REFINITIV

DELTA REPORT

10-Q

SOHOM - SOTHERLY HOTELS INC.

10-Q - MARCH 31, 2024 COMPARED TO 10-Q - SEPTEMBER 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS	1494
CHANGES	356
DELETIONS	609
ADDITIONS	529

REFINITIV

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, March 31, 2023 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
(757) 229-5648
(Address and Telephone Number of Principal Executive Offices)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.01 par value	SOHO	The NASDAQ Stock Market LLC
8.0% Series B Cumulative Redeemable Perpetual Preferred Stock, $0.01 par value	SOHOB	The NASDAQ Stock Market LLC
7.875% Series C Cumulative Redeemable Perpetual Preferred Stock, $0.01 par value	SOHOO	The NASDAQ Stock Market LLC
8.25% Series D Cumulative Redeemable Perpetual Preferred Stock, $0.01 par value	SOHON	The NASDAQ Stock Market LLC

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 ☐Yes No ☒ No ☐ **Sotherly Hotels LP** Yes ☐Yes No ☒ 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 (section 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 ☐Yes No ☒ No ☐ **Sotherly Hotels LP** Yes ☐Yes No ☒
No ☐

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

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 is a shell company (as defined in Rule 12b-2 of the Exchange Act).

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

As of November 10, 2023 October 29, 2024, there were 19,696,805 19,849,165 shares of Sotherly Hotels Inc.'s common stock issued and outstanding.

Securities registered or to be registered pursuant to Section 12(b) of the Act.

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.01 par value	SOHO	The NASDAQ Stock Market LLC
8.0% Series B Cumulative Redeemable Perpetual Preferred Stock, $0.01 par value	SOHOB	The NASDAQ Stock Market LLC
7.875% Series C Cumulative Redeemable Perpetual Preferred Stock, $0.01 par value	SOHOO	The NASDAQ Stock Market LLC
8.25% Series D Cumulative Redeemable Perpetual Preferred Stock, $0.01 par value	SOHON	The NASDAQ Stock Market LLC

EXPLANATORY NOTE

We refer to Sotherly Hotels Inc. as the "Company," Sotherly Hotels LP as the "Operating Partnership," the Company's common stock as "common stock," the Company's preferred stock as "preferred stock," and the Operating Partnership's common partnership interest as "partnership units," and the Operating Partnership's preferred interest 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 conducts virtually all of its activities through the Operating Partnership and is its sole general partner. The Operating Partnership's 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 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 Quarterly Reports on Form 10-Q for the period ended September 30, 2023 March 31, 2024, of the Company and the Operating Partnership. We believe combining the quarterly 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 expens

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:

- Consolidated Financial Statements;
- the following Notes to Consolidated Financial Statements:
    - Note 6 – Preferred Stock and Units;
    - Note 7 – Common Stock and Units;
    - Note 12 – Income (Loss) Loss Per Share and Per Unit; and
- Part I, Item 4 - Controls and Procedures; and
- Part II, Item 6 - Certifications of CEO and CFO pursuant to Sections 302 and 906 of the Sarbanes-Oxley Act.

SOTHERLY HOTELS INC.
SOTHERLY HOTELS LP

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PART I

Item 1. ***Consolidated Financial Statements***

SOTHERLY HOTELS INC.

CONSOLIDATED BALANCE SHEETS

	September 30, 2023 (unaudited)	December 31, 2022	March 31, 2024 (unaudited)	December 31, 2023
ASSETS				
Investment in hotel properties, net	$ 357,027,422	$ 365,070,725	$ 352,455,889	$ 354,919,106
Cash and cash equivalents	19,198,625	21,918,680	29,285,600	17,101,993
Restricted cash	10,205,947	5,422,950	10,341,209	9,134,347
Accounts receivable, net	4,776,701	5,844,904	6,968,335	5,945,724
Prepaid expenses, inventory and other assets	9,553,741	8,311,862	5,637,355	6,342,310
TOTAL ASSETS	**$ 400,762,436**	**$ 406,569,121**	**$ 404,688,388**	**$ 393,443,480**
LIABILITIES				

Mortgage loans, net	$ 317,633,743	$ 320,482,103	$ 325,106,994	$ 315,989,194
Unsecured notes	1,722,700	2,545,975	1,347,998	1,536,809
Accounts payable and accrued liabilities	25,957,518	25,704,835	25,782,354	23,315,677
Advance deposits	2,872,457	2,233,013	2,879,763	2,614,981
Dividends and distributions payable	2,088,160	4,082,472	2,088,160	2,088,160
TOTAL LIABILITIES	**$ 350,274,578**	**$ 355,048,398**	**$ 357,205,269**	**$ 345,544,821**
Commitments and contingencies (See Note 5)	—	—	—	—
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 September 30, 2023 and December 31, 2022, 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 September 30, 2023 and December 31, 2022, 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 September 30, 2023 and December 31, 2022, respectively.	11,631	11,631		
Common stock, par value $0.01, 69,000,000 shares authorized, 19,696,805 shares issued and outstanding at September 30, 2023 and 18,951,525 shares issued and outstanding at December 31, 2022.	196,968	189,515		
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 March 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 March 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 March 31, 2024 and December 31, 2023, respectively.			11,631	11,631
Common stock, par value $0.01, 69,000,000 shares authorized, 19,849,165 shares issued and outstanding at March 31, 2024 and 19,696,805 shares issued and outstanding at December 31, 2023.			198,492	196,968
Additional paid-in capital	176,304,184	175,611,370	176,000,351	175,779,222
Unearned ESOP shares	(2,464,231)	(2,601,134)	(1,731,209)	(1,764,507)
Distributions in excess of retained earnings	(122,338,042)	(120,985,183)	(125,680,386)	(125,021,013)
Total Sotherly Hotels Inc. stockholders' equity	51,738,612	52,254,301	48,826,981	49,230,403
Noncontrolling interest	(1,250,754)	(733,578)	(1,343,862)	(1,331,744)
TOTAL EQUITY	**50,487,858**	**51,520,723**	**47,483,119**	**47,898,659**
TOTAL LIABILITIES AND EQUITY	**$ 400,762,436**	**$ 406,569,121**	**$ 404,688,388**	**$ 393,443,480**

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

SOTHERLY HOTELS INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(unaudited)

	Three Months Ended September 30, 2023 (unaudited)	Three Months Ended September 30, 2022 (unaudited)	Nine Months Ended September 30, 2023 (unaudited)	Nine Months Ended September 30, 2022 (unaudited)
REVENUE				
Rooms department	$ 26,260,586	$ 26,110,030	$ 87,915,797	$ 83,509,003
Food and beverage department	7,522,753	6,816,327	25,772,453	20,146,373
Other operating departments	5,398,024	6,286,338	18,001,724	21,080,181
Total revenue	**39,181,363**	**39,212,695**	**131,689,974**	**124,735,557**
EXPENSES				
Hotel operating expenses				
Rooms department	6,437,081	6,539,306	19,866,515	19,694,649

Food and beverage department	5,607,350	4,731,787	17,933,777	13,868,567
Other operating departments	2,198,058	2,386,901	6,819,661	7,470,380
Indirect	17,372,167	15,731,938	52,582,080	49,132,884
Total hotel operating expenses	**31,614,656**	**29,389,932**	**97,202,033**	**90,166,480**
Depreciation and amortization	4,715,019	4,704,806	14,056,523	13,889,621
(Gain) loss on disposal of assets	(4,700)	1,215	(4,700)	491,828
Corporate general and administrative	1,688,535	1,827,746	5,458,340	4,774,139
Total operating expenses	**38,013,510**	**35,923,699**	**116,712,196**	**109,322,068**
NET OPERATING INCOME	**1,167,853**	**3,288,996**	**14,977,778**	**15,413,489**
Other income (expense)				
Interest expense	(4,466,630)	(4,224,387)	(12,868,595)	(15,280,531)
Interest income	222,878	40,581	592,315	92,515
Loss on early extinguishment of debt	—	—	—	(5,944,881)
Unrealized gain (loss) on hedging activities	103,946	1,457,552	(51,686)	2,992,311
PPP loan forgiveness	—	—	275,494	—
Gain on sale of hotel properties	—	—	—	30,053,977
Gain on involuntary conversion of assets	551,729	1,422,295	1,331,374	1,473,842
Net (loss) income before income taxes	**(2,420,224)**	**1,985,037**	**4,256,680**	**28,800,722**
Income tax benefit (provision)	354,398	(12,474)	322,679	(33,744)
Net (loss) income	**(2,065,826)**	**1,972,563**	**4,579,359**	**28,766,978**
Add: Net loss (income) attributable to noncontrolling interest	156,558	51,094	50,720	(1,317,225)
Net (loss) income attributable to the Company	**(1,909,268)**	**2,023,657**	**4,630,079**	**27,449,753**
Undeclared distributions to preferred stockholders	(1,994,313)	(1,813,820)	(5,982,938)	(5,639,906)
(Loss) gain on extinguishment of preferred stock	—	(97,157)	—	64,518
Net (loss) income attributable to common stockholders	**$ (3,903,581)**	**$ 112,680**	**$ (1,352,859)**	**$ 21,874,365**
Net (loss) income per share attributable to common stockholders:				
Basic	$ (0.20)	$ 0.01	$ (0.08)	$ 1.24
Diluted	$ (0.20)	$ 0.01	$ (0.08)	$ 1.20
Weighted average number of common shares outstanding				
Basic	18,906,851	18,045,365	18,742,219	17,598,153
Diluted	18,906,851	18,559,666	18,742,219	18,209,766

	Three Months Ended March 31, 2024 (unaudited)	Three Months Ended March 31, 2023 (unaudited)
REVENUE		
Rooms department	$ 29,739,657	$ 28,401,688
Food and beverage department	9,752,449	8,748,726
Other operating departments	7,056,326	6,340,863
Total revenue	**46,548,432**	**43,491,277**
EXPENSES		
Hotel operating expenses		

Rooms department	6,552,184	6,413,094
Food and beverage department	6,464,855	5,935,560
Other operating departments	2,686,142	2,315,848
Indirect	18,484,896	16,747,577
Total hotel operating expenses	**34,188,077**	**31,412,079**
Depreciation and amortization	4,769,717	4,578,311
Corporate general and administrative	1,916,526	1,980,765
Total operating expenses	**40,874,320**	**37,971,155**
NET OPERATING INCOME	**5,674,112**	**5,520,122**
Other income (expense)		
Interest expense	(4,888,806)	(4,113,597)
Interest income	214,772	146,665
Other income	124,877	—
Loss on early extinguishment of debt	(241,878)	—
Realized and unrealized gain (loss) on hedging activities	335,446	(442,464)
PPP loan forgiveness	—	275,494
Gain on involuntary conversion of assets	122,391	16,476
Net income before income taxes	**1,340,914**	**1,402,696**
Income tax provision	(18,093)	(15,182)
Net income	**1,322,821**	**1,387,514**
Add: Net loss attributable to noncontrolling interest	12,118	24,960
Net income attributable to the Company	**1,334,939**	**1,412,474**
Undeclared distributions to preferred stockholders	(1,994,312)	(1,994,312)
Net loss attributable to common stockholders	**$ (659,373)**	**$ (581,838)**
Net loss per share attributable to common stockholders:		
Basic	$ (0.03)	$ (0.03)
Diluted	$ (0.03)	$ (0.03)
Weighted average number of common shares outstanding		
Basic	19,359,601	18,635,004
Diluted	19,359,601	18,635,004

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

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CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Preferred Stock Shares	Preferred Stock Par Value	Common Stock Shares	Common Stock Par Value	Additional Paid-In Capital	Unearned ESOP Shares	Distributions in Excess of Retained Earnings	Noncontrolling Interest	Total
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	—	—	—	—	—	—	1,412,474	(24,960)	1,387,514
Issuance of common stock	—	—	64,278	643	120,842	—	—	—	121,485
Issuance of restricted common stock awards	—	—	220,000	2,200	101,701	—	—	—	103,901
Amortization of ESOP shares	—	—	—	—	(33,439)	45,634	—	—	12,195

	Preferred Stock Shares	Preferred Stock Par Value	Common Stock Shares	Common Stock Par Value	Additional Paid-In Capital	Unearned ESOP Shares	Distributions in Excess of Retained Earnings	Noncontrolling Interest	Total
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	—	—	—	—	—	—	1,334,939	(12,118)	1,322,821
Issuance of common stock	—	—	152,360	1,524	203,401	—	—	—	204,925

Amortization of restricted stock awards	—	—	—	—	22,883	—	—	—	22,883								
Balances at March 31, 2023 (unaudited)	**3,973,310**	**$ 39,733**	**19,235,803**	**$ 192,358**	**$ 175,823,357**	**$ (2,555,550)**	**$ (119,572,709)**	**$ (758,538)**	**$ 53,168,701**								
Net income	—	—	—	—	—	—	5,126,872	130,798	5,257,670								
Conversion of units in Operating Partnership to shares of common stock	—	—	75,000	750	426,049	—	—	(426,799)	—								
Preferred stock dividends declared:																	
Series B Preferred Stock, $0.50/share	—	—	—	—	—	—	(1,464,100)	—	(1,464,100)	—	—	—	—	—	(732,050)	—	(732,050)
Series C Preferred Stock, $0.492188/share	—	—	—	—	—	—	(1,325,078)	—	(1,325,078)	—	—	—	—	—	(662,539)	—	(662,539)

Series D Preferred Stock, $0.515625/share	—	—	—	—	—	—	(1,199,447)	—	(1,199,447)	—	—	—	—		—	(599,723)	—	(599,723)
Amortization of ESOP shares	—	—	—	—	(32,916)	45,633	—	—	12,717	—	—	—	—	(26,542)	33,298	—	—	6,756
Amortization of restricted stock awards	—	—	—	—	41,771	—	—	—	41,771	—	—	—	—	44,270	—	—	—	44,270
Balances at June 30, 2023 (unaudited)	**3,973,310**	**$ 39,733**	**19,310,803**	**$ 193,108**	**$ 176,258,261**	**$ (2,509,867)**	**$ (118,434,462)**	**$ (1,054,539)**	**$ 54,492,234**									
Net loss	—	—	—	—	—	—	(1,909,268)	(156,558)	(2,065,826)									
Conversion of units in Operating Partnership to shares of common stock	—	—	386,002	3,860	35,797	—	—	(39,657)	—									
Preferred stock dividends declared:																		

