well as our franchisors, to maintain cybersecurity incident response plans applicable to their systems and hotel-level systems they manage on our behalf.

For additional information about cybersecurity risk, see "Item 1A. Risk Factors - We and our hotel manager rely on information technology in our operations, and any material failure, inadequacy, interruption or security failure of that technology could harm our business."

Item 2. ***Properties***

As of December 31, 2024, our portfolio consisted of the following properties (*see Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Operating Metrics, for definitions of Occupancy, ADR, and RevPAR in Part II of this Annual Report on Form 10-K*):

Wholly-Owned Properties	Number of Rooms		Occupancy 2024	ADR 2024	RevPAR 2024	Occupancy 2023	ADR 2023	RevPAR 2023	Occupancy 2022	ADR 2022	RevPAR 2022
The DeSoto, Savannah, Georgia	246		72.4%	$ 209.24	$ 151.51	69.2%	$ 211.26	$ 146.23	65.7%	$ 211.49	$ 139.00
DoubleTree by Hilton Jacksonville Riverfront, Jacksonville, Florida	293		67.7%	$ 140.85	$ 95.29	70.0%	$ 148.42	$ 103.90	68.8%	$ 146.53	$ 100.79
DoubleTree by Hilton Laurel, Laurel, Maryland	208		57.1%	$ 128.94	$ 73.67	57.8%	$ 127.29	$ 73.55	59.7%	$ 117.20	$ 69.98
DoubleTree by Hilton Philadelphia Airport, Philadelphia, Pennsylvania	331		64.7%	$ 139.27	$ 90.15	61.7%	$ 141.15	$ 87.13	64.6%	$ 140.94	$ 91.01
DoubleTree Resort by Hilton Hollywood Beach, Hollywood, Florida	311		67.9%	$ 187.58	$ 127.35	59.9%	$ 201.48	$ 120.70	60.6%	$ 206.18	$ 124.93
Georgian Terrace, Atlanta, Georgia	326		57.8%	$ 177.93	$ 102.85	52.2%	$ 194.12	$ 101.33	51.8%	$ 198.90	$ 103.09
Hotel Alba Tampa, Tapestry Collection by Hilton, Tampa, Florida	222		78.1%	$ 175.16	$ 136.76	77.8%	$ 177.00	$ 137.75	76.3%	$ 165.11	$ 125.92
Hotel Ballast Wilmington, Tapestry Collection by Hilton, Wilmington, North Carolina	272		72.3%	$ 185.96	$ 134.46	69.2%	$ 186.91	$ 129.39	62.2%	$ 183.90	$ 114.45
Hyatt Centric Arlington, Arlington, Virginia	318		77.0%	$ 209.44	$ 161.35	74.5%	$ 207.98	$ 154.99	64.3%	$ 187.12	$ 120.33
The Whitehall, Houston, Texas	259		59.4%	$ 153.50	$ 91.21	44.1%	$ 159.13	$ 70.25	40.0%	$ 150.17	$ 60.11
Wholly-Owned Properties Total	2,786										
Condominium Hotels											
Hyde Resort & Residences	66	(1)	60.7%	$ 297.70	$ 180.77	51.9%	$ 345.39	$ 179.23	52.8%	$ 420.53	$ 222.08
Hyde Beach House Resort & Residences	72	(1)	62.6%	$ 271.51	$ 169.89	46.4%	$ 305.56	$ 141.93	42.4%	$ 381.07	$ 161.42
Total Hotel & Participating Condominium Hotel Rooms	**2,924**										

(1) We own the hotel commercial unit and operate a rental program. Reflects only those condominium units that were participating in the rental program as of December 31, 2024. At any given time, some portion of the units participating in our rental program may be occupied by the unit owners and unavailable for rent to hotel guests. We sometimes refer to each participating condominium unit as a "room."

Item 3. ***Legal Proceedings***

We are not involved in any material legal proceedings, nor to our knowledge, are any material legal proceedings threatened against us. We are involved in routine litigation arising out of the ordinary course of business, most of which is expected to be covered by insurance, and none of which is expected to have a material impact on our financial condition or results of operations.

Item 4. ***Mine Safety Disclosure***

Not applicable.

PART II

Item 5. ***Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities***

Sotherly Hotels Inc.

Market Information

The Company's common stock trades on the NASDAQ ® Global Market under the symbol "SOHO". The closing price of the Company's common stock on the NASDAQ ® Global Market on March 3, 2025 was $0.8101 per share.

Stockholder Information

As of March 3, 2025, there were approximately 51 holders of record of the Company's common stock. Because many of the Company's common shares are held by brokers and other institutions on behalf of shareholders, the Company believe there are substantially more beneficial holders of its common shares than record holders.

In order to comply with certain requirements related to the Company's qualification as a REIT, the Company's charter, subject to certain exceptions, limits the number of common shares that may be owned by any single person or affiliated group to 9.9% of the outstanding common shares.

Recent Sales of Unregistered Securities

There were no sales of unregistered securities in the Company during 2024.

Issuer Purchases of Equity Securities

There were no issuer purchases of equity securities during 2024.

Sotherly Hotels LP

Market Information

There is no established trading market for partnership units of the Operating Partnership. The Operating Partnership does not currently propose to offer partnership units to the public and does not currently expect that a public market for those units will develop.

Partnership Unitholder Information

As of March 1, 2025, there were 5 holders of the Operating Partnership's partnership units, including Sotherly Hotels Inc., which owned approximately 98.2% of the outstanding general and limited partnership units as well as 100.0% of the preferred partnership units.

Recent Sales of Unregistered Securities

From time to time, the Operating Partnership may issue and/or repurchase limited partnership units (common and/or preferred) to the Company, as required by the Amended and Restated Agreement of Limited Partnership of the Operating Partnership, to mirror the capital structure of the Company to reflect additional issuances by the Company and to preserve equitable ownership ratios.

There were no sales of unregistered securities in the Operating Partnership during 2024.

Issuer Purchases of Equity Securities

There were no issuer purchases of equity securities during 2024.

Sotherly Hotels Inc. and Sotherly Hotels LP

Dividend and Distribution Information

The Company elected to be taxed as a REIT commencing with our taxable year ending December 31, 2004. To maintain qualification as a REIT, we are required to make annual distributions to the Company's stockholders of at least 90.0% of our REIT taxable income, excluding net capital gain, which does not necessarily equal net income as calculated in accordance with generally

accepted accounting principles. Our ability to pay distributions to the Company's stockholders will depend, in part, upon our receipt of distributions from our Operating Partnership which may depend upon receipt of lease payments with respect to our properties from our TRS Lessees, and in turn, upon the management of our properties by our hotel manager. Distributions to the Company's stockholders will generally be taxable to the Company's stockholders as ordinary income; however, because a portion of our investments are equity ownership interests in hotels, which will result in depreciation and noncash charges against our income, a portion of our distributions may constitute a tax-free return of capital. To the extent not inconsistent with maintaining our REIT status, our TRS Lessees may retain any after-tax earnings.

As a result of the impact of COVID-19 on our business, our board of directors has suspended our common stock dividend. We anticipate that our board of directors will re-evaluate our current dividend policy on an ongoing basis. Distributions on our preferred stock are in arrears for the last eleven quarterly payments. On January 24, 2023, the Company resumed quarterly distributions to holders of its preferred stock. No dividends may be paid on our common stock until such time as the preferred stock distributions are made current. We did not pay any common dividends in 2023 or 2024.

In order to maintain our qualification as a REIT, we must make distributions to our stockholders each year in an amount equal to at least:

- 90% of our REIT taxable income determined without regard to the dividends paid deduction and excluding net capital gains; plus
- 90% of the excess of our net income from foreclosure property over the tax imposed on such income by the Code; minus
- Any excess noncash income (as defined in the Code).

The Company did not pay any common stock dividends in 2024 or 2023. As of December 31, 2024, there were unpaid common dividends and distributions to holders of record as of March 13, 2020 in the amount of $2,088,160.

The following tables set forth information regarding the declaration, payment and income tax characterization of distributions by the Company on its preferred shares to the Company's preferred stockholders for fiscal years 2023 and 2024. The same table sets forth the Operating Partnership's distributions per preferred partnership units for fiscal years 2023 and 2024:

Dividend (Distribution) Payments - Series B Preferred Stock

Date Declared	For the Quarter Ended	Date Paid	Amount per Share and Unit	Ordinary Income	Return of Capital
January 2023	March 31, 2020	March 15, 2023	$ 0.50	100.00%	0.00%
April 2023	June 30, 2020	June 15, 2023	$ 0.50	100.00%	0.00%
May 2023	September 30, 2020	July 14, 2023	$ 0.50	100.00%	0.00%
July 2023	December 31, 2020	September 15, 2023	$ 0.50	100.00%	0.00%
October 2023	March 31, 2021	December 15, 2023	$ 0.50	100.00%	0.00%
March 2024	June 30, 2021	March 13, 2024	$ 0.50	100.00%	0.00%
June 2024	September 30, 2021	June 13, 2024	$ 0.50	100.00%	0.00%
September 2024	December 31, 2021	September 12, 2024	$ 0.50	100.00%	0.00%
December 2024	March 31, 2022	December 13, 2024	$ 0.50	100.00%	0.00%

Dividend (Distribution) Payments - Series C Preferred Stock

Date Declared	For the Quarter Ended	Date Paid	Amount per Share and Unit	Ordinary Income	Return of Capital
January 2023	March 31, 2020	March 15, 2023	$ 0.492188	100.00%	0.00%
April 2023	June 30, 2020	June 15, 2023	$ 0.492188	100.00%	0.00%
May 2023	September 30, 2020	July 14, 2023	$ 0.492188	100.00%	0.00%
July 2023	December 31, 2020	September 15, 2023	$ 0.492188	100.00%	0.00%
October 2023	March 31, 2021	December 15, 2023	$ 0.492188	100.00%	0.00%
March 2024	June 30, 2021	March 13, 2024	$ 0.492188	100.00%	0.00%
June 2024	September 30, 2021	June 13, 2024	$ 0.492188	100.00%	0.00%
September 2024	December 31, 2021	September 12, 2024	$ 0.492188	100.00%	0.00%
December 2024	March 31, 2022	December 13, 2024	$ 0.492188	100.00%	0.00%

Dividend (Distribution) Payments - Series D Preferred Stock

Date Declared	For the Quarter Ended	Date Paid	Amount per Share and Unit	Ordinary Income	Return of Capital
January 2023	March 31, 2020	March 15, 2023	$ 0.515625	100.00%	0.00%
April 2023	June 30, 2020	June 15, 2023	$ 0.515625	100.00%	0.00%
May 2023	September 30, 2020	July 14, 2023	$ 0.515625	100.00%	0.00%
July 2023	December 31, 2020	September 15, 2023	$ 0.515625	100.00%	0.00%
October 2023	March 31, 2021	December 15, 2023	$ 0.515625	100.00%	0.00%
March 2024	June 30, 2021	March 13, 2024	$ 0.515625	100.00%	0.00%
June 2024	September 30, 2021	June 13, 2024	$ 0.515625	100.00%	0.00%
September 2024	December 31, 2021	September 12, 2024	$ 0.515625	100.00%	0.00%
December 2024	March 31, 2022	December 13, 2024	$ 0.515625	100.00%	0.00%

The amount of future common stock distributions will be based upon quarterly operating results, general economic conditions, requirements for capital improvements, the availability of debt and equity capital, the Code's annual distribution requirements, and other factors, which the Company's board of directors deems relevant. The amount, timing and frequency of distributions will be authorized by the Company's board of directors and declared by us based upon a variety of factors deemed relevant by our directors, and no assurance can be given that our distribution policy will not change in the future.

Item 6. ***[Reserved]***

Item 7. ***Management's Discussion and Analysis of Financial Condition and Results of Operations***

Overview

The Company is a self-managed and self-administered lodging REIT incorporated in Maryland in August 2004 to pursue opportunities in the full-service, primarily upscale and upper-upscale segments of the hotel industry located in primary and secondary markets in the mid-Atlantic and southern United States. The Company may also opportunistically acquire hotels throughout the United States. Since January 1, 2022, we have completed the following acquisitions and dispositions:

- On February 10, 2022, we sold the Sheraton Louisville Riverside hotel located in Jeffersonville, Indiana.
- On June 10, 2022, we sold the DoubleTree by Hilton Raleigh-Brownstone University hotel located in Raleigh, North Carolina

As of December 31, 2024, our hotel portfolio consisted of ten full-service, primarily upscale and upper-upscale hotels with an aggregate total of 2,786 rooms, as well as interests in two condominium hotels and their associated rental programs. Seven of our hotels operate under well-known brands such as DoubleTree by Hilton, Tapestry Collection by Hilton, and Hyatt Centric, and three are independent hotels. As of December 31, 2024, our portfolio consisted of the following hotel properties:

Property	Number of Rooms	Location	Date of Acquisition	Chain/Class Designation
Wholly-owned Hotels				
The DeSoto	246	Savannah, GA	December 21, 2004	Upper Upscale[1]
DoubleTree by Hilton Jacksonville Riverfront	293	Jacksonville, FL	July 22, 2005	Upscale
DoubleTree by Hilton Laurel	208	Laurel, MD	December 21, 2004	Upscale
DoubleTree by Hilton Philadelphia Airport	331	Philadelphia, PA	December 21, 2004	Upscale
DoubleTree Resort by Hilton Hollywood Beach	311	Hollywood, FL	August 9, 2007	Upscale
Georgian Terrace	326	Atlanta, GA	March 27, 2014	Upper Upscale[1]
Hotel Alba Tampa, Tapestry Collection by Hilton	222	Tampa, FL	October 29, 2007	Upscale
Hotel Ballast Wilmington, Tapestry Collection by Hilton	272	Wilmington, NC	December 21, 2004	Upscale
Hyatt Centric Arlington	318	Arlington, VA	March 1, 2018	Upper Upscale
The Whitehall	259	Houston, TX	November 13, 2013	Upper Upscale[1]
Hotel Rooms Subtotal	2,786			
Condominium Hotels				
Lyfe Resort & Residences	66 [2]	Hollywood, FL	January 30, 2017	Luxury[1]
Hyde Beach House Resort & Residences	72 [2]	Hollywood, FL	September 27, 2019	Luxury[1]
Total Hotel & Participating Condominium Hotel Rooms	2,924			

(1) Operated as an independent hotel.

(2) We own the hotel commercial unit and operate a rental program. Reflects only those condominium units that were participating in the rental program as of December 31, 2024. At any given time, some portion of the units participating in our rental program may be occupied by the unit owner(s) and unavailable for rental to hotel guests. We sometimes refer to each participating condominium unit as a "room."

We conduct substantially all our business through the Operating Partnership, Sotherly Hotels LP. The Company is the sole general partner of the Operating Partnership and currently owns an approximate 98.2% interest in the Operating Partnership, with the remaining interest being held by limited partners who were contributors of our initial hotel properties and related assets.

To qualify as a REIT, neither the Company nor the Operating Partnership can operate our hotels. Therefore, our wholly-owned hotel properties are leased to our TRS Lessees that are wholly-owned subsidiaries of the Operating Partnership, which then engage an eligible independent contractor to operate the hotels under a management agreement. Our TRS Lessees have engaged Our Town to manage our hotels. Our TRS Lessees, and their parent, MHI Holding (MHI Hospitality TRS Holding, Inc.), are consolidated into each of our financial statements for accounting purposes. The earnings of MHI Holding are taxable as regular C corporations and are subject to federal, state, local, and, if applicable, foreign taxation on its taxable income.

Key Operating Metrics

In the hotel industry, room revenue is considered the most important category of revenue and drives other revenue categories such as food, beverage, catering, parking and telephone. There are three key performance indicators used in the hotel industry to measure room revenues:

- Occupancy, or the number of rooms sold, usually expressed as a percentage of total rooms available;
- Average daily rate, or ADR, which is total room revenue divided by the number of rooms sold; and
- Revenue per available room, or RevPAR, which is total room revenue divided by the total number of available rooms.

RevPAR changes that are primarily driven by changes in occupancy have different implications for overall revenues and profitability than changes that are driven primarily by changes in ADR. For example, an increase in occupancy at a hotel would lead to additional variable operating costs (such as housekeeping services, laundry, utilities, room supplies, franchise fees, management fees, credit card commissions and reservations expense), but could also result in increased non-room revenue from the hotel's restaurant, banquet or parking facilities. Changes in RevPAR that are primarily driven by changes in ADR typically have a greater impact on operating margins and profitability as they do not generate all the additional variable operating costs associated with higher occupancy. When calculating composite portfolio metrics, we include available rooms at the Lyfe Resort & Residences and the Hyde Beach House Resort & Residences that participate in our rental programs and are not reserved for owner-occupancy.

We also use Funds from Operations ("FFO"), Adjusted FFO and Hotel EBITDA as measures of our operating performance. See "Non-GAAP Financial Measures".

Results of Operations

Comparison of Year Ended December 31, 2024 to Year Ended December 31, 2023

The following table illustrates the key operating metrics for the years ended December 31, 2024 and 2023 for our wholly-owned hotels and the condominium hotel units, during each respective reporting period ("composite portfolio" properties), as well as the key operating metrics for the ten wholly-owned hotel properties that were under our control during all of 2024 ("actual" properties).

	Year Ended December 31, 2024		Year Ended December 31, 2023	
	Composite	Actual	Composite	Actual
Occupancy %	67.2%	67.4%	62.8%	63.5%
ADR	$ 177.56	$ 173.25	$ 182.97	$ 177.74
RevPAR	$ 119.26	$ 116.78	$ 114.96	$ 112.84

Revenue. Total revenue for the year ended December 31, 2024 was approximately $181.9 million, an increase of approximately $8.1 million, or 4.6%, from total revenue for the year ended December 31, 2023 of approximately $173.8 million. There was an aggregate increase in total revenue of approximately $8.9 million from nine of our properties, offset by a decrease of approximately $0.8 million, at three of our properties. The overall increases in revenue are reflected individually in room revenues, food and beverage revenues and other operating revenues, as noted below:

Room revenues at our properties for the year ended December 31, 2024 increased approximately $4.4 million, or 3.8%, to approximately $119.1 million compared to room revenues for the year ended December 31, 2023 of approximately $114.7 million Eight of our properties experienced increased room revenue by approximately $5.3 million, offset by a decrease of approximately $0.9 million at our other properties. Occupancy increased by 4.4% for the year ended December 31, 2024, compared to the same period in 2023, as a result of increases in transient consumers, group business, and other business travel. Although ADR decreased by 3.0% in 2024 compared to 2023, the RevPAR increased by 3.7% for year ended December 31, 2024, compared to the same period in 2023.

Food and beverage revenues at our properties for the year ended December 31, 2024 increased approximately $1.4 million, or 4.0%, to approximately $36.6 million compared to food and beverage revenues of approximately $35.2 million for the year ended December 31, 2023, with a majority of our properties experiencing increased demand for food and beverage services as a result of increased occupancy as well as an increase in meetings, banqueting and catering from the group business segment. The increase in food and beverage revenues for the year ended December 31, 2024, resulted from an aggregate increase of approximately $2.5 million from six of our properties, offset by a decrease in food and beverage revenue of approximately $1.1 million at the other four properties.

Other operating revenues for the year ended December 31, 2024 increased approximately $2.3 million, or 9.8%, to approximately $26.2 million compared to other operating revenues for the year ended December 31, 2023 of approximately $23.9

million. The increase in other operating revenues was realized at eight of our properties with an increase of approximately $3.2 million, with the remaining offsetting properties decreases of approximately $0.9 million.

Hotel Operating Expenses. Hotel operating expenses, which consist of room expenses, food and beverage expenses, other direct expenses, indirect expenses, and management fees, increased approximately $6.0 million, or 4.7%, for the year ended December 31, 2024 to approximately $135.1 million compared to hotel operating expenses for the year ended December 31, 2023 of approximately $129.0 million. The aggregate increase of approximately $6.9 million in hotel operating expenses for the twelve months ended December 31, 2024, is directly related to the increase in hotel occupancy and gross revenue at ten of our properties, and reductions in hotel operating expenses at two properties of approximately $0.9 million.

Rooms expense at our properties for the year ended December 31, 2024 increased approximately $1.2 million, or 4.6%, to approximately $27.4 million compared to rooms expense of approximately $26.2 million for the year ended December 31, 2023. The increase in rooms expense for the year ended December 31, 2024, resulted from an aggregate increase of approximately $1.5 million from seven of our hotel properties, offset by a decrease of approximately $0.3 million from the remaining hotel properties.

Food and beverage expenses at our properties for the year ended December 31, 2024 increased approximately $1.2 million, or 5.0%, to approximately $25.4 million compared to food and beverage expense of approximately $24.2 million for the year ended December 31, 2023. The net increase in food and beverage expenses for the twelve months ended December 31, 2024, resulted from an aggregate increase of approximately $1.4 million, offset by a decrease of approximately $0.2 million from the remaining hotel properties.

Expenses from other operating departments increased approximately $0.4 million, or 4.4%, to approximately $9.4 million for the year ended December 31, 2024, compared to expenses from other operating departments of approximately $9.0 million for the year ended December 31, 2023. The increase in expenses from other operating departments for the twelve months ended December 31, 2024, resulted from aggregate increases at eight of our properties by approximately $0.6 million, which were offset by decreases in other operating expenses of approximately $0.2 million from four of our properties. These increases were seen mainly from bringing back parking servicing contractors.

Indirect expenses at our properties for the year ended December 31, 2024 increased approximately $3.2 million, or 4.6%, to approximately $72.8 million compared to indirect expenses of approximately $69.6 million for the year ended December 31, 2023. The increase in indirect expenses for the twelve months ended December 31, 2024, resulted from an aggregate increase in total indirect expenses of approximately $3.9 million from ten of our properties, offset by decreases of approximately $0.7 million.

Depreciation and Amortization. Depreciation and amortization for the year ended December 31, 2024 increased by approximately $0.6 million or 3.2%, to approximately $19.4 million, compared to depreciation and amortization expense of approximately $18.8 million for the year ended December 31, 2023.

Corporate General and Administrative. Corporate general and administrative expenses for the year ended December 31, 2024 decreased approximately $0.3 million, or 4.1%, to approximately $6.8 million compared to corporate general and administrative expenses of approximately $7.1 million for the year ended December 31, 2023. The decrease in corporate general and administrative expenses was mainly due to decreases in professional fees and legal fees offset by an increase audit fees.

Interest Expense. Interest expense for the year ended December 31, 2024 increased approximately $3.3 million, or 18.7%, to approximately $20.9 million, compared to approximately $17.6 million of interest expense for the year ended December 31, 2023. The increase in interest expense for the twelve months ended December 31, 2024, was substantially related to the new mortgage obtained in early 2024 on the Hotel Alba, higher interest cost on the mortgage on the DoubleTree by Hilton Philadelphia as well as imputed interest on the finance lease obligation on the Hyatt Centric Arlington. An increase in interest expense was also realized on the new indebtedness in mid-2024, on the DoubleTree by Hilton Jacksonville Riverfront and The DeSoto.

Interest Income. Interest income for the year ended December 31, 2024, decreased approximately $0.1 million, or 13.6%, to approximately $0.7 million compared to approximately $0.8 million of interest income for the year ended December 31, 2023. The decrease in interest income for the twelve months ended December 31, 2024, was substantially related to decreases in cash balances receiving interest.

Loss on Early Extinguishment of Debt. The fiscal year 2024 loss relates to the refinancing of the Hotel Alba mortgage, resulting in a loss on early extinguishment of debt consisting of the unamortized origination costs, which totaled approximately $0.2 million for the twelve months ended December 31, 2024. No losses were recorded for the twelve months ended December 31, 2023.

Realized Gain on Hedging Activities. The realized gain on hedging activities during the twelve months ended December 31, 2024, was approximately $1.0 million, due to termination of the Hotel Alba Tampa, Tapestry Collection by Hilton interest rate swap.

Unrealized Loss on Hedging Activities. As of December 31, 2024, there was a new interest rate cap related to the mortgage loan on the DoubleTree by Hilton Philadelphia Airport with a fair value of approximately $0.4 million, which capped the interest rate down by 3.0%, with an unrealized loss on hedging activities of approximately $0.2 million. There was also an unrealized loss on the fair value of the Hotel Alba Tampa, Tapestry Collection by Hilton interest rate swap of approximately $0.7 million. These two aggregated losses of approximately $0.9 million for the twelve months ended December 31, 2024, compared to a loss of approximately $0.7 million during the twelve months ended December 31, 2023.

PPP Loan Forgiveness. During the year ended December 31, 2024, there were no other notifications of PPP Loan Forgiveness. During the year ended December 31, 2023, we received notification from our banks and the Small Business Administration that we received partial forgiveness on one of our unsecured notes, relating to the original PPP Loans we received in 2020. We received approximately $0.3 million PPP loan forgiveness, which includes principal forgiveness and the accrued interest on that portion of the loans.

Gain on Involuntary Conversion of Assets. Gain on involuntary conversion of assets decreased approximately $0.9 million, to approximately $0.5 million for the year ended December 31, 2024 from approximately $1.4 million, for the year ended December 31, 2023. The gains were related to casualties at our properties in Savannah, Georgia, Arlington, Virginia, Jacksonville and Hollywood, Florida.

Income Tax Benefit (Provision). We had an income tax provision of approximately $0.1 million for the year ended December 31, 2024, compared to an income tax benefit of approximately $0.3 million, for the year ended 2023. MHI TRS realized an operating loss for each of the years ended December 31, 2024 and 2023, respectively.

Net Income. Net income for the year ended December 31, 2024 decreased approximately $2.6 million, or 69.0%, to approximately $1.2 million, compared to a net income of approximately $3.8 million for the year ended December 31, 2023, as a result of the operating results discussed above.

Distributions to Preferred Stockholders. During the year ended December 31, 2024, we accounted for undeclared distributions to preferred stockholders of approximately $8.0 million, compared to undeclared distributions to preferred stockholders of approximately $8.0 million for the year ended December 31, 2023.

Comparison of Year Ended December 31, 2023 to Year Ended December 31, 2022

The following table illustrates the key operating metrics for the years ended December 31, 2023 and 2022 for our wholly-owned hotels and the condominium hotel units, during each respective reporting period ("composite portfolio" properties), as well as the key operating metrics for the ten wholly-owned hotel properties that were under our control during all of 2023 ("actual" properties).

	Year Ended December 31, 2023		Year Ended December 31, 2022	
	Composite	Actual	Composite	Actual
Occupancy %	62.8%	63.5%	60.0%	60.8%
ADR	$ 182.97	$ 177.74	$ 181.34	$ 171.34
RevPAR	$ 114.96	$ 112.84	$ 108.87	$ 104.17

Revenue. Total revenue for the year ended December 31, 2023 was approximately $173.8 million, an increase of approximately $7.8 million, or 4.7%, from total revenue for the year ended December 31, 2022 of approximately $166.0 million. There was an aggregate increase in total revenue of approximately $13.5 million from eight of our properties, offset by a decrease of approximately $2.5 million, at four of our properties and a decrease of approximately $3.2 million as a result of the sales of the Sheraton Louisville Riverside in Jeffersonville, Indiana, in February 2022 and the DoubleTree by Hilton Raleigh Brownstone University in Raleigh, North Carolina, in June 2022.

Room revenues at our properties for the year ended December 31, 2023 increased approximately $5.1 million, or 4.7%, to approximately $114.7 million compared to room revenues for the year ended December 31, 2022 of approximately $109.6 million. Eight of our properties experiencing increased room revenue offset by a decrease of approximately $2.3 million as a result of the sales of the Sheraton Louisville Riverside in Jeffersonville, Indiana, in February 2022 and the DoubleTree by Hilton Raleigh Brownstone University in Raleigh, North Carolina, in June 2022.

Food and beverage revenues at our properties for the year ended December 31, 2023 increased approximately $5.7 million, or 19.2%, to approximately $35.2 million compared to food and beverage revenues of approximately $29.5 million for the year ended December 31, 2022, with most of our properties experiencing increased demand for food and beverage services as a result of increased occupancy as well as an increase in meetings, banqueting and catering. The increase in food and beverage revenues for the year ended December 31, 2023, resulted from an aggregate increase of approximately $6.0 million from nine of our properties, offset by a

decrease in food and beverage revenue of approximately $0.2 million related to the sale of the Sheraton Louisville Riverside, in February 2022 and the DoubleTree by Hilton Raleigh Brownstone University in June 2022.

Other operating revenues for the year ended December 31, 2023 decreased approximately $3.1 million, or 11.5%, to approximately $23.9 million compared to other operating revenues for the year ended December 31, 2022 of approximately $27.0 million. The decrease was mostly related to a decrease of approximately $1.6 million in fees earned at our condominium unit rental programs at the Hyde Resort & Residences and the Hyde Beach House. In addition, we received non-recurring proceeds of $1.0 million received under the North Carolina Business Recovery Grant as well as approximately $1.0 million in other reimbursed expenses at the Georgian Terrace in Atlanta, Georgia in 2022. A further decrease in other operating revenues of approximately $0.2 million related to the sale of the Sheraton Louisville Riverside, in February 2022 and the DoubleTree by Hilton Raleigh Brownstone University in June 2022.

Hotel Operating Expenses. Hotel operating expenses, which consist of room expenses, food and beverage expenses, other direct expenses, indirect expenses, and management fees, with a net aggregate increase of approximately $9.4 million, or 7.9%, for the year ended December 31, 2023, to approximately $129.0 million compared to hotel operating expenses for the year ended December 31, 2022 of approximately $119.6 million. The increases of approximately $12.9 million in hotel operating expenses for the twelve months ended December 31, 2023, are directly related to the increase in hotel occupancy and gross revenue at ten of our properties, which was partially offset by approximately $2.4 million of decreases, with the sale of the Sheraton Louisville Riverside in February 2022 and the DoubleTree by Hilton Raleigh Brownstone University, in June 2022; and reductions in hotel operating expenses at two properties of approximately $1.1 million.

Rooms expense at our properties for the year ended December 31, 2023 increased approximately $0.4 million, or 1.5%, to approximately $26.2 million compared to rooms expense of approximately $25.8 million for the year ended December 31, 2022. The net aggregate increase in rooms expense for the year ended December 31, 2023, resulted from increases of approximately $1.6 million from eight of our properties, offset by decreases of approximately $0.6 million as a result of the sale of our properties in Jeffersonville, Indiana and Raleigh, North Carolina and decreases at the other two properties by approximately $0.6 million.

Food and beverage expenses at our properties for the year ended December 31, 2023 increased approximately $4.5 million, or 22.7%, to approximately $24.2 million compared to food and beverage expense of approximately $19.7 million for the year ended December 31, 2022. The net aggregate increase in food and beverage expenses for the twelve months ended December 31, 2023, resulted from increases of approximately $4.7 million, offset by a decrease of approximately $0.2 million as a result of the sale of our properties in Jeffersonville, Indiana and Raleigh, North Carolina.

Expenses from other operating departments decreased approximately $0.3 million, or 2.8%, to approximately $9.0 million for the year ended December 31, 2023, compared to expenses from other operating departments of approximately $9.3 million for the year ended December 31, 2022. The decrease in expenses from other operating departments for the twelve months ended December 31, 2023, resulted from aggregate decreases at five of our properties and the properties in Jeffersonville, Indiana and Raleigh, North Carolina, had decreases in other operating expenses aggregating to approximately $0.6 million, which were offset by increases in other operating expenses of approximately $0.3 million from seven of our properties. These increases were seen mainly from bringing back parking servicing contractors.

Indirect expenses at our properties for the year ended December 31, 2023 increased approximately $4.8 million, or 7.4%, to approximately $69.6 million compared to indirect expenses of approximately $64.8 million for the year ended December 31, 2022. The increase in indirect expenses for the twelve months ended December 31, 2023, resulted from an aggregate increase in total indirect expenses of approximately $6.9 million from ten of our properties, offset by decreases of approximately $1.5 million as a result of the sale of our properties in Jeffersonville, Indiana and Raleigh, North Carolina and two properties with a decrease of approximately $0.6 million.

Depreciation and Amortization. Depreciation and amortization for the year ended December 31, 2023 increased by approximately $0.1 million or 0.7%, to approximately $18.8 million, compared to depreciation and amortization expense of approximately $18.7 million for the year ended December 31, 2022.

Corporate General and Administrative. Corporate general and administrative expenses for the year ended December 31, 2023 increased approximately $0.5 million, or 6.9%, to approximately $7.1 million compared to corporate general and administrative expenses of approximately $6.6 million for the year ended December 31, 2022. The increase in corporate general and administrative expenses was mainly due to an increase in professional fees and compensation expenses offset by reductions in legal and other expenses.

Interest Expense. Interest expense for the year ended December 31, 2023 decreased approximately $2.2 million, or 11.0%, to approximately $17.6 million, compared to approximately $19.8 million of interest expense for the year ended December 31, 2022. The

decrease in interest expense for the twelve months ended December 31, 2023, was substantially related to decreases in the amount of debt attributable to the mortgages on the hotel properties in Jeffersonville, Indiana and Raleigh, North Carolina, sold in 2022, as well as the extinguishment of the secured notes with KWHP SOHO, LLC ("KW") and MIG SOHO, LLC (the "Secured Notes") in June 2022.

Interest Income. Interest income for the year ended December 31, 2023, increased approximately $0.6 million, or 323.8%, to approximately $0.8 million compared to approximately $0.2 million of interest income for the year ended December 31, 2022. The increase in interest income for the twelve months ended December 31, 2023, was substantially related to increases in the rates received on available cash balances we maintained during the year.

Loss on Early Extinguishment of Debt. The fiscal year 2022 loss relates to the repayment and cancellation of the Secured Notes in June 2022 resulting in a loss on early extinguishment consisting of the unamortized exit fee as well as the unamortized origination costs, which totaled approximately $5.9 million for the twelve months ended December 31, 2022. No losses were recorded for the twelve months ended December 31, 2023.

Unrealized Gain (Loss) on Hedging Activities. Unrealized gain (loss) on hedging activities primarily relates to the change in variance between the unamortized cost of the interest-rate swaps related to our mortgages on the DoubleTree by Hilton Philadelphia Airport, which matured at the end of July 2023, and the Hotel Alba Tampa, Tapestry Collection by Hilton and the fair value of interest-rate swaps which are affected by both the decreasing number of payment periods in the swap periods and the changes in anticipated SOFR rates over the remaining period. Those factors and the maturing of the DoubleTree by Hilton Philadelphia Airport's interest-rate swap, contributed to an unrealized loss of approximately $0.7 million for the year ended December 31, 2023, compared to an unrealized gain of approximately $2.9 million for the year ended December 31, 2022.

PPP Loan Forgiveness. During the year ended December 31, 2023, we received notification from our banks and the Small Business Administration that we received partial forgiveness on one of our unsecured notes, relating to the original PPP Loans we received in 2020. We received approximately $0.3 million PPP loan forgiveness, which includes principal forgiveness and the accrued interest on that portion of the loans. During the year ended December 31, 2022, we received notification from our banks and the Small Business Administration that we received partial forgiveness on another of our unsecured notes in the amount of approximately $4.7 million PPP loan forgiveness, which included principal forgiveness and the accrued interest on that portion of the loans.

Gain on Sale of Assets. During the twelve months ended December 31, 2022, we sold the property in Raleigh, North Carolina for a gain of approximately $30.1 million. We had no sales of property during the year ended December 31, 2023.

Gain on Involuntary Conversion of Assets. Gain on involuntary conversion of assets decreased approximately $0.4 million, to approximately $1.4 million for the year ended December 31, 2023 from approximately $1.8 million, for the year ended December 31, 2022. The gains were related to casualties at our properties in Savannah, Georgia, Houston, Texas and Atlanta, Georgia.

Income Tax Benefit (Provision). We had an income tax benefit of approximately $0.3 million for the year ended December 31, 2023, compared to an income tax provision of approximately $0.5 million, for the year ended 2022. MHI TRS realized an operating loss for the year ended December 31, 2023 and an operating gain for the year ended December 31, 2022.

Net Income. Net income for the year ended December 31, 2023 decreased approximately $30.2 million, or 88.8%, to approximately $3.8 million, compared to a net income of approximately $34.0 million for the year ended December 31, 2022, as a result of the operating results discussed above.

Distributions to Preferred Stockholders. During the year ended December 31, 2023, we accounted for undeclared distributions to preferred stockholders of approximately $8.0 million, compared to undeclared distributions to preferred stockholders of approximately $7.6 million for the year ended December 31, 2022.

Sources and Uses of Cash

Our principal sources of cash are cash from hotel operations, proceeds from the sale of common and preferred stock, proceeds from the sale of secured and unsecured notes, proceeds of mortgage or other debt and hotel property sales. Our principal uses of cash are acquisitions of hotel properties, capital expenditures, debt service and balloon maturities, operating costs, corporate expenses and dividends. As of December 31, 2024, we had unrestricted cash of approximately $7.3 million and restricted cash of approximately $21.4 million. Our net increase in cash for the year ended December 31, 2024 was approximately $2.5 million, generally consisting of net cash flow used in hotel operations. The positive cash flow from operations during the year was due to the increase in occupancy at our hotels as a result of increases in transient consumers, group business, and other business travel.

Operating Activities. Our cash provided by operating activities for the year ended December 31, 2024, was approximately $25.9 million. Our cash provided by operating activities for the year ended December 31, 2023 was approximately $21.4 million. Our cash provided by operating activities for the year ended December 31, 2022 was approximately $6.7 million. Cash used in or provided by operating activities generally consists of the cash flow from hotel operations, offset by the interest portion of our debt service, corporate expenses and positive or negative changes in working capital.

Investing Activities. Our cash used in investing activities for the year ended December 31, 2024 was approximately $14.1 million. Of this amount approximately $14.6 million was used for capital expenditures, including the replacement and refurbishment of furniture, fixtures and equipment offset by insurance proceeds of approximately $0.5 million. Our cash used in investing activities for the year ended December 31, 2023 was approximately $6.7 million. Of this amount approximately $8.2 million was used for capital expenditures, including the replacement and refurbishment of furniture, fixtures and equipment offset by insurance proceeds of approximately $1.3 million. Cash provided by investing activities for the year ended December 31, 2022, was approximately $46.7 million. Of this amount approximately $10.9 million came from the sale of Sheraton Louisville Riverside property and approximately $41.5 million came from the sale of the DoubleTree by Hilton Raleigh Brownstone University property and we used approximately $8.0 million on capital expenditures, which was offset by insurance proceeds of approximately $2.2 million.

Financing Activities. Our cash used in financing activities for the year ended December 31, 2024, was approximately $9.3 million. During the year ended December 31, 2024, the Company and Operating Partnership received proceeds of $66.3 million from the refinance of the DoubleTree by Hilton Philadelphia and the Hotel Alba mortgage loans, made scheduled principal payments on its mortgages of approximately $65.0 million, paid approximately $1.7 million in deferred financing costs, and made scheduled principal payments of approximately $0.9 million on its unsecured notes. We received a redemption payment from the interest rate swap on the refinance of the Hotel Alba mortgage loan for approximately $1.0 million. We also paid distributions to preferred stockholders in the amount of approximately $8.0 million. Our cash used in financing activities for the year ended December 31, 2023, was approximately $15.8 million. During the year ended December 31, 2023, the Company and Operating Partnership received proceeds of $2.7 million from the refinance of the DoubleTree by Hilton Laurel mortgage loan, made scheduled principal payments on its mortgages of approximately $7.3 million, paid approximately $0.5 million in deferred financing costs, and made scheduled principal payments of approximately $0.7 million on its unsecured notes. We also paid distributions to preferred stockholders in the amount of approximately $10.0 million. Our cash used in financing activities for the year ended December 31, 2022, was approximately $51.6 million. During the year ended December 31, 2022, the Company and Operating Partnership received proceeds of $7.8 million from the refinance of the mortgage loan on the Hotel Alba, made scheduled principal payments on its mortgages of approximately $9.3 million including the repayment of principal payments deferred during the COVID-19 pandemic, as well as approximately $29.2 million in principal payments related to the sale of the Sheraton Louisville Riverside and the DoubleTree by Hilton Raleigh Brownstone University. In addition, the Company extinguished debt on its Secured Notes of $20.0 million and paid approximately $0.4 million in deferred financing costs. We also paid approximately $0.5 million to reduce the principal balance outstanding of unsecured notes.

Capital Expenditures

We intend to maintain all our hotels, including any hotel we acquire in the future, in good repair and condition, in conformity with applicable laws and regulations and, when applicable, with franchisor's standards. Routine capital improvements are determined through the annual budget process over which we maintain approval rights, and which are implemented or administered by our management company.

Historically, we have aimed to maintain overall capital expenditures, except for those required by our franchisors as a condition to a franchise license or license renewal, at 4.0% of gross revenue. We expect total capital expenditures for 2025 to be approximately $7.2 million.

We expect a substantial portion of our capital expenditures for the routine replacement or refurbishment of furniture, fixtures and equipment at our properties will be funded by our replacement reserve accounts, other than costs that we incur to make capital improvements required by our franchisors. Reserve accounts are escrowed accounts with funds deposited monthly and reserved for capital improvements or expenditures with respect to most of our hotels. We deposit an amount equal to 4.0% of gross revenue for The DeSoto, the Hotel Ballast Wilmington, the DoubleTree by Hilton Laurel, the DoubleTree Resort by Hilton Hollywood Beach, The Whitehall, Hotel Alba, and the Georgian Terrace, as well as 4.0% of room revenues for the DoubleTree by Hilton Philadelphia Airport and the Hyatt Centric Arlington on a monthly basis.

From time to time, certain of our hotel properties may undergo renovations as a result of our decision to upgrade portions of the hotel, such as guestrooms, meeting space and restaurants, in order to better compete with other hotels in our markets. In addition, we may be required by one or more of our franchisors to complete a property improvement program ("PIP") in order to bring the hotel up to the franchisor's standards. Generally, we expect to fund such renovations and improvements out of working capital, including reserve accounts established by our lenders, and proceeds of mortgage debt or equity offerings.

In October 2024, we renewed the franchise license for the DoubleTree by Hilton Philadelphia Airport, subject to a product improvement plan. We expect total capital expenditures related to the renovation of that property of approximately $11.5 million as a condition to the renewal of our franchise license. On April 29, 2024, coincident with the extension of the mortgage loan, we placed $5.0 million into a reserve account to partially fund the renovation. In addition, provided we meet certain financial covenants, we expect the release of $1.2 million of other reserves in additional funding on or after June 30, 2025. The remainder of the capital expenditures will be funded out of working capital. As of December 31, 2024, we had incurred costs totaling approximately $2.7 million.

We expect total capital expenditures related to the renovation of our property in Jacksonville, Florida of approximately $14.6 million, as a condition to the renewal of our franchise license. On July 8, 2024, in conjunction with the refinance of the mortgage with Fifth Third Bank, N.A., we secured additional funding of $9.49 million to partially fund the product improvement plan. The remainder of the capital expenditures will be funded out of working capital. As of December 31, 2024, we had incurred costs totaling approximately $0.4 million.

Liquidity and Capital Resources

As of December 31, 2024, we had cash, cash equivalents and restricted cash of approximately $28.7 million, of which approximately $21.4 million was in restricted reserve accounts for cash collateral, capital improvements, real estate tax and insurance escrows. We expect that our cash on hand combined with our cash flow from our hotels should be adequate to fund continuing operations, recurring capital expenditures for the refurbishment and replacement of furniture, fixtures and equipment, and monthly scheduled payments of principal and interest (excluding any balloon payments due upon maturity of our mortgage debt or secured notes).

On February 26, 2023, we amended the mortgage loan agreement on The Whitehall hotel located in Houston, Texas with the existing lender, International Bank of Commerce. The amendment (i) extends the loan's maturity date to February 26, 2028; (ii) maintains a floating rate of interest of New York Prime Rate plus 1.25%; and (iii) subjects the interest rate to a floor rate of 7.50%. The mortgage loan continues to be guaranteed by the Operating Partnership. The amendment also requires us to establish a real estate tax reserve as well as a debt service reserve that approximates the aggregate amount of one year's debt service, which was initially established at approximately $1.5 million.

On May 4, 2023, we secured a $10.0 million mortgage loan on the DoubleTree by Hilton Laurel located in Laurel, Maryland with Citi Real Estate Funding Inc. Pursuant to the loan documents, the loan has a maturity date of May 6, 2028; carries a fixed rate of interest of 7.35%; requires monthly payments of interest only; and cannot be prepaid until the last four months of the loan term. We used a portion of the proceeds to repay the existing first mortgage on the hotel and will use the balance of the proceeds for general corporate purposes.