Series B Preferred Stock, $0.50/share	—	—	—	—	—	—	(732,050)	—	(732,050)
Series C Preferred Stock, $0.492188/share	—	—	—	—	—	—	(662,539)	—	(662,539)
Series D Preferred Stock, $0.515625/share	—	—	—	—	—	—	(599,723)	—	(599,723)
Amortization of ESOP shares	—	—	—	—	(31,644)	45,636	—	—	13,992
Amortization of restricted stock awards	—	—	—	—	41,770	—	—	—	41,770
Balances at September 30, 2023 (unaudited)	**3,973,310**	**$ 39,733**	**19,696,805**	**$ 196,968**	**$ 176,304,184**	**$ (2,464,231)**	**$ (122,338,042)**	**$ (1,250,754)**	**$ 50,487,858**
Balances at March 31, 2024 (unaudited)	**3,973,310**	**$ 39,733**	**19,849,165**	**$ 198,492**	**$ 176,000,351**	**$ (1,731,209)**	**$ (125,680,386)**	**$ (1,343,862)**	**$ 47,483,119**

The accompanying notes are an integral part of these consolidated 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 loss	—	—	—	—	—	—	(649,323)	(161,621)	(810,944)
Issuance of common stock	—	—	175,268	1,752	355,760	—	—	—	357,512

	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, 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	—	—	—	—	—	—	1,412,474	(24,960)	1,387,514
Issuance of common stock	—	—	64,278	643	120,842	—	—	—	121,485

Issuance of restricted common stock awards	—	—	15,000	151	30,149	—	—	—	30,300	—	—	220,000	2,200	101,701	—	—	—	103,901
Amortization of ESOP shares	—	—	—	—	(36,391)	50,547	—	—	14,156	—	—	—	—	(33,439)	45,634	—	—	12,195
Amortization of restricted stock awards	—	—	—	—	18,195	—	—	—	18,195	—	—	—	—	22,883	—	—	—	22,883
Extinguishment of preferred stock	(22,500)	(225)	217,775	2,178	9,222	—	—	—	11,175									
Balances at March 31, 2022 (unaudited)	**4,037,110**	**$ 40,371**	**17,849,101**	**$ 178,491**	**$ 178,028,889**	**$ (3,032,851)**	**$ (154,171,027)**	**$ (4,920,549)**	**$ 16,123,324**									
Net income	—	—	—	—	—	—	26,075,419	1,529,940	27,605,359									
Issuance of common stock	—	—	37,428	374	64,002	—	—	—	64,376									
Conversion of units in Operating Partnership to shares of common stock	—	—	50,000	500	(318,286)	—	—	317,786	—									

Amortization of ESOP shares	—	—	—	—	(30,590)	50,544	—	—	19,954
Amortization of restricted stock awards	—	—	—	—	18,195	—	—	—	18,195
Extinguishment of preferred stock	(27,600)	(276)	270,144	2,702	(13,601)	—	252,401	—	241,226
Balances at June 30, 2022 (unaudited)	**4,009,510**	**$ 40,095**	**18,206,673**	**$ 182,067**	**$ 177,748,609**	**$ (2,982,307)**	**$ (127,843,207)**	**$ (3,072,823)**	**$ 44,072,434**
Net income	—	—	—	—	—	—	2,023,657	(51,094)	1,972,563
Issuance of common stock	—	—	167,390	1,674	344,824	—	—	—	346,498
Conversion of units in Operating Partnership to shares of common stock	—	—	40,687	407	(545,578)	—	—	545,171	—

Amortization of ESOP shares	—	—	—	—	(41,981)	50,545	—	—	8,564
Amortization of restricted stock awards	—	—	—	—	18,195	—	—	—	18,195
Extinguishment of preferred stock	(36,200)	(362)	318,930	3,189	42,950	—	(252,401)	—	(206,624)
Balances at September 30, 2022 (unaudited)	**3,973,310**	**$ 39,733**	**18,733,680**	**$ 187,337**	**$ 177,567,019**	**$ (2,931,762)**	**$ (126,071,951)**	**$ (2,578,746)**	**$ 46,211,630**
Balances at March 31, 2023 (unaudited)	**3,973,310**	**$ 39,733**	**19,235,803**	**$ 192,358**	**$ 175,823,357**	**$ (2,555,500)**	**$ (119,572,709)**	**$ (758,538)**	**$ 53,168,701**

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

SOTHERLY HOTELS INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

	Nine Months Ended	Nine Months Ended	Three Months Ended	Three Months Ended

	September 30, 2023 (unaudited)	September 30, 2022 (unaudited)	March 31, 2024 (unaudited)	March 31, 2023 (unaudited)
Cash flows from operating activities:				
Net Income	$ 4,579,359	$ 28,766,978		
Net income			$ 1,322,821	$ 1,387,514
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	14,056,523	13,889,621	4,769,717	4,578,311
Amortization of deferred financing costs	448,467	923,777	153,650	157,434
Amortization of mortgage premium	(18,511)	(18,511)	(6,170)	(6,170)
Gain on involuntary conversion of assets	(1,331,374)	(1,473,842)	(122,391)	(16,476)
Unrealized (gain) loss on hedging activities	51,686	(2,992,311)		
Realized (gain) and unrealized loss on hedging activities			(335,446)	442,464
Loss on early extinguishment of debt	—	5,944,881	241,878	—
PPP loan forgiveness	(275,494)	—	—	(275,494)
Gain on disposal of assets	(4,700)	(30,053,977)		
Loss on disposal of assets	—	491,828		
ESOP and stock - based compensation	370,714	895,945	255,956	260,463
Changes in assets and liabilities:				
Accounts receivable	1,086,903	764,318	(1,022,611)	1,119,628
Prepaid expenses, inventory and other assets	(1,350,705)	(580,056)	667,389	259,438
Accounts payable and other accrued liabilities	236,206	(12,876,519)	1,885,162	761,332
Advance deposits	639,444	525,840	264,782	1,299,626
Net cash provided by operating activities	**18,488,518**	**4,207,972**	**8,074,737**	**9,968,070**
Cash flows from investing activities:				
Proceeds from sale of hotel properties	—	52,403,981		
Improvements and additions to hotel properties	(6,069,672)	(4,809,289)	(2,398,177)	(1,533,821)
Proceeds from involuntary conversion	1,312,675	1,677,444	122,391	425,104
Proceeds from sale of assets	141,952	32,932		
Net cash (used in) provided by investing activities	**(4,615,045)**	**49,305,068**		
Net cash used in investing activities			**(2,275,786)**	**(1,108,717)**
Cash flows from financing activities:				
Proceeds from mortgage loans	2,715,833	7,777,475	35,000,000	—
Redemption of interest rate swap			965,000	—
Payments on mortgage loans	(5,580,239)	(36,548,807)	(25,585,343)	(1,945,624)
Payments on secured notes	—	(20,000,000)		
Payments on unsecured notes	(554,965)	(55,689)	(188,811)	(142,502)
Payments of deferred financing costs	(413,909)	(246,714)	(605,015)	(132,309)

Preferred dividends paid	(7,977,251)	—	(1,994,313)	(1,994,312)
Net cash used in financing activities	**(11,810,531)**	**(49,073,735)**		
Net cash provided by (used in) financing activities			**7,591,518**	**(4,214,747)**
Net increase in cash, cash equivalents and restricted cash	2,062,942	4,439,305	13,390,469	4,644,606
Cash, cash equivalents and restricted cash at the beginning of the period	**27,341,630**	**25,578,537**	**26,236,340**	**27,341,630**
Cash, cash equivalents and restricted cash at the end of the period	**$ 29,404,572**	**$ 30,017,842**	**$ 39,626,809**	**$ 31,986,236**
Supplemental disclosures:				
Cash paid during the period for interest	**$ 12,619,680**	**$ 20,046,224**	**$ 4,252,586**	**$ 4,042,426**
Cash paid during the period for income taxes	**$ 614,231**	**$ 39,908**	**$ -**	**$ -**
Non-cash investing and financing activities:				
Change in amount of improvements to hotel property in accounts payable and accrued liabilities	**$ 8,684**	**$ 959,859**	**$ 210,223**	**$ 858,120**
Right of use assets acquired under lease liability			**$ 103,125**	**$ -**

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

SOTHERLY HOTELS LP

CONSOLIDATED BALANCE SHEETS

	September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
	(unaudited)		(unaudited)	
ASSETS				
Investment in hotel properties, net	$ 357,027,422	$ 365,070,725	$ 352,455,889	$ 354,919,106
Cash and cash equivalents	19,198,625	21,918,680	29,285,600	17,101,993
Restricted cash	10,205,947	5,422,950	10,341,209	9,134,347
Accounts receivable, net	4,776,701	5,844,904	6,968,335	5,945,724
Loan receivable - affiliate	2,519,566	2,650,526	1,707,102	1,744,532
Prepaid expenses, inventory and other assets	9,553,741	8,311,862	5,637,355	6,342,310
TOTAL ASSETS	**$ 403,282,002**	**$ 409,219,647**	**$ 406,395,490**	**$ 395,188,012**
LIABILITIES				

Mortgage loans, net	317,633,74 $ 3	320,482,1 $ 03	$ 325,106,994	$ 315,989,194
Unsecured notes, net	1,722,700	2,545,975	1,347,998	1,536,809
Accounts payable and other accrued liabilities	25,957,518	25,704,83 5	25,782,354	23,315,677
Advance deposits	2,872,457	2,233,013	2,879,763	2,614,981
Dividends and distributions payable	2,088,160	4,082,472	2,088,160	2,088,160
TOTAL LIABILITIES	**350,274,57** **$ 8**	**355,048,3** **$ 98**	**$ 357,205,269**	**$ 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 September 30, 2023 and December 31, 2022, respectively.	$ 34,344,086	34,344,08 $ 6		
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, each at September 30, 2023 and December 31, 2022, respectively.	31,571,778	31,571,77 8		
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, each at September 30, 2023 and December 31, 2022, respectively.	27,504,901	27,504,90 1		
General Partner: 205,220 units and 197,767 units issued and outstanding as of September 30, 2023 and December 31, 2022, respectively.	(117,659)	(106,022)		
Limited Partners: 19,855,771 units and 19,578,946 units issued and outstanding as of September 30, 2023 and December 31, 2022, respectively.	(40,295,68 2)	(39,143,49 4)		
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 March 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, each at March 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 $35,674,458, each at March 31, 2024 and December 31, 2023, respectively.			27,504,901	27,504,901
General Partner: 206,744 units and 205,220 units issued and outstanding as of March 31, 2024 and December 31, 2023, respectively.			(165,719)	(171,830)
Limited Partners: 20,006,607 units and 19,855,771 units issued and outstanding as of March 31, 2024 and December 31, 2023, respectively.			(44,064,825)	(43,605,744)
TOTAL PARTNERS' CAPITAL	**53,007,424**	**54,171,249**	**49,190,221**	**49,643,191**
TOTAL LIABILITIES AND PARTNERS' CAPITAL	**$ 403,282,002**	**$ 409,219,647**	**$ 406,395,490**	**$ 395,188,012**

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

SOTHERLY HOTELS LP

CONSOLIDATED STATEMENTS OF OPERATIONS

(unaudited)

	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
REVENUE						

Rooms department	$ 26,260,586	$ 26,110,030	$ 87,915,797	$ 83,509,003	$ 29,739,657	$ 28,401,688
Food and beverage department	7,522,753	6,816,327	25,772,453	20,146,373	9,752,449	8,748,726
Other operating departments	5,398,024	6,286,338	18,001,724	21,080,181	7,056,326	6,340,863
Total revenue	**39,181,363**	**39,212,695**	**131,689,974**	**124,735,557**	**46,548,432**	**43,491,277**
EXPENSES						
Hotel operating expenses						
Rooms department	6,437,081	6,539,306	19,866,515	19,694,649	6,552,184	6,413,094
Food and beverage department	5,607,350	4,731,787	17,933,777	13,868,567	6,464,855	5,935,560
Other operating departments	2,198,058	2,386,901	6,819,661	7,470,380	2,686,142	2,315,848
Indirect	17,372,167	15,731,938	52,582,080	49,132,884	18,484,896	16,747,577
Total hotel operating expenses	**31,614,656**	**29,389,932**	**97,202,033**	**90,166,480**	**34,188,077**	**31,412,079**
Depreciation and amortization	4,715,019	4,704,806	14,056,523	13,889,621	4,769,717	4,578,311
(Gain) loss on disposal of assets	(4,700)	1,215	(4,700)	491,828		
Corporate general and administrative	1,688,535	1,827,746	5,458,340	4,774,139	1,916,526	1,980,765
Total operating expenses	**38,013,510**	**35,923,699**	**116,712,196**	**109,322,068**	**40,874,320**	**37,971,155**
NET OPERATING INCOME	**1,167,853**	**3,288,996**	**14,977,778**	**15,413,489**	**5,674,112**	**5,520,122**
Other income (expense)						
Interest expense	(4,466,630)	(4,224,387)	(12,868,595)	(15,280,531)	(4,888,806)	(4,113,597)
Interest income	222,878	40,581	592,315	92,515	214,772	146,665
Other income					124,877	—
Loss on early extinguishment of debt	—	—	—	(5,944,881)	(241,878)	—

Unrealized gain (loss) on hedging activities	103,946	1,457,552	(51,686)	2,992,311		
Realized and unrealized gain (loss) on hedging activities					335,446	(442,464)
PPP loan forgiveness	—	—	275,494	—	—	275,494
Gain on sale of hotel properties	—	—	—	30,053,977		
Gain on involuntary conversion of assets	551,729	1,422,295	1,331,374	1,473,842	122,391	16,476
Net (loss) income before income taxes	**(2,420,224)**	**1,985,037**	**4,256,680**	**28,800,722**		
Income tax benefit (provision)	354,398	(12,474)	322,679	(33,744)		
Net (loss) income	**(2,065,826)**	**1,972,563**	**4,579,359**	**28,766,978**		
Net income before income taxes					**1,340,914**	**1,402,696**
Income tax provision					(18,093)	(15,182)
Net income					**1,322,821**	**1,387,514**
Undeclared distributions to preferred unit holders	(1,994,313)	(1,813,820)	(5,982,938)	(5,639,906)	(1,994,312)	(1,994,312)
(Loss) gain on extinguishment of preferred stock	—	(97,157)	—	64,518		
Net (loss) income attributable to general and limited partnership unit holders	**$ (4,060,139)**	**$ 61,586**	**$ (1,403,579)**	**$ 23,191,590**		
Net (loss) income attributable per general and limited partner unit:						
Net loss attributable to general and limited partnership unit holders					**$ (671,491)**	**$ (606,798)**
Net loss attributable per general and limited partner unit:						
Basic	$ (0.20)	$ -	$ (0.07)	$ 1.21	$ (0.03)	$ (0.03)
Diluted	$ (0.20)	$ -	$ (0.07)	$ 1.20	$ (0.03)	$ (0.03)
Weighted average number of general and limited partner units outstanding						
Basic	19,810,991	19,501,310	19,807,797	19,116,224	19,975,888	19,832,279
Diluted	19,810,991	19,604,222	19,807,797	19,307,832	19,975,888	19,832,279

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

SOTHERLY HOTELS LP

CONSOLIDATED STATEMENTS OF CHANGES IN PARTNERS' CAPITAL

	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, 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**
Amortization of restricted unit awards	—	—	—	—	—	229	—	22,654	22,883
Unit based compensation	—	—	—	—	2,843	1,857	281,435	183,780	185,637

Net income	—	—	—	—	—	13,875	—	1,373,639	1,387,514									
Balances at March 31, 2023 (unaudited)	**3,973,310**	**$ 34,344,086**	**$ 31,571,778**	**$ 27,504,901**	**200,610**	**$ (90,061)**	**19,860,381**	**$ (37,563,421)**	**$ 55,767,283**									
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**
Amortization of restricted unit awards	—	—	—	—	—	417	—	41,353	41,770	—	—	—	—	—	443	—	43,827	44,270
Preferred distributions paid	—	—	—	—	—	(39,886)	—	(3,948,739)	(3,988,625)	—	—	—	—	—	(19,943)	—	(1,974,370)	(1,994,313)
Unit based compensation	—	—	—	—	—	(270)	—	(26,752)	(27,022)	—	—	—	—	1,524	1,742	150,836	172,510	174,252

Net income	—	—	—	—	—	52,577	—	5,205,093	5,257,670	—	—	—	—	—	23,869	—	1,298,952	1,322,821
Balances at June 30, 2023 (unaudited)	**3,973,310**	**$ 34,344,086**	**$ 31,571,778**	**$ 27,504,901**	**200,610**	**$ (77,223)**	**19,860,381**	**$ (36,292,466)**	**$ 57,051,076**									
Amortization of restricted unit awards	—	—	—	—	—	418	—	41,352	41,770									
Preferred distributions paid	—	—	—	—	—	(19,943)	—	(1,974,369)	(1,994,312)									
Unit based compensation	—	—	—	—	—	(253)	—	(25,031)	(25,284)									
Conversion of units in Operating Partnership to shares of Common Stock	—	—	—	—	4,610	—	(4,610)	—	—									

	Preferred Units	Series B Amounts	Series C Amounts	Series D Amounts	General Partner Units	General Partner Amounts	Limited Partner Units	Limited Partner Amounts	Total
Net loss	—	—	—	—	—	(20,658)	—	(2,045,168)	(2,065,826)
Balances at September 30, 2023 (unaudited)	**3,973,310**	**$ 34,344,086**	**$ 31,571,778**	**$ 27,504,901**	**205,220**	**$ (117,659)**	**19,855,771**	**$ (40,295,682)**	**$ 53,007,424**
Balances at March 31, 2024 (unaudited)	**3,973,310**	**$ 34,344,086**	**$ 31,571,778**	**$ 27,504,901**	**206,744**	**$ (165,719)**	**20,006,607**	**$ (44,064,825)**	**$ 49,190,221**

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

SOTHERLY HOTELS LP

CONSOLIDATED STATEMENTS OF CHANGES IN PARTNERS' CAPITAL

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**									
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**
Amortization of restricted unit awards	—	—	—	—	—	182	—	18,013	18,195	—	—	—	—	—	229	—	22,654	22,883
Unit based compensation	—	—	—	—	1,903	2,227	188,365	343,194	345,421	—	—	—	—	2,843	1,857	281,435	183,780	185,637
Extinguishment of preferred units	(22,500)	(302,602)	(225,159)	—	2,178	5,389	215,597	533,548	11,177									

Net loss	—	—	—	—	—	(8,109)	—	(802,835)	(810,944)
Balances at March 31, 2022 (unaudited)	**4,037,110**	**$ 35,118,182**	**$ 32,249,601**	**$ 27,549,832**	**189,829**	**$ (470,116)**	**18,792,992**	**$ (75,223,549)**	**$ 19,223,950**
Amortization of restricted unit awards	—	—	—	—	—	182	—	18,013	18,195
Unit based compensation	—	—	—	—	374	391	37,054	38,705	39,096
Extinguishment of preferred units	(27,600)	(211,117)	(436,246)	—	2,701	5,633	267,443	871,778	230,048

Net income	—	—	—	—	—	276,054	—	27,329,305	27,605,359	—	—	—	—	—	13,875	—	1,373,639	1,387,514
Balances at June 30, 2022 (unaudited)	**4,009,510**	**$ 34,907,065**	**$ 31,813,355**	**$ 27,549,832**	**192,904**	**$ (187,856)**	**19,097,489**	**$ (46,965,748)**	**$ 47,116,648**									
Amortization of restricted unit awards	—	—	—	—	—	182	—	18,013	18,195									
Unit based compensation	—	—	—	—	—	3,121	—	309,000	312,121									
Extinguishment of preferred units	(36,200)	(562,979)	(241,576)	(44,932)	3,190	9,467	315,740	644,573	(195,447)									

Net income	—	—	—	—	—	19,725	—	1,952,838	1,972,563
Balances at September 30, 2022 (unaudited)	**3,973,310**	**$ 34,344,086**	**$ 31,571,779**	**$ 27,504,900**	**196,094**	**$ (155,361)**	**19,413,229**	**$ (44,041,324)**	**$ 49,224,080**
Balances at March 31, 2023 (unaudited)	**3,973,310**	**$ 34,344,086**	**$ 31,571,778**	**$ 27,504,901**	**200,610**	**$ (90,061)**	**19,860,381**	**$ (37,563,421)**	**$ 55,767,283**

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

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SOTHERLY HOTELS LP

CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
	(unaudited)	(unaudited)	(unaudited)	(unaudited)

Cash flows from operating activities:				
Net income	$ 4,579,359	$ 28,766,978	$ 1,322,821	$ 1,387,514
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	14,056,523	13,889,621	4,769,717	4,578,311
Amortization of deferred financing costs	448,467	923,777	153,650	157,434
Amortization of mortgage premium	(18,511)	(18,511)	(6,170)	(6,170)
Gain on involuntary conversion of assets	(1,331,374)	(1,473,842)	(122,391)	(16,476)
Unrealized (gain) loss on hedging activities	51,686	(2,992,311)		
Realized (gain) and unrealized loss on hedging activities			(335,446)	442,464
Loss on early extinguishment of debt	—	5,944,881	241,878	-
PPP loan forgiveness	(275,494)	—	—	(275,494)
Gain on disposal of assets	(4,700)	(30,053,977)		
Loss on disposal of assets	—	491,828		
ESOP and unit - based compensation	239,754	751,223	218,526	208,519
Changes in assets and liabilities:				
Accounts receivable	1,086,903	764,318	(1,022,611)	1,119,628
Prepaid expenses, inventory and other assets	(1,350,705)	(580,056)	667,389	259,438
Accounts payable and other accrued liabilities	236,206	(12,876,519)	1,885,162	761,332
Advance deposits	639,444	525,840	264,782	1,299,626
Net cash provided by operating activities	**18,357,558**	**4,063,250**	**8,037,307**	**9,916,126**
Cash flows from investing activities:				
Proceeds from sale of hotel properties	—	52,403,981		
Improvements and additions to hotel properties	(6,069,672)	(4,809,289)	(2,398,177)	(1,533,821)
ESOP loan payments received	130,960	144,722	37,430	51,944
Proceeds from involuntary conversion	1,312,675	1,677,444	122,391	425,104
Proceeds from sale of assets	141,952	32,932		
Net cash (used in) provided by investing activities	**(4,484,085)**	**49,449,790**		
Net cash used in investing activities			**(2,238,356)**	**(1,056,773)**
Cash flows from financing activities:				
Proceeds from mortgage loans	2,715,833	7,777,475	35,000,000	—

Redemption of interest rate swap			965,000	—
Payments on mortgage loans	(5,580,239)	(36,548,807)	(25,585,343)	(1,945,624)
Payments on secured notes	—	(20,000,000)		
Payments on unsecured notes	(554,965)	(55,689)	(188,811)	(142,502)
Payments of deferred financing costs	(413,909)	(246,714)	(605,015)	(132,309)
Preferred dividends paid	(7,977,251)	—	(1,994,313)	(1,994,312)
Net cash used in financing activities	**(11,810,531)**	**(49,073,735)**		
Net cash provided by (used in) financing activities			**7,591,518**	**(4,214,747)**
Net increase in cash, cash equivalents and restricted cash	2,062,942	4,439,305	13,390,469	4,644,606
Cash, cash equivalents and restricted cash at the beginning of the period	27,341,630	25,578,537	26,236,340	27,341,630
Cash, cash equivalents and restricted cash at the end of the period	**$ 29,404,572**	**$ 30,017,842**	**$ 39,626,809**	**$ 31,986,236**
Supplemental disclosures:				
Cash paid during the period for interest	**$ 12,678,642**	**$ 19,942,876**	**$ 4,226,115**	**$ 4,113,442**
Cash paid during the period for income taxes	**$ 614,231**	**$ 39,908**	**$ -**	**$ -**
Non-cash investing and financing activities:				
Change in amount of improvements to hotel property in accounts payable and accrued liabilities	**$ 8,684**	**$ 959,859**	**$ 210,223**	**$ 858,120**
Right of use assets acquired under lease liability			**$ 103,125**	**$ -**

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

SOTHERLY HOTELS INC.

SOTHERLY HOTELS LP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

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 September 30, 2023 March 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 Hilton, DoubleTree, and Hyatt brands, and three are independent hotels.

The Company commenced operations on December 21, 2004, when it completed its initial public offering and thereafter consummated the acquisition of six hotel properties (the “Initial 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”) of the Operating Partnership, 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 September 30, 2023 March 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. The MHI TRS Entities have engaged Our Town Hospitality, LLC (“Our Town”), an eligible independent management company, to operate the hotels under management contracts. MHI Hospitality TRS Holding, Inc. (“MHI TRS”) is treated as a taxable REIT subsidiary for federal income tax purposes.

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

Overview of Significant Transactions

Significant transactions occurring during the current period and prior fiscal year include the following:

On February 10, 2022, Louisville Hotel Associates, LLC, a Delaware limited liability company and an affiliate of the Company, closed on the sale of 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 June 10, 2022, the Company closed the sale of the DoubleTree by Hilton Raleigh-Brownstone University hotel. 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 (the “Secured Notes”) with KWHP SOHO, LLC and MIG SOHO, LLC (together, the “Investors”) as required by the terms of the Secured Notes. The Company used the remaining net cash proceeds for general corporate purposes. Of the proceeds paid to the investors from the sale of the hotel, 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, affiliates of 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 requiring monthly payments of interest plus principal of

$40,600; 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 March 24, 2022 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 806,849 shares of its common stock for 45,900 shares of the Series B Preferred Stock, 38,500 shares of the Series C Preferred Stock, and 1,900 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 be 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, affiliates of 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, affiliates of 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; (vii) and contains customary representations, warranties, covenants and events of default for a mortgage loan.

2. Summary of Significant Accounting Policies

Basis of Presentation – The consolidated financial statements of the Company presented herein include all of the accounts of Sotherly Hotels Inc., the Operating Partnership, MHI TRS and subsidiaries. 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 of the accounts of Sotherly Hotels LP, MHI TRS and subsidiaries. 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.

The consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) assuming the Company will continue as a going concern. The Company has mortgages maturing during 2025 with balances at maturity totaling approximately $87.5 million which it will be unable to repay out of working capital. As discussed in Note 4, Debt, the Company intends to repay the mortgage obligations when they become due through a combination of proceeds from a refinance of the properties and working capital. However, there can be no assurances that we will be able to obtain future financing on acceptable terms, if at all. Further, as of September 30, 2024, we failed to maintain compliance with the financial covenants under the mortgage on the DoubleTree by Hilton Jacksonville Riverfront. Per the terms of the mortgage loan agreement, we are permitted either to reduce the outstanding balance with a prepayment estimated at no more than $1.2 million or provide an equivalent amount of cash collateral until we return to compliance. We anticipate the placement of cash collateral with the lender before the end of December 2024. We believe these plans will be effectively implemented.

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, generally7 to 39 years for buildings and building improvements and 3 to 10 years for furniture, fixtures and equipment. Leasehold improvements are amortized over the shorter of the lease term or the useful lives of the related assets.

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 three and nine months ended September 30, 2023 or 2022. March 31, 2024 and 2023.

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

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

	As of September 30, 2023	As of September 30, 2022	As of March 31, 2024	As of March 31, 2023
Cash and cash equivalents	$ 19,198,625	$ 23,011,471	$ 29,285,600	$ 23,429,595
Restricted cash	10,205,947	7,006,371	10,341,209	8,556,641
Cash, cash equivalents and restricted cash at the end of the period	**$ 29,404,572**	**$ 30,017,842**	**$ 39,626,809**	**$ 31,986,236**

Concentration of Credit Risk – We hold cash accounts at several institutions in excess of the Federal Deposit Insurance Corporation (the "FDIC") and National Credit Union Administration (the "NCUA") 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 or NCUA 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.