On February 7, 2024, we secured a $35.0 million mortgage loan on the Hotel Alba located in Tampa, Florida with Citi Real Estate Funding Inc. Pursuant to the loan documents, the loan has a maturity date of March 6, 2029; carries a fixed rate of interest of 8.49%; requires monthly payments of interest only; and cannot be prepaid until the last four months of the loan term. We used a portion of the proceeds to repay the existing first mortgage on the hotel and will use the balance of the proceeds for general corporate purposes.

On April 29, 2024, we entered into a loan amendment to amend the existing mortgage on the DoubleTree by Hilton Philadelphia Airport hotel with the existing lender, TD Bank, N.A. Pursuant to the amended loan documents, the mortgage loan extended the maturity to April 29, 2026, continues to carry a floating interest rate of SOFR plus 3.50% and requires payments of interest only. Concurrent with the execution of the loan amendment, we made a principal payment of $3.0 million; funded $0.3 million to the interest reserve escrow, bringing the balance in the interest reserve escrow account to $1.3 million; funded $5.0 million into a product improvement plan ("PIP") reserve account; and provided $1.7 million in additional cash collateral. Assuming we maintain compliance with certain financial covenants, $1.2 million of cash collateral can be released into the PIP reserve account as early as June 30, 2025. On May 3, 2024, we entered into an interest rate cap with a notional amount of $26.0 million with Webster Bank, N.A. The cap has a strike rate of 3.0%, is indexed to SOFR, and expires on May 1, 2026.

On July 8, 2024, we secured a $26.25 million mortgage loan on the DoubleTree by Hilton Jacksonville Riverfront hotel located in Jacksonville, Florida with Fifth Third Bank, N.A. The loan provides for an additional $9.49 million available to fund a product improvement plan at the hotel; matures on July 8, 2029; and requires monthly payments of interest at a floating interest rate of SOFR plus 3.00% plus principal of $38,700.

On August 14, 2024, we secured a $5.0 million second mortgage loan on The DeSoto hotel located in Savannah, Georgia with MONY Life Insurance Company. The loan has a maturity date of July 1, 2026, and requires level payments of principal and interest at a fixed interest rate of 7.50% and amortizing on a 25-year schedule. The proceeds of the loan were used for working capital.

As of the date of this report, we were current on all loan payments on all other mortgages per the terms of our mortgage agreements, as amended. We were in compliance with all loan covenants except the Debt Service Coverage Requirement (“DSCR”) and guarantor’s liquidity covenant under the mortgage secured by the DoubleTree by Hilton Jacksonville Riverfront, for which we have received waivers.

In June 2025, the mortgage on The Georgian Terrace in Atlanta, Georgia matures. We intend to refinance the mortgage but may be required to reduce the level of indebtedness by an amount of up to $4.1 million based upon anticipated financial performance of the property and anticipated market conditions.

In October 2025, the mortgage on the DoubleTree Resort by Hilton Hollywood Beach matures. We intend to refinance the mortgage but may be required to reduce the level of indebtedness by an amount of up to $11.4 million based upon anticipated financial performance of the property and anticipated market conditions. We intend to fund these reductions of indebtedness out of working capital.

In April and July 2026, the mortgages on the DoubleTree by Hilton Philadelphia Airport and The DeSoto, respectively, mature. We intend to optimize the proceeds of the refinance of these mortgages to fund working capital and may choose to refinance the mortgages significantly in advance of their maturity.

Mortgage Debt

As of December 31, 2024, we had a principal mortgage debt balance of approximately $316.5 million. The following table sets forth our mortgage debt obligations on our hotels:

Property	December 31, 2024	Prepayment Penalties	Maturity Date	Amortization Provisions	Interest Rate
The DeSoto [1]	$ 29,236,795	Yes	7/1/2026	25 years	4.25%
The DeSoto [2]	4,982,794	Yes	7/1/2026	25 years	7.50%
DoubleTree by Hilton Jacksonville Riverfront [3]	26,056,500	None	7/8/2029	25 years	SOFR plus 3.00%
DoubleTree by Hilton Laurel [4]	10,000,000	(4)	5/6/2028	(4)	7.35%
DoubleTree by Hilton Philadelphia Airport [5]	35,915,488	None	4/29/2026	(5)	SOFR plus 3.50%
DoubleTree Resort by Hilton Hollywood Beach [6]	50,211,533	(6)	10/1/2025	30 years	4.91%
Georgian Terrace [7]	38,375,095	(7)	6/1/2025	30 years	4.42%
Hotel Alba Tampa, Tapestry Collection by Hilton [8]	35,000,000	(8)	3/6/2029	(8)	8.49%
Hotel Ballast Wilmington, Tapestry Collection by Hilton [9]	29,770,045	Yes	1/1/2027	25 years	4.25%
Hyatt Centric Arlington [10]	45,317,273	Yes	10/1/2028	30 years	5.25%
The Whitehall [11]	13,777,078	None	2/26/2028	25 years	PRIME plus 1.25%
Total Mortgage Principal Balance	318,642,601				
Deferred financing costs, net	(2,144,656)				
Unamortized premium on loan	18,203				
Total Mortgage Loans, Net	$ 316,516,148				

(1) The note amortizes on a 25-year schedule after an initial interest-only period of one year and is subject to a pre-payment penalty except for any pre-payments made within 120 days of the maturity date.
(2) The note is a second mortgage that amortizes on a 25-year schedule. The note can be prepaid with penalty.
(3) The note provides for an initial tranche in the amount of $26.25 million and a renovation tranche in the amount of $9.49 million.
(4) The note requires payments of interest only and cannot be prepaid until the last 4 months of the loan term.
(5) The note requires payments of interest only. On May 3, 2024, we entered into an interest rate cap with a notional amount of $26.0 million with Webster Bank, N.A. The cap has a strike rate of 3.0%, is indexed to SOFR, and expires on May 1, 2026.
(6) With limited exception, the note may not be prepaid prior to June 2025.
(7) With limited exception, the note may not be prepaid prior to February 2025.
(8) The note requires payments of interest only and cannot be prepaid until the last four months of the term.
(9) The note amortizes on a 25-year schedule after an initial interest-only period of one year and is subject to a pre-payment penalty except for any pre-payments made within 120 days of the maturity date.
(10) Following a 5-year lockout, the note can be prepaid with penalty in years 6-10 and without penalty during the final 4 months of the term.
(11) The note bears a floating interest rate of New York Prime Rate plus 1.25%, with a floor of 7.50%.

Financial Covenants

Mortgage Loans

Our mortgage loan agreements contain various financial covenants directly related to the financial performance of the collateralized properties. Failure to comply with these financial covenants could result from, among other things, changes in the local competitive environment, disruption caused by renovation activity, major weather disturbances, as well as general economic conditions.

As described in “Liquidity and Capital Resources,” as of December 31, 2024, we were in compliance with all debt covenants, current on all loan payments and not otherwise in default under any of our mortgage loans, with the exception of a covenant default under the mortgage on the DoubleTree by Hilton Jacksonville Riverfront for which we have received a waiver.

Certain of our loan agreements contain “cash trap” provisions that may be triggered if the performance of our hotels declines below a certain threshold. At December 31, 2024, we continued to meet the provisions under the mortgage secured by the DoubleTree Resort by Hilton Hollywood Beach, which require substantially all the revenue generated by the hotel to be deposited directly into a lockbox account and swept into a cash management account for the benefit of the lender until the property meets the criteria in the loan agreement for exiting the “cash trap”.

Contractual Obligations

The following table outlines our contractual obligations as of December 31, 2024, and the effect such obligations are expected to have on our liquidity and cash flow in future periods (in thousands).

	Payments due by period (in thousands)				
Contractual Obligations	**Total**	**Less than 1 year**	**1-3 years**	**3-5 years**	**More than 5 years**
Mortgage loans, including interest	$ 364,947	$ 109,865	$ 122,359	$ 132,723	$ -
Unsecured notes	659	659	-	-	-
Ground, building, parking garage, office and equipment leases	13,187	631	1,185	1,139	10,232
Totals	$ 378,793	$ 111,155	$ 123,544	$ 133,862	$ 10,232

Dividend Policy

The Company has elected to be taxed as a REIT commencing with our taxable year ending December 31, 2004. To maintain qualification as a REIT, the Company is required to make annual distributions to its stockholders of at least 90.0% of our REIT taxable income, (excluding net capital gain, which does not necessarily equal net income as calculated in accordance with generally accepted accounting principles). The Company's ability to pay distributions to its stockholders will depend, in part, upon its receipt of distributions from the Operating Partnership which may depend upon receipt of lease payments with respect to our properties from our TRS Lessees, and in turn, upon the management of our properties by our hotel manager. Distributions to the Company's stockholders will generally be taxable to the Company's stockholders as ordinary income; however, because a portion of our investments are equity ownership interests in hotels, which will result in depreciation and noncash charges against our income, a portion of our distributions may constitute a non-taxable return of capital. To the extent not inconsistent with maintaining the Company's REIT status, our TRS Lessees may retain any after-tax earnings.

Distributions to Stockholders and Holders of Units in the Operating Partnership The Company may not make distributions with respect to any shares of its common stock, unless and until full cumulative distributions on the outstanding preferred stock for all past unpaid periods are paid or declared and a sum sufficient for the payment thereof in cash is set aside.

Distributions to Preferred Stockholders and Holder of Preferred Partnership Units in the Operating Partnership. On January 24, 2023, the Company announced that it will resume quarterly distribution to holders of our preferred stock and set a record date of February 28, 2023 with a payment date of March 15, 2023.

On April 24, 2023, the Company announced the declaration of a quarterly distribution to holders of our preferred stock and with a record date of May 31, 2023 with a payment date of June 15, 2023.

On May 30, 2023, the Company announced the declaration of a quarterly distribution to holders of our preferred stock and with a record date of June 30, 2023 with a payment date of July 14, 2023.

On August 1, 2023, the Company announced the declaration of a quarterly distribution to holders of our preferred stock and with a record date of August 31, 2023 with a payment date of September 15, 2023.

On October 31, 2023, the Company announced the declaration of a quarterly distribution to holders of our preferred stock and with a record date of November 30, 2023 with a payment date of December 15, 2023.

On January 30, 2024, the Company announced the declaration of a quarterly distribution to holders of our preferred stock and with a record date of February 29, 2024 with a payment date of March 15, 2024.

On April 30, 2024, we announced the declaration of a quarterly distribution to holders of our preferred stock with a record date of May 31, 2024 and a payment date of June 17, 2024.

On July 30, 2024, we announced the declaration of a quarterly distribution to holders of our preferred stock with a record date of August 30, 2024 and a payment date of September 16, 2024.

On October 29, 2024, we announced the declaration of a quarterly distribution to holders of our preferred stock with a record date of November 29, 2024 and a payment date of December 16, 2024**.**

On January 28, 2025, we announced the declaration of a quarterly distribution to holders of our preferred stock with a record date of February 28, 2025 and a payment date of March 14, 2025**.**

As of December 31, 2024, the amount of cumulative unpaid dividends on our outstanding preferred shares was approximately $21.9 million and the aggregate liquidation preference with respect to our outstanding preferred shares was approximately $121.3 million. The preferred stock is not redeemable by the holders, has no maturity date and is not convertible into any other security of the Company or its affiliates, except in the event of a change of control.

Inflation

We generate revenues primarily from lease payments from our TRS Lessees and net income from the operations of our TRS Lessees. Therefore, we rely primarily on the performance of the individual properties and the ability of the management company to increase revenues and to keep pace with inflation. Operators of hotels, in general, possess the ability to adjust room rates daily to keep pace with inflation. However, competitive pressures at some or all of our hotels may limit the ability of the management company to raise room rates.

Our expenses, including hotel operating expenses, administrative expenses, real estate taxes, and property and casualty insurance are subject to inflation. These expenses are expected to grow with the general rate of inflation, except for energy, liability insurance, property and casualty insurance, property tax rates, employee benefits, and some wages, which may vary at rates that differ from the general rate of inflation.

Geographic Concentration and Seasonality

Our hotels are located in Florida, Georgia, Maryland, North Carolina, Pennsylvania, Texas and Virginia. As a result, we are particularly susceptible to adverse market conditions in these geographic areas, including industry downturns, relocation of businesses and any oversupply of hotel rooms or a reduction in lodging demand. Adverse economic developments in the markets in which we have a concentration of hotels, or in any of the other markets in which we operate, or any increase in hotel supply or decrease in lodging demand resulting from the local, regional or national business climate, could materially and adversely affect us.

The operations of our hotel properties have historically been seasonal. The months of April and May are traditionally strong, as is October. The periods from mid-November through mid-February are traditionally slow with the exception of hotels located in certain markets, namely Florida and Texas, which experience significant room demand during this period.

Competition

The hotel industry is highly competitive with various participants competing on the basis of price, level of service and geographic location. Each of our hotels is located in a developed area that includes other hotel properties. The number of competitive hotel properties in a particular area could have a material adverse effect on occupancy, ADR and RevPAR of our hotels or at hotel properties acquired in the future. We believe that brand recognition, location, the quality of the hotel, consistency of services provided, and price, are the principal competitive factors affecting our hotels.

Critical Accounting Policies

Our consolidated financial statements, prepared in conformity with U.S. GAAP, require management to make estimates and assumptions that affect the reported amount of assets and liability at the date of our financial statements, the reported amounts of revenue and expenses during the reporting periods and the related disclosures in the consolidated financial statements and accompanying footnotes. We believe that of our significant accounting policies, which are described in Note 2, *Summary of Significant Accounting Policies*, in the audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K, the following accounting policies are critical because they require difficult, subjective and complex judgments and include estimates about matters that are inherently uncertain, involve various assumptions, require management judgment, and because they are important for understanding and evaluating our financial position, results of operations and related disclosures. We evaluate our estimates, assumptions and judgments on an ongoing basis, based on information that is available to us, our historical experiences and various matters that we believe are reasonable and appropriate for consideration under the circumstances. Actual results may differ significantly from these estimates due to changes in judgments, assumptions and conditions as a result of unforeseen events or otherwise, which could have a material impact on our financial position or results of operations.

Investment in Hotel Properties. Hotel properties are stated at cost, net of any impairment charges, and are depreciated using the straight-line method over an estimated useful life of 7-39 years for buildings and improvements and 3-10 years for furniture and equipment. In accordance with generally accepted accounting principles, the controlling interests in hotels comprising our accounting predecessor, MHI Hotels Services Group, and noncontrolling interests held by the controlling holders of our accounting predecessor in

hotels, which were acquired from third parties contributed to us in connection with the Company's initial public offering, are recorded at historical cost basis. Noncontrolling interests in those entities that comprise our accounting predecessor and the interests in hotels, other than those held by the controlling members of our accounting predecessor, acquired from third parties are recorded at fair value at the time of acquisition.

We review our hotel properties for impairment whenever events or changes in circumstances indicate the carrying value of the hotel properties may not be recoverable. Events or circumstances that may cause us to perform our review include, but are not limited to, adverse permanent changes in the demand for lodging at our properties due to declining national or local economic conditions and/or new hotel construction in markets where our hotels are located. When such conditions exist, management performs a recoverability analysis to determine if the estimated undiscounted future cash flows from operating activities and the estimated proceeds from the ultimate disposition of a hotel property exceed its carrying value. If the estimated undiscounted future cash flows are found to be less than the carrying amount of the hotel property, an adjustment to reduce the carrying value to the related hotel property's estimated fair market value would be recorded and an impairment loss recognized.

No impairment loss was recognized for the years ended December 31, 2024 and December 31, 2023, respectively.

Income Taxes. The Company has elected to be taxed as a REIT under Sections 856 through 860 of the Internal Revenue Code of 1986, as amended. As a REIT, the Company generally will not be subject to federal income tax. The MHI TRS Entities which leases our hotels from subsidiaries of the Operating Partnership, are subject to federal and state income taxes.

We account for income taxes using the asset and liability method under which deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. A valuation allowance is required for deferred tax assets if, based on all available evidence, it is "more-likely-than-not" that all or a portion of the deferred tax asset will or will not be realized due to the inability to generate sufficient taxable income in certain financial statement periods. The "more-likely-than-not" analysis means the likelihood of realization is greater than 50%, that we either will or will not be able to fully utilize the deferred tax assets against future taxable income. The net amount of deferred tax assets that are recorded on the financial statements must reflect the tax benefits that are expected to be realized using these criteria. As of December 31, 2024, we have determined that it is more-likely-than-not that we will not be able to fully utilize our deferred tax assets for future tax consequences, therefore a 100% valuation allowance is required. As of December 31, 2024 and 2023, deferred tax assets each totaled $0, respectively.

As of December 31, 2024, we had no uncertain tax positions. Our policy is to recognize interest and penalties related to uncertain tax positions in income tax expense. As of December 31, 2024, the tax years that remain subject to examination by the major tax jurisdictions to which the Company is subject generally include 2014 through 2023. In addition, as of December 31, 2024, the tax years that remain subject to examination by the major tax jurisdictions to which the MHI TRS Entities are subject, because of open NOL carryforwards, generally include 2017 and 2019 through 2023.

The Operating Partnership is generally not subject to federal and state income taxes as the unit holders of the Partnership are subject to tax on their respective shares of the Partnership's taxable income.

Recent Accounting Pronouncements

For a summary of recently adopted and newly issued accounting pronouncements, please refer to the *New Accounting Pronouncements* section of Note 2, *Summary of Significant Accounting Policies,* in the Notes to Consolidated Financial Statements.

Non-GAAP Financial Measures

We consider the non-GAAP financial measures of FFO attributable to common stockholders and unitholders (including FFO per common share and unit), Adjusted FFO attributable to common stockholders and unitholders, EBITDA and Hotel EBITDA to be key supplemental measures of the Company's performance and could be considered along with, not alternatives to, net income (loss) as a measure of the Company's performance. These measures do not represent cash generated from operating activities determined by generally accepted accounting principles ("GAAP") or amounts available for the Company's discretionary use and should not be considered alternative measures of net income, cash flows from operations or any other operating performance measure prescribed by GAAP.

FFO and Adjusted FFO. Industry analysts and investors use FFO, as a supplemental operating performance measure of an equity REIT. FFO is calculated in accordance with the definition adopted by the Board of Governors of the National Association of Real Estate Investment Trusts ("NAREIT"). FFO, as defined by NAREIT, represents net income or loss determined in accordance with GAAP, excluding extraordinary items as defined under GAAP and gains or losses from sales of previously depreciated operating real estate assets, gains or losses from involuntary conversion of assets, plus certain non-cash items such as real estate asset

depreciation and amortization or impairment and after adjustment for any noncontrolling interest from unconsolidated partnerships and joint ventures. Historical cost accounting for real estate assets in accordance with GAAP implicitly assumes that the value of real estate assets diminishes predictably over time. Since real estate values instead have historically risen or fallen with market conditions, many investors and analysts have considered the presentation of operating results for real estate companies that use historical cost accounting to be insufficient by itself.

We consider FFO to be a useful measure of adjusted net income (loss) for reviewing comparative operating and financial performance because we believe FFO is most directly comparable to net income (loss), which remains the primary measure of performance, because by excluding gains or losses related to sales of previously depreciated operating real estate assets and excluding real estate asset depreciation and amortization, FFO assists in comparing the operating performance of a company's real estate between periods or as compared to different companies. Although FFO is intended to be a REIT industry standard, other companies may not calculate FFO in the same manner as we do, and investors should not assume that FFO as reported by us is comparable to FFO as reported by other REITs.

We further adjust FFO attributable to common stockholders and unitholders for certain additional items that are not in NAREIT's definition of FFO, including changes in deferred income taxes, any unrealized gain (loss) on hedging instruments, losses on early extinguishment of debt, gains on extinguishment of preferred stock, aborted offering costs, loan modification fees, franchise termination costs, costs associated with the departure of executive officers, litigation settlement, management contract termination costs, operating asset depreciation and amortization, gain or loss on a change in control, ESOP and stock compensation expenses and negative lease amortization on our finance ground lease obligation. We exclude these items as we believe it allows for meaningful comparisons between periods and among other REITs and is more indicative than FFO of the on-going performance of our business and assets. Our calculation of adjusted FFO may be different from similar measures calculated by other REITs.

The following is a reconciliation of net income (loss) to FFO and Adjusted FFO for the years ended December 31, 2024, 2023, and 2022.

	Year Ended December 31, 2024	Year Ended December 31, 2023	Year Ended December 31, 2022
Net income	**$ 1,179,854**	**$ 3,809,711**	**$ 33,959,848**
Depreciation and amortization - real estate	19,321,684	18,735,804	18,593,359
Loss (gain) on disposal of assets	(4,400)	(4,700)	636,198
Gain on sale of hotel properties	—	—	(30,053,977)
Distributions to preferred stockholders	(7,977,250)	(7,977,250)	(7,634,219)
Gain on involuntary conversion of asset	(502,808)	(1,371,041)	(1,763,320)
FFO attributable to common stockholders and unitholders	**$ 12,017,080**	**$ 13,192,524**	**$ 13,737,889**
Amortization	59,222	52,944	56,977
ESOP and stock - based compensation	497,500	559,220	998,424
Unrealized loss (gain) on hedging activities	937,783	737,682	(2,918,207)
Negative lease amortization	536,758	—	—
Loss on early debt extinguishment	241,878	—	5,944,881
Adjusted FFO attributable to common stockholders and unitholders	**$ 14,290,221**	**$ 14,542,370**	**$ 17,819,964**

Hotel EBITDA. We define Hotel EBITDA as net income or loss excluding: (1) interest expense, (2) interest income, (3) income tax provision or benefit, (4) depreciation and amortization, (5) impairment of long-lived assets or investments, (6) gains and losses on disposal and/or sale of assets, (7) gains and losses on involuntary conversions of assets, (8) realized and unrealized gains and losses on derivative instruments not included in other comprehensive income, (9) other income at the properties, (10) loss on early debt extinguishment, (11) Paycheck Protection Program (PPP) debt forgiveness, (12) gain on exercise of development right, (13) corporate general and administrative expense, and (14) other income. We believe this provides a more complete understanding of the operating results over which our wholly-owned hotels and its operators have direct control. We believe Hotel EBITDA provides investors with supplemental information on the on-going operational performance of our hotels and the effectiveness of third-party management companies operating our business on a property-level basis.

Our calculation of Hotel EBITDA may be different from similar measures calculated by other REITs.

The following is a reconciliation of net income to Hotel EBITDA for the years ended December 31, 2024, 2023, and 2022.

	Year Ended December 31, 2024	Year Ended December 31, 2023	Year Ended December 31, 2022
Net income	**$ 1,179,854**	**$ 3,809,711**	**$ 33,959,848**
Interest expense	20,882,681	17,588,091	19,772,802
Interest income	(692,756)	(802,183)	(189,291)
Income tax provision	132,491	(304,947)	522,355
Depreciation and amortization	19,380,906	18,788,748	18,650,336
Impairment of investment in hotel properties, net	—	—	—
Realized and unrealized (gain) loss on hedging activities	(104,211)	737,682	(2,918,207)
Loss on early debt extinguishment	241,878	—	5,944,881
Gain on sale of hotel properties	—	—	(30,053,977)
Loss (gain) on disposal of assets	(4,400)	(4,700)	636,198
PPP loan forgiveness	—	(275,494)	(4,720,278)
Other income	(489,267)	(456,388)	—
Gain on involuntary conversion of asset	(502,808)	(1,371,041)	(1,763,320)
Corporate general and administrative expenses	6,788,460	7,078,222	6,621,221
Hotel EBITDA	**$ 46,812,828**	**$ 44,787,701**	**$ 46,462,568**

Item 7A. ***Quantitative and Qualitative Disclosures about Market Risk***

The effects of potential changes in interest rates are discussed below. Our market risk discussion includes "forward-looking statements" and represents an estimate of possible changes in fair value or future earnings that could occur assuming hypothetical future movements in interest rates. These disclosures are not precise indicators of expected future losses, but only indicators of reasonably possible losses. As a result, actual future results may differ materially from those presented. The analysis below presents the sensitivity of the market value of our financial instruments to selected changes in market interest rates.

To meet in part our long-term liquidity requirements, we will borrow funds at a combination of fixed and variable rates. Our interest rate risk management objective is to limit the impact of interest rate changes on earnings and cash flows and to lower our overall borrowing costs. From time to time we may enter into interest rate hedge contracts such as collars and treasury lock agreements in order to mitigate our interest rate risk with respect to various debt instruments. We do not intend to hold or issue derivative contracts for trading or speculative purposes.

As of December 31, 2024, we had approximately $243.6 million of fixed-rate debt, including the mortgage on our Hotel Alba Tampa, Tapestry Collection by Hilton, which is fixed by an interest rate swap to 8.49% and the PPP Loans of $0.7 million, with a fixed rate of 1.0% and approximately $75.7 million of variable-rate debt. The weighted-average interest rate on the fixed-rate debt was 5.39%. A change in market interest rates on the fixed portion of our debt would impact the fair value of the debt but have no impact on interest incurred or cash flows. Our variable-rate debt is exposed to changes in interest rates, specifically changes in the 1-month SOFR and in Prime Rate, except for a $26.0 million portion of the mortgage on the DoubleTree by Hilton Philadelphia which is subject to a cap on SOFR of 3.00%. Assuming that the aggregate amount outstanding on the mortgages on our Philadelphia, Pennsylvania, Jacksonville, Florida and Houston, Texas hotels remains at approximately $75.7 million, the balance at December 31, 2024, the impact on our annual interest incurred and cash flows of a one percent increase in 1-month SOFR and the Prime Rate, would be approximately $0.5 million.

As of December 31, 2023, we had approximately $266.0 million of fixed-rate debt, including the mortgage on our Hotel Alba Tampa, Tapestry Collection by Hilton, which is fixed by an interest rate swap to 5.576% and the PPP Loans of $1.5 million, with a fixed rate of 1.0% and approximately $52.9 million of variable-rate debt. The weighted-average interest rate on the fixed-rate debt was 4.87%. A change in market interest rates on the fixed portion of our debt would impact the fair value of the debt but have no impact on interest incurred or cash flows. Our variable-rate debt is exposed to changes in interest rates, specifically the changes in 1-month SOFR and in Prime Rate. Assuming that the aggregate amounts outstanding on the mortgage on The Whitehall remains at approximately $14.0 million and the mortgage on the DoubleTree by Hilton Philadelphia Airport remains at approximately $38.9 million, the balance at December 31, 2023, the impact on our annual interest incurred and cash flows of a one percent increase in 1-month SOFR and in Prime Rate, would be approximately $0.4 million.

Item 8. ***Financial Statements and Supplementary Data***

See Index to Financial Statements and Financial Statement Schedules on page F-1.

Item 9. ***Changes in and Disagreements with Accountants on Accounting and Financial Disclosure***

None.

Item 9A. ***Controls and Procedures***

Sotherly Hotels Inc.

Disclosure Controls and Procedures

The Company's management, under the supervision and participation of its Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of its disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as required by paragraph (b) of Rules 13a-15 and 15d-15 under the Exchange Act), as of December 31, 2024. Based on that evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that, as of December 31, 2024, its disclosure controls and procedures were effective and designed to ensure that (i) information required to be disclosed in its reports filed under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and instructions, and (ii) information is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosures.

The Company's management, including its Chief Executive Officer and Chief Financial Officer, does not expect that the Company's disclosure controls and procedures or its internal controls will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of the controls can provide absolute assurance that all control issues and instances of fraud, if any, within Sotherly Hotels Inc. have been detected.

Management's Report on Internal Control over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act). The Company's management assessed the effectiveness over internal control over financial reporting as of December 31, 2024. In making this assessment, the Company's management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") 2013 *Internal Control-Integrated Framework.* The Company's management has concluded that, as of December 31, 2024, the Company's internal control over financial reporting is effective based on these criteria.

This annual report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's independent registered public accounting firm pursuant to the exemption provided to issuers that are not "large accelerated filers" or "accelerated filers" under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010.

Changes in Internal Control over Financial Reporting

There was no change in Sotherly Hotels Inc.'s internal control over financial reporting identified in connection with the evaluation required by paragraph (d) of Rules 13a-15 and 15d-15 under the Exchange Act during Sotherly Hotels Inc.'s last fiscal quarter that materially affected, or is reasonably likely to materially affect, Sotherly Hotels Inc.'s internal control over financial reporting.

Sotherly Hotels LP

Disclosure Controls and Procedures

The Operating Partnership's management, under the supervision and participation of the Chief Executive Officer and Chief Financial Officer of Sotherly Hotels Inc., as general partner, has evaluated the effectiveness of the disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, as required by paragraph (b) of Rules 13a-15 and 15d-15 under the Exchange Act), as of December 31, 2024. Based on that evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that, as of December 31, 2024, the disclosure controls and procedures were effective and designed to ensure that (i) information required to be disclosed in the reports filed under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and instructions, and (ii) information is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosures.

The Operating Partnership's management, including the Chief Executive Officer and Chief Financial Officer of Sotherly Hotels Inc., as general partner, does not expect that the disclosure controls and procedures or the internal controls will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of the controls can provide absolute assurance that all control issues and instances of fraud, if any, within Sotherly Hotels LP have been detected.

Management's Report on Internal Control over Financial Reporting

The Operating Partnership's management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act). Management assessed the effectiveness over internal control over financial reporting as of December 31, 2024. In making this assessment, management used the criteria set forth by COSO in 2013 *Internal Control-Integrated Framework.* Management has concluded that, as of December 31, 2024, the Operating Partnership's internal control over financial reporting is effective based on these criteria.

This annual report does not include an attestation report of the Operating Partnership's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Operating Partnership's independent registered public accounting firm pursuant to the exemption provided to issuers that are not "large accelerated filers" or "accelerated filers" under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010.

Changes in Internal Control over Financial Reporting

There was no change in Sotherly Hotels LP's internal control over financial reporting identified in connection with the evaluation required by paragraph (d) of Rules 13a-15 and 15d-15 under the Exchange Act during Sotherly Hotels LP's last fiscal quarter that materially affected, or is reasonably likely to materially affect, Sotherly Hotels LP's internal control over financial reporting.

Item 9B. ***Other Information***

During the three months ended December 31, 2024, none of our directors or officers adopted, modified or terminated a "Rule 10b5-1 trading arrangement" or a "non-Rule 10b5-1 trading arrangement" as such terms are defined under Item 408 of Regulation S-K.

Item 9C. ***Disclosure Regarding Foreign Jurisdictions that Prevent Inspections***

None.

PART III

The information required by Items 10-14 is incorporated by reference to the Company's proxy statement for the 2025 annual meeting of stockholders, which will be filed with the Securities and Exchange Commission not later than 120 days after the end of the fiscal year covered by this annual report (or information will be provided by amendment to this Form 10-K).

Item 10. ***Information about our Directors, Executive Officers and Corporate Governance***

The information required by this item is incorporated by reference to the sections captioned "Proposal I - Election of Directors" and "Delinquent Section 16(a) Reports" contained in the Company's 2025 Proxy Statement, which will be filed with the Securities and Exchange Commission not later than 120 days after the end of the fiscal year covered by this annual report (or information will be provided by amendment to this Form 10-K).

The Company has adopted an insider trading policy, filed as Exhibit 19.1 to this Annual Report. The Company's board of directors reviews the insider trading policy annually.

Code of Ethics

The Company has adopted a code of business conduct and ethics, including a conflicts of interest policy that applies to its principal executive officer, principal financial officer, principal accounting officer or controller performing similar functions. We intend to maintain the highest standards of ethical business practices and compliance with all laws and regulations applicable to our business. A copy of the Company's Code of Business Conduct is posted on the Company's external website at www.sotherlyhotels.com. The Company and the Operating Partnership intend to post to its website any amendments to or waivers of its code. The Operating Partnership is managed by the Company, its sole general partner and parent company. Consequently, the Operating Partnership does not have its own separate directors or executive officers.

Item 11. ***Executive Compensation***

The information required by this item is incorporated by reference to the section captioned "Director and Executive Compensation" contained in the Company's 2025 Proxy Statement, which will be filed with the Securities and Exchange Commission not later than 120 days after the end of the fiscal year covered by this annual report (or information will be provided by amendment to this Form 10-K).

Item 12. ***Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters***

(a) SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS

The information required by this item is incorporated by reference to the section captioned "Principal Holders" contained in the Company's 2025 Proxy Statement, which will be filed with the Securities and Exchange Commission not later than 120 days after the end of the fiscal year covered by this annual report (or information will be provided by amendment to this Form 10-K).

(b) SECURITY OWNERSHIP OF MANAGEMENT

The information required by this item is incorporated by reference to the section captioned "Principal Holders" contained in the Company's 2025 Proxy Statement, which will be filed with the Securities and Exchange Commission not later than 120 days after the end of the fiscal year covered by this annual report (or information will be provided by amendment to this Form 10-K).

(c) CHANGES IN CONTROL

Management of the Company knows of no arrangements, including any pledge by any person of securities of the Company, the operation of which may at a subsequent date result in a change in control of the Company.

(d) SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

Set forth below is information as of December 31, 2024 with respect to compensation plans under which equity securities of the Company are authorized for issuance.

EQUITY COMPENSATION PLAN INFORMATION

	NUMBER OF SECURITIES TO BE ISSUED UPON EXERCISE OF OUTSTANDING OPTIONS, WARRANTS AND RIGHTS	WEIGHTED-AVERAGE EXERCISE PRICE OF OUTSTANDING OPTIONS, WARRANTS AND RIGHTS	NUMBER OF SECURITIES REMAINING AVAILABLE FOR FUTURE ISSUANCE
Equity compensation plans approved by security holders:			
2022 Plan (1)	N/A	N/A	1,395,972
Equity compensation plans not approved by security holders:			
None	N/A	N/A	N/A
Total	N/A	N/A	1,395,972

1. The Company's 2022 Long-Term Incentive Plan (the "2022 Plan"), which the Company's stockholders approved in April 2022, permits the grant of stock options, restricted stock, unrestricted stock and performance share compensation awards to its employees and directors for up to 2,000,000 shares of common stock.

   On January 18, 2024, we granted (i) 139,610 shares of common stock to our officers and employees, and (ii) 12,750 shares of restricted common stock to our independent directors, all of which vested on December 31, 2024 but for a grant of 750 shares to one director, which vested on April 30, 2024.

   On January 2, 2025, we granted (i) 260,000 shares of common stock to our officers and employees; (ii) 15,000 shares of restricted common stock to our independent directors, all of which will vest on December 31, 2025; and (iii) 2,250 shares of common stock to one of our directors for their service in 2024. These shares are included in the number of securities remaining available for future issuance as of December 31, 2024.

Item 13. ***Certain Relationships and Related Transactions, and Director Independence***

The information required by this item is incorporated by reference to the sections captioned "Certain Relationships and Related Party Transactions" and "Proposal I - Election of Directors" contained in the Company's 2025 Proxy Statement, which will be filed with the Securities and Exchange Commission not later than 120 days after the end of the fiscal year covered by this annual report (or information will be provided by amendment to this Form 10-K).

Item 14. ***Principal Accountant Fees and Services***

The information required by this item is incorporated by reference to the section captioned "Proposal II - Ratification of Appointment of Accountants" contained in the Company's 2025 Proxy Statement, which will be filed with the Securities and Exchange Commission not later than 120 days after the end of the fiscal year covered by this annual report (or information will be provided by amendment to this Form 10-K).

PART IV

Item 15. ***Exhibits and Financial Statement Schedules***

All other schedules for which provision is made in Regulation S-X are either not required to be included herein under the related instructions or are inapplicable or the related information is included in the footnotes to the applicable financial statement and, therefore, have been omitted.

The following exhibits are filed as part of this Form 10-K:

Exhibits	
3.1	Articles of Amendment and Restatement of the Company (incorporated by reference to the document previously filed as Exhibit 3.1 to the Company's Pre-Effective Amendment No. 1 to its Registration Statement on Form S-11 filed with the Securities and Exchange Commission on October 20, 2004 (File No. 333-118873)).
3.1A	Articles of Amendment to the Articles of Amendment and Restatement of the Company, effective as of April 16, 2013 (incorporated by reference to the document previously filed as Exhibit 3.7 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on April 16, 2013).
3.1B	Articles of Amendment to the Articles of Amendment and Restatement of the Company, effective as of August 12, 2016 (incorporated by reference to the document previously filed as Exhibit 3.1 to our Current Report on Form 8-K filed with the Securities and Exchange Commission on August 15, 2016).
3.1C	Articles of Amendment to the Articles of Amendment and Restatement of the Company, effective as of April 12, 2019 (incorporated by reference to the document previously filed as Exhibit 3.1 to our Current Report on Form 8-K filed with the Securities and Exchange Commission on April 16, 2019).
3.2	Amended and Restated Agreement of Limited Partnership of Sotherly Hotels LP (incorporated by reference to the document previously filed as Exhibit 3.3 to the Company's Pre-Effective Amendment No. 5 to its Registration Statement on Form S-11 filed with the Securities and Exchange Commission on December 13, 2004 (File No. 333-118873)).
3.2A	Amendment No. 1 to the Amended and Restated Agreement of Limited Partnership of Sotherly Hotels LP (incorporated by reference to the document previously filed as Exhibit 3.6 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on April 18, 2011).
3.2B	Amendment No. 2 to the Amended and Restated Agreement of Limited Partnership of Sotherly Hotels LP (incorporated by reference to the document previously filed as Exhibit 3.3 to the Operating Partnership's Pre-Effective Amendment No. 1 to its Registration Statement on Form S-11 filed with the Securities and Exchange Commission on August 9, 2013 (File No. 333-189821)).
3.2C	Amendment No. 3 to the Amended and Restated Agreement of Limited Partnership of Sotherly Hotels LP (incorporated by reference to the document previously filed as Exhibit 3.1 to our Current Report on Form 8-K filed with the Securities and Exchange Commission on August 23, 2016).
3.2D	Amendment No. 4 to the Amended and Restated Agreement of Limited Partnership of Sotherly Hotels LP (incorporated by reference to the document previously filed as Exhibit 3.1 to our Current Report on Form 8-K filed with the Securities and Exchange Commission on October 11, 2017).
3.2E	Amendment No. 5 to the Amended and Restated Agreement of Limited Partnership of Sotherly Hotels LP (incorporated by reference to the document previously filed as Exhibit 3.2E to our Current Report on Form 8-K filed with the Securities and Exchange Commission on August 31, 2018).
3.2F	Amendment No. 6 to the Amended and Restated Agreement of Limited Partnership of Sotherly Hotels LP (incorporated by reference to the document previously filed as Exhibit 3.1 to our Current Report on Form 8-K filed with the Securities and Exchange Commission on April 18, 2019).
3.3	Articles Supplementary of Sotherly Hotels Inc. (incorporated by reference to the document previously filed as Exhibit 3.4 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on April 18, 2011).
3.4	Third Amended and Restated Bylaws of the Company, effective as of July 31, 2023 (incorporated by reference to the document previously filed as Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on August 14, 2023).
3.5	Articles Supplementary designating the Series B Preferred Stock of the Company, effective as of August 19, 2016 (incorporated by reference to the document previously filed as Exhibit 3.5 to the Company's Registration Statement on Form 8-A filed with the Securities and Exchange Commission on August 22, 2016).
3.6	Articles Supplementary designating the Series C Preferred Stock of the Company, effective as of October 5, 2017 (incorporated by reference to the document previously filed as Exhibit 3.5 to the Company's Registration Statement on Form 8-A filed with the Securities and Exchange Commission on October 10, 2017).

Exhibits

3.7	Articles Supplementary dated August 30, 2018 (incorporated by reference to the document previously filed as Exhibit 3.7 to our current report on Form 8-K filed with the Securities and Exchange Commission on August 31, 2018).
3.8	Articles Supplementary designating the Series D Preferred Stock of the Company, effective as of April 15, 2019 (incorporated by reference to the document previously filed as Exhibit 3.6 to the Company's Registration Statement on Form 8-A filed with the Securities and Exchange Commission on April 16, 2019).
4.0	Form of Common Stock Certificate (incorporated by reference to the document previously filed as Exhibit 4.0 to our Annual Report on Form 10-K for the fiscal year ended December 31, 2017, filed with the Securities and Exchange Commission on March 22, 2017).
4.1	Form of Specimen Certificate of Series B Preferred Stock of the Company (incorporated by reference to the document previously filed as Exhibit 4.1 to the Company's Registration Statement on Form 8-A filed with the Securities and Exchange Commission on August 22, 2016).
4.2	Form of Specimen Certificate of Series C Preferred Stock of the Company (incorporated by reference to the document previously filed as Exhibit 4.1 to the Company's Registration Statement on Form 8-A filed with the Securities and Exchange Commission on October 10, 2017).
4.3	Form of Specimen Certificate of Series D Preferred Stock of the Company (incorporated by reference to the document previously filed as Exhibit 4.1 to the Company's Registration Statement on Form 8-A filed with the Securities and Exchange Commission on April 16, 2019).
4.4	Description of Registered Securities. **
10.1	Form of Restricted Stock Award Agreement between Sotherly Hotels Inc. and Participant (incorporated by reference to the document previously filed as Exhibit 10.1A to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2008, filed with the Securities and Exchange Commission on March 25, 2009). *
10.2	Executive Employment Agreement between Sotherly Hotels Inc. and Anthony E. Domalski, dated as of January 1, 2018 (incorporated by reference to the document previously filed as Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on January 5, 2018). *
10.3	Master Agreement by and among Sotherly Hotels Inc., Sotherly Hotels LP, MHI Hospitality TRS, LLC, Newport Hospitality Group, Inc. and Our Town Hospitality LLC (incorporated by reference to the document previously filed as Exhibit 10.17 to our Current Report on Form 8-K filed with the Securities and Exchange Commission on September 9, 2019).
10.4	Amendment to Master Agreement by and among Sotherly Hotels Inc., Sotherly Hotels LP, MHI Hospitality TRS, LLC, Newport Hospitality Group, Inc. and Our Town Hospitality LLC (incorporated by reference to the document previously filed as Exhibit 10.21 to our Current Report on Form 8-K filed with the Securities and Exchange Commission on December 16, 2019).
10.5	Sublease Agreement between Our Town Hospitality LLC and Sotherly Hotels Inc. dated December 13, 2019 (incorporated by reference to the document previously filed as Exhibit 10.23 to our Current Report on Form 8-K filed with the Securities and Exchange Commission on December 16, 2019).
10.6	Executive Employment Agreement between Sotherly Hotels Inc. and Andrew M. Sims, dated as of January 1, 2020 (incorporated by reference to the document previously filed as Exhibit 10.24 to our Current Report on Form 8-K filed with the Securities and Exchange Commission on January 6, 2020). *
10.7	Executive Employment Agreement between Sotherly Hotels Inc. and David R. Folsom, dated as of January 1, 2020 (incorporated by reference to the document previously filed as Exhibit 10.25 to our Current Report on Form 8-K filed with the Securities and Exchange Commission on January 6, 2020). *
10.8	Executive Employment Agreement between Sotherly Hotels Inc. and Scott M. Kucinski, dated as of January 1, 2020 (incorporated by reference to the document previously filed as Exhibit 10.26 to our Current Report on Form 8-K filed with the Securities and Exchange Commission on January 6, 2020). *
10.9	Executive Employment Agreement between Sotherly Hotels Inc. and Robert E. Kirkland IV, dated as of January 1, 2020 (incorporated by reference to the document previously filed as Exhibit 10.27 to our Current Report on Form 8-K filed with the Securities and Exchange Commission on January 6, 2020). *
10.10	Promissory Note between Sotherly Hotels LP and Village Bank dated as of April 16, 2020 (incorporated by reference to the document previously filed as Exhibit 10.16 to our Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on June 24, 2020).