Accounts Receivable – Accounts receivable consists primarily of amounts due from hotel guest and banqueting receivables. With ongoing evaluations guests including payments rendered by credit card for which we are awaiting payment from the merchant processor. Most of our trade receivables, credit customers' risk assessment and limiting credit to only a few larger companies or organizations, our potential for expected credit losses is insignificant. Our revenue is mainly based on collected through payment by cash or credit card sales as on or in advance of the date of service, with limited trade receivables. 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 September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 were $207,047 184,930 and $241,038 195,988, respectively. Amortization expense for the three and nine-month month periods ended September 30, 2023 March 31, 2024 and 2022, 2023, totaled $11,059 and $12,282 and $33,991 and $36,570 11,874, respectively.

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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 sheets 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 swaps which act as cash flow hedges and are not designated as hedges. We value our interest rate swaps 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 swaps are the only assets or liabilities measured at fair value on a recurring basis, there were no non-recurring assets or liabilities for fair value measurements as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively):

	Level 1	Level 2	Level 3
December 31, 2022			
Interest rate swaps (1)	$ —	$ 1,308,503	$ —
Mortgage loans (2)	$ —	$ (306,300,855)	$ —
September 30, 2023			
Interest rate swap (1)	$ —	$ 1,308,038	$ —

Mortgage loans (2)	$	—	$	(303,808,970)	$	—

	March 31, 2024		December 31, 2023	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
Interest-rate swap(1)	$ —	$ —	$ 627,676	$ 627,676
Financial Liabilities				
Mortgage loans	$ (325,106,994)	$ (314,241,243)	$ (315,989,194)	$ (303,949,790)

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(1) Interest rate swaps, one of which swaps The interest-rate swap agreement allowed the loan rate for Company to receive a fixed interest variable rate of interest based upon 5.2371-month SOFR% for the DoubleTree by Hilton Philadelphia Airport mortgage and is valued only at December 31, 2022, and the other which swaps the loan rate in exchange for a fixed rate of approximately 5.576 2.826% for the Hotel Alba Tampa mortgage and is valued at September 30, 2023 and December 31, 2022. Notional amounts of the swaps approximate on a notional amount which approximated the declining balance of the loan.

(2) Mortgage loans, net had a carrying value mortgage loan on our Consolidated Balance Sheets of $317,633,743 and $320,482,103 as of September 30, 2023 and December 31, 2022, respectively. the Hotel Alba. The interest-rate swap was terminated on February 14, 2024.

The fair value of the Company's interest rate swap agreement was 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 were 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 rental of rooms, 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 assesses 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 revenue based upon the gross sales price. With respect to the hotel condominium rental programs that the Company operates at the Lyfe Resort & Residences (f/k/a Hyde Resort & Residences) and 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 sales, use, occupancy and similar taxes at its hotels which are presented on a net basis on the consolidated statements of operations.

Lease Revenue – Several of our properties generate revenue from leasing commercial space adjacent to the hotel, the restaurant space within the hotel apartment units and space on the roofs of our hotels for antennas and satellite dishes. Leases for the restaurant space within the hotel 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 March 31, 2024, the leases for space on the roofs of our hotels expire between April 2024 and May 2028. 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 was approximately $0.3 million and $0.2 million, for each of the three months ended September 30, 2023 March 31, 2024 and 2022, respectively, and for the nine months ended September 30, 2023 and 2022, totaled approximately $0.8 million and $0.9 million, respectively. 2023.

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

For the remaining three months ending December 31, 2023	$	202,519		
December 31, 2024		805,327		
For the nine months ending December 31, 2024			$	711,833
December 31, 2025		1,297,801		929,888
December 31, 2026		715,115		863,128
December 31, 2027		703,515		851,527
December 31, 2028 and thereafter		9,321,103		
December 31, 2028				861,311
December 31, 2029 and thereafter				9,744,903
Total	**$**	**13,045,380**	**$**	**13,962,590**

Lessee Accounting – The Company's operating lease agreements primarily include the ground lease on the Hyatt Centric Arlington, the parking garage lease in Hollywood, Florida at the Hyde Beach House Resort & Residences, and the corporate office lease. The assets are classified as "right of use assets", which represent our right to use an underlying asset. The corresponding operating lease liability, which represent our obligation to make lease payments under the lease agreement, is classified within "accounts payable and other accrued liabilities". Right of use assets and operating 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 operating lease liabilities are recognized in the period in which the obligation for those payments is incurred. As 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. Extension options on our leases are included in our minimum lease terms when they are reasonably certain to be exercised.

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. 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 September 30, 2023 March 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 September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, deferred tax assets each totaled $0, respectively. .

As of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, 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 September 30, 2023 March 31, 2024, the tax years that remain subject to examination by the major tax jurisdictions to which the Company is subject generally include 2014 2012 through 2022. 2023. In addition, as of September 30, 2023 March 31, 2024, the tax years that remain subject to examination by the major tax jurisdictions to which MHI TRS is subject, because of open NOL carryforwards, generally include 2014 2012 through 2022. 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 September 30, 2023 March 31, 2024, 451,668 604,028 service-based stock awards have been granted, including 272,668 468,278 unrestricted shares and 179,000 135,750 restricted shares issued to certain executives and its independent directors. Total compensation cost recognized under the 2022 Plan for the three months ended September 30, 2023 March 31, 2024 and 2022 2023 was $18,887 226,312 and $0, respectively, and for the nine months ended September 30, 2023 and 2022 was $263,161 and $0 225,386, respectively.

The Company's 2013 Long-Term Incentive Plan (the "2013 Plan"), which the Company's stockholders approved in April 2013, permits the grant of stock options, restricted stock, unrestricted stock and service or 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.

As of September 30, 2023 March 31, 2024, under the 2013 Plan, the Company has made cumulative service-based stock awards totaling 745,160 shares, including 700,160 unrestricted shares and 45,000 restricted shares issued to certain executives and employees and to its independent directors. All awards have vested except for 45,000 shares issued to certain employees, which will vest over the next two years. on December 31, 2024. The remaining 4,840 shares have been deregistered.

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 September 30, 2023 March 31, 2024, no performance-based stock awards have been granted. Total compensation cost recognized under the 2013 Plan for each of the three months ended September 30, 2023 March 31, 2024 and 2022 2023 was $22,883 and $364,692, respectively, and for the nine months ended September 30, 2023 and 2022 was $68,648 and $853,271, respectively. .

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 a 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 three months ended September 30, 2023 March 31, 2024 and 2022, 2023, the ESOP compensation cost was $13,992 6,759 and $13,871, and for the nine months ended September 30, 2023 and 2022 the ESOP compensation cost was $38,905 and $42,674 12,195, 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 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 consolidated financial statements.

Advertising – Advertising costs, including internet advertising, were $644,111 676,032, and $559,981 705,703 for the three months ended September 30, 2023 March 31, 2024 and 2022 and were $2,039,089 and $1,717,399 for the nine months ended September 30, 2023 and 2022, 2023, respectively. Advertising costs are expensed as incurred.

Involuntary Conversion of Assets – We 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. The gain on involuntary conversion of assets is reflected in the consolidated statements of operations.

Comprehensive Income – Comprehensive income as defined, includes all changes in equity during a period from non-owner sources. We do not have any items of comprehensive income other than net income.

Segment Information – We have determined that our business is conducted in one reportable segment: hotel ownership.

Use of Estimates – The preparation of the financial statements in conformity with U.S. GAAP 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 June 2016, 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 2016-13, Financial Instruments -Credit Losses 2023-07, Segment Reporting (Topic 326) 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, which replaced the existing "incurred loss" approach and for interim periods within fiscal years beginning after December 15, 2024, with an "expected loss" model for financial instruments measured at amortized cost. For trade and other receivables, the forward-looking "expected loss" model will generally result early adoption permitted. The amendments should be applied retrospectively to all prior periods presented in the earlier recognition financial statements. The Company is currently assessing the impacts of allowances for losses. adopting ASU 2023-07 on its consolidated financial statements and disclosures.

In November 2018, December 2023, the FASB issued ASU 2018-19, Codification 2023-09, Income Taxes (Topic 740): Improvements to Topic 326, Financial Instruments -Credit Losses, which clarified that operating lease receivables accounted 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 under ASC 842 are not in fiscal years beginning after December 15, 2024, with early adoption permitted. The amendments should be applied on a prospective basis, with the scope option to apply retrospectively. The Company is currently assessing the impacts of adopting ASU 2016-13. With the adoption of this standard 2023-09 on January 1, 2023, we have determined there is no significant impact on the Company's its consolidated financial statements. statements and disclosures.

In March 2020, 2024, the FASB issued ASU No. 2020-04, Reference Rate Reform – Facilitation 2024-01, Compensation—Stock Compensation (Topic 718): Scope Application of Profits Interest and Similar Awards ("ASU 2024-01"), to clarify the Effects scope application of Reference Rate Reform on Financial Reporting, which provides temporary optional expedients profits interest and exceptions to the existing guidance on contract modifications and hedge accounting to ease the financial reporting burdens of the expected market transition from the London Interbank Offered Rate ("LIBOR") and other interbank offered rates to alternative reference rates, such as the Secured Overnight Financing Rate ("SOFR"). The update provides similar awards by adding illustrative guidance in accounting for changes in contracts, hedging relationships, ASC 718, Compensation—Stock Compensation ("ASC 718"). ASU 2024-01 clarifies how to determine whether profits interest and other transactions as a result of this reference rate reform. The option expedients and exceptions contained within this update, in general, only apply to contract amendments and modifications entered into prior to January 1, 2023. The provisions of this update will most likely affect our financial reporting process relating to modifications of contracts with lenders and the hedging contracts associated with each respective modified borrowing contract. In general, the provision of the update would benefit us by allowing modifications of debt contracts with lenders that fall under the guidance of ASC Topic 740 to similar awards should be accounted for as a non-substantial modification share-based payment arrangement (ASC 718) or as a cash bonus or profit-sharing arrangement (ASC 710, Compensation—General, or other guidance) and not be considered debt extinguishment. As of December 31, 2022, we have not entered into any contract modification applies to all reporting entities that account for profits interest awards as it directly relates compensation to reference rate reform, with employees or non-employees. In addition to adding the exception of a modification to the mortgages on The Whitehall in Houston, Texas, which changed the reference rate from LIBOR to the New York Prime Rate, and on Hotel Alba Tampa, Tapestry Collection in Tampa, Florida, which changed the reference rate from LIBOR to SOFR. On March 14, 2023, the Company illustrative guidance, ASU 2024-01 modified the floating-rate mortgage 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 interests and similar awards granted or modified on or after the DoubleTree by Hilton Philadelphia Airport to change the reference rate from 1-month LIBOR to SOFR. adoption date. The Company anticipates no additional loan modifications will be required. With is currently assessing the adoption impacts of this standard adopting ASU 2024-01 on January 1, 2023, we have determined there is no significant impact on the Company's its consolidated financial statements. statements and disclosures.

3. Investment in Hotel Properties, Net

Investment in hotel properties, net as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 consisted of the following:

	September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
Land and land improvements	$ 61,078,390	$ 60,934,859	$ 61,185,592	$ 61,114,486
Buildings and improvements	416,813,251	412,717,919	423,444,031	418,833,706
Right of use assets	4,850,671	5,199,845	4,616,437	4,733,406
Furniture, fixtures and equipment	51,500,684	51,292,107	49,014,933	51,501,629
	534,242,996	530,144,730	538,260,993	536,183,227
Less: accumulated depreciation and impairment	(177,215,574)	(165,074,005)		
Less: accumulated depreciation			(185,805,104)	(181,264,121)
Investment in Hotel Properties, Net	**$ 357,027,422**	**$ 365,070,725**	**$ 352,455,889**	**$ 354,919,106**

4. Debt

Mortgage Loans, Net. – As of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, we had approximately $317.6 325.1 million and approximately $320.5 316.0 million of outstanding mortgage debt, respectively. The following table sets forth our mortgage debt obligations on our hotels.

	Balance Outstanding as of						Balance Outstanding as of					
Property	**September 30, 2023**	**December 31, 2022**	**Prepayment Penalties**	**Maturity Date**	**Amortization Provisions**	**Interest Rate**	**March 31, 2024**	**December 31, 2023**	**Prepayment Penalties**	**Maturity Date**	**Amortization Provisions**	**Interest Rate**

The DeSoto (1)	$ 30,495,324	$ 31,219,022	Yes	7/1/2026	25 years	4.25%	$ 29,999,907	$ 30,248,929	Yes	7/1/2026	25 years	4.25%
DoubleTree by Hilton Jacksonville Riverfront (2)	31,920,568	32,416,570	Yes	7/11/2024	30 years	4.88%	31,576,756	31,749,695	Yes	7/11/2024	30 years	4.88%
DoubleTree by Hilton Laurel (3)	10,000,000	7,412,107	(3)	5/6/2028	(3)	7.35%	10,000,000	10,000,000	(3)	5/6/2028	(3)	7.35%
DoubleTree by Hilton Philadelphia Airport (4)	38,915,488	39,413,672	None	10/31/2023	30 years	SOFR plus 2.27%	38,915,488	38,915,488	None	4/29/2024	(4)	SOFR plus 3.50%
DoubleTree Resort by Hilton Hollywood Beach (5)	51,803,264	52,724,475	(5)	10/1/2025	30 years	4.913%	51,279,105	51,495,662	(5)	10/1/2025	30 years	4.913%
Georgian Terrace (6)	39,715,153	40,492,622	(6)	6/1/2025	30 years	4.42%	39,273,646	39,455,095	(6)	6/1/2025	30 years	4.42%
Hotel Alba Tampa, Tapestry Collection by Hilton (7)	24,391,000	24,756,400	None	6/30/2025	(7)	SOFR plus 2.75%	35,000,000	24,269,200	(7)	3/6/2029	(7)	8.49%
Hotel Ballast Wilmington, Tapestry Collection by Hilton (8)	30,995,244	31,699,775	Yes	1/1/2027	25 years	4.25%	30,512,947	30,755,374	Yes	1/1/2027	25 years	4.25%
Hyatt Centric Arlington (9)	46,730,206	47,534,606	Yes	10/1/2028	30 years	5.25%	46,176,110	46,454,972	Yes	10/1/2028	30 years	5.25%
The Whitehall (10)	$ 14,064,662	14,226,067	None	2/26/2028	25 years	PRIME plus 1.25%	$ 13,953,788	14,009,874	None	2/26/2028	25 years	PRIME plus 1.25%
Total Mortgage Principal Balance	**$ 319,030,909**	**$ 321,895,316**					**$ 326,687,747**	**$ 317,354,289**				
Deferred financing costs, net	(1,446,221)	(1,480,779)					$ (1,617,467)	(1,407,979)				
Unamortized premium on loan	49,055	67,566					36,714	42,884				
Total Mortgage Loans, Net	**$ 317,633,743**	**$ 320,482,103**					**$ 325,106,994**	**$ 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. See Note 13, Subsequent Events for additional information on this loan.

120 days of the maturity date. See Note 13. Subsequent Events for additional information on this loan.

(2) The note is subject to a pre-payment penalty until March 2024. Prepayment can be made without penalty thereafter. See Note 13. Subsequent Events for additional information on this loan.

(3) The note requires payments of interest only and cannot be prepaid until the last 4 months of the loan term.

(4) The note bears bore a floating interest rate of SOFR plus 2.27%. and required monthly payments of pre-determined principal and floating-rate interest amortizing the loan on a 30-year term. On August 13, 2018, we entered into a swap agreement to fix the rate at 5.237% through July 31, 2023. Notional amounts under the swap agreement approximated the declining balance of the loan. Effective July 31, 2023, only monthly payments of interest were required. On October 29, 2023, we entered into a the loan amendment to extend the maturity date to December 29, 2023 and agreement was amended to increase the interest rate to SOFR plus 3.50%. Subsequent loan amendments have extended the maturity date to April 29, 2024. See Note 13. Subsequent Events for additional information on this loan.

(5) With limited exception, the note may not be prepaid prior to June 2025.

(6) With limited exception, the note may not be prepaid prior to February 2025.

(7) The note bears a floating interest rate of SOFR plus 2.75% subject to a floor rate of 2.75%; with monthly principal requires payments of $40,600; interest only and cannot be prepaid until the note provides that the mortgage can be extended for two additional periods of one year each, subject to certain conditions. On July 11, 2022, we entered into a swap agreement to fix the rate at 5.576%. The swap agreement reflects notional amounts approximate to the declining balance last four months of the loan and we are responsible for any potential termination fees associated with early termination of the swap agreement. term.

(8) 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.

(9) 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.

(10) The note bears a floating interest rate of New York Prime Rate plus 1.25%, with a floor of 7.50%.

As of September 30, 2023 March 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 Philadelphia Airport. At September 30, 2023, Airport for which we failed to meet the financial covenants under the mortgage agreement. On October 29, 2023, we amended the mortgage agreement to extend the maturity date for 60 days from October 31, 2023 to December 29, 2023. We anticipate a further modification of the loan agreement to include have received a waiver of non-compliance with the financial covenants as well as other terms and conditions, including a further extension of the maturity date. Additionally, the for non-compliance. The mortgage on the DoubleTree by Hilton Jacksonville Riverfront matures in July 2024. See Note 13 – Subsequent Events for details of the mortgage refinance. 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 that mortgage at these mortgages but may be required to reduce the expected level of its indebtedness prior by an amount of up to maturity. $5.25 million on the refinance of the mortgage on the Georgian Terrace and up to $12.5 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 for the remaining three nine and twelve-month periods, without respect to any extension of loan maturity or loan modification after September 30, 2023 March 31, 2024, were as follows:

For the remaining three months ended December 31, 2023	$	40,624,873
December 31, 2024		38,069,572
December 31, 2025		116,058,765
December 31, 2026		58,588,970
December 31, 2027		1,757,220
December 31, 2028 and thereafter		63,931,509
Total future maturities	$	319,030,909

For the remaining nine months ended December 31, 2024	$	74,899,757

For the remaining nine months ended December 31, 2024	$	74,899,757
December 31, 2025		92,446,009
December 31, 2026		58,588,970
December 31, 2027		1,757,220
December 31, 2028		63,995,791
December 31, 2029 and thereafter		35,000,000
Total future maturities	$	326,687,747

PPP Loans. – The Operating Partnership and certain of its subsidiaries have received PPP Loans administered by the U.S. Small Business Administration pursuant to the CARES Act. Each PPP Loan had an initial term of two years, with the ability extend the loan to five years, if not forgiven, and carries an interest rate of 1.00%. Equal payments of principal and interest 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 can apply for and be granted forgiveness for all or a portion of the PPP Loan. Such forgiveness will be determined, subject to limitations, based on the use of loan proceeds in accordance with the terms of the CARES Act. No assurance is provided that any borrower will obtain forgiveness under any relevant PPP Loan in whole or in part.

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. As of September 30, 2023 March 31, 2024, an application for full forgiveness has had been filed and is was still pending.

On April 28, 2020, we entered into a promissory note and received proceeds of $9,432,900 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.

At September 30, 2023 March 31, 2024 and December 31, 2023, the PPP loans had a cumulative balance of approximately $1.7 1.3 million. million and approximately $1.5 million, respectively.

5. Commitments and Contingencies

Ground, Building, Parking and Land 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 optionalfive-yearrenewal periods expiring October 31, 2026. Rent expense for this operating lease for the three months ended September 30, 2023 March 31, 2024 and 2022, 2023, each totaled $20,983, and for the nine months ended September 30, 2023 and 2022, each totaled $62,949. 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 ninety-nine 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. lease, and is included in indirect expenses.

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. The new agreement expires in July 2024, requires annual payments of $2,432, plus tax, and may be renewed for an additional five years. Rent expense for the three months ended September 30, 2023 March 31, 2024 and 2022, 2023, each totaled $651, and for the nine months ended September 30, 2023 and 2022 totaled $1,952 and $1,958. is included in indirect expenses.

We lease approximately 8,500 square feet of commercial office space in Williamsburg, Virginia under an agreement with aten-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 $257,351 against accrued and unpaid rents as well as a reduction of future lease payments by one-third. Rent expense for the three months ended September 30, 2023 March 31, 2024 and 2022 each 2023 totaled $36,566 and $55,902, respectively, and for the nine months ended September 30, 2023 is included in general and 2022 each totaled $167,706. administrative expenses.

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 renewal rental periods of 10 years each. The We have elected to exercise the renewal options for the first renewal has been elected and period. Upon commencement of the current maturity is 2035. renewal period, we will be required to make rental payments each year equal to 8.0% of the appraised value of

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the land determined prior to the lease renewal commencement date. Rental payments for each subsequent renewal period will be redetermined in a similar manner. Rent expense for the three months ended September 30, 2023 March 31, 2024 and 2022, 2023, was $152,231 150,245 and $128,415 139,101, respectively, and for the nine months ended September 30, 2023 and 2022, totaled $493,724 and $364,123 respectively.

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is included in indirect 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 three months ended September 30, 2023 March 31, 2024 and 2022, 2023, each totaled $67,750, and for the nine months ended September 30, 2023 and 2022, each totaled $203,250. is included in indirect expenses.

We also lease certain storage facilities, furniture equipment under operating and equipment financing leases under agreements expiring between December 2023 July 2024 and June 2026 December 2029. The equipment is primarily included in investment in hotel properties, net with the related lease obligations included in accounts payable and accrued liabilities.

The following is a summary of the Company’s leases as of March 31, 2024:

		March 31, 2024
Weighted-average remaining lease term years		14.14
Weighted-average discount rate		8.17 %
Right of use assets (1)	$	5,582,241
Lease liabilities (2)	$	(5,092,325)
Operating lease rent expense	$	162,054
Variable lease costs		125,245
Total rent and variable lease costs	$	287,299

(1) A portion of the right of use assets in the amount of $799,255 is included in prepaid expenses, inventory and other assets. (2) Lease liabilities are included in accounts payable and accrued liabilities.

A schedule of minimum future lease payments for the following three nine and twelve-month periods is as follows:

For the remaining three months ended December 31, 2023	$	170,299
December 31, 2024		686,820
December 31, 2025		696,536
December 31, 2026		690,843
December 31, 2027		347,540
December 31, 2028 and thereafter		13,539,483
Total	**$**	**16,131,521**

For the nine months ending December 31, 2024	$	466,082
December 31, 2025		618,921
December 31, 2026		592,149
December 31, 2027		579,925
December 31, 2028		561,936
December 31, 2029 and thereafter		10,800,558
Total undiscounted lease payments		13,619,571
Less imputed interest		(8,527,246)
Total lease liability	**$**	**5,092,325**

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 September 30, 2023 March 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 September 30, 2023 March 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 by Hilton Jacksonville Riverside, 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. We are also required by some lenders to have a debt service reserve that approximates the aggregate amount of one year's debt service, which was initially established at approximately $1.5 million, in 2022.

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 September 30, 2023 March 31, 2024, the balance on the loan was approximately $2.5 1.7 million, leaving capacity for additional borrowing of approximately $2.5 3.3 million under the commitment.

Litigation –We – 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. 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:

Pe r	Number of Shares	Quar terly	Per	Number of Shares	Quarterly

Preferred Stock - Series	Annum Rate	Liquidation Preference	Issued and Outstanding as of September 30, 2023	Issued and Outstanding as of December 31, 2022	Distributions Per Share	Annum Rate	Liquidation Preference	Issued and Outstanding as of March 31, 2024	Issued and Outstanding as of December 31, 2023	Distributions Per Share
Series B Preferred Stock	8.000%	$ 25.00	1,464,100	1,464,100	$ 0.500000	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	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	8.250 %	$ 25.00	1,163,100	1,163,100	$ 0.515625

The Company is obligated 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.

On January 24, 2023, the Company announced its intention to resume quarterly payments of dividends on its preferred stock. Accordingly, stock, following the Company paid previously declared suspension of the preferred dividends in during the amount of approximately $2.0 million, on March 15, 2023. The Company also declared preferred dividends in April 2023, and paid approximately $2.0 million on June 13, 2023. On May 30, 2023, the Company declared a "catch-up" dividend and paid approximately $2.0 million on July 14, 2023. On July 31, 2023, the Company declared preferred dividends in the amount of approximately $2.0 million that were paid on September 15, 2023. pandemic.

The total undeclared and unpaid cash dividends due on the Series B Preferred Stock, Series C Preferred Stock and Series D Preferred Stock through September 30, 2023 March 31, 2024, are $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 September 30, 2023 March 31, 2024, the undeclared cumulative preferred dividends were 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 September 30, 2023	December 31, 2022	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

Preferred Units - Series	Per Annum Rate	Liquidation Preference	Number of Units Issued and Outstanding as of March 31, 2024	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.

The total undeclared and unpaid cash dividends due on the Series B Preferred Units, Series C Preferred Units and Series D Preferred Units through September 30, 2023 March 31, 2024, is $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. As of September 30, 2023 March 31, 2024, the undeclared cumulative preferred dividends were approximately $21.9 million.

7. Common Stock and Units

Common Stock – As of September 30, 2023 March 31, 2024, the Company was 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 schedule of issuances, since January 1, 2022 January 1, 2023, of the Company's common stock and related partnership units of the Operating Partnership:

25

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

On January 21, 2022 January 12, 2023, the Company was issued 15,000 partnership units in the Operating Partnership and awarded an equivalent number of shares of restricted stock to its independent directors.

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

On May 23, 2022, the Company was issued 37,428 partnership 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 partnership units in the Operating Partnership converted 40,687 units for an equivalent number of shares in the Company's common stock.

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

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

On January 12, 2023, 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 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 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 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 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 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.

As of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, the Company had 19,696,805 19,849,165 and 18,951,525 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, 2022, there have been no issuances or redemptions, of partnership units in the Operating Partnership other than the issuances of partnership units in the Operating Partnership to the Company described above. In connection with the exchange agreements described in this section, an equivalent number of preferred units held by the Company were exchanged for partnership units in the Operating Partnership.

As of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, the total number of Operating Partnership units outstanding was 20,060,991 20,213,351 and 19,776,713 20,060,991, respectively.

As of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, the total number of outstanding Operating Partnership units not owned by the Company was 364,186 and 825,188 364,186, respectively, with a fair market value of approximately $0.6 0.5 million and $1.5 0.5 million, respectively, based on the price per share of the common stock on such respective dates.

As of September 30, 2023 March 31, 2024, there were unpaid common dividends and distributions to holders of record as of March 13, 2020, in the amount of approximately $2.1 2,088,160 million. .

8. Related Party Transactions

Our Town Hospitality. 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 Hyde Lyfe Resort & Residences and the Hyde Beach House Resort & Residences. As of September 30, 2023 March 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 71.0 66.4%, 7.0 6.6%, 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 September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, we were due approximately $0.3 0 million and $0.3 0.01 million, respectively, from Our Town.

Accounts Payable – At September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, we owed Our Town approximately $0.8 1.1 million and $1.3 0.3 million, respectively.

Management Agreements – On September 6, 2019, the Company entered into a master agreement with Our Town related to the management of certain of our hotels, as amended on December 13, 2019 (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 referred to as,

individually 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 provides for an adjustment to the fees payable by us under the OTH Hotel Management Agreements in the event the net operating income of Our Town falls below $250,000 for any calendar year beginning on or after January 1, 2021. 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.

Base management fees earned by Our Town for our properties each totaled approximately $1.0 1.2 million and $1.1 million, for the three months ended September 30, 2023 March 31, 2024 and 2022, respectively, and were approximately $3.4 million and $3.1 million for the nine months ended September 30, 2023 and 2022, 2023, respectively.

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. Incentive management fees earned for the three months ended September 30, 2023 March 31, 2024 and 2022, 2023, were $(31,088) and $(42,656), respectively and for the nine months ended September 30, 2023 and 2022, were approximately $186,855 118,841 and $272,017 222,958, respectively.

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. In 2022, we paid Our Town approximately $0.3 million in termination fees triggered by the sale of the Sheraton Louisville Riverside and the 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 Sotherly 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 Sotherly and the third-party owner of the property. Lease payments due 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 were received under the primary lease. Sublease income from Our Town was $334,473 32,589 and $235,352 40,035, as of September 30, 2023 for the three months ended March 31, 2024 and September 30, 2022, 2023, respectively.