Exhibits

10.11	Promissory Note between MHI Hospitality TRS, LLC and Fifth Third Bank, National Association, dated as of April 28, 2020 (incorporated by reference to the document previously filed as Exhibit 10.17 to our Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on June 24, 2020).
10.12	Promissory Note between SOHO Arlington TRS LLC and Fifth Third Bank, National Association, dated as of May 6, 2020 (incorporated by reference to the document previously filed as Exhibit 10.18 to our Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on June 24, 2020).
10.13	Second Amendment to Master Agreement by and among Sotherly Hotels Inc., Sotherly Hotels LP, MHI Hospitality TRS, LLC, Newport Hospitality Group, Inc. and Our Town Hospitality (incorporated by reference to the document previously filed as Exhibit 10.20 to our Current Report on Form 8-K filed with the Securities and Exchange Commission on June 9, 2021).
10.14	First Amendment to Employment Agreement between Sotherly Hotels Inc. and Robert E. Kirkland IV, dated February 8, 2022 (incorporated by reference to the document previously filed as Exhibit 10.25 to our Current Report on Form 8-K filed with the Securities and Exchange Commission on February 11, 2022). *
10.15	Third Amendment to Master Agreement by and among Sotherly Hotels Inc., Sotherly Hotels LP, MHI Hospitality TRS, LLC, and Our Town Hospitality LLC (incorporated by reference to the document previously filed as Exhibit 10.27 to our Current Report on Form 8-K filed with the Securities and Exchange Commission on April 27, 2022).
10.16	Sotherly Hotels Inc. 2022 Long-Term Incentive Plan (incorporated by reference to the document previously filed as Exhibit 99.1 to the Company's Registration Statement on Form S-8 filed with the Securities and Exchange Commission on July 20, 2022). *
10.17	Amendment to Employment Agreement between Sotherly Hotels Inc. and Andrew M. Sims, dated January 23, 2023 (incorporated by reference to the document previously filed as Exhibit 10.1 to our Current Report on Form 8-K filed with the Securities and Exchange Commission on January 24, 2023). *
10.18	Amendment to Employment Agreement between Sotherly Hotels Inc. and David R. Folsom, dated January 23, 2023 (incorporated by reference to the document previously filed as Exhibit 10.2 to our Current Report on Form 8-K filed with the Securities and Exchange Commission on January 24, 2023). *
10.19	Amendment to Employment Agreement between Sotherly Hotels Inc. and Scott M. Kucinski, dated January 23, 2023 (incorporated by reference to the document previously filed as Exhibit 10.3 to our Current Report on Form 8-K filed with the Securities and Exchange Commission on January 24, 2023). *
10.20	Amendment to Employment Agreement between Sotherly Hotels Inc. and Anthony E. Domalski, dated January 23, 2023 (incorporated by reference to the document previously filed as Exhibit 10.4 to our Current Report on Form 8-K filed with the Securities and Exchange Commission on January 24, 2023). *
10.21	Second Amendment to Employment Agreement between Sotherly Hotels Inc. and Robert E. Kirkland IV, dated January 23, 2023 (incorporated by reference to the document previously filed as Exhibit 10.5 to our Current Report on Form 8-K filed with the Securities and Exchange Commission on January 24, 2023). *
10.22	Amended and Restated Master Agreement by and among Sotherly Hotels Inc., Sotherly Hotels LP, MHI Hospitality TRS, LLC, and Our Town Hospitality LLC, dated November 6, 2024 (incorporated by reference to the document previously filed as Exhibit 10.22 to our Current Report on Form 8-K filed with the Securities and Exchange Commission on November 7, 2024).
10.23	Form of Indemnification Agreement between Sotherly Hotels Inc. and its directors, officers, and certain employees. * **
19.1	Sotherly Hotels Inc. Insider Trading Policy. **
21.1	List of Subsidiaries of Sotherly Hotels Inc. **
21.2	List of Subsidiaries of Sotherly Hotels LP. **
23.1	Consent of Forvis Mazars, LLP. **
23.2	Consent of Forvis Mazars, LLP. **
31.1	Certification of Chief Executive Officer pursuant to Exchange Act Rule 13(a)-14 and 15(d)-14, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. **

Exhibits

31.2	Certification of Chief Financial Officer pursuant to Exchange Act Rule 13(a)-14 and 15(d)-14, as adopted, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. **
31.3	Certification of Chief Executive Officer pursuant to Exchange Act Rule 13(a)-14 and 15(d)-14, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. **
31.4	Certification of Chief Financial Officer pursuant to Exchange Act Rule 13(a)-14 and 15(d)-14, as adopted, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. **
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350 of the Sarbanes-Oxley Act of 2002. (+)
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350 of the Sarbanes-Oxley Act of 2002. (+)
32.3	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350 of the Sarbanes-Oxley Act of 2002. (+)
32.4	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350 of the Sarbanes-Oxley Act of 2002. (+)
97.1	Executive Officer Incentive Compensation Recovery Policy (incorporated by reference to the document previously filed as Exhibit 10.1 to our Current Report on Form 8-K filed with the Securities and Exchange Commission on August 4, 2023).
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema With Embedded Linkbase Documents.
104.0	Cover Page Interactive Data File (embedded within the Inline XBRL document).

* Denotes management contract and/or compensatory plan/arrangement.

** Filed herewith.

(+) This certification shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, or otherwise subject to the liability of that section, nor shall it be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934.

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.

Date: March 31, 2025

SOTHERLY HOTELS INC.

By: /s/ DAVID R. FOLSOM
David R. Folsom
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ ANDREW M. SIMS **Andrew M. Sims**	Chairman of the Board of Directors	March 31, 2025
/s/ DAVID R. FOLSOM **David R. Folsom**	President, Chief Executive Officer and Director	March 31, 2025
/s/ ANTHONY E. DOMALSKI **Anthony E. Domalski**	Chief Financial Officer	March 31, 2025
/s/ SCOTT M. KUCINSKI **Scott M. Kucinski**	Executive Vice President and Chief Operating Officer	March 31, 2025
/s/ HERSCHEL J. WALKER **Herschel J. Walker**	Director	March 31, 2025
/s/ MARIA L. CALDWELL **Maria L. Caldwell**	Director	March 31, 2025
/s/ WALTER S. ROBERTSON III **Walter S. Robertson III**	Director	March 31, 2025
/s/ ANTHONY C. ZINNI **Anthony C. Zinni**	Director	March 31, 2025
/s/ G. SCOTT GIBSON IV **G. Scott Gibson IV**	Director	March 31, 2025

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.

Date: March 31, 2025

SOTHERLY HOTELS LP,

by its General Partner,
SOTHERLY HOTELS INC.

By: /s/ DAVID R. FOLSOM
David R. Folsom
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ ANDREW M. SIMS **Andrew M. Sims**	Chairman of the Board of Directors of the General Partner	March 31, 2025
/s/ DAVID R. FOLSOM **David R. Folsom**	President, Chief Executive Officer and Director of the General Partner	March 31, 2025
/s/ ANTHONY E. DOMALSKI **Anthony E. Domalski**	Chief Financial Officer of the General Partner	March 31, 2025
/s/ SCOTT M. KUCINSKI **Scott M. Kucinski**	Executive Vice President and Chief Operating Officer of the General Partner	March 31, 2025
/s/ HERSCHEL J. WALKER **Herschel J. Walker**	Director of the General Partner	March 31, 2025
/s/ MARIA L. CALDWELL **Maria L. Caldwell**	Director of the General Partner	March 31, 2025
/s/ WALTER S. ROBERTSON III **Walter S. Robertson III**	Director of the General Partner	March 31, 2025
/s/ ANTHONY C. ZINNI **Anthony C. Zinni**	Director of the General Partner	March 31, 2025
/s/ G. SCOTT GIBSON IV **G. Scott Gibson IV**	Director of the General Partner	March 31, 2025

INDEX TO FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULES

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders
Sotherly Hotels Inc.

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Sotherly Hotels Inc. and subsidiaries (the "Company") as of December 31, 2024 and 2023, the related consolidated statements of operations, changes in equity, and cash flows for each of the years in the three-year period ended December 31, 2024, and the related notes and financial statement Schedule III (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and 2023, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2024, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of a critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing separate opinions on the critical audit matter or on the accounts or disclosures to which it relates.

Impairment Evaluation of Investments in Hotel Properties

As of December 31, 2024, Investment in Hotel Properties was $372.4 million. As discussed in Note 2 and Note 3 to the consolidated financial statements, the Company assesses the carrying value of its investments in hotel properties whenever events or changes in circumstances indicate that the carrying value of the hotel properties may not be recoverable. When such conditions exist, management performs an analysis to determine if the estimated undiscounted future cash flows from operations and proceeds from the ultimate disposition of a hotel property exceeds its carrying value. If the estimated undiscounted future cash flows are found to be less than the carrying amount of the asset and the carrying amount exceeds its fair market value, an adjustment to reduce the carrying amount to the related hotel property's fair market value would be recorded and an impairment loss recognized.

We identified the Company's evaluation of hotel properties for impairment as a critical audit matter. Identifying and evaluating the Company's judgements about events or changes in circumstances that indicate the carrying amount of a hotel property may not be recoverable involved a high degree of auditor judgement. The primary procedures we performed to address this critical audit matter included the following:

- Obtained an understanding and evaluated the design and implementation of relevant controls over the evaluation of potential events or circumstances that may indicate the carrying value of the investment in hotel properties may not be recoverable.
- Evaluated management's assessment of potential impairment indicators on all hotel properties, including current and forecasted performance of the hotel properties, general market and economic conditions, relevant industry data, and management's investment strategy related to its hotel properties.
- Retrospectively reviewed results of estimates included in the prior year recoverability test over all hotel properties to evaluate the reasonableness and assumptions supporting management's estimates.

/s/ Forvis Mazars, LLP

We have served as the Company's auditor since 2016

Jacksonville, Florida
March 31, 2025

SOTHERLY HOTELS INC.

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2024 AND 2023

	December 31, 2024	December 31, 2023
ASSETS		
Investment in hotel properties, net	$ 372,376,626	$ 354,919,106
Cash and cash equivalents	7,327,880	17,101,993
Restricted cash	21,382,595	9,134,347
Accounts receivable, net	7,525,356	5,945,724
Prepaid expenses, inventory and other assets	5,763,463	6,342,310
TOTAL ASSETS	**$ 414,375,920**	**$ 393,443,480**
LIABILITIES		
Mortgage loans, net	$ 316,516,148	$ 315,989,194
Unsecured notes	658,766	1,536,809
Finance lease liabilities	23,201,751	—
Accounts payable and accrued liabilities	26,577,504	23,315,677
Advance deposits	3,734,825	2,614,981
Dividends and distributions payable	2,088,160	2,088,160
TOTAL LIABILITIES	**$ 372,777,154**	**$ 345,544,821**
Commitments and contingencies	—	—
EQUITY		
Sotherly Hotels Inc. stockholders' equity		
Preferred stock, $0.01 par value, 11,000,000 shares authorized:		
8.0% Series B cumulative redeemable perpetual preferred stock, 1,464,100 and 1,464,100 shares issued and outstanding; aggregate liquidation preference each $44,655,050, at December 31, 2024 and December 31, 2023, respectively.	14,641	14,641
7.875% Series C cumulative redeemable perpetual preferred stock, 1,346,110 and 1,346,110 shares issued and outstanding; aggregate liquidation preference each $40,940,681, at December 31, 2024 and December 31, 2023, respectively.	13,461	13,461
8.25% Series D cumulative redeemable perpetual preferred stock, 1,163,100 and 1,163,100 shares issued and outstanding; aggregate liquidation preference each $35,674,458, at December 31, 2024 and December 31, 2023, respectively.	11,631	11,631
Common stock, par value $0.01, 69,000,000 shares authorized, 19,849,165 shares issued and outstanding at December 31, 2024 and 19,696,805 shares issued and outstanding at December 31, 2023.	198,492	196,968
Additional paid-in capital	175,372,798	175,779,222
Unearned ESOP shares	(862,107)	(1,764,507)
Distributions in excess of retained earnings	(131,695,891)	(125,021,013)
Total Sotherly Hotels Inc. stockholders' equity	43,053,025	49,230,403
Noncontrolling interest	(1,454,259)	(1,331,744)
TOTAL EQUITY	**41,598,766**	**47,898,659**
TOTAL LIABILITIES AND EQUITY	**$ 414,375,920**	**$ 393,443,480**

The accompanying notes are an integral part of these financial statements.

SOTHERLY HOTELS INC.

CONSOLIDATED STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 2024, 2023 AND 2022

	2024	2023	2022
REVENUE			
Rooms department	$ 119,079,903	$ 114,748,834	$ 109,553,906
Food and beverage department	36,626,906	35,231,959	29,556,213
Other operating departments	26,187,478	23,857,264	26,967,185
Total revenue	**181,894,287**	**173,838,057**	**166,077,304**
EXPENSES			
Hotel operating expenses			
Rooms department	27,376,330	26,177,539	25,782,888
Food and beverage department	25,429,218	24,211,133	19,724,225
Other operating departments	9,428,889	9,031,960	9,296,056
Indirect	72,847,022	69,629,724	64,811,567
Total hotel operating expenses	**135,081,459**	**129,050,356**	**119,614,736**
Depreciation and amortization	19,380,906	18,788,748	18,650,336
(Gain) loss on disposal of assets	(4,400)	(4,700)	636,198
Corporate general and administrative	6,788,460	7,078,222	6,621,221
Total operating expenses	**161,246,425**	**154,912,626**	**145,522,491**
NET OPERATING INCOME	**20,647,862**	**18,925,431**	**20,554,813**
Other income (expense)			
Interest expense	(20,882,681)	(17,588,091)	(19,772,802)
Interest income	692,756	802,183	189,291
Other income	489,267	456,388	—
Loss on early extinguishment of debt	(241,878)	—	(5,944,881)
Realized gain on hedging activities	1,041,994	—	—
Unrealized gain (loss) on hedging activities	(937,783)	(737,682)	2,918,207
PPP loan forgiveness	—	275,494	4,720,278
Gain on sale of assets	—	—	30,053,977
Gain on involuntary conversion of assets	502,808	1,371,041	1,763,320
Net income before income taxes	**1,312,345**	**3,504,764**	**34,482,203**
Income tax (provision) benefit	(132,491)	304,947	(522,355)
Net income	**1,179,854**	**3,809,711**	**33,959,848**
Add: Net income (loss) attributable to noncontrolling interest	122,515	131,710	(1,423,327)
Net income attributable to the Company	**1,302,369**	**3,941,421**	**32,536,521**
Undeclared distributions to preferred stockholders	(7,977,250)	(7,977,250)	(7,634,219)
Gain on extinguishment of preferred stock	—	—	64,518
Net (loss) income attributable to common stockholders	**$ (6,674,881)**	**$ (4,035,829)**	**$ 24,966,820**
Net (loss) income per share attributable to common stockholders:			
Basic and diluted	$ (0.34)	$ (0.22)	$ 1.40
Weighted average number of common shares outstanding			
Basic and diluted	19,417,448	18,843,032	17,802,772

The accompanying notes are an integral part of these financial statements.

SOTHERLY HOTELS INC.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Preferred Stock		Common Stock		Additional Paid-In Capital	Unearned ESOP Shares	Distributions in Excess of Retained Earnings	Noncontrolling Interest	Total
	Shares	Par Value	Shares	Par Value					
Balances at December 31, 2021	**4,059,610**	**$ 40,596**	**17,441,058**	**$ 174,410**	**$ 177,651,954**	**$ (3,083,398)**	**$ (153,521,704)**	**$ (4,758,928)**	**$ 16,502,930**
Net income	—	—	—	—	—	—	32,536,521	1,423,327	33,959,848
Issuance of common stock awards	—	—	395,086	3,951	794,735	—	—	—	798,686
Conversion of units in Operating Partnership to shares of common stock	—	—	308,532	3,085	(2,605,108)	—	—	2,602,023	—
Amortization of ESOP shares	—	—	—	—	(355,306)	482,264	—	—	126,958
Amortization of restricted stock award	—	—	—	—	72,780	—	—	—	72,780
Extinguishment of preferred stock	(86,300)	(863)	806,849	8,069	52,315	—	—	—	59,521
Balances at December 31, 2022	**3,973,310**	**$ 39,733**	**18,951,525**	**$ 189,515**	**$ 175,611,370**	**$ (2,601,134)**	**$ (120,985,183)**	**$ (733,578)**	**$ 51,520,723**
Net income	—	—	—	—	—	—	3,941,421	(131,710)	3,809,711
Issuance of common stock awards	—	—	284,278	2,843	222,543	—	—	—	225,386
Conversion of units in Operating Partnership to shares of common stock	—	—	461,002	4,610	461,846	—	—	(466,456)	—
Amortization of ESOP shares	—	—	—	—	(664,730)	836,627	—	—	171,897
Amortization of restricted stock award	—	—	—	—	148,193	—	—	—	148,193
Dividends and distributions declared	—	—	—	—	—	—	(7,977,251)	—	(7,977,251)
Balances at December 31, 2023	**3,973,310**	**$ 39,733**	**19,696,805**	**$ 196,968**	**$ 175,779,222**	**$ (1,764,507)**	**$ (125,021,013)**	**$ (1,331,744)**	**$ 47,898,659**
Net income	—	—	—	—	—	—	1,302,369	(122,515)	1,179,854
Issuance of common stock awards	—	—	152,360	1,524	203,400	—	—	—	204,924
Amortization of ESOP shares	—	—	—	—	(776,905)	902,400	—	—	125,495
Amortization of restricted stock award	—	—	—	—	167,081	—	—	—	167,081
Dividends and distributions declared	—	—	—	—	—	—	(7,977,247)	—	(7,977,247)
Balances at December 31, 2024	**3,973,310**	**$ 39,733**	**19,849,165**	**$ 198,492**	**$ 175,372,798**	**$ (862,107)**	**$ (131,695,891)**	**$ (1,454,259)**	**$ 41,598,766**

The accompanying notes are an integral part of these financial statements.

SOTHERLY HOTELS INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2024, 2023 AND 2022

	2024	2023	2022
Cash flows from operating activities:			
Net income	$ 1,179,854	$ 3,809,711	$ 33,959,848
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	19,380,906	18,788,748	18,650,336
Amortization of deferred financing costs	745,409	598,237	1,293,092
Amortization of deferred lease expense	423,382	—	—
Amortization of mortgage premium	(24,681)	(24,681)	(24,681)
Amortization of finance lease liabilities	536,758	—	—
Gain on involuntary conversion of assets	(502,808)	(1,371,041)	(1,763,320)
Unrealized loss on hedging activities	937,783	737,682	(2,918,207)
Loss on early extinguishment of debt	241,878	—	5,944,881
PPP loan forgiveness	—	(275,494)	(4,720,278)
Gain on sale of assets	—	—	(30,053,977)
(Gain) loss on disposal of assets	(4,400)	(4,700)	633,803
ESOP and stock - based compensation	497,500	559,220	998,424
Changes in assets and liabilities:			
Accounts receivable	(1,579,632)	(42,453)	(1,439,886)
Prepaid expenses, inventory and other assets	429,109	1,824,607	(1,597,055)
Accounts payable and other accrued liabilities	2,508,244	(3,581,342)	(12,984,231)
Advance deposits	1,119,844	381,968	680,071
Net cash provided by operating activities	**25,889,146**	**21,400,462**	**6,658,820**
Cash flows from investing activities:			
Proceeds from sale of hotel properties	—	—	52,403,981
Improvements and additions to hotel properties	(14,648,934)	(8,181,496)	(7,964,630)
Proceeds from involuntary conversion	502,808	1,312,675	2,180,489
Proceeds from sale of assets	4,400	141,952	35,327
Net cash used in investing activities	**(14,141,726)**	**(6,726,869)**	**46,655,167**
Cash flows from financing activities:			
Proceeds from mortgage loans	66,250,000	2,715,833	7,777,475
Redemption of interest rate swap	965,000	—	—
Payments on mortgage loans	(64,961,688)	(7,256,859)	(38,507,799)
Payments on secured notes	—	—	(20,000,000)
Payments on unsecured notes	(878,043)	(740,857)	(461,181)
Purchase of interest rate cap	(916,000)	—	—
Payments on finance lease liabilities	(31,339)	—	—
Payments of deferred financing costs	(1,723,964)	(525,437)	(359,389)
Preferred dividends paid	(7,977,251)	(9,971,563)	—
Net cash used in financing activities	**(9,273,285)**	**(15,778,883)**	**(51,550,894)**
Net increase in cash, cash equivalents and restricted cash	2,474,135	(1,105,290)	1,763,093
Cash, cash equivalents and restricted cash at the beginning of the period	**26,236,340**	**27,341,630**	**25,578,537**
Cash, cash equivalents and restricted cash at the end of the period	**$ 28,710,475**	**$ 26,236,340**	**$ 27,341,630**

Supplemental disclosures:			
Cash paid during the period for interest	**$ 20,375,075**	**$ 17,084,338**	**$ 23,277,738**
Cash paid during the period for income taxes	**$ 158,789**	**$ 164,450**	**$ 26,000**
Cash paid for amounts included in the measurement of lease liabilities:			
Operating cash flows for operating leases	**$ 1,135,237**	**$ 1,013,605**	**$ 1,139,467**
Operating cash flows for finance leases	**$ 85,491**	**$ 4,486**	**$ -**
Financing cash flows for finance leases	**$ 31,339**	**$ 9,070**	**$ -**
Non-cash investing and financing activities:			
Accrued capital expenditures	**$ 165,566**	**$ (471,661)**	**$ 56,914**
Remeasurement of finance lease asset and liability	**$ 22,352,075**	**$ -**	**$ -**
Acquisition of finance lease assets and liabilities	**$ 241,978**	**$ 63,424**	**$ -**

	2024	2023	2022
Cash and cash equivalents	$ 7,327,880	$ 17,101,993	$ 21,918,680
Restricted cash	21,382,595	9,134,347	5,422,950
Cash, cash equivalents and restricted cash at the end of the period	**$ 28,710,475**	**$ 26,236,340**	**$ 27,341,630**

The accompanying notes are an integral part of these financial statements.

Report of Independent Registered Public Accounting Firm

To the Board of Directors of the General Partner
Sotherly Hotels LP

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Sotherly Hotels LP and subsidiaries (the "Partnership") as of December 31, 2024 and 2023, the related consolidated statements of operations, changes in partners' capital, and cash flows for each of the years in the three-year period ended December 31, 2024, and the related notes and financial statement Schedule III (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Partnership as of December 31, 2024 and 2023, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2024, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These consolidated financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on the Partnership's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Partnership in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Partnership is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Partnership's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of a critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing separate opinions on the critical audit matter or on the accounts or disclosures to which it relates.

Impairment Evaluation of Investments in Hotel Properties

As of December 31, 2024, Investment in Hotel Properties was $372.4 million. As discussed in Note 2 and Note 3 to the consolidated financial statements, the Partnership assesses the carrying value of its investments in hotel properties whenever events or changes in circumstances indicate that the carrying value of the hotel properties may not be recoverable. When such conditions exist, management performs an analysis to determine if the estimated undiscounted future cash flows from operations and proceeds from the ultimate disposition of a hotel property exceeds its carrying value. If the estimated undiscounted future cash flows are found to be less than the carrying amount of the asset and the carrying amount exceeds its fair market value, an adjustment to reduce the carrying amount to the related hotel property's fair market value would be recorded and an impairment loss recognized.

We identified the Partnership's evaluation of hotel properties for impairment as a critical audit matter. Identifying and evaluating the Partnership's judgements about events or changes in circumstances that indicate the carrying amount of a

hotel property may not be recoverable involved a high degree of auditor judgement. The primary procedures we performed to address this critical audit matter included the following:

- Obtained an understanding and evaluated the design and implementation of relevant controls over the evaluation of potential events or circumstances that may indicate the carrying value of the investment in hotel properties may not be recoverable.
- Evaluated management's assessment of potential impairment indicators on all hotel properties, including current and forecasted performance of the hotel properties, general market and economic conditions, relevant industry data, and management's investment strategy related to its hotel properties.
- Retrospectively reviewed results of estimates included in the prior year recoverability test over all hotel properties to evaluate the reasonableness and assumptions supporting management's estimates.

/s/ Forvis Mazars, LLP

We have served as the Partnership's auditor since 2016.

Jacksonville, Florida
March 31, 2025

SOTHERLY HOTELS LP

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2024 AND 2023

	December 31, 2024	December 31, 2023
ASSETS		
Investment in hotel properties, net	$ 372,376,626	$ 354,919,106
Cash and cash equivalents	7,327,880	17,101,993
Restricted cash	21,382,595	9,134,347
Accounts receivable, net	7,525,356	5,945,724
Loan receivable - affiliate	807,160	1,744,532
Prepaid expenses, inventory and other assets	5,763,463	6,342,310
TOTAL ASSETS	**$ 415,183,080**	**$ 395,188,012**
LIABILITIES		
Mortgage loans, net	$ 316,516,148	$ 315,989,194
Unsecured notes, net	658,766	1,536,809
Finance lease liabilities	23,201,751	—
Accounts payable and other accrued liabilities	26,577,504	23,315,677
Advance deposits	3,734,825	2,614,981
Dividends and distributions payable	2,088,160	2,088,160
TOTAL LIABILITIES	**$ 372,777,154**	**$ 345,544,821**
Commitments and contingencies (see Note 5)	—	—
PARTNERS' CAPITAL		
Preferred units, 11,000,000 units authorized;		
8.0% Series B cumulative redeemable perpetual preferred unit; 1,464,100 and 1,464,100 units issued and outstanding; aggregate liquidation preference each $44,655,050, at December 31, 2024 and December 31, 2023, respectively.	$ 34,344,086	$ 34,344,086
7.875% Series C cumulative redeemable perpetual preferred units, 1,346,110 and 1,346,110 units issued and outstanding; aggregate liquidation preference each $40,940,681, at December 31, 2024 and December 31, 2023, respectively.	31,571,778	31,571,778
8.25% Series D cumulative redeemable perpetual preferred units, 1,163,100 and 1,163,100 units issued and outstanding; aggregate liquidation preference each $35,674,458, at December 31, 2024 and December 31, 2023, respectively.	27,504,901	27,504,901
General Partner: 206,744 units and 205,220 units issued and outstanding as of December 31, 2024 and December 31, 2023, respectively.	(234,736)	(171,830)
Limited Partners: 20,006,607 units and 19,855,771 units issued and outstanding as of December 31, 2024 and December 31, 2023, respectively.	(50,780,103)	(43,605,744)
TOTAL PARTNERS' CAPITAL	**42,405,926**	**49,643,191**
TOTAL LIABILITIES AND PARTNERS' CAPITAL	**$ 415,183,080**	**$ 395,188,012**

The accompanying notes are an integral part of these financial statements.

SOTHERLY HOTELS LP

CONSOLIDATED STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 2024, 2023 AND 2022

	2024	2023	2022
REVENUE			
Rooms department	$ 119,079,903	$ 114,748,834	$ 109,553,906
Food and beverage department	36,626,906	35,231,959	29,556,213
Other operating departments	26,187,478	23,857,264	26,967,185
Total revenue	**181,894,287**	**173,838,057**	**166,077,304**
EXPENSES			
Hotel operating expenses			
Rooms department	27,376,330	26,177,539	25,782,888
Food and beverage department	25,429,218	24,211,133	19,724,225
Other operating departments	9,428,889	9,031,960	9,296,056
Indirect	72,847,022	69,629,724	64,811,567
Total hotel operating expenses	**135,081,459**	**129,050,356**	**119,614,736**
Depreciation and amortization	19,380,906	18,788,748	18,650,336
(Gain) loss on disposal of assets	(4,400)	(4,700)	636,198
Corporate general and administrative	6,788,460	7,078,222	6,621,221
Total operating expenses	**161,246,425**	**154,912,626**	**145,522,491**
NET OPERATING INCOME	**20,647,862**	**18,925,431**	**20,554,813**
Other income (expense)			
Interest expense	(20,882,681)	(17,588,091)	(19,772,802)
Interest income	692,756	802,183	189,291
Other income	489,267	456,388	—
Loss on early extinguishment of debt	(241,878)	—	(5,944,881)
Realized gain on hedging activities	1,041,994	—	—
Unrealized gain (loss) on hedging activities	(937,783)	(737,682)	2,918,207
PPP loan forgiveness	—	275,494	4,720,278
Gain on sale of assets	—	—	30,053,977
Gain on involuntary conversion of assets	502,808	1,371,041	1,763,320
Net income before income taxes	**1,312,345**	**3,504,764**	**34,482,203**
Income tax (provision) benefit	(132,491)	304,947	(522,355)
Net income	**1,179,854**	**3,809,711**	**33,959,848**
Undeclared distributions to preferred unit holders	(7,977,250)	(7,977,250)	(7,634,219)
Gain on extinguishment of preferred units	—	—	64,518
Net (loss) income attributable to general and limited partnership unit holders	**$ (6,797,396)**	**$ (4,167,539)**	**$ 26,390,147**
Net (loss) income attributable per general and limited partner unit:			
Basic and diluted	$ (0.34)	$ (0.21)	$ 1.36
Weighted average number of general and limited partner units outstanding			
Basic and diluted	19,997,274	19,808,602	19,266,320

The accompanying notes are an integral part of these financial statements.

SOTHERLY HOTELS LP

CONSOLIDATED STATEMENTS OF CHANGES IN PARTNERS' CAPITAL
YEARS ENDED DECEMBER 31, 2024, 2023 AND 2022

	Preferred Units				General Partner		Limited Partner		
	Units	Series B Amounts	Series C Amounts	Series D Amounts	Units	Amounts	Units	Amounts	Total
Balances at December 31, 2021	**4,059,610**	**$ 35,420,784**	**$ 32,474,760**	**$ 27,549,832**	**185,748**	**$ (469,805)**	**18,389,030**	**$ (75,315,469)**	**$ 19,660,102**
Issuance of partnership units	—	—	—	—	3,951	7,987	391,135	790,699	798,686
Amortization of restricted units award	—	—	—	—	—	728	—	72,052	72,780
Unit based compensation	—	—	—	—	—	(5,025)	—	(374,663)	(379,688)
Extinguishment of preferred units	(86,300)	(1,076,698)	(902,982)	(44,931)	8,068	20,495	798,781	2,063,637	59,521
Net income	—	—	—	—	—	339,598	—	33,620,250	33,959,848
Balances at December 31, 2022	**3,973,310**	**$ 34,344,086**	**$ 31,571,778**	**$ 27,504,901**	**197,767**	**$ (106,022)**	**19,578,946**	**$ (39,143,494)**	**$ 54,171,249**
Issuance of partnership units	—	—	—	—	7,453	2,254	276,825	223,132	225,386
Amortization of restricted units award	—	—	—	—	—	1,482	—	146,711	148,193
Unit based compensation	—	—	—	—	—	(7,203)	—	(726,894)	(734,097)
Preferred units distributions declared	—	—	—	—	—	(79,773)	—	(7,897,478)	(7,977,251)
Net income	—	—	—	—	—	17,432	—	3,792,279	3,809,711
Balances at December 31, 2023	**3,973,310**	**$ 34,344,086**	**$ 31,571,778**	**$ 27,504,901**	**205,220**	**$ (171,830)**	**19,855,771**	**$ (43,605,744)**	**$ 49,643,191**
Issuance of partnership units	—	—	—	—	1,524	2,049	150,836	202,875	204,924
Amortization of restricted units award	—	—	—	—	—	1,671	—	165,410	167,081
Unit based compensation	—	—	—	—	—	(8,119)	—	(803,758)	(811,877)
Preferred units distributions declared	—	—	—	—	—	(79,772)	—	(7,897,475)	(7,977,247)
Net income	—	—	—	—	—	21,265	—	1,158,589	1,179,854
Balances at December 31, 2024	**3,973,310**	**$ 34,344,086**	**$ 31,571,778**	**$ 27,504,901**	**206,744**	**$ (234,736)**	**20,006,607**	**$ (50,780,103)**	**$ 42,405,926**

The accompanying notes are an integral part of these financial statements.

SOTHERLY HOTELS LP
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2024, 2023 AND 2022

	2024	2023	2022
Cash flows from operating activities:			
Net income	$ 1,179,854	$ 3,809,711	$ 33,959,848
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	19,380,906	18,788,748	18,650,336
Amortization of deferred financing costs	745,409	598,237	1,293,092
Amortization of deferred lease expense	423,382	—	—
Amortization of mortgage premium	(24,681)	(24,681)	(24,681)
Amortization of finance lease liabilities	536,758	—	—
Gain on involuntary conversion of assets	(502,808)	(1,371,041)	(1,763,320)
Unrealized loss on hedging activities	937,783	737,682	(2,918,207)
Loss on early extinguishment of debt	241,878	—	5,944,881
PPP loan forgiveness	—	(275,494)	(4,720,278)
Gain on sale of assets	—	—	(30,053,977)
(Gain) loss on disposal of assets	(4,400)	(4,700)	633,803
ESOP and unit - based compensation	(439,871)	(346,774)	491,778
Changes in assets and liabilities:			
Accounts receivable	(1,579,632)	(42,453)	(1,439,886)
Prepaid expenses, inventory and other assets	429,109	1,824,607	(1,597,055)
Accounts payable and other accrued liabilities	2,508,244	(3,581,342)	(12,984,231)
Advance deposits	1,119,844	381,968	680,071
Net cash provided by operating activities	**24,951,775**	**20,494,468**	**6,152,174**
Cash flows from investing activities:			
Proceeds from sale of hotel properties	—	—	52,403,981
Improvements and additions to hotel properties	(14,648,934)	(8,181,496)	(7,964,630)
ESOP loan payments received	937,371	905,994	506,646
Proceeds from involuntary conversion	502,808	1,312,675	2,180,489
Proceeds from sale of assets	4,400	141,952	35,327
Net cash used in investing activities	**(13,204,355)**	**(5,820,875)**	**47,161,813**
Cash flows from financing activities:			
Proceeds from mortgage loans	66,250,000	2,715,833	7,777,475
Redemption of interest rate swap	965,000	—	—
Payments on mortgage loans	(64,961,688)	(7,256,859)	(38,507,799)
Payments on secured notes	—	—	(20,000,000)
Payments on unsecured notes	(878,043)	(740,857)	(461,181)
Purchase of interest rate cap	(916,000)	—	—
Payments on finance lease liabilities	(31,339)	—	—
Payments of deferred financing costs	(1,723,964)	(525,437)	(359,389)
Preferred dividends paid	(7,977,251)	(9,971,563)	—
Net cash used in financing activities	**(9,273,285)**	**(15,778,883)**	**(51,550,894)**
Net increase in cash, cash equivalents and restricted cash	2,474,135	(1,105,290)	1,763,093
Cash, cash equivalents and restricted cash at the beginning of the period	26,236,340	27,341,630	25,578,537
Cash, cash equivalents and restricted cash at the end of the period	**$ 28,710,475**	**$ 26,236,340**	**$ 27,341,630**

Supplemental disclosures:			
Cash paid during the period for interest	**$ 20,375,075**	**$ 17,116,639**	**$ 23,157,605**
Cash paid during the period for income taxes	**$ 158,789**	**$ 164,450**	**$ 26,000**
Cash paid for amounts included in the measurement of lease liabilities:			
Operating cash flows for operating leases	**$ 1,135,237**	**$ 1,013,605**	**$ 1,139,467**
Operating cash flows for finance leases	**$ 85,491**	**$ 4,486**	**$ -**
Financing cash flows for finance leases	**$ 31,339**	**$ 9,070**	**$ -**
Non-cash investing and financing activities:			
Accrued capital expenditures	**$ 165,566**	**$ (471,661)**	**$ 56,914**
Remeasurement of finance lease asset and liability	**$ 22,352,075**	**$ -**	**$ -**
Acquisition of finance lease assets and liabilities	**$ 241,978**	**$ 63,424**	**$ -**

	2024	2023	2022
Cash and cash equivalents	$ 7,327,880	$ 17,101,993	$ 21,918,680
Restricted cash	21,382,595	9,134,347	5,422,950
Cash, cash equivalents and restricted cash at the end of the period	**$ 28,710,475**	**$ 26,236,340**	**$ 27,341,630**

The accompanying notes are an integral part of these financial statements.

1. Organization and Description of Business

Sotherly Hotels Inc. (the "Company") is a self-managed and self-administered lodging real estate investment trust ("REIT") that was incorporated in Maryland on August 20, 2004. The Company historically has focused on the acquisition, renovation, upbranding and repositioning of upscale to upper-upscale full-service hotels in the southern United States. The Company's portfolio, as of December 31, 2024, consisted of investments in ten hotel properties, comprising 2,786 rooms and two hotel commercial condominium units and their associated rental programs. Seven of our hotels operated under the DoubleTree by Hilton, Tapestry Collection by Hilton, and Hyatt Centric brands, and three are independent hotels.

The Company commenced operations on December 21, 2004 when it completed its initial public offering ("IPO") and thereafter consummated the acquisition of six hotel properties. Substantially all of the Company's assets are held by, and all of its operations are conducted through, Sotherly Hotels LP, (the "Operating Partnership").

Pursuant to the terms of the Amended and Restated Agreement of Limited Partnership (the "Partnership Agreement"), the Company, as general partner, is not entitled to compensation for its services to the Operating Partnership. The Company, as general partner, conducts substantially all of its operations through the Operating Partnership and the Company's administrative expenses are the obligations of the Operating Partnership. Additionally, the Company is entitled to reimbursement for any expenditure incurred by it on the Operating Partnership's behalf.

For the Company to qualify as a REIT, it cannot operate hotels. Therefore, the Operating Partnership, which, at December 31, 2024, was approximately 98.2% owned by the Company, and its subsidiaries, lease its hotels to direct and indirect subsidiaries of MHI Hospitality TRS Holding, Inc., MHI Hospitality TRS, LLC and certain of its subsidiaries, (collectively, "MHI TRS Entities"), each of which is a wholly-owned subsidiary of the Operating Partnership. For the years ended December 31, 2024, 2023, and 2022, the MHI TRS Entities engaged an eligible independent contractor, Our Town Hospitality, LLC ("Our Town"), to operate the hotels under individual hotel management contracts. MHI Hospitality TRS Holding, Inc. is treated as a taxable REIT subsidiary ("TRS") for federal income tax purposes. As of December 31, 2024, Our Town was the manager of each of our ten wholly-owned hotels and our two condominium hotel rental programs.

All references in these "Notes to Consolidated Financial Statements" to "we," "us" and "our" refer to the Company, its Operating Partnership and its subsidiaries and predecessors, collectively, unless the context otherwise requires or where otherwise indicated.

Significant Transactions

Significant transactions occurring during the current and two prior fiscal years include the following:

Between April 16 and May 6, 2020, the Company received proceeds of three separate PPP Loans administered by the U.S. Small Business Administration pursuant to the CARES Act totaling approximately $10.7 million. Each PPP Loan had an initial term of two years with the ability to extend the loan to five years, if not completely forgiven and carries an interest rate of 1.00%. Equal payments of principal and interest were to begin no later than 10 months following origination of the loan and are amortized over the remaining term of the loan. Pursuant to the terms of the CARES Act, the proceeds of each PPP Loan may be used for payroll costs, mortgage interest, rent or utility costs. The promissory note for each PPP Loan contains customary events of default relating to, among other things, payment defaults and breach of representations and warranties or of provisions of the relevant promissory note. On December 9, 2022, the Company was notified it had received forgiveness for one of its PPP Loans in the principal amount of approximately $4.6 million. On February 3, 2023, the Company was notified it has received forgiveness for another PPP Loan in the principal amount of approximately $0.3 million.

On December 31, 2020, the Company entered into the following agreements with KWHP SOHO, LLC ("KW") and MIG SOHO, LLC (together, the "Investors"): (i) a Note Purchase Agreement with the Investors; (ii) the Secured Notes; (iii) a Pledge and Security Agreement with KW; (iv) a Board Observer Agreement with KW; and (v) other ancillary agreements. These agreements constituted a transaction whereby the Investors purchased $20.0 million in Secured Notes (the "Secured Notes") from the Operating Partnership. On June 29, 2022, the Company satisfied and paid in full the Secured Notes.

On December 13, 2021, Louisville Hotel Associates, LLC, a Delaware limited liability company and an affiliate of the Company, entered into a purchase and sale agreement to sell the Sheraton Louisville Riverside hotel located in Jeffersonville, Indiana to Riverside Hotel, LLC, an Indiana limited liability company, for a purchase price of $11.5 million, including the assumption by the buyer of the mortgage loan on the hotel. On February 10, 2022, the Company closed the sale of the Sheraton Louisville Riverside hotel. There were no net proceeds from the sale.

On June 10, 2022, the Company closed the sale of the DoubleTree by Hilton Raleigh-Brownstone University hotel to CS Acquisition Vehicle, LLC for a purchase price of $42.0 million. The Company used approximately $18.6 million of the net cash proceeds from the sale of the hotel to repay the existing mortgage on the property and approximately $19.8 million of the net cash proceeds to repay a portion of the Secured Notes with the Investors as required by the terms of the Secured Notes. The Company used the remaining net cash proceeds for general corporate purposes. The Investors received approximately $19.8 million of the proceeds from the sale of the hotel, of which approximately $13.3 million was applied toward principal, approximately $6.3 million was applied toward the exit fee owed under the Secured Notes, and approximately $0.2 million was applied toward accrued interest. Additionally, the terms of the Secured Notes allowed for the release of a portion of the interest reserves in the amount of approximately $1.6 million, of which approximately $1.1 million was applied toward principal and approximately $0.5 million was applied toward the exit fee.

On June 28, 2022, the Company entered into amended loan documents to modify the existing mortgage loan on the Hotel Alba Tampa with the existing lender, Fifth Third Bank. Pursuant to the amended loan documents, the amended mortgage loan: (i) has an increased principal balance of $25.0 million; (ii) includes an extended maturity date of June 30, 2025, which may be further extended for two additional periods of one year each, subject to certain conditions; (iii) bears a floating interest rate of SOFR plus 2.75%, subject to a floor rate of 2.75%; (iv) amortizes on a 25-year schedule and requires payments of monthly interest plus $40,600 monthly amortization payments; and (v) is guaranteed by the Operating Partnership up to $12.5 million, with the guaranty reducing to $6.25 million upon the successful achievement of certain performance milestones.

On June 29, 2022, the Company used the proceeds from the refinance of the Hotel Alba Tampa, along with approximately $0.2 million of cash on hand as well as the balance of the interest reserve under the Secured Notes of approximately $0.5 million, to satisfy and pay in full the Secured Notes. The Investors received approximately $8.3 million in satisfaction of the Secured Notes, of which approximately $5.6 million was applied toward principal, approximately $2.6 million was applied toward the exit fee owed under the Secured Notes, and approximately $0.02 million was applied toward accrued interest. Concurrent with the cancellation of the Secured Notes, the following agreements were also terminated in accordance with their terms: (i) Note Purchase Agreement; (ii) Pledge and Security Agreement; (iii) Board Observer Agreement; and (iv) other related ancillary agreements.

From June 21, 2021 through August 24, 2022, the Company entered into various privately-negotiated share exchange agreements with holders of its Series B Preferred Stock, Series C Preferred Stock and Series D Preferred Stock, in reliance on Section 3(a)(9) of the Securities Act. Pursuant to those share exchange agreements, the Company has exchanged an aggregate of 3,0393,995 shares of its common stock for 145,900 shares of the Series B Preferred Stock, 208,500 shares of the Series C Preferred Stock, and 36,900 shares of the Series D Preferred Stock, together with all of the holder’s rights to receive accrued and unpaid dividends on those shares of Series B Preferred Stock, Series C Preferred Stock, and Series D Preferred Stock. The common stock was issued in reliance on the exemption from registration set forth in Section 3(a)(9) of the Securities Act, as amended, for securities exchanged by an issuer with an existing security holder in a transaction where no commission or other remuneration was paid or given directly or indirectly for soliciting such an exchange.

On February 26, 2023, the Company entered into amended loan documents to modify the mortgage loan on The Whitehall hotel located in Houston, TX with the lender, International Bank of Commerce. The amendment (i) extends the maturity date to February 26, 2028; (ii) maintains a floating interest rate of New York Prime Rate plus 1.25%; and (iii) subjects the interest rate to a floor rate of 7.50%. The mortgage loan continues to be guaranteed by the Operating Partnership. The amendment also required us to establish a real estate tax reserve as well as a debt service reserve that approximates the aggregate amount of one year's debt service, which was initially established at approximately $1.5 million.

On March 14, 2023, the Company entered into amended loan documents to modify the mortgage loan on the DoubleTree by Hilton Philadelphia Airport with the lender, TD Bank, N.A. The amendment provided a waiver for non-compliance with financial covenants for the periods ended September 30 and December 31, 2022, modified the reference rate replacing 1-month LIBOR with SOFR and required us to establish a debt service coverage reserve of $0.3 million.

On May 4, 2023, the Company entered into loan documents to secure a $10.0 million mortgage loan on the DoubleTree by Hilton Laurel hotel located in Laurel, MD with Citi Real Estate Funding Inc. Pursuant to the loan documents, the mortgage loan: (i) has a principal balance of $10.0 million; (ii) has a maturity date of May 6, 2028; (iii) carries a fixed interest rate of 7.35%; (iv)

requires payments of interest only; (v) cannot be prepaid until the last 4 months of the loan term; and (vi) contains customary representations, warranties, covenants and events of default for a mortgage loan.