Employee Medical Benefits – We purchase employee medical coverage for eligible employees that are employed by Our Town and who work exclusively for our properties and elect to participate in Our Town's self-insured plan. Gross premiums for employee medical benefits paid by the Company (before offset of employee co-payments) were approximately $0.9 1.0 million and $0.8 0.5 million for the three months ended September 30, 2023 March 31, 2024 and 2022, respectively, and for the nine months ended September 30, 2023 and 2022, were approximately $2.3 million and $2.6 million, 2023, respectively.

Others. Others – We employed Ashley S. Kirkland, the daughter of our Chairman, as Corporate Counsel and Compliance Officer until her departure in January 2022 and continue to employ Robert E. Kirkland IV, her husband, the son-in-law of our Chairman, as our General Counsel. We also employ Andrew M. Sims Jr., the son of our Chairman, as Vice President – Operations & Investor Relations. Total compensation for all three these two individuals, including salary and benefits, for the three months ended September 30, 2023 March 31, 2024 and 2022, 2023, were $134,289 193,638 and $125,935, respectively, and for the nine months ended September 30, 2023 and 2022, were $470,494 and $379,898 186,135, respectively.

9. Retirement Plans

401(k) Plan -– We maintain a 401(k) plan for qualified employees which is subject to "safe harbor" provisions. Those provisions include a matching employer contribution consisting of 100.0% of the first 3.0% of employee contributions and 50.0% of the next 2.0% of employee contributions. In addition, all employer matching funds vest immediately. Contributions to the plan totaled $16,048 32,292 and $16,500 34,009, for the three months ended September 30, 2023 March 31, 2024 and 2022, and for the nine months ended September 30, 2023 and 2022, totaled $73,596 and $68,143, 2023, respectively.

Employee Stock Ownership Plan -– The Company adopted an Employee Stock Ownership Plan in December 2016, 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, 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, which serve as collateral for the loan.

Between January 3, and February 28, 2017, the Company's ESOP had purchased 682,500 shares of the Company's common stock in the open market at a cost of approximately $4.9 million. Shares purchased by the ESOP are held in a suspense account for allocation among participants as contributions are made to the ESOP by the Company. The share allocations are accounted for at fair value at the date of allocation.

A total of 314,202 416,830 shares with a fair value of $531,002 604,400 remained allocated or committed to be released from the suspense account, as of September 30, 2023 March 31, 2024. We recognized as compensation cost $38,905 6,759 and $42,674 12,195 during the nine three months ended September 30, 2023 March 31, 2024 and 2022, 2023, respectively. The remaining 345,010 242,382 unallocated shares have an approximate fair value of $583,066 351,454, as of September 30, 2023 March 31, 2024. As of September 30, 2023 March 31, 2024, the ESOP held a total of 295,035 412,169 allocated shares, 19,167 4,661 committed-to-be-released shares and 345,010 242,382 suspense shares. Dividends on allocated and unallocated shares are used to pay down the ESOP loan from the Operating Partnership.

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

	September 30, 2023		December 31, 2022		March 31, 2024		December 31, 2023	
	Number of Shares	Fair Value	Number of Shares	Fair Value	Number of Shares	Fair Value	Number of Shares	Fair Value
Allocated shares	295,035	$ 498,610	301,646	$ 545,979	412,169	$ 597,644	412,169	$ 614,131
Committed to be released shares	19,167	32,392	—	—	4,661	6,756	—	—
Total Allocated and Committed-to-be-Released	314,202	$ 531,002	301,646	$ 545,979	416,830	604,400	412,169	614,131
Unallocated shares	345,010	583,066	364,177	659,160	242,382	351,454	247,043	368,094
Total ESOP Shares	**659,212**	**$ 1,114,068**	**665,823**	**$ 1,205,139**	**659,212**	**$ 955,854**	**659,212**	**$ 982,225**

10. Indirect Hotel Operating Expenses

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

	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Sales and marketing	$ 3,815,349	$ 3,729,867	$ 12,323,121	$ 11,390,258
General and administrative	3,638,354	3,396,247	11,010,177	10,186,922
Repairs and maintenance	2,164,003	2,057,298	6,486,094	6,519,845
Utilities	1,691,931	1,566,216	4,425,479	4,308,465
Property taxes	1,436,742	939,951	3,739,381	3,973,027

Management fees, including incentive	973,848	949,926	3,584,723	3,327,267
Franchise fees	972,610	960,246	3,290,490	3,126,021
Insurance	1,511,222	1,128,090	4,174,603	3,121,241
Information and telecommunications	931,573	809,593	2,799,923	2,598,399
Other	236,535	194,504	748,089	581,439
Total indirect hotel operating expenses	**$ 17,372,167**	**$ 15,731,938**	**$ 52,582,080**	**$ 49,132,884**

	Three Months Ended March 31, 2024	**Three Months Ended March 31, 2023**
	(unaudited)	(unaudited)
Sales and marketing	$ 4,037,587	$ 4,209,770
General and administrative	3,738,160	3,463,800
Repairs and maintenance	2,329,599	2,219,568
Utilities	1,477,773	1,332,715
Property taxes	1,541,701	999,521
Management fees, including incentive	1,321,365	1,359,040
Franchise fees	1,061,362	1,071,519
Insurance	1,791,716	947,660
Information and telecommunications	998,603	922,779
Other	187,030	221,205
Total indirect hotel operating expenses	**$ 18,484,896**	**$ 16,747,577**

11. Income Taxes

The components of the income tax provision for the three and nine months ended September 30, 2023 March 31, 2024 and 2022 2023 are as follows:

	Three Months Ended September 30, 2023	**Three Months Ended September 30, 2022**	**Nine Months Ended September 30, 2023**	**Nine Months Ended September 30, 2022**	**Three Months Ended March 31, 2024**	**Three Months Ended March 31, 2023**
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Current:						
Federal	$ —	$ —	$ —	$ —	$ —	$ —
State	(354,398)	12,474	(322,679)	33,744	18,093	15,182
	(354,398)	12,474	(322,679)	33,744	18,093	15,182
Deferred:						

Federal	(1,153,452)	(544,356)	(1,055,628)	(572,014)	(197,374)	(259,952)
State	(261,180)	(62,819)	(115,711)	(82,652)	118,681	131,230
Subtotals	(1,414,632)	(607,175)	(1,171,339)	(654,666)	(78,693)	(128,722)
Change in deferred tax valuation allowance	1,414,632	607,175	1,171,339	654,666	78,693	128,722
	—	—	—	—	—	—
Income tax (benefit) provision	**$ (354,398)**	**$ 12,474**	**$ (322,679)**	**$ 33,744**		
Income tax provision					**$ 18,093**	**$ 15,182**

	Three Months Ended September 30, 2023	**Three Months Ended September 30, 2022**	**Nine Months Ended September 30, 2023**	**Nine Months Ended September 30, 2022**	**Three Months Ended March 31, 2024**	**Three Months Ended March 31, 2023**
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Statutory federal income tax provision (benefit)	$ (508,247)	$ 416,858	$ 893,903	$ 6,048,152		
Statutory federal income tax provision					$ 281,592	$ 294,566
Federal tax impact of REIT election	(421,693)	(825,994)	(1,264,579)	(6,315,568)	(270,845)	(303,786)
Statutory federal income tax (benefit) provision at TRS	(929,940)	(409,136)	(370,676)	(267,416)	10,747	(9,220)
Federal impact of PPP loan forgiveness	—	—	(56,470)	—	—	(56,470)
State income tax benefit, net of federal provision (benefit)	(839,090)	(185,564)	(1,066,872)	(353,506)	(71,347)	(47,850)
Change in valuation allowance	1,414,632	607,174	1,171,339	654,666	78,693	128,722

Income tax (benefit) provision	$ (354,398)	$ 12,474	$ (322,679)	$ 33,774	$ 18,093	$ 15,182

12. Income (Loss) Loss Per Share and Per Unit

Income (loss) per 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 or loss would also be added back to net income or 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 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. The unallocated ESOP shares have been excluded in the weighted average for the basic and diluted earnings per share computation. The computation of basic net income (loss) loss per share is presented below:

	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Numerator				
Net (loss) income	$ (2,065,826)	$ 1,972,563	$ 4,579,359	$ 28,766,978
Less: Net loss (income) allocated to participating share awards	28,008	(6,597)	(58,032)	(94,522)
Net loss (income) attributable to non-controlling interest	156,558	51,094	50,720	(1,317,225)
Undeclared distributions to preferred stockholders	(1,994,313)	(1,813,820)	(5,982,938)	(5,639,906)
Gain on extinguishment of preferred stock	—	(97,157)	—	64,518
Net (loss) income attributable to common stockholders for EPS computation	**$ (3,875,573)**	**$ 106,083**	**$ (1,410,891)**	**$ 21,779,843**
Denominator				
Weighted average number common shares outstanding for basic EPS computation	18,906,851	18,045,365	18,742,219	17,598,153
Effect of dilutive participating securities:				

Unvested restricted shares	— (1)	65,000	— (1)	63,901
Stock compensation awards unissued	— (1)	37,912	— (1)	129,002
Unearned ESOP shares	— (1)	411,389	— (1)	418,710
Weighted average number common and common equivalent shares outstanding for diluted EPS computation	18,906,851	18,559,666	18,742,219	18,209,766
Basic net (loss) income per common share:				
Undistributed (loss) income	$ (0.20)	$ 0.01	$ (0.08)	$ 1.24
Total basic	**$ (0.20)**	**$ 0.01**	**$ (0.08)**	**$ 1.24**
Diluted net (loss) income per common share:				
Undistributed (loss) income	$ (0.20)	$ 0.01	$ (0.08)	$ 1.20
Total diluted	**$ (0.20)**	**$ 0.01**	**$ (0.08)**	**$ 1.20**

	Three Months Ended March 31, 2024 (unaudited)	Three Months Ended March 31, 2023 (unaudited)
Numerator		
Net income	$ 1,322,821	$ 1,387,514
Less: Net income allocated to participating share awards	(14,688)	(12,857)
Net income attributable to non-controlling interest	12,118	24,960
Undeclared distributions to preferred stockholders	(1,994,312)	(1,994,312)
Net loss attributable to common stockholders for EPS computation	**$ (674,061)**	**$ (594,695)**
Denominator		
Weighted average number common shares outstanding for basic EPS computation	19,359,601	18,635,004
Effect of dilutive participating securities:		
Unvested restricted shares	— (1)	— (1)
Weighted average number common and common equivalent shares outstanding for diluted EPS computation	19,359,601	18,635,004
Basic net loss per common share:		
Undistributed loss	$ (0.03)	$ (0.03)
Total basic	**$ (0.03)**	**$ (0.03)**
Diluted net loss per common share:		
Undistributed loss	$ (0.03)	$ (0.03)
Total diluted	**$ (0.03)**	**$ (0.03)**

(1) Anti-dilutive, therefore not included.

The accounting for unvested share-based payment awards included in the calculation of earnings per share changed. Share-based awards that contain nonforfeitable rights to dividends or dividend equivalents, whether paid or unpaid, are now participating securities and included in the computation of both basic and diluted earnings per share. Our grants of restricted stock awards to our employees

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and directors are considered participating securities, and we have prepared our earnings per share calculations to include outstanding unvested restricted stock awards in the basic and diluted weighted average shares outstanding calculation.

Income (Loss) Loss Per Unit – The computation of basic net income (loss) loss per unit is presented below:

	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Numerator						
Net (loss) income	$ (2,065,826)	$ 1,972,563	$ 4,579,359	$ 28,766,978		
Less: Net loss (income) allocated to participating unit awards	28,008	(6,597)	(58,032)	(94,522)		
Net income					$ 1,322,821	$ 1,387,514
Less: Net income allocated to participating unit awards					(14,688)	(12,857)
Undeclared distributions to preferred unitholders	(1,994,313)	(1,813,820)	(5,982,938)	(5,639,906)	(1,994,312)	(1,994,312)
Gain on extinguishment of preferred units	—	(97,157)	—	64,518		

Net (loss) income attributable to unitholders for EPU computation	**$ (4,032,131)**	**$ 54,989**	**$ (1,461,611)**	**$ 23,097,068**		
Net loss attributable to unitholders for EPU computation					**$ (686,179)**	**$ (619,655)**
Denominator						
Weighted average number of units outstanding for basic EPU computation	19,810,991	19,501,310	19,807,797	19,116,224	19,975,888	19,832,279
Effect of dilutive participating securities:						
Unvested restricted units	— (1)	65,000	— (1)	62,606	— (1)	— (1)
Unit compensation awards unissued	— (1)	37,912	— (1)	129,002		
Weighted average number of equivalent units outstanding for diluted EPU computation	19,810,991	19,604,222	19,807,797	19,307,832	19,975,888	19,832,279
Basic net (loss) income per unit:						
Undistributed (loss) income	$ (0.20)	$ -	$ (0.07)	$ 1.21		
Basic net loss per unit:						
Undistributed loss					$ (0.03)	$ (0.03)
Total basic	**$ (0.20)**	**$ -**	**$ (0.07)**	**$ 1.21**	**$ (0.03)**	**$ (0.03)**
Diluted net (loss) income per unit:						
Undistributed (loss) income	$ (0.20)	$ -	$ (0.07)	$ 1.20		
Diluted net loss per unit:						
Undistributed loss					$ (0.03)	$ (0.03)
Total diluted	**$ (0.20)**	**$ -**	**$ (0.07)**	**$ 1.20**	**$ (0.03)**	**$ (0.03)**

(1) Anti-dilutive, therefore not included.

13. Subsequent Events

On October 30, 2023 April 29, 2024, we authorized payment of a quarterly distribution of $0.50 per share (and unit) of Series B Preferred Stock (and Series B Preferred Units) to holders of the Series B Preferred Stock (and Series B Preferred Units) of record as of November 30, 2023 May 31, 2024, to be paid on December 15, 2023 June 17, 2024.