On February 7, 2024, the Company entered into loan documents to secure a $35.0 million mortgage loan on the Hotel Alba Tampa located in Tampa, Florida with Citi Real Estate Funding Inc. The Company received approximately $10.2 million in net proceeds. Pursuant to the loan documents, the mortgage loan: (i) has a principal balance of $35.0 million; (ii) has a 5 year term maturing on March 6, 2029; (iii) carries a fixed interest rate of 8.49%; (iv) requires payments of interest only; (v) is guaranteed by the Operating Partnership only for traditional “bad boy” acts; (vi) cannot be prepaid until the last four months of the term; and (vii) contains customary representations, warranties, covenants and events of default for a mortgage loan.

On April 29, 2024, the Company entered into a loan amendment to amend the existing mortgage on the DoubleTree by Hilton Philadelphia Airport hotel with the existing lender, TD Bank, N.A. Pursuant to the amended loan documents, the mortgage loan: (i) has a principal balance of approximately $35.9 million; (ii) extends the maturity by two years to April 29, 2026; (iii) continues to carry a floating interest rate of SOFR plus 3.50%; (iv) requires payments of interest only; (v) continues to be guaranteed by the Operating Partnership; and (vi) contains customary representations, warranties, covenants and events of default for a mortgage loan. Concurrent with the execution of the loan amendment, the Company (i) made a principal payment of $3.0 million; (ii) funded $0.3 million to the interest reserve escrow, bringing the balance in the interest reserve escrow account to $1.3 million; (iii) funded $5.0 million into a product improvement plan ("PIP") reserve account; and (iv) provided $1.7 million in additional cash collateral, of which $1.2 million can be released into the PIP reserve account as early as June 30, 2025 assuming compliance with the financial covenants. On May 3, 2024, an affiliate of the Company entered into an interest rate cap with a notional amount of $26.0 million with Webster Bank, N.A. The cap has a strike rate of 3.0%, is indexed to SOFR, and expires on May 1, 2026.

On July 8, 2024, the Company secured an approximately $26.3 million mortgage loan on the DoubleTree by Hilton Jacksonville Riverfront hotel located in Jacksonville, Florida with Fifth Third Bank, N.A. The loan provides for an additional approximately $9.5 million available to fund a product improvement plan at the hotel; matures on July 8, 2029; and requires monthly payments of interest at a floating interest rate of SOFR plus 3.00% plus principal of $38,700.

On August 14, 2024, the Company secured a $5.0 million second mortgage loan on The DeSoto hotel located in Savannah, Georgia with MONY Life Insurance Company. The loan has a maturity date of July 1, 2026 and requires level payments of principal and interest at a fixed interest rate of 7.50% and amortizing on a 25-year schedule. Proceeds of the loan were used for working capital.

2. Summary of Significant Accounting Policies

Basis of Presentation – The consolidated financial statements of the Company presented herein include all the accounts of Sotherly Hotels Inc., the Operating Partnership and the MHI TRS Entities. All significant inter-company balances and transactions have been eliminated. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included.

The consolidated financial statements of the Operating Partnership presented herein include all the accounts of Sotherly Hotels LP and the MHI TRS Entities. All significant inter-company balances and transactions have been eliminated. Additionally, all administrative expenses of the Company and those expenditures made by the Company on behalf of the Operating Partnership are reflected as the administrative expenses, expenditures and obligations thereto of the Operating Partnership, pursuant to the terms of the Partnership Agreement.

Variable Interest Entities – The Operating Partnership is a variable interest entity. The Company’s only 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 and its subsidiaries. All of the Company’s debt is an obligation of the Operating Partnership and its subsidiaries.

Investment in Hotel Properties – Investments in hotel properties include investments in operating properties which are recorded at fair value on the acquisition date and allocated to land, property and equipment and identifiable intangible assets. If substantially all the fair value of the gross assets acquired are concentrated in a single identifiable asset, the asset 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 asset. We capitalize the costs of significant additions and improvements that materially upgrade, increase the value of or extend the useful life of the property. These costs may include refurbishment, renovation, and remodeling expenditures, as well as certain direct internal costs related to construction projects. Upon the sale or retirement of a fixed asset, the cost and related accumulated depreciation are removed from our accounts and any resulting gain or loss is included in the statements of operations.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 7 to 39 years for buildings and building improvements and 3 to 10 years for furniture, fixtures and equipment.

The Company assesses the carrying value of its investments in hotel properties whenever events or changes in circumstances indicate that the carrying value of the hotel properties may not be recoverable. Events or circumstances that may cause a review include, but are not limited to, adverse permanent changes in the demand for lodging at the properties due to declining national or local economic conditions and/or new hotel construction in markets where the hotels are located. When such conditions exist, management performs an analysis to determine if the estimated undiscounted future cash flows from operations and the proceeds from the ultimate disposition of a hotel property exceeds its carrying value. If the estimated undiscounted future cash flows are found to be less than the carrying amount of the asset, an adjustment to reduce the carrying amount to the related hotel property's estimated fair market value would be recorded and an impairment loss recognized.

The Company recognized no impairment losses for the years ended December 31, 2024 and 2023.

Assets Held for Sale – The Company records assets as held for sale when management has committed to a plan to sell the assets, actively seeks a buyer for the assets, and the consummation of the sale is considered probable and is expected within one year. When the carrying value of the asset is greater than the fair value, the Company reduces the carrying value to fair value less selling costs and recognizes an impairment loss.

Cash and Cash Equivalents – The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Concentration of Credit Risk – The Company holds cash accounts at several institutions in excess of the Federal Deposit Insurance Corporation (the "FDIC") protection limits of $250,000. Our exposure to credit loss in the event of the failure of these institutions is represented by the difference between the FDIC protection limit and the total amounts on deposit. Management monitors, on a regular basis, the financial condition of the financial institutions along with the balances there on deposit to minimize our potential risk.

Restricted Cash – Restricted cash includes real estate tax escrows, insurance escrows and reserves for replacements of furniture, fixtures and equipment pursuant to certain requirements in our various mortgage agreements.

Accounts Receivable – Accounts receivable consists primarily of amounts due from hotel guests including payments rendered by credit card for which we are awaiting payment from the merchant processor. Most of our revenue is collected through payment by cash or credit card on or in advance of the date of service, with limited extension of credit to a small number of customers. An allowance for potential credit losses is provided against the portion of accounts receivable that is estimated to be uncollectible.

Inventories – Inventories, consisting primarily of food and beverages, are stated at the lower of cost or net realizable value, with cost determined on a method that approximates first-in, first-out basis.

Franchise License Fees – Fees expended to obtain or renew a franchise license are amortized over the life of the license or renewal. The unamortized franchise fees as of December 31, 2024 and 2023, were approximately $311,753 and $195,988, respectively. Amortization expense for the years ended December 31, 2024, 2023, and 2022, was $44,235, $45,050 and $48,852, respectively.

Deferred Financing Costs – Deferred financing costs are recorded at cost and consist of loan fees and other costs incurred in issuing debt and are reflected in mortgage loans, net and unsecured notes, net on the consolidated balance sheets. Deferred offering costs are recorded at cost and consist of offering fees and other costs incurred in advance of issuing equity and are reflected in prepaid expenses, inventory and other assets on the consolidated balance sheets. Amortization of deferred financing costs is computed using a method that approximates the effective interest method over the term of the related debt and is included in interest expense in the consolidated statements of operations.

Derivative Instruments – Our derivative instruments are reflected as assets or liabilities on the consolidated balance sheet and measured at fair value. Derivative instruments used to hedge the exposure to changes in the fair value of an asset, liability, or firm commitment attributable to a particular risk, such as an interest rate risk, are considered fair value hedges. Derivative instruments used to hedge exposure to variability in expected future cash flows, or other types of forecasted transactions, are considered cash flow hedges. For a derivative instrument designated as a cash flow hedge, the change in fair value each period is reported in accumulated other comprehensive income in stockholders' equity and partners' capital to the extent the hedge is effective. For a derivative instrument designated as a fair value hedge, the change in fair value each period is reported in earnings along with the change in fair

value of the hedged item attributable to the risk being hedged. For a derivative instrument that does not qualify for hedge accounting or is not designated as a hedge, the change in fair value each period is reported in earnings.

We use derivative instruments to add stability to interest expense and to manage our exposure to interest-rate movements. To accomplish this objective, we currently use interest rate caps and an interest rate swap which act as cash flow hedges and are not designated as hedges. We value our interest-rate caps and interest rate swap at fair value, which we define 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 (exit price). We do not enter into contracts to purchase or sell derivative instruments for speculative trading purposes.

Fair Value Measurements –

We classify the inputs used to measure fair value into the following hierarchy:

Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 Unadjusted quoted prices in active markets for similar assets or liabilities, or unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability.

Level 3 Unobservable inputs for the asset or liability.

We endeavor to utilize the best available information in measuring fair value. Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The following table represents our assets and liabilities measured at fair value and the basis for that measurement (our interest rate caps and interest rate swap are the only assets or liabilities measured at fair value on a recurring basis, there were two non-recurring or infrequent asset valuations and no non-recurring liabilities for fair value measurements as of December 31, 2024 and 2023, respectively):

	December 31, 2024		December 31, 2023	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
Interest-rate swap[1]	$ —	$ —	$ 627,676	$ 627,676
Interest-rate cap[2]	$ 379,433	$ 379,433	$ —	$ —
Financial Liabilities				
Mortgage loans[3]	$ (316,516,148)	$ (315,981,358)	$ (315,989,194)	$ (303,949,790)

(1) The interest-rate swap agreement allowed the Company to receive a variable rate of interest based upon 1-month SOFR in exchange for a fixed rate of 2.826% on a notional amount which approximated the declining balance of the mortgage loan on the Hotel Alba. The interest-rate swap was terminated on February 14, 2024.

(2) The interest-rate cap agreement allows the Company to receive a variable rate of interest based upon the amount in which 1-month SOFR exceeds 3.0% on a notional amount of $26.0 million on the DoubleTree by Hilton Philadelphia Airport. The interest rate cap terminates on May 1, 2026.

(3) Mortgage loans had a carrying value on our Consolidated Balance Sheets of $316,516,148 and $315,989,194, as of December 31, 2024 and December 31, 2023, respectively.

The fair value of the Company's interest rate swap and cap agreements were determined using the market standard methodology of netting the discounted future fixed cash payments and the discounted expected variable cash receipts, which is considered a Level 2 measurement under the fair value hierarchy. The variable cash receipts are based on an expectation of future interest rates (forward yield curves) derived from observable market interest rates.

The Company estimates the fair value of its mortgage loans by discounting the future cash flows of each loan at estimated market rates consistent with the maturity of a mortgage loan with similar credit terms and credit characteristics, which are Level 2 inputs under the fair value hierarchy. Market rates take into consideration general market conditions and maturity.

Noncontrolling Interest in Operating Partnership – Certain hotel properties have been acquired, in part, by the Operating Partnership through the issuance of limited partnership units of the Operating Partnership. The noncontrolling interest in the Operating Partnership is: (i) increased or decreased by the limited partners' pro-rata share of the Operating Partnership's net income or net loss, respectively; (ii) decreased by distributions; (iii) decreased by redemption of partnership units for the Company's common stock; and (iv) adjusted to equal the net equity of the Operating Partnership multiplied by the limited partners' ownership percentage immediately

after each issuance of units of the Operating Partnership and/or the Company's common stock through an adjustment to additional paid-in capital. Net income or net loss is allocated to the noncontrolling interest in the Operating Partnership based on the weighted average percentage ownership throughout the period.

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. 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 point in time or over the time period that goods or services are provided to the customer. Some contracts for rooms or food and beverage services require an upfront deposit which is recorded as advanced deposits (or contract liabilities) shown on our consolidated balance sheets and recognized once the performance obligations are satisfied.

Certain ancillary services are provided by third parties and the Company assessed whether it is the principal or agent in these arrangements. If the Company is the agent, revenue is recognized based upon the gross commission earned from the third party. If the Company is the principal, the Company recognizes based upon the gross sales price. With respect to the hotel condominium rental programs the Company operates at the Lyfe Resort & Residences and the Hyde Beach House Resort & Residences, the Company has determined that it is an agent and recognizes revenue based on its share of revenue earned under the rental agency agreement.

Certain of the Company's hotels have retail spaces, restaurants or other spaces which the Company leases to third parties. Lease revenue is recognized on a straight-line basis over the life of the lease and included in other operating revenues in the Company's consolidated statements of operations.

The Company collects revenue, sales taxes, use taxes, occupancy taxes and similar taxes at its hotels which are reflected in revenue on a net basis on the consolidated statements of operations.

Leases – We determine whether an arrangement is a lease at its inception and determine their classification as operating or finance leases. These leases are classified on the consolidated balance sheets as "right of use assets", which represent our right to use the underlying asset. The corresponding operating lease liability, which represent our obligation to make lease payments under the lease agreement, is classified as finance lease liabilities or within accounts payable and other accrued liabilities for operating leases on the consolidated balance sheets. Right of use assets and lease liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. Variable lease payments are excluded from the right of use assets and lease liabilities are recognized in the period in which the obligation for those payments is incurred. As many of our leases do not provide an implicit financing rate, we use our incremental borrowing cost based on information available at the commencement date using our actual borrowing rates commensurate with the lease terms and fully levered borrowing to determine present value, when the implicit rate is not determinable. Extension options on our leases are included in our minimum lease terms when they are reasonably certain to be exercised. Subsequent to the initial recognition, lease liabilities are measured using the effective interest method. The right-of-use ("ROU") asset is generally amortized utilizing a straight-line method adjusted for the lease liability accretion during the period.

Income Taxes – The Company has elected to be taxed as a REIT under Sections 856 through 860 of the Internal Revenue Code of 1986, as amended. As a REIT, the Company generally will not be subject to federal income tax. The MHI TRS, our wholly owned taxable REIT subsidiary which leases our hotels from subsidiaries of the Operating Partnership, is subject to federal and state income taxes.

We account for income taxes using the asset and liability method under which deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. A valuation allowance is required for deferred tax assets if, based on all available evidence, it is "more-likely-than-not" that all or a portion of the deferred tax asset will or will not be realized due to the inability to generate sufficient taxable income in certain financial statement periods. The "more-likely-than-not" analysis means the likelihood of realization is greater than 50%, that we either will or will not be able to fully utilize the deferred tax assets against future taxable income. The net amount of deferred tax assets that are recorded on the financial statements must reflect the tax benefits that are expected to be realized using these criteria. As of December 31, 2024, we determined that it is more-likely-than-not that we will not be able to fully utilize our deferred tax assets for future tax consequences; therefore, a 100% valuation allowance is required. As of December 31, 2024 and 2023, deferred tax assets each totaled $0.

As of December 31, 2024, we had no uncertain tax positions. Our policy is to recognize interest and penalties related to uncertain tax positions in income tax expense. As of December 31, 2024, the tax years that remain subject to examination by the major tax jurisdictions to which the Company is subject generally include 2011 through 2023. In addition, as of December 31, 2024, the tax years that remain subject to examination by the major tax jurisdictions to which the MHI TRS Entities are subject, because of open NOL carryforwards, generally include 2014 through 2023.

The Operating Partnership is generally not subject to federal and state income taxes as the unit holders of the Partnership are subject to tax on their respective shares of the Partnership's taxable income.

Stock-based Compensation – The Company's 2022 Long-Term Incentive Plan (the "2022 Plan"), which the Company's stockholders approved in April 2022, permits the grant of stock options, restricted stock, unrestricted stock and service/performance share compensation awards to its employees and directors for up to 2,000,000 shares of common stock. The Company believes that such awards better align the interests of its employees with those of its stockholders.

Under the 2022 Plan, the Company may issue a variety of service or performance-based stock awards, including nonqualified stock options. The value of the awards is charged to compensation expense on a straight-line basis over the vesting or service period based on the value of the award as determined by the Company's stock price on the date of grant or issuance. As of December 31, 2024, the Company has made cumulative stock awards totaling 604,028 shares, of which 232,750 were originally restricted. As of December 31, 2024, there were 123,000 restricted shares and 481,028 non-restricted shares. Total stock-based compensation cost recognized under the 2013 Plan and 2022 Plan for the years ended December 31, 2024, 2023, and 2022 was $372,005, $373,579 and $871,466, respectively. No performance-based stock awards have been granted. Consequently, stock-based compensation as determined under the fair-value method would be the same under the intrinsic-value method.de

The Company's 2013 Long-Term Incentive Plan (the "2013 Plan"), which the Company's stockholders approved in April 2013, permitted the grant of stock options, restricted stock and performance share compensation awards to its employees and directors for up to 750,000 shares of common stock. All future awards will be made under the 2022 Plan.

Under the 2013 Plan, the Company was able to issue a variety of performance-based stock awards, including nonqualified stock options. The value of the awards is charged to compensation expense on a straight-line basis over the vesting or service period based on the value of the award as determined by the Company's stock price on the date of grant or issuance. As of December 31, 2024, no performance-based stock awards have been granted. The Company made cumulative stock awards totaling 745,160 shares, of which 316,333 were originally restricted. As of December 31, 2024, there were 745,160 non-restricted shares issued to certain executives, directors and employees. All awards have vested. The remaining 4,840 shares have been deregistered.

Additionally, the Company sponsors and maintains an Employee Stock Ownership Plan ("ESOP") and related trust for the benefit of its eligible employees. We reflect unearned ESOP shares as a reduction of stockholders' equity. Dividends on unearned ESOP shares, when paid, are considered compensation expense. The Company recognizes compensation expense equal to the fair value of the Company's ESOP shares during the periods in which they are committed to be released. For the years ended December 31, 2024, 2023, and 2022 the ESOP compensation cost was $125,497, $171,896 and $126,958, respectively. To the extent that the fair value of the Company's ESOP shares differs from the cost of such shares, the differential is recognized as the change in additional paid-in capital. Because the ESOP is internally leveraged through a loan from the Company to the ESOP, the loan receivable by the Company from the ESOP is not reported as an asset nor is the debt of the ESOP shown as a liability in the Company's consolidated financial statements.

Advertising – Advertising costs, including digital advertising, were approximately $2.8 million, $2.7 million and $2.2 million, for the years ended December 31, 2024, 2023, and 2022, respectively and are expensed as incurred.

Business Interruption Proceeds – Insurance recoveries for business interruption were recognized during the years ended December 31, 2024, 2023, and 2022, for $1,500,000, $230,256, and $62,010, respectively. The insurance proceeds were reflected in the statement of operations in other operating departments revenues.

Involuntary Conversion of Assets – The Company record gains or losses on involuntary conversions of assets due to recovered insurance proceeds to the extent the undepreciated cost of a nonmonetary asset differs from the amount of monetary proceeds received. During the years ending December 31, 2024, 2023, and 2022, we recognized approximately $0.5 million, $1.4 million and $1.8 million, respectively, for gain on involuntary conversion of assets, which is reflected in the consolidated statements of operations.

Comprehensive Income (Loss) – Comprehensive income (loss), as defined, includes all changes in equity (net assets) during a period from non-owner sources. The Company does not have any items of comprehensive income (loss) other than net income (loss).

Segment Information – The Company allocates resources and assesses operating performance based on individual hotel properties. The Company considers each of our hotel properties to be an operating segment, but combines each operating segment into one reportable segment: investment in hotel properties.

Use of Estimates – The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and

liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

New Accounting Pronouncements – In October 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2023-06, Disclosure Improvements: Codification Amendments in Response to the SEC's Disclosure Update and Simplification Initiative ("ASU 2023-06"). ASU 2023-06 incorporates 14 of the 27 disclosure requirements published in SEC Release No. 33-10532 - Disclosure Update and Simplification into various topics within the Accounting Standards Codification ("ASC"). ASU 2023-06's amendments represent clarifications to, or technical corrections of, current requirements. For SEC registrants, the effective date for each amendment will vary based on the date on which the SEC removes that related disclosure from its rules. If the SEC does not act to remove its related requirement by June 30, 2027, any related FASB amendments will be removed from the ASC and will not be effective. Early adoption is prohibited. The Company is currently assessing the potential impacts of ASU 2023-06 and does not expect it to have a material effect on its consolidated financial statements and disclosures.

In November 2023, the FASB issued ASU 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures ("ASU 2023-07"). ASU 2023-07 expands public entities' segment disclosures by requiring disclosure of significant segment expenses that are regularly provided to the chief operating decision maker and included within each reported measure of segment profit or loss, an amount and description of its composition for other segment items, and interim disclosures of a reportable segment's profit or loss and assets. All disclosure requirements under ASU 2023-07 are also required for public entities with a single reportable segment. ASU 2023-07 is effective for fiscal years beginning after December 15, 2023, and for interim periods within fiscal years beginning after December 15, 2024, with early adoption permitted. The amendments should be applied retrospectively to all prior periods presented in the financial statements. The adoption of the new standard did not have an impact on the Company's financial position, results of operations or cash flows. Please refer to Note 15, Segment information, for the related disclosures.

In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures ("ASU 2023-09"). ASU 2023-09 requires entities to disclose disaggregated information about their effective tax rate reconciliation as well as information on income taxes paid. ASU 2023-09 is effective for fiscal years beginning after December 15, 2024, with early adoption permitted. The amendments should be applied on a prospective basis, with the option to apply retrospectively. The Company is currently assessing the impacts of adopting ASU 2023-09 on its consolidated financial statements and disclosures.

In March 2024, the FASB issued ASU 2024-01, Compensation—Stock Compensation (Topic 718): Scope Application of Profits Interest and Similar Awards ("ASU 2024-01"), to clarify the scope application of profits interest and similar awards by adding illustrative guidance in ASC 718, Compensation—Stock Compensation ("ASC 718"). ASU 2024-01 clarifies how to determine whether profits interest and similar awards should be accounted for as a share-based payment arrangement (ASC 718) or as a cash bonus or profit-sharing arrangement (ASC 710, Compensation—General, or other guidance) and applies to all reporting entities that account for profits interest awards as compensation to employees or non-employees. In addition to adding the illustrative guidance, ASU 2024-01 modified the language in paragraph 718-10-15-3 to improve its clarity and operability without changing the guidance. ASU 2024-01 is effective for fiscal years beginning after December 15, 2024, including interim periods within those annual periods. Early adoption is permitted. The amendments should be applied either retrospectively to all prior periods presented in the financial statements, or prospectively to profits interest and similar awards granted or modified on or after the adoption date. The Company is currently assessing the impacts of adopting ASU 2024-01 on its consolidated financial statements and disclosures.

In November 2024, the FASB issued 2024-03, Income Statement - Reporting Comprehensive Income - Expense Disaggregation Disclosures (Subtopic 220-40). The amendments improve the disclosures about a public business entity's expenses and address requests from investors for more detailed information about the types of expenses (including purchases of inventory, employee compensation, depreciation, amortization, and depletion) in commonly presented expense captions (such as cost of sales and research and development). The amendments are effective for annual reporting periods beginning after December 15, 2026, and interim reporting periods beginning after December 15, 2027. The Company is currently evaluating the impact that adopting ASU 2024-03 will have on its consolidated financial statements and disclosures.

3. Investment in Hotel Properties, Net

Investment in hotel properties, net as of December 31, 2024 and 2023, consisted of the following:

	December 31, 2024	December 31, 2023
Land and land improvements	$ 61,370,250	$ 61,114,486
Buildings and improvements	428,355,821	418,833,706
Right of use assets	3,727,805	4,733,406
Finance lease right of use assets	23,021,483	—
Furniture, fixtures and equipment	53,820,118	51,501,629
	570,295,477	536,183,227
Less: accumulated depreciation	(197,918,851)	(181,264,121)
Investment in Hotel Properties, Net	**$ 372,376,626**	**$ 354,919,106**

4. Debt

Mortgage Loans, Net. As of December 31, 2024 and 2023, the Company had approximately $316.5 million and approximately $316.0 million of outstanding mortgage debt, respectively. The following table sets forth our mortgage debt obligations on our hotels.

Property	Balance Outstanding as of December 31, 2024	Balance Outstanding as of December 31, 2023	Prepayment Penalties	Maturity Date	Amortization Provisions	Interest Rate
The DeSoto [1]	$ 29,236,795	$ 30,248,929	Yes	7/1/2026	25 years	4.25%
The DeSoto [2]	4,982,794	-	Yes	7/1/2026	25 years	7.50%
DoubleTree by Hilton Jacksonville Riverfront [3]	26,056,500	31,749,695	None	7/8/2029	25 years	SOFR plus 3.00%
DoubleTree by Hilton Laurel [4]	10,000,000	10,000,000	(4)	5/6/2028	(4)	7.35%
DoubleTree by Hilton Philadelphia Airport [5]	35,915,488	38,915,488	None	4/29/2026	(5)	SOFR plus 3.50%
DoubleTree Resort by Hilton Hollywood Beach [6]	50,211,533	51,495,662	(6)	10/1/2025	30 years	4.913%
Georgian Terrace [7]	38,375,095	39,455,095	(7)	6/1/2025	30 years	4.42%
Hotel Alba Tampa, Tapestry Collection by Hilton [8]	35,000,000	24,269,200	(8)	3/6/2029	(8)	8.49%
Hotel Ballast Wilmington, Tapestry Collection by Hilton [9]	29,770,045	30,755,374	Yes	1/1/2027	25 years	4.25%
Hyatt Centric Arlington [10]	45,317,273	46,454,972	Yes	10/1/2028	30 years	5.25%
The Whitehall [11]	$ 13,777,078	14,009,874	None	2/26/2028	25 years	PRIME plus 1.25%
Total Mortgage Principal Balance	**$ 318,642,601**	**$ 317,354,289**				
Deferred financing costs, net	$ (2,144,656)	(1,407,979)				
Unamortized premium on loan	$ 18,203	42,884				
Total Mortgage Loans, Net	**$ 316,516,148**	**$ 315,989,194**				

(1) The note amortizes on a 25-year schedule after an initial interest-only period of one year and is subject to a pre-payment penalty except for any pre-payments made within 120 days of the maturity date.
(2) The note is a second mortgage that amortizes on a 25-year schedule. The note can be prepaid with penalty.
(3) The note provides for an initial tranche in the amount of $26.25 million and a renovation tranche in the amount of $9.49 million.
(4) The note requires payments of interest only and cannot be prepaid until the last 4 months of the loan term.
(5) The note requires payments of interest only. On May 3, 2024, we entered into an interest rate cap with a notional amount of $26.0 million with Webster Bank, N.A. The cap has a strike rate of 3.0%, is indexed to SOFR, and expires on May 1, 2026.
(6) With limited exception, the note may not be prepaid prior to June 2025.
(7) With limited exception, the note may not be prepaid prior to February 2025.
(8) The note requires payments of interest only and cannot be prepaid until the last four months of the term.
(9) The note amortizes on a 25-year schedule after an initial interest-only period of one year and is subject to a pre-payment penalty except for any pre-payments made within 120 days of the maturity date.
(10) Following a 5-year lockout, the note can be prepaid with penalty in years 6-10 and without penalty during the final 4 months of the term.
(11) The note bears a floating interest rate of New York Prime Rate plus 1.25%, with a floor of 7.50%.

As of December 31, 2024, we were in compliance with all debt covenants, current on all loan payments and not otherwise in default under any of our mortgage loans, with the exception of a covenant default under the mortgage on the DoubleTree by Hilton Jacksonville Riverfront, for which we have received a waiver. Additionally, the mortgage on the Georgian Terrace and the DoubleTree Resort by Hilton Hollywood Beach mature in June 2025 and October 2025, respectively. We intend to refinance these mortgages, but may be required to reduce the level of indebtedness by an amount of up to $4.1 million on the refinance of the

Georgian Terrace and up to $11.4 million for the mortgage on the DoubleTree Resort by Hilton Hollywood Beach based on current and anticipated financial performance of the properties and anticipated market conditions.

Total future mortgage debt maturities, including with respect to any extensions of loan maturity, as of December 31, 2024 were as follows:

December 31, 2025	$	92,714,877
December 31, 2026		99,951,652
December 31, 2027		2,221,621
December 31, 2028		64,555,551
December 31, 2029		59,198,900
Total future maturities	$	318,642,601

PPP Loans. Between April 16 and May 6, 2020, the Operating Partnership and certain of its subsidiaries received proceeds of three separate PPP Loans administered by the U.S. Small Business Administration pursuant to the CARES Act totaling approximately $10.7 million. Each PPP Loan had an initial term of two years with the ability to extend the loan to five years, if not forgiven and carries an interest rate of 1.00%. Equal payments of principal and interest were to begin no later than 10 months following origination of the loan and are amortized over the remaining term of the loan. Pursuant to the terms of the CARES Act, the proceeds of each PPP Loan may be used for payroll costs, mortgage interest, rent or utility costs. The promissory note for each PPP Loan contains customary events of default relating to, among other things, payment defaults and breach of representations and warranties or of provisions of the relevant promissory note.

Under the terms of the CARES Act, each borrower could apply for and be granted forgiveness for all or a portion of the PPP Loan, which is determined, subject to limitations, based on the use of loan proceeds in accordance with the terms of the CARES Act. On December 9, 2022, the Company was notified it had received principal debt forgiveness in the amount of approximately $4.6 million. As of December 31, 2024 and 2023, the Company received principal debt forgiveness totaling approximately $0 and $0.3 million, respectively. No assurance is provided that the Company will obtain forgiveness under any relevant PPP Loan in whole or in part. As of December 31, 2024 and 2023, the Company had principal balances outstanding which totaled approximately $0.7 million and $1.5 million, respectively.

On April 16, 2020, our Operating Partnership entered into a promissory note with Village Bank in connection with a PPP Loan and received proceeds of $333,500. The Company is required to make monthly payments of $18,000 through December 25, 2025.

On April 28, 2020, we entered into a promissory note and received proceeds of approximately $9.4 million under a PPP Loan from Fifth Third Bank, National Association. On December 9, 2022, the Company was notified it had received principal forgiveness in the amount of approximately $4.6 million and is required to make monthly payments of $56,809 through July 1, 2025 to extinguish the loan.

On May 6, 2020, we entered into a second promissory note with Fifth Third Bank, National Association and received proceeds of $952,700 under a PPP Loan. On February 3, 2023, the Company was notified it had received principal forgiveness in the amount of approximately $268,309 and is required to make monthly payments of $13,402 through May 6, 2025 to extinguish the loan.

Secured Notes Financing. On December 31, 2020, we entered into a transaction whereby the Investors purchased $20.0 million in Secured Notes from the Operating Partnership (see Note 1).

On June 10, 2022, the Company used the proceeds from the sale of the Doubletree by Hilton Raleigh Brownstone-University hotel to partially repay the Secured Notes. The Investors received approximately $19.8 million of the proceeds from the sale of the hotel, of which approximately $13.3 million was applied toward principal, approximately $6.3 million was applied toward the exit fee owed under the Secured Notes, and approximately $0.2 million was applied toward accrued interest. Additionally, the terms of the Secured Notes allowed for the release of a portion of the interest reserves in the amount of approximately $1.6 million, of which approximately $1.1 million was applied toward principal and approximately $0.5 million was applied toward the exit fee.

On June 29, 2022, the Company used the proceeds from the refinance of the Hotel Alba Tampa, along with approximately $0.2 million of cash on hand as well as the balance of the interest reserve under the Secured Notes of approximately $0.5 million, to satisfy and pay in full the Secured Notes. The Investors received approximately $8.3 million in satisfaction of the Secured Notes, of which approximately $5.6 million was applied toward principal, approximately $2.6 million was applied toward the exit fee owed under the Secured Notes, and approximately $0.1 million was applied toward accrued interest. Concurrent with the cancellation of the Secured

Notes, the following agreements were also terminated in accordance with their terms: (i) Note Purchase Agreement; (ii) Pledge and Security Agreement; (iii) Board Observer Agreement; and (iv) other related ancillary agreements.

5. Commitments and Contingencies

Employment Agreements - The Company has entered into various employment contracts with employees that could result in obligations to the Company in the event of a change in control or termination without cause.

Management Agreements – As of December 31, 2024, our ten wholly-owned hotels, and our two condo-hotel rental programs, operated under management agreements with Our Town (see Note 8). The management agreements expire on March 31, 2035 and may be extended for up to two additional periods of five years each, subject to the approval of both parties. Each of the individual hotel management agreements may be terminated earlier than the stated term upon the sale of the hotel covered by the respective management agreement, in which case we may incur early termination fees.

Franchise Agreements – As of December 31, 2024, seven of our hotels operate under franchise licenses from national hotel companies. Under the franchise agreements, we are required to pay a franchise fee generally between 3.0% and 5.0% of room revenues, plus additional fees for marketing, central reservation systems, and other franchisor programs and services that amount to between 3.0% and 4.0% of gross revenues from the hotels. The franchise agreements currently in force expire between October 2024 and March 2038. Each of our franchise agreements provides for early termination fees in the event the agreement is terminated before the stated term.

Restricted Cash Reserves – Each month, we are required to escrow with the lenders on the Hotel Ballast, The DeSoto, the DoubleTree by Hilton Laurel, the DoubleTree by Hilton Jacksonville Riverside, the DoubleTree Resort by Hilton Hollywood Beach, the Hotel Alba, the Whitehall, the Hyatt Centric Arlington and the Georgian Terrace an amount equal to one-twelfth (1/12) of the annual real estate taxes due for the properties. The lenders on the DoubleTree Resort by Hilton Hollywood Beach as well as the Hotel Alba also require us to escrow an amount each month equal to one-twelfth (1/12) of the annual insurance premiums. Several of our lenders also required us to establish individual property improvement funds to cover the cost of replacing capital assets at our properties. Each month, those contributions equal 4.0% of gross revenues for the Hotel Ballast, The DeSoto, the DoubleTree by Hilton Laurel, the DoubleTree Resort by Hilton Hollywood Beach, the Hotel Alba, The Whitehall and the Georgian Terrace and equal 4.0% of room revenues for the DoubleTree by Hilton Philadelphia Airport and the Hyatt Centric Arlington.

ESOP Loan Commitment – The Company's board of directors approved the ESOP on November 29, 2016, which was adopted by the Company in December 2016 and effective January 1, 2016. The ESOP is a non-contributory defined contribution plan covering all employees of the Company. The ESOP is a leveraged ESOP, meaning funds are loaned to the ESOP from the Company. The Company entered into a loan agreement with the ESOP on December 29, 2016, pursuant to which the ESOP may borrow up to $5.0 million to purchase shares of the Company's common stock on the open market. Under the loan agreement, the aggregate principal amount outstanding at any time may not exceed $5.0 million and the ESOP may borrow additional funds up to that limit in the future, until December 29, 2036. At December 31, 2024, the balance on the loan was approximately $0.8 million, leaving capacity for additional borrowing of approximately $4.2 million under the commitment.

Litigation –We are involved in routine litigation arising out of the ordinary course of business, all of which we expect to be covered by insurance and we believe it is not reasonably possible such matters will have a material adverse impact on our financial condition or results of operations or cash flows.

6. Leases

Lease Commitments – We are the lessee on certain ground leases, hotel equipment leases and office space leases. Leases with durations greater than 12 months are recognized on the balance sheet as ROU assets and lease liabilities. Our leases are classified as operating or finance leases. For leases with terms greater than 12 months, at inception of the lease, we recognize a ROU asset and lease liability at the estimated present value of the minimum lease payments over the lease term. ROU assets represent our right to use an underlying asset for the lease term, and lease liabilities represent our obligation to make lease payments arising from the lease. Many of our leases include rental escalation clauses (including fixed scheduled rent increases) and renewal options that are factored into the determination of lease payments, when appropriate, which adjusts the present value of the remaining lease payments. We determine the present value of the lease payments utilizing interest rates implicit in the lease, if determinable, or, if not, we estimate the incremental borrowing rate from information available at lease commencement, such as estimates of rates we would pay for senior collateralized loans with terms similar to each lease.

Operating Leases – The ROU asset operating leases that are connected to the hotel properties are primarily included in investment in hotel properties, net, with the related lease obligations included in accounts payable and accrued liabilities on the consolidated Balance Sheets. Other operating leases that are not connected to the hotel properties are reflected in prepaid expenses, inventory, and other assets with the related lease obligations included in accounts payable and accrued liabilities on the consolidated Balance Sheets. Lease expense is recognized on a straight-line basis over the term of the respective lease, and the value of each lease intangible is amortized over the term of the respective lease. Costs related to operating ground leases and hotel equipment leases are included in hotel operating expense and property taxes, insurance and other expense, and costs related to office space leases are included in general and administrative expense in our consolidated statements of operations.

As of December 31, 2024, the Company had the following significant operating leases:

We lease 2,086 square feet of commercial space next to The DeSoto for use as an office, retail or conference space, or for any related or ancillary purposes for the hotel and/or atrium space. In December 2007, we signed an amendment to the lease to include rights to the outdoor esplanade adjacent to the leased commercial space. The areas are leased under a six-year operating lease, which expired October 31, 2006 and has been renewed for the fourth of five optional five-year renewal periods expiring October 31, 2026. Rent expense for this operating lease for the twelve months ended December 31, 2024, 2023, and 2022, totaled $75,085, $83,932, and $83,932, respectively, and is included in indirect expenses.

We lease, as landlord, the entire fourteenth floor of The DeSoto hotel property to The Chatham Club, Inc. under a 99 year lease expiring July 31, 2086. This lease was assumed upon the purchase of the building under the terms and conditions agreed to by the previous owner of the property. No rental income is recognized under the terms of this lease as the original lump sum rent payment of $990 was received by the previous owner and not prorated over the life of the lease.

We lease land adjacent to the Hotel Alba Tampa for use as parking under a five-year renewable agreement with the Florida Department of Transportation that commenced in July 2009. In May 2014, we extended the agreement for an additional five years. We signed a new agreement in April 2019, which commenced in July 2019, goes for five years, and can be renewed for an additional five years. We have exercised the five year renewal, and the new agreement expires in July 2029, requires annual payments of $2,432, plus tax, and may be renewed for an additional five years. Rent expense for the twelve months ended December 31, 2024, 2023 and 2022 totaled $2,567, $2,602 and $2,608, respectively, and is included in indirect expenses.

We lease approximately 8,500 square feet of commercial office space in Williamsburg, Virginia under an agreement with a ten-year term beginning January 1, 2020. The initial annual rent under the agreement was $218,875, with the rent for each successive annual period increasing by 3.0% over the prior annual period's rent. The annual rent will be offset by a tenant improvement allowance of $200,000, to be applied against one-half of each monthly rent payment until such time as the tenant improvement allowance is exhausted. In December 2023, we received a rent concession of $257,731 against accrued and unpaid rents as well as a reduction of future lease payments by one-third. Rent expense for the twelve months ended December 31 2024, 2023 and 2022 totaled $18,121, ($85,759) and $223,607, respectively, and is included in general and administrative expenses.

We lease the parking garage and poolside cabanas associated with the Hyde Beach House. The parking and cabana lease requires us to make rental payments of $270,100 per year with increases of 5% every five years and has an initial term that expires in 2034 and which may be extended for four additional renewal periods of 5 years each. Rent expense for the twelve months ended December 31, 2024, 2023 and 2022, totaled $323,483, $271,000 and $271,000, respectively, and is included in indirect expenses.

Finance Leases – We lease the land underlying all of the Hyatt Centric Arlington hotel pursuant to a ground lease. The ground lease requires us to make rental payments of $50,000 per year in base rent and percentage rent equal to 3.5% of gross room revenue in excess of certain thresholds, as defined in the ground lease agreement. The initial term of the ground lease expires in July 2025 and may be extended for five additional rental periods of 10 years each. We have elected to exercise the renewal options for the first renewal period. Upon commencement of each renewal period, we will be required to make lease payments each year equal to 8.0% of the appraised value of the land. For the renewal period commencing July 2025, total annual lease payments will be $1,792,000.

Upon the determination of the lease payments commencing during the first renewal period, the lease was reassessed and remeasured as a finance lease, which we record as a finance lease asset within investment in hotel properties, net and finance lease liability on our consolidated balance sheets. As a result of the reassessment and remeasurement, we recognized a finance lease asset of $22,716,081 and a finance lease liability of $22,400,000. In addition, our finance lease asset balance includes unamortized intangible asset for the below market ground lease assumed in 2018 with the purchase of the hotel. The finance lease asset is amortized over the term of the lease including renewal periods. Costs related to the finance lease asset are included in depreciation and amortization expense and interest expense in the Company's consolidated statements of operations.

As of December 31, 2024, the operating and finance lease term years, weighted-average discount rates, right of use assets and lease liabilities, are as follows:

	December 31, 2024	
	Operating	Finance
Weighted-average remaining lease term, including reasonably certain extension options (years)	27.25	49.98
Weighted-average discount rate	8.02%	7.41%
Right of use assets	$ 4,451,537	$ 23,021,483
Lease liabilities	$ (4,874,919)	$ (23,201,751)

Lease Position as of December 31, 2024 and 2023– The following tables set forth the lease-related assets and liabilities included in the Company's consolidated balance sheets as of December 31, 2024 and 2023;

Assets	**Balance Sheet Classification**	**December 31, 2024**	**December 31, 2023**
Right of use assets	Prepaid expenses, inventory and other assets	$ 723,732	$ 1,255,881
Right of use assets	Investment in hotel properties, net	3,727,805	4,733,406
Finance lease right of use assets	Investment in hotel properties, net	23,021,483	63,424
Total lease assets		**$ 27,473,020**	**$ 6,052,711**
Liabilities			
Lease obligations under ROU assets	Accounts payable and accrued liabilities	$ 4,874,919	$ 5,420,343
Finance lease liabilities	Finance lease liabilities	23,201,751	54,354
Total lease liabilities		**$ 28,076,670**	**$ 5,474,697**

Lease Costs for the Twelve Months ended December 31, 2024, 2023, and 2022– The following table sets forth the lease costs related to the Company's operating and finance ground leases included in the Company's consolidated statement of operations for the twelve months ended December 31, 2024, 2023, and 2022:

	Consolidated Statement of Operations Classification	**Twelve Months Ended December 31, 2024**	**Twelve Months Ended December 31, 2023**	**Twelve Months Ended December 31, 2022**
Operating lease costs				
Fixed	Corporate general and administrative	$ 188,774	$ (73,104)	$ 242,429
	Hotel operating expenses - Other operating	-	271,000	271,000
	Hotel operating expenses - Indirect	468,407	164,330	168,739
Variable	Hotel operating expenses - Indirect	529,623	591,147	451,041
Finance lease costs:				
Amortization of lease assets	Depreciation and amortization	188,346	-	-
Variable	Hotel operating expenses - Indirect	204,161	-	-
Interest on lease liabilities	Interest expense	622,249	4,486	-
Total lease costs		**$ 2,201,560**	**$ 957,859**	**$ 1,133,209**

Undiscounted Cash Flows –The following table reconciles the undiscounted cash flows for each of the next five years and total of the remaining years to the operating lease liabilities and finance lease liabilities included in the Company's consolidated balance sheet as of December 31, 2024:

	December 31, 2024	
	Operating	Financing
December 31, 2025	$ 553,775	$ 1,005,265
December 31, 2026	552,233	1,871,959
December 31, 2027	551,196	1,863,893
December 31, 2028	524,984	1,858,738
December 31, 2029	528,701	1,843,049
December 31, 2030 and thereafter	10,240,006	81,551,299
Total undiscounted lease payments	12,950,895	89,994,203
Less imputed interest	(8,075,976)	(66,792,452)
Total lease liability	**$ 4,874,919**	**$ 23,201,751**

Lease Revenue – Several of our properties generate revenue from leasing the restaurant space within the hotel and space on the roofs of our hotels for antennas and satellite dishes. Leases for the restaurant space within the hotels are leased under 10-year leases which expire between September 2027 and May 2034 and include two additional 5-year renewal options. The leases require periodic increases in base rent and may require payments of percentage rent as well. Leases for the space on the roofs of our hotels for antennas and satellite dishes are leased under various periods ranging from 1 year to 10 years with renewal options for as many as five additional 5-year periods, with some exceptions. As of December 31, 2024, the leases for space on the roofs of our hotels expire between August 2025 and May 2034. Several leases require periodic increases in base rent. We account for the lease income as revenue from other operating departments within the consolidated statements of operations pursuant to the terms of each lease. Lease revenue for the twelve months ended December 31, 2024 and 2023, totaled approximately $1.2 million and $1.0 million, respectively.