On October 30, 2023 April 29, 2024, we authorized payment of a quarterly distribution of $0.4921875 per share (and unit) of Series C Preferred Stock (and Series C Preferred Units) to holders of the Series C Preferred Stock (and Series C Preferred Units) of record as of November 30, 2023 May 31, 2024, to be paid on December 15, 2023 June 17, 2024.

On October 30, 2023 April 29, 2024, we authorized payment of a quarterly distribution of $0.515625 per share (and unit) of Series D Preferred Stock (and Series D Preferred Units) to holders of the Series D Preferred Stock (and Series D Preferred Units) of record as of November 30, 2023 May 31, 2024, to be paid on December 15, 2023 June 17, 2024.

Effective as of October 29, 2023 On April 29, 2024, we the Company entered into a loan amendment to extend the maturity date on 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 amendment: documents, the mortgage loan: (i) has a principal balance of approximately $35.9 million; (ii) extends the maturity date was extended by two years to December April 29, 2023 2026 and (ii) the ; (iii) continues to carry a floating interest rate was increased to 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 also received (i) made a waiver principal payment of non-compliance with financial covenants for $3.0 million; (ii) funded $0.3 million to the period ended June 30, 2023, conditioned upon interest reserve escrow, bringing the increase 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 maintained by as early as June 30, 2025 assuming compliance with the lender financial covenants. On May 3, 2024, an affiliate of the Company entered into an interest rate cap with a notional amount of $450,000 26.0 million with Webster Bank, N.A. The cap has a strike rate of 3.0%, which the Company made. The loan continues is indexed to be guaranteed by the Operating Partnership. We are in negotiations with the lender to further modify SOFR, and extend the mortgage loan. expires on

32May 1, 2026

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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; requires monthly payments of interest at a floating interest rate of SOFR plus 3.00% plus principal of $38,700. Proceeds of the loan were used to repay the existing indebtedness.

On July 29, 2024, we authorized payment of a quarterly distribution of $0.50 per share (and unit) of Series B Preferred Stock (and Series B Preferred Units) to holders of the Series B Preferred Stock (and Series B Preferred Units) of record as of August 30, 2024, to be paid on September 16, 2024.

On July 29, 2024, we authorized payment of a quarterly distribution of $0.4921875 per share (and unit) of Series C Preferred Stock (and Series C Preferred Units) to holders of the Series C Preferred Stock (and Series C Preferred Units) of record as of August 30, 2024, to be paid on September 16, 2024.

On July 29, 2024, we authorized payment of a quarterly distribution of $0.515625 per share (and unit) of Series D Preferred Stock (and Series D Preferred Units) to holders of the Series D Preferred Stock (and Series D Preferred Units) of record as of August 30, 2024, to be paid on September 16, 2024.

33 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. Proceeds of the loan were used for working capital.

On October 28, 2024, we authorized payment of a quarterly distribution of $0.50 per share (and unit) of Series B Preferred Stock (and Series B Preferred Units) to holders of the Series B Preferred Stock (and Series B Preferred Units) of record as of November 29, 2024, to be paid on December 16, 2024.

On October 28, 2024, we authorized payment of a quarterly distribution of $0.4921875 per share (and unit) of Series C Preferred Stock (and Series C Preferred Units) to holders of the Series C Preferred Stock (and Series C Preferred Units) of record as of November 29, 2024, to be paid on December 16, 2024.

On October 28, 2024, we authorized payment of a quarterly distribution of $0.515625 per share (and unit) of Series D Preferred Stock (and Series D Preferred Units) to holders of the Series D Preferred Stock (and Series D Preferred Units) of record as of November 29, 2024, to be paid on December 16, 2024.

Item 2. ***Management’s Discussion and Analysis of Financial Condition and Results of Operations***

Cautionary Statement Regarding Forward Looking Statements

Information included and incorporated by reference in this Form 10-Q may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and as such may involve known and unknown risks, uncertainties and other factors, which may cause our actual results, performance or achievements to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. 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 pro 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 refinar or seek an extension of the maturity of such indebtedness or further modification of such debt agreements on similar or more favorable te
- 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 mainten 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 our Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023.

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.

Overview

Sotherly Hotels Inc. is a self-managed and self-administered lodging REIT incorporated in Maryland in August 2004 and focused on the acquisition, renovation, up-branding and repositioning of upscale to upper-upscale full-service hotels in the southern United States. Sotherly may also opportunistically acquire hotels throughout the United States. Substantially all of the assets of Sotherly Hotels Inc. are held by, and all of its operations are conducted through, Sotherly Hotels LP. We commenced operations in December 2004 when we completed our initial public offering and thereafter consummated the acquisition of the Initial Properties.

Our hotel portfolio currently consists of ten full-service, primarily upscale and upper-upscale hotels, comprising 2,786 rooms, as well as interests in two condominium hotels and their associated rental programs. The Company owns hotels that operate under well-known brands such as DoubleTree by Hilton, Tapestry Collection by Hilton, and Hyatt Centric, as well as independent hotels. We sometimes refer to our independent and soft-branded properties as our collection of boutique hotels. As of September 30, 2023 March 31, 2024, our portfolio consisted of the following hotel properties:

Property	Number of Rooms	Location	Date of Acquisition	Chain/Class Designation	Number of Rooms	Location	Date of Acquisition	Chain/Class Designation
Wholly-owned Hotels								
The DeSoto	246	Savannah, GA	December 21, 2004	Upper Upscale(1)	246	Savannah, GA	December 21, 2004	Upper Upscale(1)
DoubleTree by Hilton Jacksonville Riverfront	293	Jacksonville, FL	July 22, 2005	Upscale	293	Jacksonville, FL	July 22, 2005	Upscale
DoubleTree by Hilton Laurel	208	Laurel, MD	December 21, 2004	Upscale	208	Laurel, MD	December 21, 2004	Upscale
DoubleTree by Hilton Philadelphia Airport	331	Philadelphia, PA	December 21, 2004	Upscale	331	Philadelphia, PA	December 21, 2004	Upscale
DoubleTree Resort by Hilton Hollywood Beach	311	Hollywood, FL	August 9, 2007	Upscale	311	Hollywood, FL	August 9, 2007	Upscale
Georgian Terrace	326	Atlanta, GA	March 27, 2014	Upper Upscale(1)	326	Atlanta, GA	March 27, 2014	Upper Upscale(1)
Hotel Alba Tampa, Tapestry Collection by Hilton	222	Tampa, FL	October 29, 2007	Upscale	222	Tampa, FL	October 29, 2007	Upscale
Hotel Ballast Wilmington, Tapestry Collection by Hilton	272	Wilmington, NC	December 21, 2004	Upscale	272	Wilmington, NC	December 21, 2004	Upscale
Hyatt Centric Arlington	318	Arlington, VA	March 1, 2018	Upper Upscale	318	Arlington, VA	March 1, 2018	Upper Upscale

The Whitehall	259	Houston, TX	November 13, 2013	Upper Upscale(1)	259	Houston, TX	November 13, 2013	Upper Upscale(1)
Hotel Rooms Subtotal	2,786				2,786			
Condominium Hotels								
Hyde Resort & Residences	71	(2) Hollywood, FL	January 30, 2017	Luxury(1)				
Lyfe Resort & Residences					66 (2)	Hollywood, FL	January 30, 2017	Luxury(1)
Hyde Beach House Resort & Residences	76	(2) Hollywood, FL	September 27, 2019	Luxury(1)	74 (2)	Hollywood, FL	September 27, 2019	Luxury(1)
Total Hotel & Participating Condominium Hotel Rooms	2,933				2,926			

(1) Operated as an independent hotel.

(2) Reflects only those condominium units that were participating in the rental program, as of September 30, 2023 March 31, 2024. At any giv 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 our Operating Partnership. We are the sole general partner of our Operating Partnership, and we own an approximate 98.2% interest in our Operating Partnership, as of the date of this report, with the remaining interest being held by limited partners who were the contributors of our Initial 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 MHI TRS Entities, which are indirect wholly-owned subsidiaries of the Operating Partnership. Our MHI TRS Entities then engage an eligible independent hotel management company to operate the hotels under a management

agreement. Our MHI TRS Entities have engaged Our Town to manage our hotels. Our MHI TRS Entities, and their parent, MHI Hospitality TRS Holding, Inc., are consolidated into each of our financial statements for accounting purposes. The earnings of MHI Hospitality TRS Holding, Inc. are subject to taxation similar to other C corporations.

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 of the additional variable operating costs associated with higher occupancy.

When calculating composite portfolio metrics, we include available rooms at the Hyde 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 FFO, Adjusted FFO and Hotel EBITDA as measures of our operating performance. See "Non-GAAP Financial Measures."

Results of Operations

The following tables illustrate the key operating metrics for the three and nine months ended September 30, 2023 March 31, 2024 and 2022, 2023, respectively, for the Company's wholly-owned properties ("actual" portfolio metrics). Accordingly, the actual data does not include the participating condominium hotel rooms of the Hyde Lyfe Resort & Residences and the Hyde Beach House Resort & Residences. The ten wholly-owned properties in the portfolio that were under the Company's control during the three and nine months ended September 30, 2023 and the corresponding period in 2022 are considered same-store properties ("same-store" portfolio metrics). Accordingly, the same-store data does not reflect the performance of the Sheraton Louisville Riverside which was sold in February 2022, or the DoubleTree by Hilton Raleigh-Brownstone University which was sold in June 2022. The composite portfolio metrics represent the Company's wholly-owned properties and the participating condominium hotel rooms at the Hyde Lyfe Resort & Residences and the Hyde Beach House Resort & Residences, during the three and nine months ended September 30, 2023 March 31, 2024 and the corresponding period in 2022. The same-store (composite) portfolio metrics includes all properties with the exceptions of the Sheraton Louisville

Riverside and the DoubleTree by Hilton Raleigh-Brownstone University, during the three and nine months ended September 30, 2023, and the corresponding period in 2022. 2023.

	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
Actual Portfolio Metrics						

Occupancy %	62.4 %	63.0 %	64.5 %	61.7 %	64.2 %	60.5 %
ADR	$ 164.14	$ 161.77	$ 179.18	$ 170.13	$ 182.75	$ 187.19
RevPAR	$ 102.46	$ 101.87	$ 115.59	$ 105.00	$ 117.30	$ 113.27
Same-Store Portfolio Metrics						
Occupancy %	62.4 %	63.0 %	64.5 %	62.3 %		
ADR	$ 164.14	$ 161.77	$ 179.18	$ 171.32		
RevPAR	$ 102.46	$ 101.87	$ 115.59	$ 106.74		
Composite Portfolio Metrics						
Occupancy %	61.5 %	62.0 %	63.8 %	61.2 %	64.9 %	60.4 %
ADR	$ 167.10	$ 168.18	$ 184.83	$ 181.72	$ 190.50	$ 197.07
RevPAR	$ 102.82	$ 104.19	$ 117.89	$ 111.16	$ 123.59	$ 119.06
Same-Store (Composite) Portfolio Metrics						
Occupancy %	61.5 %	62.0 %	63.8 %	61.7 %		
ADR	$ 167.10	$ 168.18	$ 184.83	$ 183.25		
RevPAR	$ 102.82	$ 104.19	$ 117.89	$ 113.07		

Comparison of the Three Months Ended September 30, 2023 March 31, 2024, to the Three Months Ended September 30, 2022 March 31, 2023

Revenue. Total revenue for the three months ended September 30, 2023 March 31, 2024, decreased slightly increased by 0.1% approximately $3.0 million, and was essentially flat at or 7.0%, to approximately $39.2 million $46.5 million compared to total revenue of approximately $39.2 million $43.5 million for the three months ended September 30, 2022 March 31, 2023. Increases in total revenue at four eight of our wholly-owned properties of approximately $4.0 million, were offset by decreases at eight four of our other properties, resulted by approximately $1.0 million. The aggregate increase in a small decrease total revenue reflects an overall increase in aggregate revenue room occupancy by 4.5%. We also received higher food and beverage revenues and increased other operating revenues, coming from better group business for the period. quarter ended March 31, 2024, versus the comparable period in 2023.

Room revenue increased approximately $0.2 million $1.3 million, or 0.6% 4.7%, to approximately $26.3 million $29.7 million for the three months ended September 30, 2023 March 31, 2024, compared to room revenue of approximately $26.1 million $28.4 million for the three months ended September 30, 2022 March 31, 2023. RevPAR for the three month period increased 0.6% 3.8% from $101.87 $119.06 in 2022, 2023, to $102.46 $123.59 in 2023, 2024, driven by a 0.6% decrease in occupancy and a 1.5% 4.5% increase in ADR. occupancy. Increases in room revenue at four eight of our wholly-owned properties were driven by increases in small group and corporate business travel demand and offset room revenue decreases at the remaining six two wholly-owned properties.

Food and beverage revenues increased approximately $0.7 million $1.0 million, or 10.4% 11.5%, to approximately $7.5 million $9.7 million for the three months ended September 30, 2023 March 31, 2024 compared to food and beverage revenues of approximately $6.8 million $8.7 million for the three months ended September 30, 2022 March 31, 2023. Increases in banqueting and catering for small groups and meetings as well as increases in demand at our restaurant outlets at eight seven of our wholly-owned properties offset decreases at the remaining two three wholly-owned properties.

Revenue from other operating departments decreased increased approximately $0.9 million $0.7 million, or 14.1% 11.3%, to approximately $5.4 million $7.0 million for the three months ended September 30, 2023 March 31, 2024 compared to revenue from other operating departments of approximately $6.3 million for the three months ended September 30, 2022 March 31, 2023. Most of the decrease increases related to lower higher net revenue related to the rental programs we manage for participating unit owners at the condominium hotel properties in Hollywood, Florida. Florida and increases in parking revenues.

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 $2.2 million $2.8 million, or 7.6% 8.8%, to approximately $31.6 million $34.2 million for the three months ended September 30, 2023 March 31, 2024, compared to total hotel operating expenses of approximately $29.4 million $31.4 million for the three months ended September 30, 2022 March 31, 2023. The increase in hotel operating expenses for the three months ended September 30, 2023 March 31, 2024, resulted from an aggregate increase in at ten of our hotel properties by approximately $3.0 million $3.4 million, offset by decreases totaling approximately $0.8 million $0.6 million from two of our properties. This increase in hotel operating expenses was directly related to the increases in room revenues, food and beverage revenues and other operating expenses at a number of our hotels and higher indirect expenses as described below.