A schedule of minimum future lease payments receivable for the remaining twelve-month periods is as follows:

December 31, 2025	$ 1,070,808
December 31, 2026	920,844
December 31, 2027	711,691
December 31, 2028	478,410
December 31, 2029	485,284
December 31, 2030 and thereafter	1,397,049
Total	**$ 5,064,086**

7. Preferred Stock and Units

Preferred Stock - The Company is authorized to issue up to 11,000,000 shares of preferred stock. The following table sets forth our Cumulative Redeemable Perpetual Preferred Stock by series:

Preferred Stock - Series	Per Annum Rate	Liquidation Preference	Number of Shares Issued and Outstanding as of December 31, 2024	Number of Shares Issued and Outstanding as of December 31, 2023	Quarterly Distributions Per Share
Series B Preferred Stock	8.000%	$ 25.00	1,464,100	1,464,100	$ 0.500000
Series C Preferred Stock	7.875%	$ 25.00	1,346,110	1,346,110	$ 0.492188
Series D Preferred Stock	8.250%	$ 25.00	1,163,100	1,163,100	$ 0.515625

The Company is required to pay cumulative cash distributions on the preferred stock at rates in the above table per annum of the $25.00 liquidation preference per share. Holders of the Company's preferred stock are entitled to receive distributions when authorized by the Company's board of directors out of assets legally available for the payment of distributions. The preferred stock is not redeemable by the holders, has no maturity date and is not convertible into any other security of the Company or its affiliates. However, the Company, at its option, may redeem the preferred stock in part or in full for the amount of the liquidation preference plus any dividends in arrears as well as a pro-rata distribution for the portion of the quarterly period ending on the date of redemption. In March 2020 the Company deferred the record date for the dividends on the Company's Series B Preferred Stock, Series C Preferred Stock, and Series D Preferred Stock that were to be paid April 15, 2020.

On January 24, 2023, the Company announced its intention to resume quarterly payments of dividends on its preferred stock, following the suspension of the preferred dividends during the pandemic.

The total undeclared and unpaid cash dividends due on the Series B Preferred Stock, Series C Preferred Stock and Series D Preferred Stock as of December 31, 2024, were $8,052,550, $7,287,931 and $6,596,958, respectively. Undeclared preferred cumulative dividends are reported on the statements of operations but are not considered payable until declared. The preferred stock is considered permanent equity and distributions accrete as distributions are declared. As of December 31, 2024, there are cumulative undeclared preferred dividends, of approximately $21.9 million.

Preferred Units – The Company is the holder of the Operating Partnership's preferred partnership units and is entitled to receive distributions when authorized by the general partner of the Operating Partnership out of assets legally available for the payment of distributions. The following table sets forth our Cumulative Redeemable Perpetual Preferred Units by series:

Preferred Units - Series	Per Annum Rate	Liquidation Preference	Number of Units Issued and Outstanding as of December 31, 2024	Number of Units Issued and Outstanding as of December 31, 2023	Quarterly Distributions Per Unit
Series B Preferred Units	8.000%	$ 25.00	1,464,100	1,464,100	$ 0.500000
Series C Preferred Units	7.875%	$ 25.00	1,346,110	1,346,110	$ 0.492188
Series D Preferred Units	8.250%	$ 25.00	1,163,100	1,163,100	$ 0.515625

The Operating Partnership pays cumulative cash distributions on the preferred units at rates in the above table per annum of the $25.00 liquidation preference per unit. The Company, which is the holder of the Operating Partnership's preferred units, is entitled to receive distributions when authorized by the Operating Partnership's general partner out of assets legally available for the payment of distributions. The preferred units are not redeemable by the holder, have no maturity date and are not convertible into any other security of the Operating Partnership or its affiliates. The Company, as general partner, may cause the Operating Partnership to redeem preferred units in the Operating Partnership in conjunction with a redemption by the Company of its preferred stock. In March 2020 the Company deferred the record dates for the dividends on the Operating Partnership's Series B Preferred Units, Series C Preferred Units, and Series D Preferred Units that were to be paid April 15, 2020.

The total undeclared and unpaid cash dividends due on the Series B Preferred Units, Series C Preferred Units and Series D Preferred Units as of December 31, 2024, were $8,052,550, $7,287,931 and $6,596,958, respectively. Undeclared preferred cumulative dividends are reported on the statements of operations but are not considered payable until declared. The preferred partnership units are considered permanent equity and distributions accrete as distributions are declared. The preferred partnership units are considered permanent equity and distributions accrete as distributions are declared. As of December 31, 2024, there are cumulative undeclared preferred distributions to the Company from the Operating Partnership of approximately $21.9 million.

The following table presents the quarterly distributions in arrears that were paid by the Operating Partnership per Series B Preferred Unit and the quarterly dividends in arrears that were paid by the Company per share of Series B Preferred Stock, during the years ended December 31, 2024, 2023, and 2022:

Quarter Ended in Arrears	2024	2023	2022
March 31, 2020	$ -	$ 0.500000	$ -
June 30, 2020	-	0.500000	-
September 30, 2020	-	0.500000	-
December 31, 2020	-	0.500000	-
March 31, 2021	-	0.500000	-
June 30, 2021	0.500000	-	-
September 30, 2021	0.500000	-	-
December 31, 2021	0.500000	-	-
March 31, 2022	0.500000	-	-

The following table presents the quarterly distributions in arrears that were paid by the Operating Partnership per Series C Preferred Unit and the quarterly dividends in arrears that were paid by the Company per share of Series C Preferred Stock, during the years ended December 31, 2024, 2023, and 2022:

Quarter Ended in Arrears	2024	2023	2022
March 31, 2020	$ -	$ 0.492188	$ -
June 30, 2020	-	0.492188	-
September 30, 2020	-	0.492188	-
December 31, 2020	-	0.492188	-
March 31, 2021	-	0.492188	-
June 30, 2021	0.492188	-	-
September 30, 2021	0.492188	-	-
December 31, 2021	0.492188	-	-
March 31, 2022	0.492188	-	-

The following table presents the quarterly distributions in arrears that were paid by the Operating Partnership per Series D Preferred Unit and the quarterly dividends in arrears that were paid by the Company per share of Series D Preferred Stock, during the years ended December 31, 2024, 2023, and 2022:

Quarter Ended in Arrears	2024	2023	2022
March 31, 2020	$ -	$ 0.515625	$ -
June 30, 2020	-	0.515625	-
September 30, 2020	-	0.515625	-
December 31, 2020	-	0.515625	-
March 31, 2021	-	0.515625	-
June 30, 2021	0.515625	-	-
September 30, 2021	0.515625	-	-
December 31, 2021	0.515625	-	-
March 31, 2022	0.515625	-	-

8. Common Stock and Units

Common Stock – The Company is authorized to issue up to 69,000,000 shares of common stock, $0.01 par value per share. Each outstanding share of common stock entitles the holder to one vote on all matters submitted to a vote of stockholders. Holders of the Company's common stock are entitled to receive distributions when authorized by the Company's board of directors out of assets legally available for the payment of distributions.

The following is a list of issuances during the years ended December 31, 2024, 2023, and 2022 of the Company's common stock:

On January 18, 2024, the Company was issued 152,360 units in the Operating Partnership and the Company issued 12,750 restricted shares of common stock to its independent directors and 139,610 vested shares of common stock to its officers and employees.

On August 30, 2023, one holder of partnership units in the Operating Partnership converted 133,099 units for an equivalent number of shares in the Company's stock.

On August 18, 2023, one holder of partnership units in the Operating Partnership converted 252,903 units for an equivalent number of shares in the Company's stock.

On April 28, 2023, one holder of partnership units in the Operating Partnership converted 75,000 units for an equivalent number of shares in the Company's stock.

On January 23, 2023, the Company was issued 205,000 units in the Operating Partnership and the Company issued 205,000 restricted shares of common stock to certain its officers and employees pursuant to their employment agreements.

On January 12, 2023, the Company was issued 15,000 units in the Operating Partnership and the Company issued 15,000 restricted shares of common stock to its independent directors and 64,278 vested shares of common stock to its independent directors and one officer.

On November 1, 2022, one holder of units in the Operating Partnership converted 217,845 units for an equivalent number of shares in the Company's common stock.

On August 23, 2022, we entered into a privately-negotiated share exchange agreement. Pursuant to the share exchange agreement, the Company agreed to exchange 13,000 shares of the Company's Series B Preferred Stock and 3,200 shares of the Company's Series C Preferred Stock, together with all of the holder's rights to receive accrued and unpaid dividends on those preferred shares, for 140,130 shares of the Company's common stock. We closed the transaction and issued the common stock on August 24, 2022.

On August 18, 2022, we entered into a privately-negotiated share exchange agreement. Pursuant to the share exchange agreement, the Company agreed to exchange 11,000 shares of the Company's Series B Preferred Stock, 7,100 shares of the Company's Series C Preferred Stock, and 1,900 shares of the Company's Series D Preferred Stock, together with all of the holder's rights to receive accrued and unpaid dividends on those preferred shares, for 178,800 shares of the Company's common stock. We closed the transaction and issued the common stock on August 18, 2022.

On July 21, 2022, the Company was issued 167,390 units in the Operating Partnership and awarded an equivalent number of shares of unrestricted stock to its employees.

On July 1, 2022, one holder of units in the Operating Partnership converted 40,687 units for an equivalent number of shares in the Company's common stock.

On May 23, 2022, the Company was issued 37,428 units in the Operating Partnership and awarded an equivalent number of shares of unrestricted stock to its employees.

On May 19, 2022, one holder of units in the Operating Partnership converted 50,000 units for an equivalent number of shares in the Company's common stock.

On April 19, 2022, we entered into a privately-negotiated share exchange agreement. Pursuant to the share exchange agreement, the Company agreed to exchange 5,000 shares of the Company's Series B Preferred Stock and 10,600 shares of the Company's Series C Preferred Stock, together with all of the holder's rights to receive accrued and unpaid dividends on those preferred shares, for 153,504 shares of the Company's common stock. We closed the transaction and issued the common stock on April 19, 2022.

On April 11, 2022, we entered into a privately-negotiated share exchange agreement. Pursuant to the share exchange agreement, the Company agreed to exchange 4,000 shares of the Company's Series B Preferred Stock and 8,000 shares of the Company's Series C Preferred Stock, together with all of the holder's rights to receive accrued and unpaid dividends on those preferred shares, for 116,640 shares of the Company's common stock. We closed the transaction and issued the common stock on April 12, 2022.

On March 31, 2022, we entered into a privately-negotiated share exchange agreement. Pursuant to the share exchange agreement, the Company agreed to exchange 5,900 shares of the Company's Series B Preferred Stock and 6,600 shares of the Company's Series C Preferred Stock, together with all of the rights to receive accrued and unpaid dividends on those preferred shares, for 120,875 shares of the Company's common stock. We closed the transaction and issued the common stock on March 31, 2022.

On March 24, 2022, we entered into a privately-negotiated share exchange agreement. Pursuant to the share exchange agreement, the Company agreed to exchange 7,000 shares of the Company's Series B Preferred Stock and 3,000 shares of the Company's Series C Preferred Stock, together with all of the rights to receive accrued and unpaid dividends on those preferred shares, for 96,900 shares of the Company's common stock. We closed the transaction and issued the common stock on March 25, 2022.

On January 21, 2022, the Company was issued 15,000 units in the Operating Partnership and awarded an equivalent number of shares of restricted stock to its independent directors.

On January 21, 2022 and February 15, 2022, the Company was issued a total of 175,268 units in the Operating Partnership and awarded an equivalent number of shares of unrestricted stock to its employees.

As of December 31, 2024 and 2023, the Company had 19,849,165 and 19,696,805 shares of common stock outstanding, respectively.

Operating Partnership Units – Holders of Operating Partnership units, other than the Company as general partner, have certain redemption rights, which enable them to cause the Operating Partnership to redeem their units in exchange for shares of the Company's common stock on a one-for-one basis or, at the option of the Company, cash per unit equal to the average of the market price of the Company's common stock for the 10 trading days immediately preceding the notice date of such redemption. The number of shares issuable upon exercise of the redemption rights will be adjusted upon the occurrence of stock splits, mergers, consolidations or similar pro-rata share transactions, which otherwise would have the effect of diluting the ownership interests of the limited partners or the stockholders of the Company.

Since January 1, 2020, there have been no issuances or redemptions of units in the Operating Partnership other than the issuances of units in the Operating Partnership to the Company described above.

As of December 31, 2024 and 2023, the total number of Operating Partnership units outstanding was 20,213,351 and 20,060,991, respectively.

As of December 31, 2024 and 2023, the total number of outstanding units in the Operating Partnership not owned by the Company was each 364,186, respectively, with a fair market value of approximately $0.3 million and approximately $0.5 million, respectively, based on the price per share of the common stock on such respective dates.

Common Stock Dividends and Unit Distributions – The following table presents the quarterly stock dividends and unit distributions by us declared and payable per common stock/unit for the years ended December 31, 2024, 2023, and 2022:

Quarter Ended	2024	2023	2022
March 31,	$ -	$ -	$ -
June 30,	-	-	-
September 30,	-	-	-
December 31,	-	-	-

As of December 31, 2024, there were unpaid common dividends and distributions to holders of record as of March 13, 2020 in the amount of $2,088,160.

9. Related Party Transactions

Our Town Hospitality. Our Town is currently the management company for each of our ten wholly-owned hotels, as well as the manager of our rental programs at the Lyfe Resort & Residences and the Hyde Beach House Resort & Residences. As of December 31, 2024, an affiliate of Andrew M. Sims, our Chairman, an affiliate of David R. Folsom, our President and Chief Executive Officer, and Andrew M. Sims Jr., our Vice President - Operations & Investor Relations, beneficially owned approximately 64.57%, 6.41%, and 15.0%, respectively, of the total outstanding ownership interests of Our Town. Mr. Sims, Mr. Folsom, and Mr. Sims Jr. serve as directors of Our Town. The following is a summary of the transactions between Our Town and us:

Accounts Receivable – At December 31, 2024 and 2023, we were due approximately $0.02 million and $0.01 million, respectively, from Our Town Hospitality.

Accounts Payable – At December 31, 2024 and 2023, we owed Our Town approximately $0.9 million and $0.3 million, respectively.

Management Agreements – On September 6, 2019, we entered into a master agreement with Our Town related to the management of certain of our hotels, as amended on December 13, 2019 and amended and restated on November 6, 2024 (as amended, the "OTH Master Agreement"). On December 13, 2019, and subsequent dates we entered into a series of individual hotel management agreements for the management of our hotels. The hotel management agreements for each of our ten wholly-owned hotels and the two rental programs are each referred to as an "OTH Hotel Management Agreement" and, together, the "OTH Hotel Management Agreements". The term of the OTH Hotel Management Agreements extends through March 31, 2035, and may be extended for two periods of five years each.

The OTH Master Agreement expires on March 31, 2035, but shall be extended beyond 2035 for such additional periods as an OTH Hotel Management Agreement remains in effect. The base management fees for each hotel under management with Our Town is 2.50%. For any new individual hotel management agreements, Our Town will receive a base management fee of 2.00% of gross revenues for the first full year from the commencement date through the anniversary date, 2.25% of gross revenues the second full year, and 2.50% of gross revenues for every year thereafter.

Each OTH Hotel Management Agreement sets an incentive management fee equal to 10.0% of the amount by which gross operating profit, as defined in the relevant management agreement, for a given year exceeds the budgeted gross operating profit for such year; provided, however, that the incentive management fee payable in respect of any such year shall not exceed 0.25% of the gross revenues of the hotel included in such calculation.

Each OTH Hotel Management Agreement provides for the payment of a termination fee upon the sale of the hotel equal to the lesser of the management fee paid with respect to the prior twelve months or the management fees paid for the number of months prior to the closing date of the hotel sale equal to the number of months remaining on the current term of the management agreement.

For the years ended December 31, 2024, 2023, and 2022, the base management fees earned by Our Town under the contract were approximately $4.7 million, $4.5 million and $4.1 million, respectively, and the incentive management fees earned by Our Town were approximately $0.1 million, $0.2 million and $0.3 million, respectively. We also paid Our Town approximately $0.3 million in termination fees in 2022 triggered by the sale of the Sheraton Louisville Riverside and DoubleTree by Hilton Raleigh-Brownstone University.

Sublease – On December 13, 2019, we entered into a sublease agreement with Our Town pursuant to which Our Town subleases 2,245 square feet of office space from the Company for a period of 5 years, with a 5-year renewal subject to approval by Sotherly, on terms and conditions similar to the terms of the prime lease entered into by the Company and the third-party owner of the property. In December 2023, the Company granted Our Town a lease concession in the amount of $143,774 in proportion to the rent concession the Company received under the prime lease. For the years ended December 31, 2024, 2023, and 2022, the Company received rent income from Our Town of $135,511, $24,755 and $159,734, respectively.

Employee Medical Benefits – We purchase employee medical benefits through Our Town (or its affiliate) for those employees that are employed by Our Town that work exclusively for our properties, starting January 1, 2020. For the years ended December 31, 2024, 2023, and 2022, the employer portion of the plan covering those employees that work exclusively at our properties under our management agreements with Our Town was approximately $3.9 million, $2.7 million and $3.2 million, respectively.

Other Related Parties – The Company employs Andrew M. Sims, Jr. the son of our Chairman, who currently serves as Vice President – Operations & Investor Relations, and Robert E. Kirkland IV, the son-in-law of our Chairman, who currently serves as General Counsel, as employees. Prior to February 1, 2022, the Company employed Ashley S. Kirkland, daughter of our Chairman, as Corporate Counsel and Compliance Officer. Compensation for these three employees, including benefits, for the years ended December 31, 2024, 2023, and 2022, totaled $804,223, $549,088 and $605,163, respectively.

On August 18, 2023, a trust in which our Chairman has a beneficial interest converted 252,903 partnership units for an equivalent number of shares in the Company's common stock, pursuant to the terms of the partnership agreement.

On August 30, 2023, a trust controlled by one of our directors converted 133,099 partnership units for an equivalent number of shares in the Company's common stock, pursuant to the terms of the partnership agreement.

On April 28, 2023, a trust in which our Chairman has a beneficial interest converted 75,000 partnership units for an equivalent number of shares in the Company's common stock, pursuant to the terms of the partnership agreement.

On July 1, 2022, a partnership controlled by a sibling of our Chairman converted 40,687 partnership units for an equivalent number of shares in the Company's common stock, pursuant to the terms of the partnership agreement.

On May 19, 2022, a trust in which our Chairman has a beneficial interest converted 50,000 partnership units for an equivalent number of shares in the Company's common stock, pursuant to the terms of the partnership agreement.

10. Retirement Plans

401(k) Plan - The Company maintains a 401(k) plan for qualified employees. Prior to May 16, 2020, the plan was subject to "safe harbor" provisions requiring that we match 100.0% of the deferral equal to 3.0% of eligible employee compensation and 50.0% of the deferral equal to the next 2.0% of eligible employee compensation. All employer matching funds vested immediately in accordance with the "safe harbor" provisions. For the year ended December 31, 2021, the Company elected to make a discretionary contribution of 3.0% of eligible employee compensation in order to comply with requirements associated with top-heavy plans. The

Company's contributions to the plan for the years ended December 31, 2024, 2023, and 2022, were $88,139, $84,573 and $75,631, respectively.

Employee Stock Ownership Plan - The Company adopted an ESOP effective January 1, 2016, which is a non-contributory defined contribution plan covering all employees of the Company. The Company sponsors and maintains the ESOP and related trust for the benefit of its eligible employees. The ESOP is a leveraged ESOP, with funds loaned to the ESOP from the Company. The Company entered into a loan agreement with the ESOP on December 29, 2016, pursuant to which the ESOP may maintain aggregate borrowings of up to $5.0 million to purchase shares of the Company's common stock on the open market, which serve as collateral for the loan. Coincident with the loan between the Company and the ESOP, the Operating Partnership entered into a loan with the Company to facilitate borrowings between the Company and the ESOP.

Between January 3, 2017 and February 28, 2017, the Company's ESOP purchased 682,500 shares of the Company's common stock of an aggregate cost of approximately $4.9 million. Shares purchased by the ESOP are held in a suspense account for allocation among participants. Dividends on the shares in the ESOP as well as contributions by the Company are used to make repayment on loan to the Company. Shares are released based on the ratio of each loan repayment to the projected future loan repayments. Committed-to-be-released shares are allocated to plan participants on the last day of the plan year. The share releases are accounted for at fair value on the date of each loan repayment.

A total of 538,511 and 412,169 shares with a fair value of $501,569 and $614,131 remained allocated or committed to be released from the suspense account as of December 31, 2024 and 2023, respectively. The Company recognized compensation cost of $125,497, $171,896 and $126,958 during the twelve months ended December 31, 2024, 2023, and 2022, respectively. The remaining 120,701 unallocated shares have an approximate fair value of $0.1 million, as of December 31, 2024. At December 31, 2024, the ESOP held a total of 538,511 allocated shares, no committed-to-be-released shares and 120,701 unallocated shares.

The share allocations are accounted for at fair value on the date of allocation as follows:

	December 31, 2024		December 31, 2023	
	Number of Shares	Fair Value	Number of Shares	Fair Value
Allocated shares	538,511	$ 501,569	412,169	$ 614,131
Committed to be released shares	-	—	—	—
Total Allocated and Committed-to-be-Released	538,511	$ 501,569	412,169	$ 614,131
Unallocated shares	120,701	112,421	247,043	368,094
Total ESOP Shares	**659,212**	**$ 613,990**	**659,212**	**$ 982,225**

11. Indirect Hotel Operating Expenses

Indirect hotel operating expenses consists of the following expenses incurred by the hotels:

	2024	2023	2022
Sales and marketing	$ 16,079,144	$ 16,095,696	$ 15,062,397
General and administrative	15,113,649	14,105,674	13,436,054
Repairs and maintenance	9,070,165	8,634,637	8,723,144
Utilities	6,149,994	5,873,095	5,649,716
Property taxes	5,751,544	5,241,790	5,254,075
Management fees, including incentive	4,767,469	4,659,261	4,377,814
Franchise fees	4,286,432	4,271,435	4,059,709
Insurance	6,347,150	5,842,930	4,082,551
Information and telecommunications	4,010,693	3,779,019	3,378,716
Other	1,270,782	1,126,187	787,391
Total indirect hotel operating expenses	**$ 72,847,022**	**$ 69,629,724**	**$ 64,811,567**

12. Income Taxes

The components of the provision for income taxes for the years ended December 31, 2024, 2023, and 2022 are as follows:

	Year Ended December 31, 2024	Year Ended December 31, 2023	Year Ended December 31, 2022
Current:			
Federal	$ —	$ —	$ —
State	132,491	(304,947)	522,355
	132,491	(304,947)	522,355
Deferred:			
Federal	(1,109,938)	(1,559,177)	3,025,518
State	(210,919)	(254,558)	695,708
Subtotals	(1,320,857)	(1,813,735)	3,721,226
Change in deferred tax valuation allowance	1,320,857	1,813,735	(3,721,226)
	—	—	—
Income tax provision (benefit)	**$ 132,491**	**$ (304,947)**	**$ 522,355**

A reconciliation of the statutory federal income tax provision (benefit) to the Company's provision for income tax is as follows:

	Year Ended December 31, 2024	Year Ended December 31, 2023	Year Ended December 31, 2022
Statutory federal income tax provision	$ 275,593	$ 736,001	$ 7,241,263
Federal tax impact of REIT election	(1,357,871)	(2,231,835)	(3,255,236)
Statutory federal income tax provision (benefit) at TRS	(1,082,278)	(1,495,834)	3,986,027
Federal impact of PPP loan forgiveness	—	(56,470)	(966,584)
State income tax benefit, net of federal provision (benefit)	(106,088)	(566,378)	1,224,138
Change in valuation allowance	1,320,857	1,813,735	(3,721,226)
Income tax provision (benefit)	**$ 132,491**	**$ (304,947)**	**$ 522,355**

Deferred income taxes are recognized for temporary differences between the financial reporting bases of asset and liabilities and their respective tax bases and for operating losses and tax credit carryforwards based on enacted tax rates expected to be in effect when such amounts are realized. However, deferred tax assets are recognized only to the extent that it is more likely than not that they will be realizable based on consideration of available evidence, including future reversal of taxable temporary differences, projected taxable income and tax planning strategies.

Due to the uncertainty of realizing the loss in future years attributable to the changes in travel demand and market conditions in various markets in which the Company does business and the effectiveness of the Company's tax planning strategies, as of December 31, 2024, the Company believes it is not more likely than not that the Company will realize the benefits of these assets. Therefore, the Company has determined that a full valuation allowance should be recorded against the deferred tax asset. The amount of the deferred tax assets considered unrealizable, however, could change in the future based on revised estimates of future taxable income during the carryforward period.

The significant components of our deferred tax asset as of December 31, 2024 and 2023, are as follows:

	Year Ended December 31, 2024	Year Ended December 31, 2023
Deferred tax asset:		
Net operating loss carryforwards	$ 13,247,852	$ 12,437,085
Accrued compensation	549,538	362,898
Accrued expenses and other	516,991	192,266
Intangible assets	—	1,275
Less: Valuation allowance	(14,314,381)	(12,993,524)
Total	**$ —**	**$ —**

13. Earnings (Loss) per Share and per Unit

Earnings (Loss) Per Share. The limited partners' outstanding limited partnership units in the Operating Partnership (which may be redeemed for common stock upon notice from the limited partner and following our election to redeem the units for stock rather than cash) have been excluded from the diluted earnings per share calculation as there would be no effect on the amounts since the limited partners' share of income would also be added back to net loss. The shares of the Series B Preferred Stock, Series C Preferred Stock, and Series D Preferred Stock are not convertible into or exchangeable for any other property or securities of the Company, except upon the occurrence of a change of control and have been excluded from the diluted earnings per share calculation as there would be no impact on the current controlling stockholders. The 120,701, 247,043 and 364,177 non-committed, unearned ESOP shares are treated as reducing the number of issued and outstanding common shares and similarly reducing the weighted average number of common shares outstanding, for the years ended December 31, 2024, 2023, and 2022, respectively. The effect of allocated and committed to be released shares during the years ended December 31, 2024, 2023, and 2022, have not been included in the weighted average diluted earnings per share calculation, since there would be an anti-dilutive effect from the dilution by these shares, although the amount of compensation for allocated shares is reflected in net loss available to common stockholders for basic computation.

The computation of the Company's basic net earnings (loss) per share is presented below:

	Twelve Months Ended December 31, 2024	Twelve Months Ended December 31, 2023	Twelve Months Ended December 31, 2022
Numerator			
Net income	$ 1,179,854	$ 3,809,711	$ 33,959,848
Less: Net income allocated to participating share awards	(13,194)	(49,118)	(113,405)
Net income attributable to non-controlling interest	122,515	131,710	(1,423,327)
Undeclared distributions to preferred stockholders	(7,977,250)	(7,977,250)	(7,634,219)
Gain on extinguishment of preferred stock	—	—	64,518
Net (loss) income attributable to common stockholders for EPS computation	**$ (6,688,075)**	**$ (4,084,947)**	**$ 24,853,415**
Denominator			
Weighted average number common shares outstanding for basic EPS computation	19,417,448	18,843,032	17,802,772
Basic and diluted net (loss) income per common share:			
Undistributed (loss) income	$ (0.34)	$ (0.22)	$ 1.40
Total basic and diluted	**$ (0.34)**	**$ (0.22)**	**$ 1.40**

The accounting for unvested share-based payment awards (share-based awards that contain nonforfeitable rights to dividends or dividend equivalents, whether paid or unpaid), are participating securities and included in the computation of basic earnings per share. Our grants of restricted stock awards to our employees and directors are considered participating securities, and we have prepared our earnings per share calculations to include outstanding unvested restricted stock awards in the numerator for basic weighted average shares outstanding calculation. However, since the participating outstanding unvested restricted stock awards of 26,940 and 25,936 as of December 31, 2024 and 2023, respectively, in the denominator are anti-dilutive, due to net losses, they are not included in a dilutive calculation.

Earnings (Loss) Per Unit. The Series B Preferred Units, Series C Preferred Units, and Series D Preferred Units are not convertible into or exchangeable for any other property or securities of the Operating Partnership, except upon the occurrence of a change of control and have been excluded from the diluted earnings per unit calculation as there would be no impact on the current unitholders. The number of non-committed, unearned shares in the Company's ESOP have no impact on the calculation of the loss per unit in the Operating Partnership.

The computation of basic earnings (loss) per general and limited partnership unit in the Operating Partnership is presented below:

	Twelve Months Ended December 31, 2024	Twelve Months Ended December 31, 2023	Twelve Months Ended December 31, 2022
Numerator			
Net income	$ 1,179,854	$ 3,809,711	$ 33,959,848
Less: Net income allocated to participating unit awards	(13,194)	(49,118)	(113,405)
Undeclared distributions to preferred unitholders	(7,977,250)	(7,977,250)	(7,634,219)
Gain on extinguishment of preferred stock	—	—	64,518
Net (loss) income attributable to unitholders for EPU computation	**$ (6,810,590)**	**$ (4,216,657)**	**$ 26,276,742**
Denominator			
Weighted average number of units outstanding for basic EPU computation	19,997,274	19,808,602	19,266,320
Basic and diluted net (loss) income per unit:			
Undistributed (loss) income	$ (0.34)	$ (0.21)	$ 1.36
Total basic and diluted	**$ (0.34)**	**$ (0.21)**	**$ 1.36**

The accounting for unvested unit-based payment awards (unit-based awards that contain nonforfeitable rights to dividends or dividend equivalents, whether paid or unpaid), are participating securities and included in the computation of basic earnings per unit. Our grants of restricted unit awards to our employees and directors are considered participating securities, and we have prepared our earnings per unit calculations to include outstanding unvested restricted unit awards in the numerator for basic weighted average shares outstanding calculation. However, since the participating outstanding unvested restricted unit awards 26,940 and 25,936 as of December 31, 2024 and 2023, respectively, in the denominator are anti-dilutive, due to net losses, they are not included in a dilutive calculation.

14. Quarterly Operating Results - Unaudited

	Quarters Ended 2024			
	March 31	June 30	September 30	December 31
Total revenue	$ 46,548,432	$ 50,694,367	$ 40,699,981	$ 43,951,507
Total operating expenses	40,874,320	41,394,584	38,945,047	40,032,474
Net operating income	5,674,112	9,299,783	1,754,934	3,919,033
Net income (loss)	1,322,821	4,664,232	(3,689,621)	(1,117,578)
Net income (loss) attributable to common shareholders	(659,373)	2,621,768	(5,603,761)	(3,033,515)
Income (loss) per share attributable to common shareholders– basic and diluted	$ (0.03)	$ 0.13	$ (0.29)	$ (0.15)
Net income (loss) available to operating partnership unitholders	(671,491)	2,669,919	(5,683,934)	(3,111,890)
Income (loss) per unit attributable to operating partnership unitholders– basic and diluted	$ (0.03)	$ 0.13	$ (0.28)	$ (0.16)

	Quarters Ended 2023			
	March 31	June 30	September 30	December 31
Total revenue	$ 43,491,277	$ 49,017,332	$ 39,181,363	$ 42,148,085
Total operating expenses	37,971,155	40,727,531	38,013,510	38,200,430
Net operating income (loss)	5,520,122	8,289,801	1,167,854	3,947,654
Net income (loss)	1,387,514	5,257,670	(2,065,826)	(769,647)
Net income (loss) attributable to common shareholders	(581,838)	3,132,559	(3,903,581)	(2,682,969)
Income (loss) per share attributable to common shareholders– basic and diluted	$ (0.03)	$ 0.16	$ (0.20)	$ (0.15)
Net income (loss) available to operating partnership unitholders	(606,798)	3,263,357	(4,060,139)	(2,763,959)
Income (loss) per unit attributable to operating partnership unitholders– basic and diluted	$ (0.03)	$ 0.16	$ (0.20)	$ (0.14)

15. Segment Information

The Company's chief operating decision maker ("CODM") is the President and Chief Executive Officer.

The CODM separately evaluates the performance of each of the Company's hotel properties and each hotel property is an operating segment. However,because each of the hotels has similar economic characteristics, facilities, and services, the hotel properties have been aggregated into a single reportable segment.

The hotel segment revenues are derived from the operation of hotel properties. The hotel segment generates room revenue by renting hotel rooms to customers at the Company's hotel properties. The hotel segment generates food and beverage revenue from the sale of food and beverage to customers at the Company's hotel properties. The hotel segment generates other revenue from parking fees, resort fees, gift shop sales and other guest service fees at the Company's hotel properties.

The CODM assesses performance for the hotel segment and decides how to allocate resources based on Hotel EBITDA, which is a non-GAAP financial measure. We define Hotel EBITDA as net income or loss excluding: (1) interest expense, (2) interest income, (3) income tax provision or benefit, (4) depreciation and amortization, (5) impairment of long-lived assets or investments, (6) gains and losses on disposal and/or sale of assets, (7) gains and losses on involuntary conversions of assets, (8) realized and unrealized gains and losses on derivative instruments not included in other comprehensive income, (9) other income at the properties, (10) loss on early debt extinguishment, (11) Paycheck Protection Program (PPP) debt forgiveness, (12) gain on exercise of development right, (13) corporate general and administrative expense, and (14) other income.

The following table presents information about profit or loss for the hotel segment:

	For the Years Ended December 31,		
	2024	2023	2022
REVENUE			
Rooms department	$ 119,079,903	$ 114,748,834	$ 109,553,906
Food and beverage department	36,626,906	35,231,959	29,556,213
Other operating departments	26,187,478	23,857,264	26,967,185
Total revenue	**181,894,287**	**173,838,057**	**166,077,304**
EXPENSES			
Hotel operating expenses			
Rooms department	27,376,330	26,177,539	25,782,888
Food and beverage department	25,429,218	24,211,133	19,724,225
Other operating departments	9,428,889	9,031,960	9,296,056
Indirect	72,847,022	69,629,724	64,811,567
Total hotel operating expenses	**135,081,459**	**129,050,356**	**119,614,736**
Hotel EBITDA	**$ 46,812,828**	**$ 44,787,701**	**$ 46,462,568**

The following table provides a reconciliation of the hotel segment profit and loss to the Company's consolidated totals:

	Year Ended December 31, 2024	Year Ended December 31, 2023	Year Ended December 31, 2022
Net income	**$ 1,179,854**	**$ 3,809,711**	**$ 33,959,848**
Interest expense	20,882,681	17,588,091	19,772,802
Interest income	(692,756)	(802,183)	(189,291)
Income tax provision	132,491	(304,947)	522,355
Depreciation and amortization	19,380,906	18,788,748	18,650,336
Impairment of investment in hotel properties, net	—	—	—
Realized and unrealized (gain) loss on hedging activities	(104,211)	737,682	(2,918,207)
Loss on early debt extinguishment	241,878	—	5,944,881
Gain on sale of hotel properties	—	—	(30,053,977)
Loss (gain) on disposal of assets	(4,400)	(4,700)	636,198
PPP loan forgiveness	—	(275,494)	(4,720,278)
Other income	(489,267)	(456,388)	—
Gain on involuntary conversion of asset	(502,808)	(1,371,041)	(1,763,320)
Corporate general and administrative expenses	6,788,460	7,078,222	6,621,221
Hotel EBITDA	**$ 46,812,828**	**$ 44,787,701**	**$ 46,462,568**

A measure of segment assets is not currently provided to the CODM and has therefore not been included herein.

16. Subsequent Events

On January 2, 2025, the Company was issued 277,250 units in the Operating Partnership and the Company issued 15,000 restricted shares of common stock to its independent directors and 262,250 vested shares of common stock to its officers and employees.

On March 14, 2025, the Company paid a quarterly dividend (distribution) of $0.50 per Series B Preferred Stock (and unit) to the preferred stockholders (and unitholders of the Operating Partnership) of record on February 28, 2025.

On March 14, 2025, the Company paid a quarterly dividend (distribution) of $0.492188 per Series C Preferred Stock (and unit) to the preferred stockholders (and unitholders of the Operating Partnership) of record on February 28, 2025.

On March 14, 2025, the Company paid a quarterly dividend (distribution) of $0.515625 per Series D Preferred Stock (and unit) to the preferred stockholders (and unitholders of the Operating Partnership) of record on February 28, 2025.

SOTHERLY HOTELS INC.

SOTHERLY HOTELS LP

SCHEDULE III—REAL ESTATE AND ACCUMULATED DEPRECIATION
AS OF DECEMBER 31, 2024
(in thousands)

Description	Encumbrances	Initial Costs		Costs Capitalized Subsequent to Acquisition		Gross Amount At End of Year			Accumulated Depreciation & Impairment	Date of Construction	Date Acquired	Life on Which Depreciation is Computed
		Land	Building & Improvements	Land	Building & Improvements	Land	Building & Improvements	Total				
The DeSoto – Savannah, Georgia	$ 34,220	$ 600	$ 13,562	$ 948	$ 28,273	$ 1,548	$ 41,835	$ 43,383	$ (18,452)	1968	2004	3-39 years
DoubleTree by Hilton Jacksonville Riverfront – Jacksonville, Florida	26,057	7,090	14,604	546	8,866	7,636	23,470	31,106	(12,017)	1970	2005	3-39 years
DoubleTree by Hilton Laurel – Laurel, Maryland	10,000	900	9,443	77	6,213	977	15,656	16,633	(8,001)	1985	2004	3-39 years
DoubleTree by Hilton Philadelphia Airport – Philadelphia, Pennsylvania	35,915	2,100	22,031	454	9,181	2,554	31,212	33,766	(15,560)	1972	2004	3-39 years
DoubleTree Resort by Hilton Hollywood Beach - Hollywood Beach, Florida	50,212	22,865	67,660	829	9,825	23,694	77,485	101,178	(20,113)	1972	2015	3-39 years
Georgian Terrace – Atlanta, Georgia	38,375	10,128	45,386	(1,135)	11,086	8,993	56,472	65,465	(16,663)	1911	2014	3-39 years
Hotel Alba Tampa, Tapestry Collection by Hilton – Tampa, Florida	35,000	4,153	9,670	1,909	26,249	6,062	35,919	41,982	(15,455)	1973	2007	3-39 years
Hotel Ballast Wilmington, Tapestry Collection by Hilton – Wilmington, North Carolina	29,770	785	16,829	1,002	16,069	1,787	32,898	34,685	(18,795)	1970	2004	3-39 years
Hyatt Centric Arlington - Arlington, Virginia	45,317	191	70,369	78	2,796	270	73,165	73,434	(12,846)		2018	3-39 years
The Whitehall – Houston, Texas	13,777	7,374	22,185	249	8,059	7,623	30,244	37,867	(17,117)	1963	2013	3-39 years
Hyde Resort & Residences	-	226	4,290	-	-	226	4,290	4,517	(871)	2016	2017	3-39 years
Hyde Beach House Resort & Residences	-	-	5,710	-	-	-	5,710	5,710	(777)	2019	2019	3-39 years
	$ 318,643	$ 56,412	$ 301,739	$ 4,957	$ 126,617	$ 61,370	$ 428,356	$ 489,726	$ (156,667)			

(1) For the year ending December 31, 2024, the aggregate cost of our real estate assets for federal income tax purposes was approximately $478.7 million.

RECONCILIATION OF REAL ESTATE AND ACCUMULATED DEPRECIATION

RECONCILIATION OF REAL ESTATE

Balance at December 31, 2021	**$ 509,620**
Acquisitions	**—**
Improvements	**6,916**
Disposal of Assets	**(42,883)**
Balance at December 31, 2022	**$ 473,653**
Acquisitions	**—**
Improvements	**6,863**
Disposal of Assets	**(568)**
Balance at December 31, 2023	**$ 479,948**
Acquisitions	**—**
Improvements	**10,872**
Disposal of Assets	**(1,094)**
Balance at December 31, 2024	**$ 489,726**

RECONCILIATION OF ACCUMULATED DEPRECIATION

Balance at December 31, 2021	**$ 129,895**
Current Expense	**13,462**
Impairment	**—**
Disposal of Assets	**(13,046)**
Balance at December 31, 2022	**$ 130,311**
Current Expense	**13,586**
Impairment	**—**
Disposal of Assets	**(440)**
Balance at December 31, 2023	**$ 143,457**
Current Expense	**14,306**
Impairment	**—**
Disposal of Assets	**(1,096)**
Balance at December 31, 2024	**$ 156,667**

Exhibit 4.4

DESCRIPTION OF THE REGISTRANT'S SECURITIES REGISTERED PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934

As of December 31, 2024, Sotherly Hotels Inc. (the "Company") had the following classes of securities registered under Section 12 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"):

(i) Common Stock, $0.01 par value, listed on the NASDAQ Stock Market LLC ("NASDAQ") and trading under the symbol "SOHO";

(ii) 8.0% Series B Cumulative Redeemable Perpetual Preferred Stock, $0.01 par value (the "Series B Preferred Stock"), listed on NASDAQ and trading under the symbol "SOHOB";

(iii) 7.875% Series C Cumulative Redeemable Perpetual Preferred Stock, $0.01 par value (the "Series C Preferred Stock"), listed on NASDAQ and trading under the symbol "SOHOO"; and

(iv) 8.25% Series D Cumulative Redeemable Perpetual Preferred Stock, $0.01 par value (the "Series D Preferred Stock"), listed on NASDAQ and trading under the symbol "SOHON".

The Series B Preferred Stock, the Series C Preferred Stock and the Series D Preferred Stock are collectively referred to herein as, the "Preferred Stock".

The following is a summary of the material terms of the Company's common stock and the Preferred Stock. It is not a complete description of the Maryland General Corporation Law ("MGCL"), the Company's Amended and Restated Articles of Incorporation, as amended (the "Charter"), the Company's Articles Supplementary establishing and fixing the rights and preferences of each series of the Preferred Stock (collectively the "Articles Supplementary") or the Company's Second Amended and Restated Bylaws (the "Bylaws"). This summary is qualified in its entirety by, and should be read in conjunction with, the Charter, the Articles Supplementary, the Bylaws, and the applicable provisions of the MGCL. Each of the Charter, Articles Supplementary and Bylaws are incorporated by reference herein and as exhibits to the Company's Annual Report on Form 10-K with which this exhibit was filed. The terms the "Company," "Sotherly," "we," "our," or "us" means Sotherly Hotels Inc.

All Classes of Our Capital Stock

General

The Charter authorizes the Company to issue up to 69,000,000 shares of common stock and 11,000,000 shares of preferred stock, of which 1,851,500 is designated as Series B, 1,700,000 is designated as Series C, and 1,242,000 is designated as Series D. As of March 10, 2025, the Company had 20,126,415 shares of common stock issued and outstanding, 1,464,100 shares of Series B Preferred Stock issued and outstanding, 1,346,110 shares of Series C Preferred Stock issued and outstanding, and 1,163,100 shares of Series D Preferred Stock issued and outstanding.

The Company previously issued shares of its Series A Preferred Stock pursuant to a private transaction. All shares of the Series A Preferred Stock have been redeemed and the Company does not intend to issue shares of the Series A Preferred Stock in the future.

The transfer agent and securities registrar for the Company's common stock and Preferred Stock is American Stock Transfer & Trust Company, LLC.

Restrictions on Ownership and Transfer.

For Sotherly to qualify as a REIT under the Internal Revenue Code of 1986, as amended (the "Code"), the Company's shares of stock must be beneficially owned by 100 or more persons during at least 335 days of a

taxable year of 12 months (other than the first year for which the Company's REIT election became effective) or during a proportionate part of a shorter taxable year. Also, not more than 50.0% of the value of the outstanding shares of stock may be owned, directly or indirectly, by five or fewer individuals (as defined in the Code to include certain entities) during the last half of a taxable year (other than the first year for which the Company's REIT election became effective). In addition, we cannot receive significant amounts of rents from tenants that are related to us, directly or constructively, through ownership.

Because the board of directors believes it is beneficial at present for the Company to qualify as a REIT, the Charter, subject to certain exceptions, contains restrictions on the number of shares of the Company's common stock that a person may own. The Charter provides that no person may own, or be deemed to own by virtue of the attribution provisions of the Code, more than 9.9% (the "Aggregate Stock Ownership Limit") in value of its outstanding shares of stock. In addition, the Charter prohibits any person from acquiring or holding, directly or indirectly, shares of common stock in excess of 9.9% of the number of Sotherly's outstanding shares of common stock (the "Common Stock Ownership Limit"). Additionally, the Articles Supplementary prohibit any person from acquiring or holding, directly or indirectly, shares of any one class of Preferred Stock in excess of 9.9% of the number of Sotherly's outstanding Preferred Stock in that class (the "Preferred Stock Ownership Limit").

Sotherly's Charter prohibits (a) any person from beneficially or constructively owning its shares of stock that would result in us being "closely held" under Section 856(h) of the Code, (b) any person from transferring Sotherly's shares of stock if such transfer would result in Sotherly's shares of stock being owned by fewer than 100 persons, (c) any transfer that would cause us to own, directly or indirectly, 10.0% or more of the ownership interests in a tenant of the Company (or a tenant of the Sotherly Hotels LP (the "Operating Partnership"), of which the Company is the sole general partner and through which the Company conducts virtually all of its activities, or any entity owned or controlled directly or indirectly by the Operating Partnership) other than a taxable REIT subsidiary if the requirements of Section 856(d)(8)(B) of the Code are satisfied and (d) any transfer that would cause any of our hotel management companies to fail to qualify as an "eligible independent contractor" within the meaning of Section 856(d)(9) of the Code. Any person who acquires or attempts or intends to acquire beneficial or constructive ownership of Sotherly's shares of stock that will or may violate any of the foregoing restrictions on transferability and ownership, or any person who would have owned Sotherly's shares of stock that resulted in a transfer of shares to the Charitable Trust (as defined below), is required to give written notice immediately to us, or in the case of a proposed or attempted transaction, to give at least 15 days' prior written notice, and provide us with such other information as we may request in order to determine the effect of such transfer on our status as a REIT. The foregoing restrictions on transferability and ownership will not apply if Sotherly's board of directors determines that it is no longer in its best interests to attempt to qualify, or to continue to qualify, as a REIT.

Furthermore, Sotherly's board of directors, in its sole discretion, may exempt a proposed transferee from the Aggregate Stock Ownership Limit, the Common Stock Ownership Limit, the Preferred Stock Ownership Limit, and/or any of the restrictions described in the first sentence of the paragraph directly above (an "Excepted Holder"). However, the board of directors may not grant such an exemption to any person if such exemption would result in our failing to qualify as a REIT. Sotherly's board of directors may require a ruling from the IRS or an opinion of counsel, in either case in form and substance satisfactory to the board of directors, in its sole discretion, in order to determine or ensure Sotherly's status as a REIT.

If any transfer of Sotherly's shares of stock occurs which, if effective, would result in any person beneficially or constructively owning shares of stock in excess or in violation of the above transfer or ownership limitations (a "Prohibited Owner"), then that number of shares of stock the beneficial or constructive ownership of which otherwise would cause such person to violate such limitations (rounded to the nearest whole share) shall be automatically transferred to a trust (the "Charitable Trust") for the exclusive benefit of one or more charitable beneficiaries (the "Charitable Beneficiary"), and the Prohibited Owner shall not acquire any rights in such shares. Such automatic transfer shall be deemed to be effective as of the close of business on the Business Day (as defined in the Charter) prior to the date of such violative transfer. If any automatic transfer to the Charitable Trust

is not effective, then the initial transfer of stock will be void ab initio to the extent necessary to prevent a violation of the above transfer or ownership limitations. Shares of stock held in the Charitable Trust shall be issued and outstanding shares of stock. The Prohibited Owner shall not benefit economically from ownership of any shares of stock held in the Charitable Trust, shall have no rights to dividends or other distributions and shall not possess any rights to vote or other rights attributable to the shares of stock held in the Charitable Trust. The trustee of the Charitable Trust (the "Trustee") shall have all voting rights and rights to dividends or other distributions with respect to shares of stock held in the Charitable Trust, which rights shall be exercised for the exclusive benefit of the Charitable Beneficiary. Any dividend or other distribution paid prior to our discovery that shares of stock have been transferred to the Trustee shall be paid by the recipient of such dividend or distribution to the Trustee upon demand, and any dividend or other distribution authorized but unpaid shall be paid when due to the Trustee. Any dividend or distribution so paid to the Trustee shall be held in trust for the Charitable Beneficiary. The Prohibited Owner shall have no voting rights with respect to shares of stock held in the Charitable Trust and, subject to Maryland law, effective as of the date that such shares of stock have been transferred to the Trustee, the Trustee shall have the authority (at the Trustee's sole discretion) (i) to rescind as void any vote cast by a Prohibited Owner prior to our discovery that such shares have been transferred to the Trustee and (ii) to recast such vote in accordance with the desires of the Trustee acting for the benefit of the Charitable Beneficiary. However, if we have already taken irreversible corporate action, then the Trustee shall not have the authority to rescind and recast such vote.

Within 20 days of receiving notice from us that shares of stock have been transferred to the Charitable Trust, the Trustee shall sell the shares of stock held in the Charitable Trust to a person, designated by the Trustee, whose ownership of the shares will not violate the ownership limitations set forth in the Charter. Upon such sale, the interest of the Charitable Beneficiary in the shares sold shall terminate and the Trustee shall distribute the net proceeds of the sale to the Prohibited Owner and to the Charitable Beneficiary as follows: the Prohibited Owner shall receive the lesser of (i) the price paid by the Prohibited Owner for the shares or, if the Prohibited Owner did not give value for the shares in connection with the event causing the shares to be held in the Charitable Trust (e.g., in the case of a gift, devise or other such transaction), the Market Price (as defined in the Charter) of such shares on the day of the event causing the shares to be held in the Charitable Trust and (ii) the price per share received by the Trustee from the sale or other disposition of the shares held in the Charitable Trust. Any net sale proceeds in excess of the amount payable to the Prohibited Owner shall be paid immediately to the Charitable Beneficiary. If, prior to our discovery that shares of stock have been transferred to the Charitable Trust, such shares are sold by a Prohibited Owner, then (i) such shares shall be deemed to have been sold on behalf of the Charitable Trust and (ii) to the extent that the Prohibited Owner received an amount for such shares that exceeds the amount that such Prohibited Owner was entitled to receive pursuant to the aforementioned requirement, such excess shall be paid to the Trustee upon demand.

In addition, shares of stock held in the Charitable Trust shall be deemed to have been offered for sale to us, or our designee, at a price per share equal to the lesser of (i) the price per share in the transaction that resulted in such transfer to the Charitable Trust (or, in the case of a devise or gift, the Market Price at the time of such devise or gift) and (ii) the Market Price on the date we, or our designee, accepts such offer. We shall have the right to accept such offer until the Trustee has sold the shares of stock held in the Charitable Trust. Upon such a sale to us, the interest of the Charitable Beneficiary in the shares sold shall terminate and the Trustee shall distribute the net proceeds of the sale to the Prohibited Owner and any dividends or other distributions held by the Trustee shall be paid to the Charitable Beneficiary.

All certificates representing Sotherly's shares of stock will bear a legend referring to the restrictions described above.

Every owner of 5.0% or more (or such lower percentages as required by the Code or the Treasury Regulations promulgated thereunder) of all classes or series of Sotherly's shares of stock, including common stock, within 30 days after the end of each taxable year, is required to give written notice to the Company stating the name and address of such owner, the number of shares of each class and series of shares of stock which the owner beneficially owns and a description of the manner in which such shares are held. Each such owner shall

provide to the Company such additional information as the Company may request in order to determine the effect, if any, of such beneficial ownership on Sotherly's status as a REIT and to ensure compliance with the Aggregate Stock Ownership Limit, the Common Stock Ownership Limit, and the Preferred Stock Ownership Limit. In addition, each stockholder shall upon demand be required to provide to the Company such information as it may request, in good faith, in order to determine Sotherly's status as a REIT and to comply with the requirements of any taxing authority or governmental authority or to determine such compliance and to ensure compliance with the Aggregate Stock Ownership Limit, the Common Stock Ownership Limit, and the Preferred Stock Ownership Limit.

These ownership limitations could delay, defer or prevent a transaction or a change in control that might involve a premium price for the common stock or otherwise be in the best interest of Sotherly's stockholders.

Power to Increase Authorized Shares.

As permitted by the MGCL, the Charter authorizes the board of directors, without any action by the Company's stockholders, to amend the Charter to increase or decrease the aggregate number of shares of stock or the number of shares of stock of any class or series that the Company has authority to issue. These actions can be taken without stockholder approval, unless stockholder approval is required by applicable law or the rules of any stock exchange or automated quotation system on which the Company's securities may be listed or traded. Although we have no current intention of doing so, we could issue a class or series of stock that could delay, defer or prevent a transaction or a change in control that might involve a premium price for holders of common stock or otherwise be in their best interest.

Power to Reclassify Stock.

The Company's Charter authorizes the board of directors, subject to the Articles Supplementary, to classify any unissued preferred stock, and to reclassify any previously classified but unissued common stock and preferred stock of any series from time to time in one or more classes or series, as authorized by the board of directors.

Shares of the Company's preferred stock may be issued from time to time, in one or more series (including additional shares of Series B Preferred Stock, Series C Preferred Stock and Series D Preferred Stock), as authorized by the Company's board of directors, subject to the Articles Supplementary. Prior to the issuance of any preferred stock, the board of directors is required by Maryland law and the Charter to designate the class or series of preferred stock to distinguish it from all other classes and series of shares, specify the number of shares to be included in the class or series, and set the terms, preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications and terms or conditions of redemption for each such class or series and cause the Company to file articles supplementary with the State Department of Assessments and Taxation of Maryland.

Exhibit 4.4

Common Stock

All of the outstanding shares of the Company' s common stock are duly authorized, fully paid and nonassessable.

Subject to the provisions of the Company's Charter regarding the restrictions on the transfer and ownership of shares of common stock, each outstanding share of common stock entitles the holder to one vote on all matters submitted to a vote of stockholders, including the election of directors, and, except for the rights that may be held by the holders of shares of the Preferred Stock and as may be provided with respect to any other subsequently issued class or series of common or preferred stock, the holders of such common stock possess the exclusive voting power. There is no cumulative voting in the election of directors, which means that the holders of a majority of the outstanding common stock, voting as a single class, can elect all of the directors and the holders of the remaining stock are not able to elect any directors.

Holders of the Company's common stock are entitled to receive distributions when authorized by the board of directors and declared by the Company out of assets legally available for the payment of distributions. They also are entitled to share ratably in the assets legally available for distribution to the Company's stockholders in the event of the Company's liquidation, dissolution or winding up, after payment of or adequate provision for all of the Company's known now or hereafter incurred debts and liabilities. These rights are subject to the preferential rights of any other class or series of the Company's stock, including the holders of the Preferred Stock, and to the provisions of the Charter and the Articles Supplementary regarding restrictions on transfer of its stock. Holders of the Company's common stock have no preference, conversion, exchange, sinking fund, redemption or appraisal rights and have no preemptive rights to subscribe for any of our securities. Subject to the restrictions on transfer of stock contained in the Charter, all shares of the Company's common stock will have equal distribution, liquidation and other rights.

The Charter provides that holders of our common stock generally have no appraisal rights unless our board of directors determines prospectively that appraisal rights will apply to one or more transactions in which holders of our common stock would otherwise be entitled to exercise appraisal rights.

Under the MGCL, a Maryland corporation generally cannot dissolve, amend its charter, merge, consolidate, convert, sell all or substantially all of its assets or engage in a statutory share exchange unless declared advisable by its board of directors and approved by the affirmative vote of stockholders entitled to cast at least two-thirds of all of the votes entitled to be cast on the matter unless a lesser percentage (but not less than a majority of all of the votes entitled to be cast on the matter) is set forth in the corporation's charter. Our Charter provides for approval of any of these matters by the affirmative vote of stockholders entitled to cast a majority of the votes entitled to be cast on such matters, except that the affirmative vote of stockholders entitled to cast at least two-thirds of the votes entitled to be cast generally in the election of directors is required to remove a director (and such removal must be for cause) and the affirmative vote of stockholders entitled to cast at least two-thirds of the votes entitled to be cast on such matter is required to amend the provisions of our Charter relating to the removal of directors, the restrictions on ownership and transfer of our stock and the vote required to amend such provisions. Maryland law also permits a Maryland corporation to transfer all or substantially all of its assets without the approval of the stockholders of the corporation to an entity if all of the equity interests of the entity are owned, directly or indirectly, by the corporation. Because our operating assets may be held by our operating partnership or its subsidiaries, these subsidiaries may be able to merge or transfer all or substantially all of their assets to the operating partnership or other subsidiary without the approval of our stockholders.

Exhibit 4.4

Preferred Stock

Series B Preferred Stock

Ranking. The Series B Preferred Stock ranks, with respect to distribution rights and rights upon voluntary or involuntary liquidation, dissolution or winding-up of our affairs, senior to all classes or series of our common stock and to any other class or series of our capital stock which is expressly designated as ranking junior to the Series B Preferred Stock (collectively, "Series B Junior Stock"), on parity with any class of our capital stock which is expressly designated as ranking on parity with the Series B Preferred Stock (collectively, "Series B Parity Stock"), including our Series C Preferred Stock and our Series D Preferred Stock, junior to any other class or series of our capital stock that we may later authorize or issue which is designated as ranking senior to the Series B Preferred Stock, and junior to our existing and future indebtedness. Any future authorization or issuance of a class or series of our capital stock expressly designated as ranking senior to the Series B Preferred Stock will require the affirmative vote of the holders of at least two-thirds of the outstanding shares of Series B Preferred Stock and all other shares of any class or series ranking on parity with the Series B Preferred Stock that are entitled to similar voting rights, including our Series C Preferred Stock and our Series D Preferred Stock (voting together as a single class).

Distributions. Subject to the preferential rights of any security senior to the Series B Preferred Stock as to distributions, the holders of shares of the Series B Preferred Stock are entitled to receive, when, as and if authorized by our board of directors and declared by us out of funds legally available for the payment of distributions, cumulative cash distributions at the rate of 8.0% per annum of the $25.00 liquidation preference per share of the Series B Preferred Stock (equivalent to an annual rate of $2.00 per share of the Series B Preferred Stock). Distributions are payable quarterly in arrears on the 15th day of each January, April, July and October of each year (or if not a business day, on the next succeeding business day). Distributions payable on the Series B Preferred Stock for any partial or longer period will be computed on the basis of a 360-day year consisting of twelve 30-day months. Accrued but unpaid distributions on the Series B Preferred Stock will accumulate as of the distribution payment date on which they first became payable. Distributions on the Series B Preferred Stock will accrue whether or not:

- we have earnings;
- there are funds legally available for the payment of those distributions; or
- those distributions are authorized or declared.

Except as described in the next paragraph, unless full cumulative distributions on the Series B Preferred Stock for all past distribution periods shall have been, or contemporaneously are, declared and paid in cash or declared and a sum sufficient for the payment thereof in cash is set aside for payment, we will not:

- declare or pay or set aside for payment of distributions, and we will not declare or make any distribution of cash or other property, directly or indirectly, on or with respect to any shares of our common stock, or any other class or series of Series B Parity Stock or Series B Junior Stock for any period; or
- redeem, purchase or otherwise acquire for any consideration, or make any other distribution of cash or other property, directly or indirectly, on or with respect to, or pay or make available any monies for a sinking fund for the redemption of, any common stock, or any other class or series of Series B Parity Stock or Series B Junior Stock.

The foregoing sentence, however, will not prohibit:

- distributions payable solely in shares of our common stock or shares of Series B Junior Stock;
- the conversion into or exchange for other shares of any class or series of Series B Junior Stock; and
- our purchase of Series B Preferred Stock, Series B Parity Stock or Series B Junior Stock pursuant to our Charter to the extent necessary to preserve our status as a REIT.

Optional Redemption. We may, at our option, upon not less than 30 nor more than 60 days' written notice, redeem the Series B Preferred Stock, in whole or in part, at any time or from time to time, for cash at a redemption price of $25.00 per share of Series B Preferred Stock, plus all accrued and unpaid distributions (whether or not declared) up to, but not including, the date fixed for redemption, without interest, to the extent we have funds legally available for that purpose. Unless full cumulative distributions on all outstanding Series B Preferred Stock shall have been or contemporaneously are authorized, declared and paid in cash or declared and a sufficient sum set aside for payment of all past distribution periods and the then-current distribution period, no shares of the Series B Preferred Stock shall be redeemed unless all outstanding shares of the Series B Preferred Stock are simultaneously redeemed. All shares of Series B Preferred Stock that we redeem or repurchase will be retired and restored to the status of authorized but unissued shares of preferred stock, without designation as to series or class.

If the Company has (i) given a notice of redemption, (ii) set aside sufficient funds for the redemption in trust for the benefit of the holders of shares of the Series B Preferred Stock called for redemption and (iii) given irrevocable instructions to pay the redemption price and all accrued and unpaid distributions, then from and after the redemption date, those shares of Series B Preferred Stock will be treated as no longer being outstanding, no further distributions will accrue and all other rights of the holders of those shares of Series B Preferred Stock will terminate (including, with respect to such shares of Series B Preferred Stock called for redemption, the conversion rights described below under "Conversion Rights"), except the right to receive the redemption price plus any accrued and unpaid distributions payable upon such redemption, without interest. The holders of those shares of Series B Preferred Stock will retain their right to receive the redemption price for their shares and any accrued and unpaid distributions payable upon such redemption, without interest.

The holders of shares of Series B Preferred Stock at the close of business on a distribution record date will be entitled to receive the distribution payable with respect to the Series B Preferred Stock on the corresponding payment date notwithstanding the redemption of the Series B Preferred Stock between such record date and the corresponding payment date.

Special Optional Redemption. Upon the occurrence of a Series B Change of Control (as defined below), we may, at our option, redeem the Series B Preferred Stock, in whole or in part within 120 days after the first date on which such Series B Change of Control occurred, by paying $25.00 per share of Series B Preferred Stock, plus any accrued and unpaid distributions to, but not including, the date of redemption. If, prior to the relevant Change of Control Conversion Date (as defined below), we have provided or provide notice of redemption with respect to the Series B Preferred Stock (whether pursuant to our optional redemption right or our special optional redemption right), a holder of Series B Preferred Stock will not have the conversion right described below under "Conversion Rights," in respect of the shares of Series B Preferred Stock called for redemption.

A notice of redemption is required to be mailed to the record holders of shares of our Series B Preferred Stock no less than 30 days nor more than 60 days before the redemption date. A failure to give notice of redemption or any defect in the notice or in its mailing will not affect the validity of the redemption of any Series B Preferred Stock except as to the holder to whom notice was defective. Each notice will state the following:

- the redemption date;
- the redemption price;
- the number of shares of Series B Preferred Stock to be redeemed;
- the place or places where the certificates for the shares of the Series B Preferred Stock, if any, are to be surrendered for payment;
- the procedures for surrendering non-certificated shares of Series B Preferred Stock, to the extent the shares of Series B Preferred Stock are uncertificated, for payment of the redemption price;
- that distributions on the shares of Series B Preferred Stock to be redeemed will cease to accumulate on such redemption date;

- that payment of the redemption price and any accumulated and unpaid distributions will be made upon presentation and surrender of such Series B Preferred Stock; and
- that the holders of the shares of our Series B Preferred Stock to which the notice relates will not be able to tender such shares of Series B Preferred Stock for conversion in connection with the Series B Change of Control and each share of Series B Preferred Stock tendered for conversion that is selected, prior to the relevant Change of Control Conversion Date, for redemption will be redeemed on the related date of redemption instead of converted on the relevant Change of Control Conversion Date.

If the Company has (i) given a notice of redemption, (ii) set aside sufficient funds for the redemption in trust for the benefit of the holders of the shares of Series B Preferred Stock called for redemption and (iii) given irrevocable instructions to pay the redemption price and all accrued and unpaid distributions, then from and after the redemption date, those shares of Series B Preferred Stock will be treated as no longer being outstanding, no further distributions will accrue and all other rights of the holders of those shares of Series B Preferred Stock will terminate, except the right to receive the redemption price plus any accrued and unpaid distributions payable upon such redemption, without interest. The holders of those shares of Series B Preferred Stock will retain their right to receive the redemption price for their shares and any accrued and unpaid distributions payable upon such redemption, without interest.

The holders of shares of Series B Preferred Stock at the close of business on a distribution record date will be entitled to receive the distribution payable with respect to the Series B Preferred Stock on the corresponding payment date notwithstanding the redemption of the Series B Preferred Stock between such record date and the corresponding payment date.

A "Series B Change of Control" is when, after the original issuance of the Series B Preferred Stock, the following have occurred and are continuing:

- the acquisition by any person, including any syndicate or group deemed to be a "person" under Section 13(d)(3) of the Exchange Act, of beneficial ownership, directly or indirectly, through a purchase, merger or other acquisition transaction or series of purchases, mergers or other acquisition transactions of shares of our company entitling that person to exercise more than 50% of the total voting power of all shares of our company entitled to vote generally in elections of directors (except that such person will be deemed to have beneficial ownership of all securities that such person has the right to acquire, whether such right is currently exercisable or is exercisable only upon the occurrence of a subsequent condition); and
- following the closing of any transaction referred to in the bullet point above, neither we nor the acquiring or surviving entity has a class of common securities (or ADRs representing such securities) listed on the NYSE, the NYSE MKT or NASDAQ or listed or quoted on an exchange or quotation system that is a successor to the NYSE, the NYSE MKT or NASDAQ.

Conversion Rights. Upon the occurrence of a Series B Change of Control, each holder of shares of Series B Preferred Stock will have the right, unless, prior to the Change of Control Conversion Date, the Company has provided or provides notice of its election to redeem the shares of Series B Preferred Stock as described under "Optional Redemption" or "Special Optional Redemption," to convert some or all of the shares of Series B Preferred Stock held by such holder (the "Change of Control Series B Conversion Right") on the applicable Change of Control Conversion Date into a number of shares of common stock per share of Series B Preferred Stock (the "Series B Conversion Consideration") equal to the lesser of:

- the quotient obtained by dividing (i) the sum of the $25.00 liquidation preference per share of the Series B Preferred Stock to be converted plus the amount of any accrued and unpaid distributions to, but not including, the relevant Change of Control Conversion Date (unless such Change of Control Conversion Date is after a record date for a Series B Preferred Stock distribution payment and prior to the corresponding Series B Preferred Stock distribution payment date, in which case no additional amount for such accrued and unpaid distribution will be included in this sum) by (ii) the Series B Common Stock Price (as defined below); and

- 8.29187(the "Series B Share Cap") subject to adjustments, as described below.

The Series B Share Cap is subject to pro rata adjustments for any share splits (including those effected pursuant to a common stock distribution), subdivisions or combinations (in each case, a "Series B Share Split") with respect to shares of our common stock as follows: the adjusted Series B Share Cap as the result of a Series B Share Split will be the number of shares of our common stock that is equivalent to the product of (i) the Series B Share Cap in effect immediately prior to such Series B Share Split multiplied by (ii) a fraction, the numerator of which is the number of shares of our common stock outstanding after giving effect to such Series B Share Split and the denominator of which is the number of shares of our common stock outstanding immediately prior to such Series B Share Split.

For the avoidance of doubt, subject to the immediately succeeding sentence, the aggregate number of shares of our common stock (or equivalent Alternative Series B Conversion Consideration (as defined below), as applicable) issuable in connection with the exercise of the Change of Control Series B Conversion Right will not exceed 13,349,910 shares of common stock (or equivalent Alternative Series B Conversion Consideration, as applicable), subject to increase on a pro rata basis if we issue additional shares of Series B Preferred Stock (the "Series B Exchange Cap"). The Series B Exchange Cap is subject to pro rata adjustments for any Series B Share Splits on the same basis as the corresponding adjustment to the Series B Share Cap.

In the case of a Series B Change of Control pursuant to which shares of our common stock will be converted into cash, securities or other property or assets (including any combination thereof) (the "Alternative Series B Form Consideration"), a holder of shares of Series B Preferred Stock will receive upon conversion of such Series B Preferred Stock the kind and amount of Alternative Series B Form Consideration which such holder would have owned or been entitled to receive upon the Series B Change of Control had such holder held a number of shares of our common stock equal to the Series B Conversion Consideration immediately prior to the effective time of the Series B Change of Control (the "Alternative Series B Conversion Consideration," and the Series B Conversion Consideration or the Alternative Series B Conversion Consideration, as may be applicable to a Series B Change of Control, is referred to as the "Series B Conversion Consideration").

If the holders of shares of our common stock have the opportunity to elect the form of consideration to be received in the Series B Change of Control, the consideration that the holders of shares of the Series B Preferred Stock will receive will be the form of consideration elected by the holders of the shares of common stock who participate in the determination (based on the weighted average of elections) and will be subject to any limitations to which all holders of shares of common stock are subject, including, without limitation, pro rata reductions applicable to any portion of the consideration payable in the Series B Change of Control.

No fractional shares of the Company's common stock will be issued upon the conversion of our Series B Preferred Stock. Instead, we will pay the cash value of such fractional shares.

Within 15 days following the occurrence of a Series B Change of Control, the Company is required to provide to holders of shares of the Series B Preferred Stock a notice of the occurrence of the Series B Change of Control that describes the resulting Change of Control Series B Conversion Right. This notice will state the following:

- the events constituting the Series B Change of Control;
- the date of the Series B Change of Control;
- the last date on which the holders of shares of the Series B Preferred Stock may exercise their Change of Control Series B Conversion Right;
- the method and period for calculating the Series B Common Stock Price;
- the applicable Change of Control Conversion Date, which will be a business day occurring within 20 to 35 days following the date of the notice;
- that if, prior to the applicable Change of Control Conversion Date, the Company has provided or provides notice of its election to redeem all or any portion of the Series B Preferred Stock, holders of the Series B

Preferred Stock will not be able to convert such shares of Series B Preferred Stock called for redemption and such Series B Preferred Stock will be redeemed on the related redemption date, even if they have already been tendered for conversion pursuant to the Change of Control Series B Conversion Right;

- if applicable, the type and amount of Alternative Series B Conversion Consideration entitled to be received per share of Series B Preferred Stock;
- the name and address of the paying agent and the conversion agent; and
- the procedures that the holders of shares of Series B Preferred Stock must follow to exercise the Change of Control Series B Conversion Right.

To exercise the Change of Control Series B Conversion Right, the holder of shares of the Series B Preferred Stock will be required to deliver, on or before the close of business on the applicable Change of Control Conversion Date, the certificates (if any) evidencing the Series B Preferred Stock to be converted, duly endorsed for transfer, together with a written conversion notice completed, to our transfer agent. The conversion notice must state:

- the relevant Change of Control Conversion Date;
- the number of Series B Preferred Stock to be converted; and
- that the Series B Preferred Stock is to be converted pursuant to the applicable terms of the Series B Preferred Stock.

The "Change of Control Conversion Date" will be a business day that is no less than 20 days nor more than 35 days after the date on which we provide the notice described herein to the holders of shares of the Preferred Stock of the relevant series.

The "Series B Common Stock Price" will be (i) if the consideration to be received in the Series B Change of Control by holders of shares of our common stock is solely cash, the amount of cash consideration per share of common stock, or (ii) if the consideration to be received in the Series B Change of Control by holders of shares of our common stock is other than solely cash, the average of the closing price per share of common stock on the 10 consecutive trading days immediately preceding, but not including, the effective date of the Series B Change of Control.

Holders of shares of the Series B Preferred Stock may withdraw any notice of exercise of a Change of Control Series B Conversion Right (in whole or in part) by a written notice of withdrawal delivered to our transfer agent prior to the close of business on the business day prior to the Change of Control Conversion Date. The notice of withdrawal must state:

- the number of withdrawn shares of Series B Preferred Stock;
- if certificated shares of Series B Preferred Stock have been issued, the certificate numbers of the withdrawn shares of Series B Preferred Stock; and
- the number of shares of Series B Preferred Stock, if any, which remain subject to the conversion notice.

Notwithstanding the foregoing, if the Series B Preferred Stock is held in global form, the conversion notice and/or the notice of withdrawal, as applicable, must comply with applicable procedures of The Depository Trust Company.

Series B Preferred Stock as to which the Change of Control Series B Conversion Right has been properly exercised and for which the conversion notice has not been properly withdrawn will be converted into the applicable Series B Conversion Consideration in accordance with the Change of Control Series C Conversion Right on the applicable Change of Control Conversion Date, unless prior to such Change of Control Conversion Date the Company has provided or provides notice of its election to redeem such Series B Preferred Stock, whether pursuant to the Company's optional redemption right or its special optional redemption right. If the Company elects to redeem Series B Preferred Stock that would otherwise be converted into the applicable Series

B Conversion Consideration on a Change of Control Conversion Date, such Series B Preferred Stock will not be so converted and the holders of such shares of Series B Preferred Stock will be entitled to receive on the applicable redemption date $25.00 per share of Series B Preferred Stock, plus any accrued and unpaid distribution thereon to, but not including, the redemption date.

The Company is required to deliver amounts owing upon conversion no later than the third business day following the applicable Change of Control Conversion Date.

Notwithstanding any other provision of our Series B Preferred Stock, no holder of shares of our Series B Preferred Stock will be entitled to convert such shares Series B Preferred Stock for shares of our common stock to the extent that receipt of such shares of common stock would cause such holder (or any other person) to exceed the share ownership limits contained in our Charter, including the Articles Supplementary. See "Restrictions on Ownership and Transfer" above.

Except as provided above in connection with a Series B Change of Control, shares of Series B Preferred Stock are not convertible into or exchangeable for any other securities or property.

Liquidation Preference. Upon any voluntary or involuntary liquidation, dissolution or winding-up of our affairs, and before any distribution or payment shall be made to holders of our common stock or any other class or series of Series B Junior Stock, the holders of shares of the Series B Preferred Stock are entitled to be paid out of our assets legally available for distribution to our stockholders, after payment or provision for our debts and other liabilities, payments to holders of senior securities, if any, a liquidation preference of $25.00 per share of Series B Preferred Stock, plus an amount equal to any accrued and unpaid distributions (whether or not earned or declared) up to, but not including, the date of payment or the date the amount of payment is set aside. The rights of holders of shares of the Series B Preferred Stock to receive their liquidation preference will be subject to the proportionate rights of holders of our Series C Preferred Stock, our Series D Preferred Stock and any other class or series of Series B Parity Stock. After payment of the full amount of the liquidating distributions to which they are entitled, the holders of shares of the Series B Preferred Stock will have no right or claim to any of our remaining assets. Our consolidation, conversion or merger with or into any other corporation, trust or other entity, or the voluntary sale, lease, transfer or conveyance of all or substantially all of our property or business, will not be deemed to constitute a liquidation, dissolution or winding-up of our affairs.

No Maturity, Sinking Fund or Mandatory Redemption. The Series B Preferred Stock has no maturity date and we are not required to redeem shares of the Series B Preferred Stock at any time. Accordingly, the Series B Preferred Stock will remain outstanding indefinitely, unless we decide, at our option, to exercise our redemption right, or under circumstances where holders of shares of the Series B Preferred Stock have a conversion right, the holders of shares of the Series B Preferred Share Stock decide to convert them. The Series B Preferred Stock is not subject to any sinking fund.

Voting Rights. Holders of shares of the Series B Preferred Stock have no voting rights, except as set forth below.

If distributions on the Series B Preferred Stock are in arrears for six or more quarterly periods, whether or not consecutive, holders of shares of the Series B Preferred Stock (voting together as a single class with holders of our Series C Preferred Stock, our Series D Preferred Stock and all other classes or series of Series B Parity Stock upon which like voting rights have been conferred and are exercisable) will be entitled to vote at a special meeting or at our next annual meeting of stockholders and each subsequent annual meeting of stockholders, for the election of two additional directors to serve on our board of directors (which we refer to as a preferred stock director), until all unpaid distributions and the distribution for the then current period with respect to the Series B Preferred Stock and any other class or series of Series B Parity Stock have been fully paid or declared and a sum sufficient for the payment thereof set aside for payment. In such a case, the number of directors serving on the board of directors will be increased by two members. The preferred stock directors will be elected by a plurality of the votes cast in the election to serve until our next annual meeting and until their successors are duly elected and qualified or until such directors' right to hold the office terminates pursuant to the Series B Termination Event (as defined below), whichever occurs earlier.

If and when all accumulated distributions and the distribution for the current distribution period on the Series B Preferred Stock and for all classes and series of Series B Parity Stock and upon which similar voting rights have been conferred and are exercisable shall have been paid in full or a sum sufficient for such payment is irrevocably deposited in trust for payment, the holders of shares of the Series B Preferred Stock shall be immediately divested of the voting rights set forth above (subject to revesting in the event of each and every preferred distribution default) and, if all distributions in arrears and the distributions for the current distribution period have been paid in full or set aside for payment in full on all other classes or series of Series B Parity Stock, the term and office of such preferred stock directors so elected will terminate immediately and the entire board of directors will be reduced accordingly (the "Series B Termination Event").

In addition, so long as any shares of Series B Preferred Stock remain outstanding, we will not, without the consent or the affirmative vote of the holders of at least two-thirds of the outstanding shares of Series B Preferred Stock and each other class or series of Series B Parity Stock with respect to the payment of distributions or the distribution of assets upon our liquidation, dissolution or winding-up upon which similar voting rights have been conferred, voting as a single class, given in person or by proxy, either in writing or at a meeting:

- authorize, create or issue, or increase the authorized or issued amount of, any class or series of stock ranking senior to the Series B Preferred Stock with respect to payment of distributions, or the distribution of assets upon the liquidation, dissolution or winding-up of our affairs, or reclassify any of our authorized stock into any such stock, or create, authorize or issue any obligation or security convertible into or evidencing the right to purchase any such stock; or
- amend, alter or repeal the provisions of our Charter or the terms of the Series B Preferred Stock, whether by merger, consolidation, transfer or conveyance of all or substantially all of our assets or otherwise, so as to materially and adversely affect any right, preference, privilege or voting power of the Series B Preferred Stock or the holders thereof;
- except that with respect to the occurrence of any of the events described in the second bullet point immediately above, so long as shares of the Series B Preferred Stock remain outstanding with the terms of the Series B Preferred Stock materially unchanged or the holders of shares of Series B Preferred Stock receive capital stock of the successor with substantially identical rights (taken as a whole), taking into account that, upon the occurrence of an event described in the second bullet point above, we may not be the surviving entity, the occurrence of such event will not be deemed to materially and adversely affect the rights, preferences, privileges or voting power of holders of shares of the Series B Preferred Stock, and in such case such holders shall not have any voting rights with respect to the events described in the second bullet point immediately above.

Furthermore, if the holders of shares of the Series B Preferred Stock receive the greater of the full trading price of the Series B Preferred Stock on the date of an event described in the second bullet point immediately above or the $25.00 liquidation preference per share of Series B Preferred Stock pursuant to the occurrence of any of the events described in the second bullet point immediately above, then such holders shall not have any voting rights with respect to the events described in the second bullet point immediately above. If any event described in the second bullet point above would materially and adversely affect the rights, preferences, privileges or voting powers of the Series B Preferred Stock disproportionately relative to other classes or series of Series B Parity Stock with respect to the payment of distributions and the distribution of assets upon our liquidation, dissolution or winding up, the affirmative vote of the holders of at least two-thirds of the outstanding shares of Series B Preferred Stock voting separately as a class, will also be required.

Information Rights. During any period in which we are not subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act and any shares of Series B Preferred Stock are outstanding, the Company is required (i) to transmit by mail or other permissible means under the Exchange Act to all holders of shares of the Series B Preferred Stock as their names and addresses appear in our record books and without cost to such holders, copies of the Annual Reports on Form 10-K and Quarterly Reports on Form 10-Q that we would have been required to file with the SEC pursuant to Section 13 or 15(d) of the Exchange Act if we were subject thereto (other than any

exhibits that would have been required) and (ii) within 15 days following written request, to supply copies of such reports to any prospective holder of shares of the Series B Preferred Stock. The Company is required to mail (or otherwise provide) the reports to the holders of shares of the Series B Preferred Stock within 15 days after the respective dates by which we would have been required to file such reports with the SEC if we were subject to Section 13 or 15(d) of the Exchange Act.

Restrictions on Ownership and Transfer. For information regarding restrictions on ownership and transfer of the Series B Preferred Shares, see "All Classes of Our Capital Stock" above.

Notwithstanding any other provision of the Series B Preferred Shares, no holder of the Series B Preferred Shares will be entitled to convert any Series B Preferred Shares into our common shares to the extent that receipt of our common shares would cause such holder or any other person to exceed the ownership limits contained in our declaration of trust.

Series C Preferred Stock

Ranking. The Series C Preferred Stock ranks, with respect to distribution rights and rights upon voluntary or involuntary liquidation, dissolution or winding-up of our affairs, senior to all classes or series of our common stock and to any other class or series of our capital stock which is expressly designated as ranking junior to the Series C Preferred Stock (collectively, "Series C Junior Stock"), on parity with any class of our capital stock which is expressly designated as ranking on parity with the Series C Preferred Stock (collectively, "Series C Parity Stock"), including our Series B Preferred Stock and our Series D Preferred Stock, junior to any other class or series of our capital stock that we may later authorize or issue which is designated as ranking senior to the Series C Preferred Stock, and junior to our existing and future indebtedness. Any future authorization or issuance of a class or series of our capital stock expressly designated as ranking senior to the Series C Preferred Stock will require the affirmative vote of the holders of at least two-thirds of the outstanding shares of Series C Preferred Stock and all other shares of any class or series ranking on parity with the Series C Preferred Stock that are entitled to similar voting rights, including our Series B Preferred Stock and our Series D Preferred Stock (voting together as a single class).

Distributions. Subject to the preferential rights of any security senior to the Series C Preferred Stock as to distributions, the holders of shares of the Series C Preferred Stock are entitled to receive, when, as and if authorized by our board of directors and declared by us out of funds legally available for the payment of distributions, cumulative cash distributions at the rate of 7.875% per annum of the $25.00 liquidation preference per share of the Series C Preferred Stock (equivalent to an annual rate of $1.96875 per share of the Series C Preferred Stock). Distributions are payable quarterly in arrears on the 15th day of January, April, July and October of each year (or if not a business day, on the next succeeding business day). Distributions payable on the Series C Preferred Stock for any partial or longer period will be computed on the basis of a 360-day year consisting of twelve 30-day months. Accrued but unpaid distributions on the Series C Preferred Stock will accumulate as of the distribution payment date on which they first became payable. Distributions on the Series C Preferred Stock will accrue whether or not:

- we have earnings;
- there are funds legally available for the payment of those distributions; or
- those distributions are authorized or declared.

Except as described in the next paragraph, unless full cumulative distributions on the Series C Preferred Stock for all past distribution periods shall have been, or contemporaneously are, declared and paid in cash or declared and a sum sufficient for the payment thereof in cash is set aside for payment, we will not:

- declare or pay or set aside for payment of distributions, and we will not declare or make any distribution of cash or other property, directly or indirectly, on or with respect to any shares of our common stock, or any other class or series of Series C Parity Stock or Series C Junior Stock for any period; or

- redeem, purchase or otherwise acquire for any consideration, or make any other distribution of cash or other property, directly or indirectly, on or with respect to, or pay or make available any monies for a sinking fund for the redemption of, any common stock, or any other class or series of Series C Parity Stock or Series C Junior Stock.

The foregoing sentence, however, will not prohibit:

- distributions payable solely in shares of our common stock or shares of Series C Junior Stock;
- the conversion into or exchange for other shares of any class or series of Series C Junior Stock; and
- our purchase of Series C Preferred Stock, Series C Parity Stock or Series C Junior Stock pursuant to our Charter to the extent necessary to preserve our status as a REIT.

Optional Redemption. We may, at our option, upon not less than 30 nor more than 60 days' written notice, redeem the Series C Preferred Stock, in whole or in part, at any time or from time to time, for cash at a redemption price of $25.00 per share of Series C Preferred Stock, plus all accrued and unpaid distributions (whether or not declared) up to, but not including, the date fixed for redemption, without interest, to the extent we have funds legally available for that purpose. Unless full cumulative distributions on all outstanding Series C Preferred Stock shall have been or contemporaneously are authorized, declared and paid in cash or declared and a sufficient sum set aside for payment of all past distribution periods and the then-current distribution period, no shares of the Series C Preferred Stock shall be redeemed unless all outstanding shares of the Series C Preferred Stock are simultaneously redeemed. All shares of Series C Preferred Stock that we redeem or repurchase will be retired and restored to the status of authorized but unissued shares of preferred stock, without designation as to series or class.

If the Company has (i) given a notice of redemption, (ii) set aside sufficient funds for the redemption in trust for the benefit of the holders of shares of the Series C Preferred Stock called for redemption and (iii) given irrevocable instructions to pay the redemption price and all accrued and unpaid distributions, then from and after the redemption date, those shares of Series C Preferred Stock will be treated as no longer being outstanding, no further distributions will accrue and all other rights of the holders of those shares of Series C Preferred Stock will terminate (including, with respect to such shares of Series C Preferred Stock called for redemption, the conversion rights described below under "Conversion Rights"), except the right to receive the redemption price plus any accrued and unpaid distributions payable upon such redemption, without interest. The holders of those shares of Series C Preferred Stock will retain their right to receive the redemption price for their shares and any accrued and unpaid distributions payable upon such redemption, without interest.

The holders of shares of Series C Preferred Stock at the close of business on a distribution record date will be entitled to receive the distribution payable with respect to the Series C Preferred Stock on the corresponding payment date notwithstanding the redemption of the Series C Preferred Stock between such record date and the corresponding payment date.

Special Optional Redemption. Upon the occurrence of a Series C Change of Control (as defined below), we may, at our option, redeem the Series C Preferred Stock, in whole or in part within 120 days after the first date on which such Series C Change of Control occurred, by paying $25.00 per share of Series C Preferred Stock, plus any accrued and unpaid distributions to, but not including, the date of redemption. If, prior to the relevant Change of Control Conversion Date, we have provided or provide notice of redemption with respect to the Series C Preferred Stock (whether pursuant to our optional redemption right or our special optional redemption right), a holder of Series C Preferred Stock will not have the conversion right described below under "Conversion Rights," in respect of the shares of Series C Preferred Stock called for redemption.

A notice of redemption is required to be mailed to the record holders of shares of our Series C Preferred Stock no less than 30 days nor more than 60 days before the redemption date. A failure to give notice of redemption or any defect in the notice or in its mailing will not affect the validity of the redemption of any Series C Preferred Stock except as to the holder to whom notice was defective. Each notice will state the following:

- the redemption date;
- the redemption price;
- the number of shares of Series C Preferred Stock to be redeemed;
- the place or places where the certificates for the shares of the Series C Preferred Stock, if any, are to be surrendered for payment;
- the procedures for surrendering non-certificated shares of Series C Preferred Stock, to the extent the shares of Series C Preferred Stock are uncertificated, for payment of the redemption price;
- that distributions on the shares of Series C Preferred Stock to be redeemed will cease to accumulate on such redemption date;
- that payment of the redemption price and any accumulated and unpaid distributions will be made upon presentation and surrender of such Series C Preferred Stock; and
- that the holders of the shares of our Series C Preferred Stock to which the notice relates will not be able to tender such shares of Series C Preferred Stock for conversion in connection with the Series B Change of Control and each share of Series C Preferred Stock tendered for conversion that is selected, prior to the relevant Change of Control Conversion Date, for redemption will be redeemed on the related date of redemption instead of converted on the relevant Change of Control Conversion Date.

If the Company has (i) given a notice of redemption, (ii) set aside sufficient funds for the redemption in trust for the benefit of the holders of the shares of Series C Preferred Stock called for redemption and (iii) given irrevocable instructions to pay the redemption price and all accrued and unpaid distributions, then from and after the redemption date, those shares of Series C Preferred Stock will be treated as no longer being outstanding, no further distributions will accrue and all other rights of the holders of those shares of Series C Preferred Stock will terminate, except the right to receive the redemption price plus any accrued and unpaid distributions payable upon such redemption, without interest. The holders of those shares of Series C Preferred Stock will retain their right to receive the redemption price for their shares and any accrued and unpaid distributions payable upon such redemption, without interest.

The holders of shares of Series C Preferred Stock at the close of business on a distribution record date will be entitled to receive the distribution payable with respect to the Series C Preferred Stock on the corresponding payment date notwithstanding the redemption of the Series C Preferred Stock between such record date and the corresponding payment date.

A "Series C Change of Control" is when, after the original issuance of the Series C Preferred Stock, the following have occurred and are continuing:

- the acquisition by any person, including any syndicate or group deemed to be a "person" under Section 13(d)(3) of the Exchange Act, of beneficial ownership, directly or indirectly, through a purchase, merger or other acquisition transaction or series of purchases, mergers or other acquisition transactions of shares of our company entitling that person to exercise more than 50% of the total voting power of all shares of our company entitled to vote generally in elections of directors (except that such person will be deemed to have beneficial ownership of all securities that such person has the right to acquire, whether such right is currently exercisable or is exercisable only upon the occurrence of a subsequent condition); and
- following the closing of any transaction referred to in the bullet point above, neither we nor the acquiring or surviving entity has a class of common securities (or ADRs representing such securities) listed on the NYSE, the NYSE American or NASDAQ or listed or quoted on an exchange or quotation system that is a successor to the NYSE, the NYSE American or NASDAQ.

Conversion Rights. Upon the occurrence of a Series C Change of Control, each holder of shares of Series C Preferred Stock will have the right, unless, prior to the Change of Control Conversion Date, the Company has

provided or provides notice of its election to redeem the shares of Series C Preferred Stock as described under "Optional Redemption" or "Special Optional Redemption," to convert some or all of the shares of Series C Preferred Stock held by such holder (the "Change of Control Series C Conversion Right") on the applicable Change of Control Conversion Date into a number of shares of common stock per share of Series C Preferred Stock (the "Series C Conversion Consideration") equal to the lesser of:

- the quotient obtained by dividing (i) the sum of the $25.00 liquidation preference per share of the Series C Preferred Stock to be converted plus the amount of any accrued and unpaid distributions to, but not including, the relevant Change of Control Conversion Date (unless such Change of Control Conversion Date is after a record date for a Series C Preferred Stock distribution payment and prior to the corresponding Series C Preferred Stock distribution payment date, in which case no additional amount for such accrued and unpaid distribution will be included in this sum) by (ii) the Series C Common Stock Price (as defined below); and
- 8.50340 (the "Series C Share Cap"), subject to adjustments, as described below.

The Series C Share Cap is subject to pro rata adjustments for any share splits (including those effected pursuant to a common stock distribution), subdivisions or combinations (in each case, a "Series C Share Split") with respect to shares of our common stock as follows: the adjusted Series C Share Cap as the result of a Series C Share Split will be the number of shares of our common stock that is equivalent to the product of (i) the Series C Share Cap in effect immediately prior to such Series C Share Split multiplied by (ii) a fraction, the numerator of which is the number of shares of our common stock outstanding after giving effect to such Series C Share Split and the denominator of which is the number of shares of our common stock outstanding immediately prior to such Series C Share Split.

For the avoidance of doubt, subject to the immediately succeeding sentence, the aggregate number of shares of our common stock (or equivalent Alternative Series C Conversion Consideration (as defined below), as applicable) issuable in connection with the exercise of the Change of Control Series C Conversion Right will not exceed 14,455,780 shares of common stock (or equivalent Alternative Series C Conversion Consideration, as applicable), subject to increase on a pro rata basis if we issue additional shares of Series C Preferred Stock (the "Series C Exchange Cap"). The Series C Exchange Cap is subject to pro rata adjustments for any Series C Share Splits on the same basis as the corresponding adjustment to the Series C Share Cap.

In the case of a Series C Change of Control pursuant to which shares of our common stock will be converted into cash, securities or other property or assets (including any combination thereof) (the "Alternative Series C Form Consideration"), a holder of shares of Series C Preferred Stock will receive upon conversion of such Series C Preferred Stock the kind and amount of Alternative Series C Form Consideration which such holder would have owned or been entitled to receive upon the Series C Change of Control had such holder held a number of shares of our common stock equal to the Series C Conversion Consideration immediately prior to the effective time of the Series C Change of Control (the "Alternative Series C Conversion Consideration," and the Series C Conversion Consideration or the Alternative Series C Conversion Consideration, as may be applicable to a Series C Change of Control, is referred to as the "Series C Conversion Consideration").

If the holders of shares of our common stock have the opportunity to elect the form of consideration to be received in the Series C Change of Control, the consideration that the holders of shares of the Series C Preferred Stock will receive will be the form of consideration elected by the holders of the shares of common stock who participate in the determination (based on the weighted average of elections) and will be subject to any limitations to which all holders of shares of common stock are subject, including, without limitation, pro rata reductions applicable to any portion of the consideration payable in the Series C Change of Control.

No fractional shares of the Company's common stock will be issued upon the conversion of our Series C Preferred Stock. Instead, we will pay the cash value of such fractional shares.

Within 15 days following the occurrence of a Series C Change of Control, the Company is required to provide to holders of shares of the Series C Preferred Stock a notice of the occurrence of the Series C Change of Control that describes the resulting Change of Control Series C Conversion Right. This notice will state the following:

- the events constituting the Series C Change of Control;
- the date of the Series C Change of Control;
- the last date on which the holders of shares of the Series C Preferred Stock may exercise their Change of Control Series C Conversion Right;
- the method and period for calculating the Series C Common Stock Price;
- the applicable Change of Control Conversion Date, which will be a business day occurring within 20 to 35 days following the date of the notice;
- that if, prior to the applicable Change of Control Conversion Date, the Company has provided or provides notice of its election to redeem all or any portion of the Series C Preferred Stock, holders of the Series C Preferred Stock will not be able to convert such shares of Series C Preferred Stock called for redemption and such Series C Preferred Stock will be redeemed on the related redemption date, even if they have already been tendered for conversion pursuant to the Change of Control Series C Conversion Right;
- if applicable, the type and amount of Alternative Series C Conversion Consideration entitled to be received per share of Series C Preferred Stock;
- the name and address of the paying agent and the conversion agent; and
- the procedures that the holders of shares of Series C Preferred Stock must follow to exercise the Change of Control Series C Conversion Right.

To exercise the Change of Control Series C Conversion Right, the holder of shares of the Series C Preferred Stock will be required to deliver, on or before the close of business on the applicable Change of Control Conversion Date, the certificates (if any) evidencing the Series C Preferred Stock to be converted, duly endorsed for transfer, together with a written conversion notice completed, to our transfer agent. The conversion notice must state:

- the relevant Change of Control Conversion Date;
- the number of Series C Preferred Stock to be converted; and
- that the Series C Preferred Stock is to be converted pursuant to the applicable terms of the Series C Preferred Stock.

The "Series C Common Stock Price" will be (i) if the consideration to be received in the Series C Change of Control by holders of shares of our common stock is solely cash, the amount of cash consideration per share of common stock, or (ii) if the consideration to be received in the Series C Change of Control by holders of shares of our common stock is other than solely cash, the average of the closing price per share of common stock on the 10 consecutive trading days immediately preceding, but not including, the effective date of the Series C Change of Control.

Holders of shares of the Series C Preferred Stock may withdraw any notice of exercise of a Change of Control Series C Conversion Right (in whole or in part) by a written notice of withdrawal delivered to our transfer agent prior to the close of business on the business day prior to the Change of Control Conversion Date. The notice of withdrawal must state:

- the number of withdrawn shares of Series C Preferred Stock;
- if certificated shares of Series C Preferred Stock have been issued, the certificate numbers of the withdrawn shares of Series C Preferred Stock; and

- the number of shares of Series C Preferred Stock, if any, which remain subject to the conversion notice.

Notwithstanding the foregoing, if the Series C Preferred Stock is held in global form, the conversion notice and/or the notice of withdrawal, as applicable, must comply with applicable procedures of The Depository Trust Company.

Series C Preferred Stock as to which the Change of Control Series C Conversion Right has been properly exercised and for which the conversion notice has not been properly withdrawn will be converted into the applicable Series C Conversion Consideration in accordance with the Change of Control Series C Conversion Right on the applicable Change of Control Conversion Date, unless prior to such Change of Control Conversion Date the Company has provided or provides notice of its election to redeem such Series C Preferred Stock, whether pursuant to the Company's optional redemption right or its special optional redemption right. If the Company elects to redeem Series C Preferred Stock that would otherwise be converted into the applicable Series C Conversion Consideration on a Change of Control Conversion Date, such Series C Preferred Stock will not be so converted and the holders of such shares of Series C Preferred Stock will be entitled to receive on the applicable redemption date $25.00 per share of Series C Preferred Stock, plus any accrued and unpaid distribution thereon to, but not including, the redemption date.

The Company is required to deliver amounts owing upon conversion no later than the third business day following the applicable Change of Control Conversion Date.

Notwithstanding any other provision of our Series C Preferred Stock, no holder of shares of our Series C Preferred Stock will be entitled to convert such shares Series C Preferred Stock for shares of our common stock to the extent that receipt of such shares of common stock would cause such holder (or any other person) to exceed the share ownership limits contained in our Charter, including the Articles Supplementary. See "Restrictions on Ownership and Transfer" above.

Except as provided above in connection with a Series C Change of Control, shares of Series C Preferred Stock are not convertible into or exchangeable for any other securities or property.

Liquidation Preference. Upon any voluntary or involuntary liquidation, dissolution or winding-up of our affairs, and before any distribution or payment shall be made to holders of our common stock or any other class or series of Series C Junior Stock, the holders of shares of the Series C Preferred Stock are entitled to be paid out of our assets legally available for distribution to our stockholders, after payment or provision for our debts and other liabilities, payments to holders of senior securities, if any, a liquidation preference of $25.00 per share of Series C Preferred Stock, plus an amount equal to any accrued and unpaid distributions (whether or not earned or declared) up to, but not including, the date of payment or the date the amount of payment is set aside. The rights of holders of shares of the Series C Preferred Stock to receive their liquidation preference will be subject to the proportionate rights of holders of our Series B Preferred Stock, our Series D Preferred Stock and any other class or series of Series C Parity Stock. After payment of the full amount of the liquidating distributions to which they are entitled, the holders of shares of the Series C Preferred Stock will have no right or claim to any of our remaining assets. Our consolidation, conversion or merger with or into any other corporation, trust or other entity, or the voluntary sale, lease, transfer or conveyance of all or substantially all of our property or business, will not be deemed to constitute a liquidation, dissolution or winding-up of our affairs.

No Maturity, Sinking Fund or Mandatory Redemption. The Series C Preferred Stock has no maturity date and we are not required to redeem shares of the Series C Preferred Stock at any time. Accordingly, the Series C Preferred Stock will remain outstanding indefinitely, unless we decide, at our option, to exercise our optional redemption right described under "Optional Redemption" or, upon a Series C Change of Control, we decide, at our option, to exercise our special redemption right described under "Special Optional Redemption" or holders of shares of the Series C Preferred Stock decide to exercise the conversion right described under "Conversion Rights." The Series C Preferred Stock is not subject to any sinking fund.

Voting Rights. Holders of shares of the Series C Preferred Stock have no voting rights, except as set forth below.

If distributions on the Series C Preferred Stock are in arrears for six or more quarterly periods, whether or not consecutive, holders of shares of the Series C Preferred Stock (voting together as a single class with holders of our Series B Preferred Stock, our Series D Preferred Stock and all other classes or series of Series C Parity Stock upon which like voting rights have been conferred and are exercisable) will be entitled to vote at a special meeting or at our next annual meeting of stockholders and each subsequent annual meeting of stockholders, for the election of two additional directors to serve on our board of directors (which we refer to as a preferred stock director), until all unpaid distributions and the distribution for the then current period with respect to the Series C Preferred Stock and any other class or series of Series C Parity Stock have been fully paid or declared and a sum sufficient for the payment thereof set aside for payment. In such a case, the number of directors serving on the board of directors will be increased by two members. The preferred stock directors will be elected by a plurality of the votes cast in the election to serve until our next annual meeting and until their successors are duly elected and qualified or until such directors' right to hold the office terminates pursuant to the Series C Termination Event (as defined below), whichever occurs earlier. In no event will the holders of Series C Preferred Stock be entitled to nominate or elect an individual as a director, and no individual will be qualified to be nominated for election or to serve as a director, if the individual's service as a director would cause us to fail to satisfy a requirement relating to director independence of any national securities exchange on which any class or series of our stock is then-listed or otherwise conflict with our Charter or Bylaws.

If and when all accumulated distributions and the distribution for the current distribution period on the Series C Preferred Stock and for all classes and series of Series C Parity Stock and upon which similar voting rights have been conferred and are exercisable shall have been paid in full or a sum sufficient for such payment is irrevocably deposited in trust for payment, the holders of shares of the Series C Preferred Stock shall be immediately divested of the voting rights set forth above and, if all distributions in arrears and the distributions for the current distribution period have been paid in full or set aside for payment in full on all other classes or series of Series C Parity Stock, the term and office of such preferred stock directors so elected will terminate immediately and the number of members constituting our board of directors will be reduced accordingly (the "Series C Termination Event"). The right of the holders of Series C Preferred Stock to elect the additional directors will again vest if and whenever dividends are in arrears for six additional quarterly periods, whether or not consecutive, as described above.

In addition, so long as any shares of Series C Preferred Stock remain outstanding, we will not, without the consent or the affirmative vote of the holders of at least two-thirds of the outstanding shares of Series C Preferred Stock and each other class or series of Series C Parity Stock with respect to the payment of distributions or the distribution of assets upon our liquidation, dissolution or winding-up upon which similar voting rights have been conferred, voting as a single class, given in person or by proxy, either in writing or at a meeting:

- authorize, create or issue, or increase the authorized or issued amount of, any class or series of stock ranking senior to the Series C Preferred Stock with respect to payment of distributions, or the distribution of assets upon the liquidation, dissolution or winding-up of our affairs, or reclassify any of our authorized stock into any such stock, or create, authorize or issue any obligation or security convertible into or evidencing the right to purchase any such stock; or
- amend, alter or repeal the provisions of our Charter or the terms of the Series C Preferred Stock, whether by merger, consolidation, transfer or conveyance of all or substantially all of our assets or otherwise, so as to materially and adversely affect any right, preference, privilege or voting power of the Series C Preferred Stock or the holders thereof;
- except that with respect to the occurrence of any of the events described in the second bullet point immediately above, so long as shares of the Series C Preferred Stock remain outstanding with the terms of the Series C Preferred Stock materially unchanged or the holders of shares of Series C Preferred Stock receive capital stock of the successor with substantially identical rights (taken as a whole), taking into account that, upon the occurrence of an event described in the second bullet point above, we may not be the surviving entity, the occurrence of such event will not be deemed to materially and adversely affect

the rights, preferences, privileges or voting power of holders of shares of the Series C Preferred Stock, and in such case such holders shall not have any voting rights with respect to the events described in the second bullet point immediately above.

Furthermore, if the holders of shares of the Series C Preferred Stock receive the greater of the full trading price of the Series C Preferred Stock on the date of an event described in the second bullet point immediately above or the $25.00 liquidation preference per share of Series C Preferred Stock pursuant to the occurrence of any of the events described in the second bullet point immediately above, then such holders shall not have any voting rights with respect to the events described in the second bullet point immediately above. If any event described in the second bullet point above would materially and adversely affect the rights, preferences, privileges or voting powers of the Series C Preferred Stock disproportionately relative to other classes or series of Series C Parity Stock with respect to the payment of distributions and the distribution of assets upon our liquidation, dissolution or winding up, the affirmative vote of the holders of at least two-thirds of the outstanding shares of Series C Preferred Stock voting separately as a class, will also be required.

Information Rights. During any period in which we are not subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act and any shares of Series C Preferred Stock are outstanding, the Company is required (i) to transmit by mail or other permissible means under the Exchange Act to all holders of shares of the Series C Preferred Stock as their names and addresses appear in our record books and without cost to such holders, copies of the Annual Reports on Form 10-K and Quarterly Reports on Form 10-Q that we would have been required to file with the SEC pursuant to Section 13 or 15(d) of the Exchange Act if we were subject thereto (other than any exhibits that would have been required) and (ii) within 15 days following written request, to supply copies of such reports to any prospective holder of shares of the Series C Preferred Stock. The Company is required to mail (or otherwise provide) the reports to the holders of shares of the Series C Preferred Stock within 15 days after the respective dates by which we would have been required to file such reports with the SEC if we were subject to Section 13 or 15(d) of the Exchange Act.

Restrictions on Ownership and Transfer. For information regarding restrictions on ownership and transfer of the Series C Preferred Shares, see "All Classes of Our Capital Stock" above.

Notwithstanding any other provision of the Series C Preferred Shares, no holder of the Series C Preferred Shares will be entitled to convert any Series C Preferred Shares into our common shares to the extent that receipt of our common shares would cause such holder or any other person to exceed the ownership limits contained in our declaration of trust.

Series D Preferred Stock

Ranking. The Series D Preferred Stock ranks, with respect to distribution rights and rights upon voluntary or involuntary liquidation, dissolution or winding-up of our affairs, senior to all classes or series of our common stock and to any other class or series of our capital stock which is expressly designated as ranking junior to the Series D Preferred Stock (collectively, "Series D Junior Stock"), on parity with any class of our capital stock which is expressly designated as ranking on parity with the Series D Preferred Stock (collectively, "Series D Parity Stock"), including our Series B Preferred Stock and our Series C Preferred Stock, junior to any other class or series of our capital stock that we may later authorize or issue which is designated as ranking senior to the Series D Preferred Stock, and junior to our existing and future indebtedness. Any future authorization or issuance of a class or series of our capital stock expressly designated as ranking senior to the Series D Preferred Stock will require the affirmative vote of the holders of at least two-thirds of the outstanding shares of Series D Preferred Stock and all other shares of any class or series ranking on parity with the Series D Preferred Stock that are entitled to similar voting rights, including our Series B Preferred Stock and our Series C Preferred Stock (voting together as a single class).

Distributions. Subject to the preferential rights of any security senior to the Series D Preferred Stock as to distributions, the holders of shares of the Series D Preferred Stock are entitled to receive, when, as and if authorized by our board of directors and declared by us out of funds legally available for the payment of

distributions, cumulative cash distributions at the rate of 8.25% per annum of the $25.00 liquidation preference per share of the Series D Preferred Stock (equivalent to an annual rate of $2.0625 per share of the Series D Preferred Stock). Distributions are payable quarterly in arrears on the 15th day of January, April, July and October of each year (or if not a business day, on the next succeeding business day). Distributions payable on the Series D Preferred Stock for any partial or longer period will be computed on the basis of a 360-day year consisting of twelve 30-day months. Accrued but unpaid distributions on the Series D Preferred Stock will accumulate as of the distribution payment date on which they first became payable. Distributions on the Series D Preferred Stock will accrue whether or not:

- we have earnings;
- there are funds legally available for the payment of those distributions; or
- those distributions are authorized or declared.

Except as described in the next paragraph, unless full cumulative distributions on the Series D Preferred Stock for all past distribution periods shall have been, or contemporaneously are, declared and paid in cash or declared and a sum sufficient for the payment thereof in cash is set aside for payment, we will not:

- declare or pay or set aside for payment of distributions, and we will not declare or make any distribution of cash or other property, directly or indirectly, on or with respect to any shares of our common stock, or any other class or series of Series D Parity Stock or Series D Junior Stock for any period; or
- redeem, purchase or otherwise acquire for any consideration, or make any other distribution of cash or other property, directly or indirectly, on or with respect to, or pay or make available any monies for a sinking fund for the redemption of, any common stock, or any other class or series of Series D Parity Stock or Series D Junior Stock.

The foregoing sentence, however, will not prohibit:

- distributions payable solely in shares of our common stock or shares of Series D Junior Stock;
- the conversion into or exchange for other shares of any class or series of Series D Junior Stock; and
- our purchase of Series D Preferred Stock, Series D Parity Stock or Series D Junior Stock pursuant to our Charter to the extent necessary to preserve our status as a REIT.

Optional Redemption. We may, at our option, upon not less than 30 nor more than 60 days' written notice, redeem the Series D Preferred Stock, in whole or in part, at any time or from time to time, for cash at a redemption price of $25.00 per share of Series D Preferred Stock, plus all accrued and unpaid distributions (whether or not declared) up to, but not including, the date fixed for redemption, without interest, to the extent we have funds legally available for that purpose. Unless full cumulative distributions on all outstanding Series D Preferred Stock shall have been or contemporaneously are authorized, declared and paid in cash or declared and a sufficient sum set aside for payment of all past distribution periods and the then-current distribution period, no shares of the Series D Preferred Stock shall be redeemed unless all outstanding shares of the Series D Preferred Stock are simultaneously redeemed. All shares of Series D Preferred Stock that we redeem or repurchase will be retired and restored to the status of authorized but unissued shares of preferred stock, without designation as to series or class.

If the Company has (i) given a notice of redemption, (ii) set aside sufficient funds for the redemption in trust for the benefit of the holders of shares of the Series D Preferred Stock called for redemption and (iii) given irrevocable instructions to pay the redemption price and all accrued and unpaid distributions, then from and after the redemption date, those shares of Series D Preferred Stock will be treated as no longer being outstanding, no further distributions will accrue and all other rights of the holders of those shares of Series D Preferred Stock will terminate (including, with respect to such shares of Series D Preferred Stock called for redemption, the conversion rights described below under "Conversion Rights"), except the right to receive the redemption price plus any accrued and unpaid distributions payable upon such redemption, without interest. The holders of those

shares of Series D Preferred Stock will retain their right to receive the redemption price for their shares and any accrued and unpaid distributions payable upon such redemption, without interest.

The holders of shares of Series D Preferred Stock at the close of business on a distribution record date will be entitled to receive the distribution payable with respect to the Series D Preferred Stock on the corresponding payment date notwithstanding the redemption of the Series D Preferred Stock between such record date and the corresponding payment date.

Special Optional Redemption. Upon the occurrence of a Series D Change of Control (as defined below), we may, at our option, redeem the Series D Preferred Stock, in whole or in part within 120 days after the first date on which such Series D Change of Control occurred, by paying $25.00 per share of Series D Preferred Stock, plus any accrued and unpaid distributions to, but not including, the date of redemption. If, prior to the relevant Change of Control Conversion Date, we have provided or provide notice of redemption with respect to the Series D Preferred Stock (whether pursuant to our optional redemption right or our special optional redemption right), a holder of Series D Preferred Stock will not have the conversion right described below under "Conversion Rights," in respect of the shares of Series D Preferred Stock called for redemption.

A notice of redemption is required to be mailed to the record holders of shares of our Series D Preferred Stock no less than 30 days nor more than 60 days before the redemption date. A failure to give notice of redemption or any defect in the notice or in its mailing will not affect the validity of the redemption of any Series D Preferred Stock except as to the holder to whom notice was defective. Each notice will state the following:

- the redemption date;
- the redemption price;
- the number of shares of Series D Preferred Stock to be redeemed;
- the place or places where the certificates for the shares of the Series D Preferred Stock, if any, are to be surrendered for payment;
- the procedures for surrendering non-certificated shares of Series D Preferred Stock, to the extent the shares of Series D Preferred Stock are uncertificated, for payment of the redemption price;
- that distributions on the shares of Series D Preferred Stock to be redeemed will cease to accumulate on such redemption date;
- that payment of the redemption price and any accumulated and unpaid distributions will be made upon presentation and surrender of such Series D Preferred Stock; and
- that the holders of the shares of our Series D Preferred Stock to which the notice relates will not be able to tender such shares of Series D Preferred Stock for conversion in connection with the Series D Change of Control and each share of Series D Preferred Stock tendered for conversion that is selected, prior to the relevant Change of Control Conversion Date, for redemption will be redeemed on the related date of redemption instead of converted on the relevant Change of Control Conversion Date.

If the Company has (i) given a notice of redemption, (ii) set aside sufficient funds for the redemption in trust for the benefit of the holders of the shares of Series D Preferred Stock called for redemption and (iii) given irrevocable instructions to pay the redemption price and all accrued and unpaid distributions, then from and after the redemption date, those shares of Series D Preferred Stock will be treated as no longer being outstanding, no further distributions will accrue and all other rights of the holders of those shares of Series D Preferred Stock will terminate, except the right to receive the redemption price plus any accrued and unpaid distributions payable upon such redemption, without interest. The holders of those shares of Series D Preferred Stock will retain their right to receive the redemption price for their shares and any accrued and unpaid distributions payable upon such redemption, without interest.

The holders of shares of Series D Preferred Stock at the close of business on a distribution record date will be entitled to receive the distribution payable with respect to the Series D Preferred Stock on the corresponding payment date notwithstanding the redemption of the Series D Preferred Stock between such record date and the corresponding payment date.

A "Series D Change of Control" is when, after the original issuance of the Series D Preferred Stock, the following have occurred and are continuing:

- the acquisition by any person, including any syndicate or group deemed to be a "person" under Section 13(d)(3) of the Exchange Act, of beneficial ownership, directly or indirectly, through a purchase, merger or other acquisition transaction or series of purchases, mergers or other acquisition transactions of shares of our company entitling that person to exercise more than 50% of the total voting power of all shares of our company entitled to vote generally in elections of directors (except that such person will be deemed to have beneficial ownership of all securities that such person has the right to acquire, whether such right is currently exercisable or is exercisable only upon the occurrence of a subsequent condition); and
- following the closing of any transaction referred to in the bullet point above, neither we nor the acquiring or surviving entity has a class of common securities (or ADRs representing such securities) listed on the NYSE, the NYSE American or NASDAQ or listed or quoted on an exchange or quotation system that is a successor to the NYSE, the NYSE American or NASDAQ.

Conversion Rights. Upon the occurrence of a Series D Change of Control, each holder of shares of Series D Preferred Stock will have the right, unless, prior to the Change of Control Conversion Date, the Company has provided or provides notice of its election to redeem the shares of Series D Preferred Stock as described under "Optional Redemption" or "Special Optional Redemption," to convert some or all of the shares of Series D Preferred Stock held by such holder (the "Change of Control Series D Conversion Right") on the applicable Change of Control Conversion Date into a number of shares of common stock per share of Series D Preferred Stock (the "Series D Conversion Consideration") equal to the lesser of:

- the quotient obtained by dividing (i) the sum of the $25.00 liquidation preference per share of the Series D Preferred Stock to be converted plus the amount of any accrued and unpaid distributions to, but not including, the relevant Change of Control Conversion Date (unless such Change of Control Conversion Date is after a record date for a Series D Preferred Stock distribution payment and prior to the corresponding Series D Preferred Stock distribution payment date, in which case no additional amount for such accrued and unpaid distribution will be included in this sum) by (ii) the Series D Common Stock Price (as defined below); and
- 7.39645 (the "Series D Share Cap"), subject to adjustments, as described below.

The Series D Share Cap is subject to pro rata adjustments for any share splits (including those effected pursuant to a common stock distribution), subdivisions or combinations (in each case, a "Series D Share Split") with respect to shares of our common stock as follows: the adjusted Series D Share Cap as the result of a Series D Share Split will be the number of shares of our common stock that is equivalent to the product of (i) the Series D Share Cap in effect immediately prior to such Series D Share Split multiplied by (ii) a fraction, the numerator of which is the number of shares of our common stock outstanding after giving effect to such Series D Share Split and the denominator of which is the number of shares of our common stock outstanding immediately prior to such Series D Share Split.

For the avoidance of doubt, subject to the immediately succeeding sentence, the aggregate number of shares of our common stock (or equivalent Alternative Series D Conversion Consideration (as defined below), as applicable) issuable in connection with the exercise of the Change of Control Series D Conversion Right will not exceed 7,988,166 shares of common stock (or equivalent Alternative Series D Conversion Consideration, as applicable), subject to increase on a pro rata basis if we issue additional shares of Series D Preferred Stock (the "Series D Exchange Cap"). The Series D Exchange Cap is subject to pro rata adjustments for any Series D Share Splits on the same basis as the corresponding adjustment to the Series D Share Cap.

In the case of a Series D Change of Control pursuant to which shares of our common stock will be converted into cash, securities or other property or assets (including any combination thereof) (the "Alternative Series D Form Consideration"), a holder of shares of Series D Preferred Stock will receive upon conversion of such Series D Preferred Stock the kind and amount of Alternative Series D Form Consideration which such holder would have owned or been entitled to receive upon the Series D Change of Control had such holder held a number of shares of our common stock equal to the Series D Conversion Consideration immediately prior to the effective time of the Series Change of Control (the "Alternative Series D Conversion Consideration," and the Series D Conversion Consideration or the Alternative Series D Conversion Consideration, as may be applicable to a Series D Change of Control, is referred to as the "Series D Conversion Consideration").

If the holders of shares of our common stock have the opportunity to elect the form of consideration to be received in the Series D Change of Control, the consideration that the holders of shares of the Series D Preferred Stock will receive will be the form of consideration elected by the holders of the shares of common stock who participate in the determination (based on the weighted average of elections) and will be subject to any limitations to which all holders of shares of common stock are subject, including, without limitation, pro rata reductions applicable to any portion of the consideration payable in the Series D Change of Control.

No fractional shares of the Company's common stock will be issued upon the conversion of our Series D Preferred Stock. Instead, we will pay the cash value of such fractional shares.

Within 15 days following the occurrence of a Series D Change of Control, the Company is required to provide to holders of shares of the Series D Preferred Stock a notice of the occurrence of the Series D Change of Control that describes the resulting Change of Control Series D Conversion Right. This notice will state the following:

- the events constituting the Series D Change of Control;
- the date of the Series D Change of Control;
- the last date on which the holders of shares of the Series D Preferred Stock may exercise their Change of Control Series D Conversion Right;
- the method and period for calculating the Series D Common Stock Price;
- the applicable Change of Control Conversion Date, which will be a business day occurring within 20 to 35 days following the date of the notice;
- that if, prior to the applicable Change of Control Conversion Date, the Company has provided or provides notice of its election to redeem all or any portion of the Series D Preferred Stock, holders of the Series D Preferred Stock will not be able to convert such shares of Series D Preferred Stock called for redemption and such Series D Preferred Stock will be redeemed on the related redemption date, even if they have already been tendered for conversion pursuant to the Change of Control Series D Conversion Right;
- if applicable, the type and amount of Alternative Series D Conversion Consideration entitled to be received per share of Series D Preferred Stock;
- the name and address of the paying agent and the conversion agent; and
- the procedures that the holders of shares of Series D Preferred Stock must follow to exercise the Change of Control Series D Conversion Right.

To exercise the Change of Control Series D Conversion Right, the holder of shares of the Series D Preferred Stock will be required to deliver, on or before the close of business on the applicable Change of Control Conversion Date, the certificates (if any) evidencing the Series D Preferred Stock to be converted, duly endorsed for transfer, together with a written conversion notice completed, to our transfer agent. The conversion notice must state:

- the relevant Change of Control Conversion Date;

- the number of Series D Preferred Stock to be converted; and
- that the Series D Preferred Stock is to be converted pursuant to the applicable terms of the Series D Preferred Stock.

The "Series D Common Stock Price" will be (i) if the consideration to be received in the Series D Change of Control by holders of shares of our common stock is solely cash, the amount of cash consideration per share of common stock, or (ii) if the consideration to be received in the Series D Change of Control by holders of shares of our common stock is other than solely cash, the average of the closing price per share of common stock on the 10 consecutive trading days immediately preceding, but not including, the effective date of the Series D Change of Control.

Holders of shares of the Series D Preferred Stock may withdraw any notice of exercise of a Change of Control Series D Conversion Right (in whole or in part) by a written notice of withdrawal delivered to our transfer agent prior to the close of business on the business day prior to the Change of Control Conversion Date. The notice of withdrawal must state:

- the number of withdrawn shares of Series D Preferred Stock;
- if certificated shares of Series D Preferred Stock have been issued, the certificate numbers of the withdrawn shares of Series D Preferred Stock; and
- the number of shares of Series D Preferred Stock, if any, which remain subject to the conversion notice.

Notwithstanding the foregoing, if the Series D Preferred Stock is held in global form, the conversion notice and/or the notice of withdrawal, as applicable, must comply with applicable procedures of The Depository Trust Company.

Series D Preferred Stock as to which the Change of Control Series D Conversion Right has been properly exercised and for which the conversion notice has not been properly withdrawn will be converted into the applicable Series D Conversion Consideration in accordance with the Change of Control Series D Conversion Right on the applicable Change of Control Conversion Date, unless prior to such Change of Control Conversion Date the Company has provided or provides notice of its election to redeem such Series D Preferred Stock, whether pursuant to the Company's optional redemption right or its special optional redemption right. If the Company elects to redeem Series D Preferred Stock that would otherwise be converted into the applicable Series D Conversion Consideration on a Change of Control Conversion Date, such Series D Preferred Stock will not be so converted and the holders of such shares of Series D Preferred Stock will be entitled to receive on the applicable redemption date $25.00 per share of Series D Preferred Stock, plus any accrued and unpaid distribution thereon to, but not including, the redemption date.

The Company is required to deliver amounts owing upon conversion no later than the third business day following the applicable Change of Control Conversion Date.

Notwithstanding any other provision of our Series D Preferred Stock, no holder of shares of our Series D Preferred Stock will be entitled to convert such shares Series D Preferred Stock for shares of our common stock to the extent that receipt of such shares of common stock would cause such holder (or any other person) to exceed the share ownership limits contained in our Charter, including the Articles Supplementary. See "—Restrictions on Ownership and Transfer" above.

Except as provided above in connection with a Series D Change of Control, shares of Series D Preferred Stock are not convertible into or exchangeable for any other securities or property.

Liquidation Preference. Upon any voluntary or involuntary liquidation, dissolution or winding-up of our affairs, and before any distribution or payment shall be made to holders of our common stock or any other class or series of Series D Junior Stock, the holders of shares of the Series D Preferred Stock are entitled to be paid out of our assets legally available for distribution to our stockholders, after payment or provision for our debts and other liabilities, payments to holders of senior securities, if any, a liquidation preference of $25.00 per share of Series D

Preferred Stock, plus an amount equal to any accrued and unpaid distributions (whether or not earned or declared) up to, but not including, the date of payment or the date the amount of payment is set aside. The rights of holders of shares of the Series D Preferred Stock to receive their liquidation preference will be subject to the proportionate rights of holders of our Series B Preferred Stock, our Series C Preferred Stock and any other class or series of Series D Parity Stock. After payment of the full amount of the liquidating distributions to which they are entitled, the holders of shares of the Series D Preferred Stock will have no right or claim to any of our remaining assets. Our consolidation, conversion or merger with or into any other corporation, trust or other entity, or the voluntary sale, lease, transfer or conveyance of all or substantially all of our property or business, will not be deemed to constitute a liquidation, dissolution or winding-up of our affairs.

No Maturity, Sinking Fund or Mandatory Redemption. The Series D Preferred Stock has no maturity date and we are not required to redeem shares of the Series D Preferred Stock at any time. Accordingly, the Series D Preferred Stock will remain outstanding indefinitely, unless we decide, at our option, to exercise our optional redemption right described under "Optional Redemption" or, upon a Series D Change of Control, we decide, at our option, to exercise our special redemption right described under "Special Optional Redemption" or holders of shares of the Series D Preferred Stock decide to exercise the conversion right described under "Conversion Rights." The Series D Preferred Stock is not subject to any sinking fund.

Voting Rights. Holders of shares of the Series D Preferred Stock have no voting rights, except as set forth below.

If distributions on the Series D Preferred Stock are in arrears for six or more quarterly periods, whether or not consecutive, holders of shares of the Series D Preferred Stock (voting together as a single class with holders of our Series B Preferred Stock, our Series C Preferred Stock and all other classes or series of Series D Parity Stock upon which like voting rights have been conferred and are exercisable) will be entitled to vote at a special meeting or at our next annual meeting of stockholders and each subsequent annual meeting of stockholders, for the election of two additional directors to serve on our board of directors (which we refer to as a preferred stock director), until all unpaid distributions and the distribution for the then current period with respect to the Series D Preferred Stock and any other class or series of Series D Parity Stock have been fully paid or declared and a sum sufficient for the payment thereof set aside for payment. In such a case, the number of directors serving on the board of directors will be increased by two members. The preferred stock directors will be elected by a plurality of the votes cast in the election to serve until our next annual meeting and until their successors are duly elected and qualified or until such directors' right to hold the office terminates pursuant to the Series D Termination Event (as defined below), whichever occurs earlier. In no event will the holders of Series D Preferred Stock be entitled to nominate or elect an individual as a director, and no individual will be qualified to be nominated for election or to serve as a director, if the individual's service as a director would cause us to fail to satisfy a requirement relating to director independence of any national securities exchange on which any class or series of our stock is then-listed or otherwise conflict with our Charter or Bylaws.

If and when all accumulated distributions and the distribution for the current distribution period on the Series D Preferred Stock and for all classes and series of Series D Parity Stock and upon which similar voting rights have been conferred and are exercisable shall have been paid in full or a sum sufficient for such payment is irrevocably deposited in trust for payment, the holders of shares of the Series D Preferred Stock shall be immediately divested of the voting rights set forth above and, if all distributions in arrears and the distributions for the current distribution period have been paid in full or set aside for payment in full on all other classes or series of Series D Parity Stock, the term and office of such preferred stock directors so elected will terminate immediately and the number of members constituting our board of directors will be reduced accordingly (the "Series D Termination Event"). The right of the holders of Series D Preferred Stock to elect the additional directors will again vest if and whenever dividends are in arrears for six additional quarterly periods, whether or not consecutive, as described above.

In addition, so long as any shares of Series D Preferred Stock remain outstanding, we will not, without the consent or the affirmative vote of the holders of at least two-thirds of the outstanding shares of Series D Preferred Stock and each other class or series of Series D Parity Stock with respect to the payment of distributions or the

distribution of assets upon our liquidation, dissolution or winding-up upon which similar voting rights have been conferred, voting as a single class, given in person or by proxy, either in writing or at a meeting:

- authorize, create or issue, or increase the authorized or issued amount of, any class or series of stock ranking senior to the Series D Preferred Stock with respect to payment of distributions, or the distribution of assets upon the liquidation, dissolution or winding-up of our affairs, or reclassify any of our authorized stock into any such stock, or create, authorize or issue any obligation or security convertible into or evidencing the right to purchase any such stock; or
- amend, alter or repeal the provisions of our Charter or the terms of the Series D Preferred Stock, whether by merger, consolidation, transfer or conveyance of all or substantially all of our assets or otherwise, so as to materially and adversely affect any right, preference, privilege or voting power of the Series D Preferred Stock or the holders thereof;
- except that with respect to the occurrence of any of the events described in the second bullet point immediately above, so long as shares of the Series D Preferred Stock remain outstanding with the terms of the Series D Preferred Stock materially unchanged or the holders of shares of Series D Preferred Stock receive capital stock of the successor with substantially identical rights (taken as a whole), taking into account that, upon the occurrence of an event described in the second bullet point above, we may not be the surviving entity, the occurrence of such event will not be deemed to materially and adversely affect the rights, preferences, privileges or voting power of holders of shares of the Series D Preferred Stock, and in such case such holders shall not have any voting rights with respect to the events described in the second bullet point immediately above.

Furthermore, if the holders of shares of the Series D Preferred Stock receive the greater of the full trading price of the Series D Preferred Stock on the date of an event described in the second bullet point immediately above or the $25.00 liquidation preference per share of Series D Preferred Stock pursuant to the occurrence of any of the events described in the second bullet point immediately above, then such holders shall not have any voting rights with respect to the events described in the second bullet point immediately above. If any event described in the second bullet point above would materially and adversely affect the rights, preferences, privileges or voting powers of the Series D Preferred Stock disproportionately relative to other classes or series of Series D Parity Stock with respect to the payment of distributions and the distribution of assets upon our liquidation, dissolution or winding up, the affirmative vote of the holders of at least two-thirds of the outstanding shares of Series D Preferred Stock voting separately as a class, will also be required.

Information Rights. During any period in which we are not subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act and any shares of Series D Preferred Stock are outstanding, the Company is required (i) to transmit by mail or other permissible means under the Exchange Act to all holders of shares of the Series D Preferred Stock as their names and addresses appear in our record books and without cost to such holders, copies of the Annual Reports on Form 10-K and Quarterly Reports on Form 10-Q that we would have been required to file with the SEC pursuant to Section 13 or 15(d) of the Exchange Act if we were subject thereto (other than any exhibits that would have been required) and (ii) within 15 days following written request, to supply copies of such reports to any prospective holder of shares of the Series D Preferred Stock. The Company is required to mail (or otherwise provide) the reports to the holders of shares of the Series D Preferred Stock within 15 days after the respective dates by which we would have been required to file such reports with the SEC if we were subject to Section 13 or 15(d) of the Exchange Act.

Restrictions on Ownership and Transfer. For information regarding restrictions on ownership and transfer of the Series D Preferred Shares, see “All Classes of Our Capital Stock” above.

Notwithstanding any other provision of the Series D Preferred Shares, no holder of the Series D Preferred Shares will be entitled to convert any Series D Preferred Shares into our common shares to the extent that receipt of our common shares would cause such holder or any other person to exceed the ownership limits contained in our declaration of trust.

EXHIBIT 10.23

INDEMNIFICATION AGREEMENT

THIS INDEMNIFICATION AGREEMENT, executed on the ____th day of _____, _____, ("Agreement") by and between Sotherly Hotels Inc., a Maryland corporation (the "Company"), and _____ ("Indemnitee").

WHEREAS, at the request of the Company, Indemnitee currently serves as an [officer] [director] [employee] of the Company and may, therefore, be subjected to claims, suits or proceedings arising as a result of his service; and

WHEREAS, as an inducement to Indemnitee to continue to serve as such [officer] [director] [employee], the Company has agreed to indemnify and to advance expenses and costs incurred by Indemnitee in connection with any such claims, suits or proceedings, to the maximum extent permitted by law; and

WHEREAS, the parties by this Agreement desire to set forth their agreement regarding indemnification and advance of expenses;

NOW, THEREFORE, in consideration of the premises and the covenants contained herein, the Company and Indemnitee do hereby covenant and agree as follows:

Section 1.Definitions. For purposes of this Agreement:

(a) "Change in Control" shall mean a change of control of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), whether or not the Company is then subject to such reporting requirement; provided, that, without limitation, such a change in control shall be deemed to have occurred if: (i) any Person, Group, or any Persons collectively acting together, (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act) (a "Group") is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing fifty percent (50%) or more of the combined voting power of the Company's then outstanding voting securities; provided, however, that for purposes of this Agreement the term "Group" shall not include (A) the Company or any of its subsidiaries, (B) a trustee or other fiduciary holding securities under an employee benefit plan of the Company or any of its subsidiaries, (C) an underwriter temporarily acquiring securities pursuant to an offering of such securities, or (D) a corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company; or (ii) the following individuals cease for any reason to constitute at least two-thirds (2/3) of the directors then serving on the Company's Board: individuals who, on the date hereof, constitute the Board and any new director (other than a director whose initial assumption of office is in connection with an actual or threatened election contest including, but not limited to, a consent solicitation, relating to the election of directors of the Company) whose appointment or election by the Board or nomination for election by the Company's stockholders was approved or recommended by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors on the date hereof or whose appointment, election or nomination for election was previously so

approved or recommended; or (iii) there is consummated a merger or consolidation of the Company or any direct or indirect subsidiary thereof with any other corporation where the Company is not the surviving entity, or the shareholders of the Company approve a plan of complete liquidation of the Company, or there is consummated the sale or other disposition of all or substantially all of the Company's assets. For purposes of this Agreement, a Change of Control shall not be deemed to have occurred in the case of an acquisition directly from the Company resulting from the exercise of a conversion, redemption or exchange privilege in respect of outstanding convertible or exchangeable securities.

(b) "Corporate Status" means the status of a person who is or was a director, trustee, officer, employee or agent of the Company or of any other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise for which such person is or was serving at the request of the Company.

(c) "Disinterested Director" means a director of the Company who is not and was not a party to the Proceeding in respect of which indemnification is sought by Indemnitee.

(d) "Effective Date" means _____.

(e) "Expenses" shall include all reasonable and out-of-pocket attorneys' fees, retainers, court costs, transcript costs, fees of experts, witness fees, travel expenses, duplicating costs, printing and binding costs, telephone charges, postage, delivery service fees, and all other disbursements or expenses of the types customarily incurred in connection with prosecuting, defending, preparing to prosecute or defend, investigating, or being or preparing to be a witness in a Proceeding.

(f) "Independent Counsel" means a law firm, or a member of a law firm, that is experienced in matters of corporation law and neither is, nor in the past five years has been, retained to represent: (i) the Company or Indemnitee in any matter material to either such party, or (ii) any other party to or witness in the Proceeding giving rise to a claim for indemnification hereunder. Notwithstanding the foregoing, the term "Independent Counsel" shall not include any person who, under the applicable standards of professional conduct then prevailing, would have a conflict of interest in representing either the Company or Indemnitee in an action to determine Indemnitee's rights under this Agreement. If a Change of Control has not occurred, Independent Counsel shall be selected by the Board of Directors, with the approval of Indemnitee, which approval will not be unreasonably withheld. If a Change of Control has occurred, Independent Counsel shall be selected by Indemnitee, with the approval of the Board of Directors, which approval will not be unreasonably withheld.

(g) "Proceeding" includes any threatened, pending or completed action, suit, arbitration, alternate dispute resolution mechanism, investigation, administrative hearing or any other proceeding, whether civil, criminal, administrative or investigative (including on appeal), except one pending or completed on or before the Effective Date, unless otherwise specifically agreed in writing by the Company and Indemnitee.

Section 2.Services by Indemnitee. Indemnitee will serve as a [officer] [director] [employee]of the Company. However, this Agreement shall not impose any obligation on

Indemnitee or the Company to continue Indemnitee's service to the Company beyond any period otherwise required by law or by other agreements or commitments of the parties, if any.

Section 3.Indemnification - General. The Company shall indemnify, and advance Expenses to, Indemnitee (a) as provided in this Agreement and (b) otherwise to the maximum extent permitted by Maryland law in effect on the date hereof and as amended from time to time; provided, however, that no change in Maryland law shall have the effect of reducing the benefits available to Indemnitee hereunder based on Maryland law as in effect on the date hereof. The rights of Indemnitee provided in this Section 3 shall include, without limitation, the rights set forth in the other sections of this Agreement, including any additional indemnification permitted by Section 2-418(g) of the Maryland General Corporation Law ("MGCL").

Section 4.Proceedings Other Than Proceedings by or in the Right of the Company. Indemnitee shall be entitled to the rights of indemnification provided in this Section 4 if, by reason of his Corporate Status, he is, or is threatened to be, made a party to or a witness in any threatened, pending, or completed Proceeding, other than a Proceeding by or in the right of the Company. Pursuant to this Section 4, Indemnitee shall be indemnified against all judgments, penalties, fines and amounts paid in settlement and all Expenses actually and reasonably incurred by him or on his behalf in connection with a Proceeding by reason of his Corporate Status unless it is established that (i) the act or omission of Indemnitee was material to the matter giving rise to the Proceeding and (a) was committed in bad faith or (b) was the result of active and deliberate dishonesty, (ii) Indemnitee actually received an improper personal benefit in money, property or services, or (iii) in the case of any criminal Proceeding, Indemnitee had reasonable cause to believe that his conduct was unlawful.

Section 5.Proceedings by or in the Right of the Company. Indemnitee shall be entitled to the rights of indemnification provided in this Section 5 if, by reason of his Corporate Status, he is, or is threatened to be, made a party to or a witness in any threatened, pending or completed Proceeding brought by or in the right of the Company to procure a judgment in its favor. Pursuant to this Section 5, Indemnitee shall be indemnified against all amounts paid in settlement and all Expenses actually and reasonably incurred by him or on his behalf in connection with such Proceeding unless it is established that (i) the act or omission of Indemnitee was material to the matter giving rise to such a Proceeding and (a) was committed in bad faith or (b) was the result of active and deliberate dishonesty or (ii) Indemnitee actually received an improper personal benefit in money, property or services.

Section 6.Court-Ordered Indemnification. Notwithstanding any other provision of this Agreement, a court of appropriate jurisdiction, upon application of Indemnitee and such notice as the court shall require, may order indemnification in the following circumstances:

(a) if it determines Indemnitee is entitled to reimbursement under Section 2-418(d)(1) of the MGCL, the court shall order indemnification, in which case Indemnitee shall be entitled to recover the expenses of securing such reimbursement; or

(b) if it determines that Indemnitee is fairly and reasonably entitled to indemnification in view of all the relevant circumstances, whether or not Indemnitee (i) has met the standards of conduct set forth in Section 2-418(b) of the MGCL or (ii) has been adjudged

liable for receipt of an improper personal benefit under Section 2-418(c) of the MGCL, the court may order such indemnification as the court shall deem proper. However, indemnification with respect to any Proceeding by or in the right of the Company or in which liability shall have been adjudged in the circumstances described in Section 2-418(c) of the MGCL shall be limited to Expenses actually and reasonably incurred by him or on his behalf in connection with a Proceeding.

Section 7.Indemnification for Expenses of a Party Who is Wholly or Partly Successful. Notwithstanding any other provision of this Agreement, and without limiting any such provision, to the extent that Indemnitee is, by reason of his Corporate Status, made a party to and is successful, on the merits or otherwise, in the defense of any Proceeding, he shall be indemnified for all Expenses actually and reasonably incurred by him or on his behalf in connection therewith. If Indemnitee is not wholly successful in such Proceeding but is successful, on the merits or otherwise, as to one or more but less than all claims, issues or matters in such Proceeding, the Company shall indemnify Indemnitee under this Section 7 for all Expenses actually and reasonably incurred by him or on his behalf in connection with each successfully resolved claim, issue or matter, allocated on a reasonable and proportionate basis. For purposes of this Section and without limitation, the termination of any claim, issue or matter in such a Proceeding by dismissal, with or without prejudice, shall be deemed to be a successful result as to such claim, issue or matter.

Section 8.Advance of Expenses. The Company shall advance all reasonable Expenses actually and reasonably incurred by or on behalf of Indemnitee in connection with any Proceeding (other than a Proceeding brought to enforce indemnification under this Agreement, applicable law, the Charter or Bylaws of the Company, any agreement or a resolution of the stockholders entitled to vote generally in the election of directors or of the Board of Directors) to which Indemnitee is, or is threatened to be, made a party or a witness, within ten days after the receipt by the Company of a statement or statements from Indemnitee requesting such advance or advances from time to time, whether prior to or after final disposition of such Proceeding. Such statement or statements shall reasonably evidence the Expenses incurred by Indemnitee and shall include or be preceded or accompanied by a written affirmation by Indemnitee of Indemnitee's good faith belief that the standard of conduct necessary for indemnification by the Company as authorized by law and by this Agreement has been met and a written undertaking by or on behalf of Indemnitee, in substantially the form attached hereto as Exhibit A or in such form as may be required under applicable law as in effect at the time of the execution thereof, to reimburse the portion of any Expenses advanced to Indemnitee relating to claims, issues or matters in the Proceeding as to which it shall ultimately be established that the standard of conduct has not been met and which have not been successfully resolved as described in Section 7. To the extent that Expenses advanced to Indemnitee do not relate to a specific claim, issue or matter in the Proceeding, such Expenses shall be allocated on a reasonable and proportionate basis. The undertaking required by this Section 8 shall be an unlimited general obligation by or on behalf of Indemnitee and shall be accepted without reference to Indemnitee’s financial ability to repay such advanced Expenses and without any requirement to post security therefor.

Section 9.Procedure for Determination of Entitlement to Indemnification.

(a) To obtain indemnification under this Agreement, Indemnitee shall submit to the Company a written request, including therein or therewith such documentation and information as is reasonably available to Indemnitee and is reasonably necessary to determine whether and to what extent Indemnitee is entitled to indemnification. The Secretary of the Company shall, promptly upon receipt of such a request for indemnification, advise the Board of Directors in writing that Indemnitee has requested indemnification.

(b) Upon written request by Indemnitee for indemnification pursuant to the first sentence of Section 9(a) hereof, a determination, if required by applicable law, with respect to Indemnitee's entitlement thereto shall promptly be made in the specific case: (i) if a Change in Control shall have occurred, by Independent Counsel in a written opinion to the Board of Directors, a copy of which shall be delivered to Indemnitee; or (ii) if a Change of Control shall not have occurred, (A) by the Board of Directors (or a duly authorized committee thereof) by a majority vote of a quorum consisting of Disinterested Directors (as herein defined), or (B) if a quorum of the Board of Directors consisting of Disinterested Directors is not obtainable or, even if obtainable, such quorum of Disinterested Directors so directs, by Independent Counsel in a written opinion to the Board of Directors, a copy of which shall be delivered to Indemnitee, or (C) if so directed by a majority of the members of the Board of Directors, by the stockholders of the Company. If it is so determined that Indemnitee is entitled to indemnification, payment to Indemnitee shall be made within ten days after such determination. Indemnitee shall cooperate with the person, persons or entity making such determination with respect to Indemnitee's entitlement to indemnification, including providing to such person, persons or entity upon reasonable advance request any documentation or information which is not privileged or otherwise protected from disclosure and which is reasonably available to Indemnitee and reasonably necessary to such determination in the discretion of the Board of Directors or Independent Counsel if retained pursuant to clause (ii)(B) of this Section 9. Any Expenses actually and reasonably incurred by Indemnitee in so cooperating with the person, persons or entity making such determination shall be borne by the Company (irrespective of the determination as to Indemnitee's entitlement to indemnification) and the Company shall indemnify and hold Indemnitee harmless therefrom.

Section 10.Presumptions and Effect of Certain Proceedings.

(a) In making a determination with respect to entitlement to indemnification hereunder, the person or persons or entity making such determination shall presume that Indemnitee is entitled to indemnification under this Agreement if Indemnitee has submitted a request for indemnification in accordance with Section 9(a) of this Agreement, and the Company shall have the burden of proof to overcome that presumption in connection with the making of any determination contrary to that presumption.

(b) The termination of any Proceeding by judgment, order, settlement, conviction, a plea of nolo contendere or its equivalent, or an entry of an order of probation prior to judgment, does not create a presumption that Indemnitee did not meet the requisite standard of conduct described herein for indemnification.

Section 11.Remedies of Indemnitee.

(a) If (i) a determination is made pursuant to Section 9 of this Agreement that Indemnitee is not entitled to indemnification under this Agreement, (ii) advance of Expenses is not timely made pursuant to Section 8 of this Agreement, (iii) no determination of entitlement to indemnification shall have been made pursuant to Section 9(b) of this Agreement within **30** days after receipt by the Company of the request for indemnification, (iv) payment of indemnification is not made pursuant to Section 7 of this Agreement within ten days after receipt by the Company of a written request therefor, or (v) payment of indemnification is not made within ten days after a determination has been made that Indemnitee is entitled to indemnification, Indemnitee shall be entitled to an adjudication in an appropriate court located in the State of Maryland, or in any other court of competent jurisdiction, of his entitlement to such indemnification or advance of Expenses. Alternatively, Indemnitee, at his option, may seek an award in arbitration to be conducted by a single arbitrator pursuant to the commercial Arbitration Rules of the American Arbitration Association. Indemnitee shall commence such proceeding seeking an adjudication or an award in arbitration within 180 days following the date on which Indemnitee first has the right to commence such proceeding pursuant to this Section 11(a); provided, however, that the foregoing clause shall not apply to a proceeding brought by Indemnitee to enforce his rights under Section 7 of this Agreement.

(b) In any judicial proceeding or arbitration commenced pursuant to this Section 11 the Company shall have the burden of proving that Indemnitee is not entitled to indemnification or advance of Expenses, as the case may be.

(c) If a determination shall have been made pursuant to Section 9(b) of this Agreement that Indemnitee is entitled to indemnification, the Company shall be bound by such determination in any judicial proceeding or arbitration commenced pursuant to this Section 11, absent a misstatement by Indemnitee of a material fact, or an omission of a material fact necessary to make Indemnitee's statement not materially misleading, in connection with the request for indemnification.

(d) In the event that Indemnitee, pursuant to this Section 11, seeks a judicial adjudication of or an award in arbitration to enforce his rights under, or to recover damages for breach of, this Agreement, Indemnitee shall be entitled to recover from the Company, and shall be indemnified by the Company for, any and all Expenses actually and reasonably incurred by him in such judicial adjudication or arbitration. If it shall be determined in such judicial adjudication or arbitration that Indemnitee is entitled to receive part but not all of the indemnification or advance of Expenses sought, the Expenses incurred by Indemnitee in connection with such judicial adjudication or arbitration shall be appropriately prorated.

Section 12.Defense of the Underlying Proceeding.

(a) Indemnitee shall notify the Company promptly upon being served with or receiving any summons, citation, subpoena, complaint, indictment, information, notice, request or other document relating to any Proceeding which may result in the right to indemnification or the advance of Expenses hereunder; provided, however, that the failure to give any such notice shall not disqualify Indemnitee from the right, or otherwise affect in any manner any right of

Indemnitee, to indemnification or the advance of Expenses under this Agreement unless the Company's ability to defend in such Proceeding or to obtain proceeds under any insurance policy is materially and adversely prejudiced thereby, and then only to the extent the Company is thereby actually so prejudiced.

(b) Subject to the provisions of the last sentence of this Section 12(b) and of Section 12(c) below, the Company shall have the right to defend Indemnitee in any Proceeding which may give rise to indemnification hereunder; provided, however, that the Company shall notify Indemnitee of any such decision to defend within 15 calendar days following receipt of notice of any such Proceeding under Section 12(a) above. The Company shall not, without the prior written consent of Indemnitee, which shall not be unreasonably withheld or delayed, consent to the entry of any judgment against Indemnitee or enter into any settlement or compromise which (i) includes an admission of fault of Indemnitee or (ii) does not include, as an unconditional term thereof, the full release of Indemnitee from all liability in respect of such Proceeding, which release shall be in form and substance reasonably satisfactory to Indemnitee. This Section 12(b) shall not apply to a Proceeding brought by Indemnitee under Section 11 above or Section 18 below.

(c) Notwithstanding the provisions of Section 12(b) above, if in a Proceeding to which Indemnitee is a party by reason of Indemnitee's Corporate Status, (i) Indemnitee reasonably concludes, based upon an opinion of counsel approved by the Company, which approval shall not be unreasonably withheld, that he may have separate defenses or counterclaims to assert with respect to any issue which may not be consistent with other defendants in such Proceeding, (ii) Indemnitee reasonably concludes, based upon an opinion of counsel approved by the Company, which approval shall not be unreasonably withheld, that an actual or apparent conflict of interest or potential conflict of interest exists between Indemnitee and the Company, or (iii) if the Company fails to assume the defense of such Proceeding in a timely manner, Indemnitee shall be entitled to be represented by separate legal counsel of Indemnitee's choice, subject to the prior approval of the Company, which shall not be unreasonably withheld, at the expense of the Company. In addition, if the Company fails to comply with any of its obligations under this Agreement or in the event that the Company or any other person takes any action to declare this Agreement void or unenforceable, or institutes any Proceeding to deny or to recover from Indemnitee the benefits intended to be provided to Indemnitee hereunder, Indemnitee shall have the right to retain counsel of Indemnitee's choice, subject to the prior approval of the Company, which shall not be unreasonably withheld, at the expense of the Company (subject to Section 11(d)), to represent Indemnitee in connection with any such matter.

Section 13.Non-Exclusivity; Survival of Rights; Subrogation; Insurance.

(a) The rights of indemnification and advance of Expenses as provided by this Agreement shall not be deemed exclusive of any other rights to which Indemnitee may at any time be entitled under applicable law, the Charter or Bylaws of the Company, any agreement or a resolution of the stockholders entitled to vote generally in the election of directors or of the Board of Directors, or otherwise. No amendment, alteration or repeal of this Agreement or of any provision hereof shall limit or restrict any right of Indemnitee under this Agreement in

respect of any action taken or omitted by such Indemnitee in his Corporate Status prior to such amendment, alteration or repeal.

(b) In the event of any payment under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee, who shall execute all papers required and take all action necessary to secure such rights, including execution of such documents as are necessary to enable the Company to bring suit to enforce such rights.

(c) The Company shall not be liable under this Agreement to make any payment of amounts otherwise indemnifiable or payable or reimbursable as Expenses hereunder if and to the extent that Indemnitee has otherwise actually received such payment under any insurance policy, contract, agreement or otherwise.

Section 14. Insurance. The Company will use its reasonable best efforts to acquire directors and officers liability insurance, on terms and conditions deemed appropriate by the Board of Directors of the Company, with the advice of counsel, covering Indemnitee or any claim made against Indemnitee for service as a director or officer of the Company and covering the Company for any indemnification or advance of Expenses made by the Company to Indemnitee for any claims made against Indemnitee for service as a director or officer of the Company. Without in any way limiting any other obligation under this Agreement, the Company shall indemnify Indemnitee for any payment by Indemnitee arising out of the amount of any deductible or retention and the amount of any excess of the aggregate of all judgments, penalties, fines, settlements and reasonable Expenses actually and reasonably incurred by Indemnitee in connection with a Proceeding over the coverage of any insurance referred to in the previous sentence.

Section 15.Indemnification for Expenses of a Witness. Notwithstanding any other provision of this Agreement, to the extent that Indemnitee is or may be, by reason of his Corporate Status, a witness in any Proceeding, whether instituted by the Company or any other party, and to which Indemnitee is not a party but in which the Indemnitee receives a subpoena to testify, he shall be advanced all reasonable Expenses and indemnified against all Expenses actually and reasonably incurred by him or on his behalf in connection therewith.

Section 16.Duration of Agreement; Binding Effect.

(a) This Agreement shall continue until and terminate ten years after the date that Indemnitee's Corporate Status shall have ceased; provided, that the rights of Indemnitee hereunder shall continue until the final termination of any Proceeding then pending in respect of which Indemnitee is granted rights of indemnification or advance of Expenses hereunder and of any proceeding commenced by Indemnitee pursuant to Section 11 of this Agreement relating thereto.

(b) The indemnification and advance of Expenses provided by, or granted pursuant to, this Agreement shall be binding upon and be enforceable by the parties hereto and their respective successors and assigns (including any direct or indirect successor by purchase, merger, consolidation or otherwise to all or substantially all of the business or assets of the

Company), shall continue as to an Indemnitee who has ceased to be a director, trustee, officer, employee or agent of the Company or of any other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise which such person is or was serving at the written request of the Company, and shall inure to the benefit of Indemnitee and his spouse, assigns, heirs, devisees, executors and administrators and other legal representatives.

(c) The Company shall require and cause any successor (whether direct or indirect by purchase, merger, consolidation or otherwise) to all, substantially all or a substantial part, of the business and/or assets of the Company, by written agreement in form and substance satisfactory to Indemnitee, expressly to assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform if no such succession had taken place.

Section 17.Severability. If any provision or provisions of this Agreement shall be held to be invalid, illegal or unenforceable for any reason whatsoever: (a) the validity, legality and enforceability of the remaining provisions of this Agreement (including, without limitation, each portion of any section of this Agreement containing any such provision held to be invalid, illegal or unenforceable that is not itself invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby; and (b) to the fullest extent possible, the provisions of this Agreement (including, without limitation, each portion of any section of this Agreement containing any such provision held to be invalid, illegal or unenforceable, that is not itself invalid, illegal or unenforceable) shall be construed so as to give effect to the intent manifested thereby.

Section 18.Exception to Right of Indemnification or Advance of Expenses. Notwithstanding any other provision of this Agreement, Indemnitee shall not be entitled to indemnification or advance of Expenses under this Agreement with respect to any Proceeding brought by Indemnitee, unless (a) the Proceeding is brought to enforce indemnification under this Agreement, and then only to the extent in accordance with and as authorized by Sections 8 and 11 of this Agreement, or (b) the Company's Bylaws, as amended, the Charter, a resolution of the stockholders entitled to vote generally in the election of directors or of the Board of Directors or an agreement approved by the Board of Directors to which the Company is a party expressly provide otherwise.

Section 19.Identical Counterparts. This Agreement may be executed in one or more counterparts, each of which shall for all purposes be deemed to be an original but all of which together shall constitute one and the same Agreement. One such counterpart signed by the party against whom enforceability is sought shall be sufficient to evidence the existence of this Agreement.

Section 20.Headings. The headings of the paragraphs of this Agreement are inserted for convenience only and shall not be deemed to constitute part of this Agreement or to affect the construction thereof.

Section 21.Modification and Waiver. No supplement, modification or amendment of this Agreement shall be binding unless executed in writing by both of the parties hereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of

any other provisions hereof (whether or not similar) nor shall such waiver constitute a continuing waiver.

Section 22.Notices. All notices, requests, demands and other communications hereunder shall be in writing and shall be deemed to have been duly given if (i) delivered by hand and receipted for by the party to whom said notice or other communication shall have been directed, or (ii) mailed by certified or registered mail with postage prepaid, on the third business day after the date on which it is so mailed:

(a) If to Indemnitee, to: The address set forth on the signature page hereto.

(b) If to the Company to:

Sotherly Hotels Inc.
_____
_____
_____

or to such other address as may have been furnished to Indemnitee by the Company or to the Company by Indemnitee, as the case may be.

Section 23.Governing Law. The parties agree that this Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of Maryland, without regard to its conflicts of laws rules.

Section 24.Miscellaneous. Use of the masculine pronoun shall be deemed to include usage of the feminine pronoun where appropriate.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the day and year first above written.

SOTHERLY HOTELS INC.

By: _____ (SEAL)
Name: _____

Title: _____

INDEMNITEE

_____
Name:
Address:

EXHIBIT 10.23

EXHIBIT A

FORM OF UNDERTAKING TO REPAY EXPENSES ADVANCED

The Board of Directors of SOTHERLY HOTELS INC.

Re: Undertaking to Repay Expenses Advanced

Ladies and Gentlemen:

This undertaking is being provided pursuant to that certain Indemnification Agreement dated the ___ day of _____, 20___, by and between SOTHERLY HOTELS INC. (the "Company") and the undersigned Indemnitee (the "Indemnification Agreement"), pursuant to which I am entitled to advance of expenses in connection with **[Description of Proceeding]** (the "Proceeding").

Terms used herein and not otherwise defined shall have the meanings specified in the Indemnification Agreement.

I am subject to the Proceeding by reason of my Corporate Status or by reason of alleged actions or omissions by me in such capacity. I hereby affirm that at all times, insofar as I was involved as a director of the Company, in any of the facts or events giving rise to the Proceeding, I (1) acted in good faith and honestly, (2) did not receive any improper personal benefit in money, property or services and (3) in the case of any criminal proceeding, had no reasonable cause to believe that any act or omission by me was unlawful.

In consideration of the advance of Expenses by the Company for reasonable attorneys' fees and related expenses incurred by me in connection with the Proceeding (the "Advanced Expenses"), I hereby agree that if, in connection with the Proceeding, it is established that (1) an act or omission by me was material to the matter giving rise to the Proceeding and (a) was committed in bad faith or (b) was the result of active and deliberate dishonesty or (2) I actually received an improper personal benefit in money, property or services or (3) in the case of any criminal proceeding, I had reasonable cause to believe that the act or omission was unlawful, then I shall promptly reimburse the portion of the Advanced Expenses relating to the claims, issues or matters in the Proceeding as to which the foregoing findings have been established and which have not been successfully resolved as described in Section 7 of the Indemnification Agreement. To the extent that Advanced Expenses do not relate to a specific claim, issue or matter in the Proceeding, I agree that such Expenses shall be allocated on a reasonable and proportionate basis.

IN WITNESS WHEREOF, I have executed this Affirmation and Undertaking on this ___ day of _____, 20___.

WITNESS:

_____ _____(SEAL)

EXHIBIT 19.1

SOTHERLY HOTELS INC. INSIDER TRADING POLICY

I. PURPOSE

In order to comply with federal and state securities laws governing (a) trading in securities of Sotherly Hotels Inc. or its operating partnership, Sotherly Hotels LP, (together, "Sotherly" or the "Company") on the basis of "material nonpublic information" concerning the Company and (b) tipping or disclosing material nonpublic information to outsiders, and in order to prevent even the appearance of improper insider trading or tipping, the Company has adopted this Insider Trading Policy (the "Policy") for all of its directors, officers and employees, their family members and specially designated outsiders who have access to the Company's material nonpublic information.

II. SCOPE

A. The Policy covers all directors and executive officers designated on Exhibit A attached hereto ("Section 16 Individuals") and employees designated on Exhibit B attached hereto ("Key Employees") of the Company, their family members (collectively referred to as "Insiders") and any outsiders whom the Insider Trading Officer may designate as Insiders because they have access to material nonpublic information concerning the Company.

B. The Policy applies to any and all transactions in the Company's securities, including its common stock, options to purchase common stock, preferred stock debt of Sotherly Hotels LP, and any other type of securities that the Company may choose to issue.

C. The Policy will be delivered to all directors, officers, employees and designated outsiders upon its adoption by the Company, and to all new directors, officers, employees and designated outsiders at the start of their employment or relationship with the Company. Upon first receiving a copy of the Policy or any revised versions thereof, each Insider may be required to execute an acknowledgment that he or she has received a copy and agrees to comply with the Policy's terms. Section 16 Individuals, as defined below, may be required to certify compliance with the Policy on an annual basis.

III. INSIDERS

A. *Section 16 Individuals*. Section 16 Individuals are subject to the reporting provisions and trading restrictions of Section 16 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the underlying rules and regulations promulgated by the Securities and Exchange Commission (the "SEC"). The Company will amend Exhibit A hereto from time to time as necessary to reflect the addition, resignation or departure of Section 16 Individuals. The Company has designated those persons listed on Exhibit A hereto as Section 16 Individuals.

B. *Key Employees*. The Company has designated those persons listed on Exhibit B hereto as Key Employees who, because of their position with the Company, are likely to have access to material nonpublic information. The Company will amend Exhibit B hereto from time to time as necessary to reflect the addition, resignation or departure of Key Employees.

IV. INSIDER TRADING OFFICER

The Company has designated Robert E. Kirkland IV, General Counsel of the Company, as Sotherly's Insider Trading Officer (the "Insider Trading Officer"). The Insider Trading Officer may seek guidance from outside legal counsel and outside accountants. The Insider Trading Officer will review and either approve or prohibit all proposed trades by Insiders in accordance with the procedures set forth in Section VI.C below. In addition to the trading approval duties described in Section VI.C below, the duties of the Insider Trading Officer will include the following:

- Administering the Policy and enforcing compliance with all Policy provisions and procedures.
- Responding to all inquiries relating to the Policy and its procedures.
- Designating and announcing special trading blackout periods during which no Insider may trade in Company securities.
- Providing copies of the Policy and other appropriate materials to all current and new directors, officers and employees, and such other persons who are determined to have access to material nonpublic information concerning the Company.
- Administering, monitoring and enforcing compliance with all federal and state insider trading laws and regulations, including Sections 10(b), 16, 20A and 21A of the Exchange Act and the rules and regulations promulgated thereunder, and Rule 144 under the Securities Act of 1933 (the "Securities Act"), and assisting in the preparation and filing of all required SEC reports relating to insider trading in Company securities, including any related Forms 3, 4, 5 and 144 and Schedules 13D and 13G.
- Revising the Policy as necessary to reflect changes in federal or state insider trading laws and regulations or for periodic updates, as needed.
- Maintaining as Company records, originals or copies of all documents required by the provisions of the Policy or the procedures set forth herein, and copies of all required SEC reports relating to insider trading, including any related Forms 3, 4, 5 and 144 and Schedules 13D and 13G.

The Insider Trading Officer may designate one or more individuals who may perform the Insider Trading Officer's duties in the event that the Insider Trading Officer is unable or unavailable to perform such duties.

DEFINITION OF "MATERIAL NONPUBLIC INFORMATION"

A. "MATERIAL" INFORMATION

Information about the Company is "material" if it would be expected to affect the investment or voting decisions of a reasonable shareholder or investor, or if the disclosure of the information would be expected to significantly alter the total mix of the information in the marketplace about the Company. In simple terms, "material" information is any type of information which could reasonably be expected to materially affect the price of Company securities. While it is not possible to identify all information that would be deemed "material" to the Company, the following types of information ordinarily would be considered as such:

- Company financial performance, especially Company quarterly and year-end earnings, and significant changes in Sotherly's financial performance or liquidity.
- Company projections and strategic plans.
- Potential Company mergers and acquisitions or the sale of material Company assets or subsidiaries.
- Material changes in the level or severity of any Company nonperforming assets.
- New major contracts or agreements or amendments thereto, or finance sources or the loss thereof.
- Stock splits, public or private securities/debt offerings or changes in Company dividend policies or amounts.
- Changes in Company senior management.
- Actual or threatened major litigation involving the Company or the resolution of such litigation.

B. "NONPUBLIC" INFORMATION

Material information is "nonpublic" if it has not been widely disseminated to the public through major newswire services, national news services and financial news services. For the purposes of the Policy, information will be considered public, i.e., no longer

"nonpublic", after the close of trading on the second (2nd) full trading day following the Company's widespread public release of the information.

C. CONSULT THE INSIDER TRADING OFFICER FOR GUIDANCE

Any Insiders who are unsure whether the information they possess is material or nonpublic must consult with the Insider Trading Officer for guidance before trading in any Company securities.

V. STATEMENT OF COMPANY POLICY AND PROCEDURES

A. PROHIBITED ACTIVITIES

1. No Insider may trade in Company securities while he or she is aware of material nonpublic information concerning the Company.

2. No Insider may trade in Company securities during any blackout period described in Section VI.B below.

3. No Insider may trade in Company securities unless the trades have been approved by the Insider Trading Officer in accordance with the procedures set forth in Section VI.C.1 below or is otherwise subject to Section VI.C.2 below.

4. The Insider Trading Officer may not trade in Company securities unless the trades have been approved by outside legal counsel.

5. No Insider may "tip" or disclose material nonpublic information concerning the Company to any outside person (including family members, analysts, individual investors and members of the investment community and news media) unless required as part of that Insider's regular duties for the Company. In any instance in which such information is disclosed to outsiders, the Company will take such steps as are necessary to preserve the confidentiality of the information, including requiring the outsider to agree in writing to comply with the terms of the Policy and/or to sign a confidentiality and nondisclosure agreement.

6. No Insider may give trading advice of any kind about the Company to anyone while aware of material nonpublic information about the Company, except that Insiders should advise others not to trade if doing so might violate the law or the Policy. The Company strongly discourages all Insiders from giving trading advice concerning the Company to third parties even when the Insiders are not aware of material nonpublic information about the Company.

7. No Insider may trade in any interest or position relating to the future price of Company securities, such as a put, call or short sale.

8. No Insider may (a) trade in the securities of any other public company while aware of material nonpublic information concerning that company, (b) "tip" or disclose material nonpublic information concerning any other public company to anyone or (c) give trading advice of any kind to anyone concerning any other public company while possessing material nonpublic information about that company.

B. BLACKOUT PERIODS

No Insider may trade in Company securities during any blackout period that the Insider Trading Officer may designate. A customary blackout period exists beginning at the pre-opening of the NASDAQ Stock Market, or 7:00 a.m. Eastern Time, on the last full trading day of the final month of each fiscal quarter and extends through the second (2nd) full trading day following the Company's widespread public release of quarterly or year-end earnings, as the case may be. The Insider Trading Officer may impose special blackout periods in connection with pending acquisition transactions or other material unannounced events. No Insiders may disclose to any outside third party that a special blackout period has been designated.

If an Insider has an unexpected and urgent need to sell Company securities in order to generate cash during a blackout period, the Insider may request that the Insider Trading Officer consider granting a hardship exception. This type of exception will only be granted if the Insider Trading Officer concludes that the Company operating results or financial condition for the applicable quarter does not constitute material nonpublic information. No hardship exception will be granted during a special blackout period described in the paragraph above.

C. TRANSACTION PROCEDURES

1. Insiders must get prior approval, even during non blackout periods, from the Insider Trading Officer prior to buying, selling, transferring, gifting or engaging in any other trading activity involving Company securities. Insiders are to contact the Insider Trading Officer, describe the proposed transaction and confirm that they do not possess material nonpublic information. The Insider Trading Officer will consider the request, and if granted, will assist in the completion of any required SEC securities filings documentation. Insiders should retain all records and documents that support their reasons for making each trade.

2. Insiders who wish to systematically buy or sell Company securities are encouraged to buy or sell their securities pursuant to a 10b5-1 Plan which is approved by the Insider Trading Officer, specifies the dates and amounts of securities to be sold and can only be modified during

non blackout periods and when the individual is not in possession of material nonpublic information. Trades by Insiders in Company securities that are executed pursuant to an approved 10b5-1 Plan are not subject to the prohibition on trading on the basis of material nonpublic information or to the restrictions set forth above relating to pre-clearance procedures and blackout periods.

3. *Derivative Securities*. The trading prohibitions and restrictions of the Policy apply to all sales of securities acquired through the exercise of derivative securities granted by the Company, but not to the acquisition of securities through such exercises. Section 16 Individuals must still comply with all related reporting requirements (see Section VII below).

D. PRIORITY OF STATUTORY OR REGULATORY TRADING RESTRICTIONS

The trading prohibitions and restrictions set forth in the Policy will be superseded by any greater prohibitions or restrictions prescribed by federal or state securities laws and regulations, e.g., short-swing trading by Section 16 Individuals or restrictions on the sale of securities subject to Rule 144 under the Securities Act. Any Insider who is uncertain whether other prohibitions or restrictions apply should consult with the Insider Trading Officer.

E. APPLICATION TO FORMER, TEMPORARY OR RETIRED INSIDERS

The Policy applies, and will continue to apply, to a former, temporary or retired Insider until the later of: (i) the second (2^{nd}) full trading day following the public release of earnings for the fiscal quarter in which such person leaves or is no longer associated with the Company or (ii) the second (2^{nd}) full trading day after any material nonpublic information known by the Insider has become public or no longer material.

VI. REPORTING OF COMPLETED TRADES

A Form 4 must be completed and filed within two (2) business days of the execution of a reportable transaction. If the Section 16 Individual has completed an acceptable power of attorney, the Insider Trading Officer may complete the Form 4 on such individual's behalf provided that such Section 16 Individual has supplied the Insider Trading Officer all necessary transaction detail.

Any late or delinquent Section 16 filing must be reported under separate caption, in the Company's proxy statement and Form 10-K.

VII. POTENTIAL CIVIL, CRIMINAL AND DISCIPLINARY SANCTIONS

A. CIVIL AND CRIMINAL PENALTIES

The consequences of prohibited insider trading or tipping can be severe. Persons violating insider trading or tipping rules may (i) be required to surrender the profit made or the loss avoided by the trading, (ii) pay the loss suffered by the person who purchased securities from or sold securities to the insider tippee, (iii) face significant civil and/or criminal penalties and face incarceration for such illegal actions. The Company and/or the supervisors of the person violating any such rules may also face significant civil and/or criminal penalties.

B. COMPANY DISCIPLINE

Violation of the Policy or federal or state insider trading or tipping laws by any director, officer or employee, or their family members, may subject the director to dismissal proceedings and the officer or employee to disciplinary action by the Company up to and including termination for cause.

C. REPORTING OF VIOLATIONS

Any Insider who violates the Policy or any federal or state laws governing insider trading or tipping, or knows of any such violation by any other Insiders, must report the violation immediately to the Insider Trading Officer. Upon learning of any such violation, the Insider Trading Officer, in consultation with the Company's legal counsel, will determine whether the Company should release any material nonpublic information or whether the Company should report the violation to the SEC or other appropriate governmental authority.

VIII. POLICY APPROVAL AND REVIEW

Approved by the Board of Directors in April 2005
Revised and approved by the Board of Directors in March 2007
Approved by the Board of Directors in January 2008
Revised and approved by the Board of Directors in March 2009
Revised and approved by the Board of Directors in October 2011
Revised and approved by the Board of Directors in October 2013
Revised and approved by the Board of Directors in October 2014
Revised and approved by the Board of Directors in October 2015
Revised and approved by the Board of Directors in October 2016
Revised and approved by the Board of Directors in October 2017
Revised and approved by the Board of Directors in October 2018
Revised and approved by the Board of Directors in October 2019
Revised and approved by the Board of Directors in October 2020
Revised and approved by the Board of Directors in October 2021
Revised and approved by the Board of Directors in October 2022
Revised and approved by the Board of Directors in October 2023
Revised and approved by the Board of Directors in October 2024

EXHIBIT A

Section 16 Individuals:

Andrew M. Sims, Chairman of the Board
David R. Folsom, President, Chief Executive Officer and Director
Scott M. Kucinski, Executive Vice President & Chief Operating Officer
Anthony E. Domalski, Vice President and Chief Financial Officer

Maria L. Caldwell, Director
Herschel J. Walker, Director
G. Scott Gibson IV, Director
Walter S. Robertson III, Director
General Anthony C. Zinni, Director

EXHIBIT B

Key Employees:

Andrea Goalder, Corporate Executive Administrator

Robert E. Kirkland IV, General Counsel
David J. Surette, Corporate Controller
Andrew M. Sims, Jr., Vice President – Operations & Investor Relations
Teresa Moran, Accounting Manager

EXHIBIT 21.1

SUBSIDIARIES OF SOTHERLY HOTELS INC.

Name	Jurisdiction of Organization/Incorporation
Sotherly Hotels LP	Delaware
MHI Hospitality TRS, LLC	Delaware
MHI Hospitality TRS Holding, Inc.	Maryland
MHI Louisville TRS, LLC	Delaware
MHI Raleigh TRS, LLC	Delaware
SOHO Atlanta TRS, LLC	Delaware
SOHO Jacksonville TRS LLC	Delaware
Hollywood Hotel TRS LLC	Delaware
SOHO Ocean Resort TRS LLC	Delaware
SOHO Ocean Resort Services TRS LLC	Delaware
MHI GP LLC	Delaware
Sotherly-Houston GP LLC	Delaware
Laurel Hotel Associates LLC	Delaware
MHI Laurel West LLC	Maryland
Philadelphia Hotel Associates LP	Pennsylvania
Brownestone Partners, LLC	North Carolina
Capitol Hotel Associates L.P., L.L.P.	Virginia
Savannah Hotel Associates LLC	Virginia
MHI Jacksonville LLC	Delaware
SOHO Atlanta LLC	Delaware
Louisville Hotel Associates, LLC	Delaware
MHI Hotel Investments Holdings, LLC	Delaware
MHI Hospitality TRS II, LLC	Delaware
Tampa Hotel Associates, LLC	Delaware
Raleigh Hotel Associates, LLC	Delaware
Houston Hotel Associates L.P., L.L.P.	Virginia
Houston Hotel Manager, LLC	Delaware
Houston Hotel Owner, LLC	Delaware
Atlanta Hotel Associates, LLC	Delaware
SOHO Wilmington LLC	Delaware
SOHO Ocean Resort Owner LLC	Delaware
Hollywood Hotel Associates Lessee LLC	Delaware
Hollywood Hotel Associates LLC	Delaware
Hollywood Hotel Holdings LLC	Delaware
EJ's Provision Co. LLC	Delaware
SOHO Arlington LLC	Delaware
SOHO Arlington TRS LLC	Delaware
SOHO ICW Resort Owner LLC	Delaware
SOHO ICW Resort TRS LLC	Delaware
SOHO ICW Resort COA LLC	Delaware
SOHO Houston Beverage LLC	Delaware
SOHO Laurel TRS LLC	Delaware
SOHO Tampa TRS LLC	Delaware

EXHIBIT 21.2

SUBSIDIARIES OF SOTHERLY HOTELS LP

Name	Jurisdiction of Organization/Incorporation
MHI Hospitality TRS, LLC	Delaware
MHI Hospitality TRS Holding, Inc.	Maryland
MHI Louisville TRS, LLC	Delaware
MHI Raleigh TRS, LLC	Delaware
SOHO Atlanta TRS, LLC	Delaware
SOHO Jacksonville TRS LLC	Delaware
Hollywood Hotel TRS LLC	Delaware
SOHO Ocean Resort TRS LLC	Delaware
SOHO Ocean Resort Services TRS LLC	Delaware
MHI GP LLC	Delaware
Sotherly-Houston GP LLC	Delaware
Laurel Hotel Associates LLC	Delaware
MHI Laurel West LLC	Maryland
Philadelphia Hotel Associates LP	Pennsylvania
Brownestone Partners, LLC	North Carolina
Capitol Hotel Associates L.P., L.L.P.	Virginia
Savannah Hotel Associates LLC	Virginia
MHI Jacksonville LLC	Delaware
SOHO Atlanta LLC	Delaware
Louisville Hotel Associates, LLC	Delaware
MHI Hotel Investments Holdings, LLC	Delaware
MHI Hospitality TRS II, LLC	Delaware
Tampa Hotel Associates, LLC	Delaware
Raleigh Hotel Associates, LLC	Delaware
Houston Hotel Associates L.P., L.L.P.	Virginia
Houston Hotel Manager, LLC	Delaware
Houston Hotel Owner, LLC	Delaware
Atlanta Hotel Associates, LLC	Delaware
SOHO Wilmington LLC	Delaware
SOHO Ocean Resort Owner LLC	Delaware
Hollywood Hotel Associates Lessee LLC	Delaware
Hollywood Hotel Associates LLC	Delaware
Hollywood Hotel Holdings LLC	Delaware
EJ's Provision Co. LLC	Delaware
SOHO Arlington LLC	Delaware
SOHO Arlington TRS LLC	Delaware
SOHO ICW Resort Owner LLC	Delaware
SOHO ICW Resort TRS LLC	Delaware
SOHO ICW Resort COA LLC	Delaware
SOHO Houston Beverage LLC	Delaware
SOHO Laurel TRS LLC	Delaware
SOHO Tampa TRS LLC	Delaware

EXHIBIT 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statement on Form S-8 (No. 333-266236) of Sotherly Hotels Inc. of our report dated March 31, 2025, with respect to the consolidated financial statements of Sotherly Hotels Inc. included in this Annual Report on Form 10-K for the year ended December 31, 2024.

/s/ Forvis Mazars, LLP

Jacksonville, Florida March 31, 2025

EXHIBIT 23.2

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statement on Form S-8 (No. 333-266236) of Sotherly Hotels LP of our report dated March 31, 2025, with respect to the consolidated financial statements of Sotherly Hotels LP included in this Annual Report on Form 10-K for the year ended December 31, 2024.

/s/ Forvis Mazars, LLP

Jacksonville, Florida March 31, 2025

EXHIBIT 31.1

CERTIFICATION PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002
FOR THE CHIEF EXECUTIVE OFFICER

I, David R. Folsom, certify that:

1. I have reviewed this Annual Report on Form 10-K for the fiscal year ended December 31, 2024 of Sotherly Hotels 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.

Date: March 31, 2025

By: /s/ DAVID R. FOLSOM
Name: **David R. Folsom**
Title: **President and Chief Executive Officer**

EXHIBIT 31.2

CERTIFICATION PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002
FOR THE CHIEF FINANCIAL OFFICER

I, Anthony E. Domalski, certify that:

1. I have reviewed this Annual Report on Form 10-K for the fiscal year ended December 31, 2024 of Sotherly Hotels 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.

Date: March 31, 2025

By: /s/ ANTHONY E. DOMALSKI
Name: **Anthony E. Domalski**
Title: **Chief Financial Officer**

EXHIBIT 31.3

CERTIFICATION PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002
FOR THE CHIEF EXECUTIVE OFFICER

I, David R. Folsom, certify that:

1. I have reviewed this Annual Report on Form 10-K for the fiscal year ended December 31, 2024 of Sotherly Hotels LP;

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.

Date: March 31, 2025

By: /s/ DAVID R. FOLSOM
Name: **David R. Folsom**
Title: **President and Chief Executive Officer**
Sotherly Hotels Inc., sole general partner of
Sotherly Hotels LP

EXHIBIT 31.4

CERTIFICATION PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002
FOR THE CHIEF FINANCIAL OFFICER

I, Anthony E. Domalski, certify that:

1. I have reviewed this Annual Report on Form 10-K for the fiscal year ended December 31, 2024 of Sotherly Hotels LP;

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.

Date: March 31, 2025

By: /s/ ANTHONY E. DOMALSKI
Name: **Anthony E. Domalski**
Title: **Chief Financial Officer**
Sotherly Hotels Inc., sole general partner of
Sotherly Hotels LP

EXHIBIT 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
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 Annual Report of Sotherly Hotels Inc. (the "Corporation") on Form 10-K for the period ending December 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David R. Folsom, President and Chief Executive Officer of the Corporation, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

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

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

Date: March 31, 2025

By: /s/ DAVID R. FOLSOM
Name: **David R. Folsom**
Title: **President and Chief Executive Officer**

EXHIBIT 32.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
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 Annual Report of Sotherly Hotels Inc. (the "Corporation") on Form 10-K for the period ending December 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Anthony E. Domalski, Chief Financial Officer of the Corporation, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

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

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

Date: March 31, 2025

By: /s/ ANTHONY E. DOMALSKI
Name: **Anthony E. Domalski**
Title: **Chief Financial Officer**

EXHIBIT 32.3

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
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 Annual Report of Sotherly Hotels LP (the "Operating Partnership") on Form 10-K for the period ending December 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David R. Folsom, President and Chief Executive Officer of Sotherly Hotels Inc., sole general partner of the Operating Partnership, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

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

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Operating Partnership.

Date: March 31, 2025

By: /s/ DAVID R. FOLSOM
Name: **David R. Folsom**
Title: **President and Chief Executive Officer**
Sotherly Hotels Inc., sole general partner of
Sotherly Hotels LP

EXHIBIT 32.4

CERTIFICATION OF CHIEF FINANCIAL OFFICER
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 Annual Report of Sotherly Hotels LP (the "Operating Partnership") on Form 10-K for the period ending December 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Anthony E. Domalski, Chief Financial Officer of Sotherly Hotels Inc., sole general partner of the Operating Partnership, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

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

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Operating Partnership.

Date: March 31, 2025

By: /s/ ANTHONY E. DOMALSKI
Name: **Anthony E. Domalski**
Title: **Chief Financial Officer**
Sotherly Hotels Inc., sole general partner of
Sotherly Hotels LP