Rooms Room expense for the three months ended September 30, 2023 decreased March 31, 2024 increased by approximately $0.1 million, or 1.6% 2.2%, to approximately $6.4 million $6.5 million, compared to rooms expense for the three months ended September 30, 2022 March 31, 2023 of approximately $6.5 million $6.4 million. The decrease increase was directly related to the increase in rooms expense for the three months ended September 30, 2023, resulted from an aggregate decrease in four

of our hotel properties by approximately $0.4 million, offset by increases totaling approximately $0.3 million from six of our properties. room revenue.

Food and beverage expenses for the three months ended September 30, 2023 March 31, 2024 increased approximately $0.9 million $0.5 million, or 18.5% 8.9%, to approximately $5.6 million $6.4 million, compared to food and beverage expenses of approximately $4.7 million $5.9 million, for the three months ended September 30, 2022 March 31, 2023. The net increase in food and beverage expenses for the three months ended September 30, 2023 March 31, 2024, resulted from an aggregate increase of approximately $0.9 million $0.7 million from nine eight of our properties, with a slight offset decrease by one of offsetting decreases at our remaining properties. The increase was directly related to the increase in food and beverage revenue.

Expenses from other operating departments for the three months ended September 30, 2023 March 31, 2024, decreased increased approximately $0.2 million $0.4 million or 7.9% 16.0%, to approximately $2.2 million $2.7 million, compared to other operating departments expense for the three months ended September 30, 2022 March 31, 2023 of approximately $2.4 million $2.3 million. The decrease increase was directly related to the increase in other operating departments expense for the three months ended September 30, 2023, resulted from seven of our properties. revenue.

Indirect expenses at our wholly-owned properties for the three months ended September 30, 2023 March 31, 2024 increased approximately $1.6 million $1.7 million, or 10.4%, to approximately $17.3 million $18.5 million, compared to indirect expenses of approximately $15.7 million $16.8 million for the three months ended September 30, 2022 March 31, 2023. An increase Increases in real estate property taxes of approximately $0.5 million, in insurance expenses by approximately $0.8 million, driven by an increase in real estate and personal property taxes accounted for a majority of the increase. We also saw an increase of approximately $0.4 million driven by an increase increases in premiums for property and casualty coverage, which accounted for a significant amount of the increase. Increased also increases in energy and utilities and increased payroll costs due to increased staffing levels also contributed to accounted for the increase. amount of the increase in indirect expenses.

Corporate General and Administrative. Corporate general and administrative expenses for the three months ended September 30, 2023 March 31, 2024, decreased approximately $0.1 million, or 7.6% 3.2%, to approximately $1.7 million $1.9 million compared to corporate general and administrative expenses of approximately $1.8 million $2.0 million, for the three months ended September 30, 2022 March 31, 2023. A decrease in professional fees for the current quarter accounted for the majority of the this decrease.

Interest Expense. Interest expense for the three months ended September 30, 2023 March 31, 2024, increased approximately $0.3 $0.8 million, or 5.7% 18.8%, to approximately $4.5 $4.9 million, as compared to interest expense of approximately $4.2 million $4.1 million, for the three months ended September 30, 2022 March 31, 2023. The increase in interest expense for the three months ended September 30, 2023 March 31, 2024, was substantially related to increases in from interest rate swaps ending for both our mortgage loans on our properties DoubleTree by Hilton Philadelphia Airport and Hotel Alba Tampa, Tapestry Collection by Hilton. This affected the amount of corporate debt affected interest expense by increasing interest rates on the these variable rate mortgages. We also refinanced the Hotel Alba Tampa, Tapestry Collection by Hilton mortgage during the quarter ended March 31, 2024, which increased the loan amount and increased the interest rate to a fixed rate of 8.49%.

Realized Gain and Unrealized Gain Loss on Hedging Activities. As of September 30, 2023 March 31, 2024, the fair market value of our there were no interest rate swap assets are approximately $1.3 million. swaps or caps. The unrealized realized gain on hedging activities during the three months ended September 30, 2023 March 31, 2024, was approximately $0.1 million $1.0 million, due to

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termination of the Hotel Alba Tampa, Tapestry Collection by Hilton interest rate swap. There was also an unrealized loss on the fair value of this swap of approximately $0.7 million, resulting in a net gain of approximately $0.3 million, compared to a gain loss of approximately $1.4 million $0.4 million during the three months ended September 30, 2022 March 31, 2023. The unrealized gain on hedging activities was driven by changes in expectation of short-term rates over the term of the hedging instruments offset by any decrease in the remaining term of each instrument.

Gain on Involuntary Conversion of Assets. Gain on involuntary conversion of assets decreased increased approximately $0.9 million $0.1 million, from approximately $1.4 million $0 million for the three months ended September 30, 2022 March 31, 2023 to approximately $0.5 million $0.1

million, for the three months ending September 30, 2023 March 31, 2024. The gains were gain was related to casualties at one of our properties in Savannah, Georgia and Atlanta, Georgia. Hollywood, Florida.

Income Taxes. We had an income tax benefit provision of $354,398 $18,093 for the three months ended September 30, 2023 March 31, 2024, compared to an income tax provision of $12,474, $15,182, for the three months ended September 30, 2022.

Net (Loss) Income. We realized a net loss for the three months ended September 30, 2023, of approximately $2.1 million, compared to a net income of approximately $2.0 million, for the three months ended September 30, 2022, because of the operating results discussed above.

Comparison of the Nine Months Ended September 30, 2023, to the Nine Months Ended September 30, 2022

Revenue. Total revenue for the nine months ended September 30, 2023, increased approximately $7.0 million, or 5.6%, to approximately $131.7 million compared to total revenue of approximately $124.7 million for the nine months ended September 30, 2022. There was a net aggregate increase in total revenue of approximately $13.6 million, at eight of our wholly-owned properties, offset mainly by decreases at our three Hollywood Beach, Florida properties. There was also a decrease of approximately $3.2 million related to the disposition of the Sheraton Louisville Riverside in February 2022 and the DoubleTree by Hilton Raleigh Brownstone University in June 2022.

Room revenue increased approximately $4.4 million, or 5.3%, to approximately $87.9 million for the nine months ended September 30, 2023, compared to room revenue of approximately $83.5 million for the nine months ended September 30, 2022. RevPAR increased 10.1% from $105.00 for the nine month period ended September 30, 2022, to $115.59 for the same period in 2023,

driven by a 2.8% increase in occupancy and a 5.3% increase in ADR offset by a 4.4% decrease in rooms available for sale as a result of the sale of the DoubleTree by Hilton Raleigh Brownstone – University in June 2022. Increases in room revenue at seven of our wholly-owned properties were driven by increases in small group and corporate business travel demand and offset decreases in room revenue at the remaining three wholly-owned properties.

Food and beverage revenues increased approximately $5.7 million, or 27.9%, to approximately $25.8 million for the nine months ended September 30, 2023, compared to food and beverage revenues of approximately $20.1 million for the nine months ended September 30, 2022. Increases in banqueting and catering for small groups and meetings as well as increases in demand at our restaurant outlets at nine of our wholly-owned properties offset a decrease at the remaining wholly-owned property.

Revenue from other operating departments revenues decreased approximately $3.1 million, or 14.6%, to approximately $18.0 million for the nine months ended September 30, 2023, compared to revenue from other operating departments of approximately $21.1 million for the nine months ended September 30, 2022. Most of the decrease related to lower net revenue related to the rental programs we manage for participating unit owners at the condominium hotel properties in Hollywood, Florida. Additionally, in the comparable nine month period of 2022, we had received a one-time $1.0 million grant from the state of North Carolina, which was not available and which we did not receive in 2023.

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 $7.0 million, or 7.8%, to approximately $97.2 million for the nine months ended September 30, 2023, compared to total hotel operating expenses of approximately $90.2 million for the nine months ended September 30, 2022. The increase in hotel operating expenses for the nine months ended September 30, 2023, resulted from an aggregate increase in total hotel operating expenses of approximately $10.7 million from ten of our properties, offset by decreases totaling approximately $1.3 million from two of our properties in addition to a decrease of approximately $2.4 million, as a result of the sales of the Sheraton Louisville Riverside in February 2022 and the DoubleTree by Hilton Raleigh Brownstone University in June 2022. This increase in hotel operating expenses was directly related to the increase in revenue.

Rooms expense for the nine months ended September 30, 2023, increased by approximately 0.2 million, or 0.9%, to approximately $19.9 million, compared to rooms expense for the nine months ended September 30, 2022 of approximately $19.7 million. The increase in rooms expense for the nine months ended September 30, 2023, resulted from an aggregate increase of approximately $1.6 million from seven of our hotel properties, offset by a decrease totaling approximately $0.7 million from three of our properties in addition to a decrease of approximately $0.7 million, as a result of the sales of the Sheraton Louisville Riverside in February 2022 and the DoubleTree by Hilton Raleigh Brownstone University in June 2022.

Food and beverage expenses for the nine months ended September 30, 2023, increased approximately $4.1 million, or 29.3%, to approximately $17.9 million, compared to food and beverage expenses of approximately $13.8 million, for the nine months ended September 30, 2022. The net increase in food and beverage expenses for the nine months ended September 30, 2023, resulted from an aggregate increase of approximately $4.3 million, offset by a decrease totaling approximately $0.2 million, as a result of the sales of the Sheraton Louisville Riverside in February 2022 and the DoubleTree by Hilton Raleigh Brownstone University in June 2022. The increase was directly related to the increase in food and beverage revenue.

Expenses from other operating departments for the nine months ended September 30, 2023, decreased approximately $0.7 million or 8.7%, to approximately $6.8 million, compared to other operating departments expense for the nine months ended September 30, 2022 of approximately $7.5 million. The decrease in other operating departments expense for the nine months ended September 30, 2023, resulted from an aggregate decrease of approximately $0.9 million from six of our properties, including the two disposed properties, offset by an increase totaling approximately $0.2 million from six of our properties.

Indirect expenses at our wholly-owned properties for the nine months ended September 30, 2023, increased approximately $3.4 million, or 7.0%, to approximately $52.5 million, compared to indirect expenses of approximately $49.1 million for the nine months ended September 30, 2022. There was a net aggregate increase of approximately $5.5 million from ten of our properties, offset by a decrease of approximately $2.0 million from two of our properties. The increases were driven by an approximately $1.9 million increase in premiums for property and casualty insurance coverage and increased payroll costs due to additional staffing levels. These increases were offset by a decrease of approximately $1.5 million, as a result of the dispositions of the Sheraton Louisville Riverside in February 2022 and the DoubleTree by Hilton Raleigh Brownstone University in June 2022.

Corporate General and Administrative. Corporate general and administrative expenses for the nine months ended September 30, 2023, increased approximately $0.7 million, or 14.3%, to approximately $5.5 million compared to corporate general and administrative expenses of approximately $4.8 million, for the nine months ended September 30, 2022. A benefit of approximately $0.2 million in the prior period related to the employee retention credit, as well as an increase in employee compensation, audit, legal and other professional fees of approximately $0.9 million contributed to the increase.

Interest Expense. Interest expense for the nine months ended September 30, 2023, decreased approximately $2.4million, or 15.8%, to approximately $12.9million, as compared to interest expense of approximately $15.3 million, for the nine months ended September 30, 2022. The decrease in interest expense for the nine months ended September 30, 2023, was substantially related to decreases in the amount of corporate debt attributable to the sales of the Sheraton Louisville Riverside in February 2022 and the DoubleTree by Hilton Raleigh Brownstone University in June 2022 and the extinguishment of certain secured notes in June 2022.

Unrealized (Loss)/Gain on Hedging Activities. As of September 30, 2023, the fair market value of our interest rate swap assets is approximately $1.3 million. The unrealized loss on hedging activities during the nine months ended September 30, 2023, was approximately $0.1 million, as compared to a $3.0 million gain during the nine months ended September 30, 2022. The unrealized loss on hedging activities was driven by changes in expectation of short-term rates over the term of the hedging instruments.

Income Taxes. We had an income tax benefit of $322,679 for the nine months ended September 30, 2023, compared to an income tax provision of $33,744, for the nine months ended September 30, 2022 March 31, 2023.

Net Income. We realized a net income for the nine three months ended September 30, 2023 March 31, 2024, of approximately $4.6 million $1.3 million, compared to a net income of approximately $28.8 million $1.4 million, for the nine three months ended September 30, 2022 March 31, 2023, because of the operating results discussed above and the dispositions of the Sheraton Louisville Riverside in February 2022 and the DoubleTree by Hilton Raleigh Brownstone University in June 2022. above.

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 Funds from Operations ("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 conversions of assets, plus certain non-cash items such as real estate asset depreciation and amortization or impairment, stock compensation costs 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 or warrant derivative, loan impairment losses, 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, over-assessed real estate taxes on appeal, management contract termination costs, operating asset depreciation and amortization, change in control gains or losses, ESOP and stock compensation expenses and acquisition transaction costs. 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 three and nine months ended September 30, 2023March 31, 2024 and 2022: 2023:

	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
Net (loss) income	**$ (2,065,826)**	**$ 1,972,563**	**$ 4,579,359**	**$ 28,766,978**		
Net income					**$ 1,322,821**	**$ 1,387,514**
Depreciation and amortization - real estate	4,702,148	4,690,712	14,017,095	13,846,737	4,754,911	4,564,625
Gain on involuntary conversion of assets					(122,391)	(16,476)
FFO					**5,955,341**	**5,935,663**
Distributions to preferred stockholders	(1,994,313)	(1,813,820)	(5,982,938)	(5,639,906)	(1,994,312)	(1,994,312)
(Gain) loss on disposal of assets	(4,700)	1,215	(4,700)	(29,562,149)		
Gain on involuntary conversion of assets	(551,729)	(1,422,295)	(1,331,374)	(1,473,842)		
FFO attributable to common stockholders and unitholders	**85,580**	**3,428,375**	**11,277,442**	**5,937,818**	**3,961,029**	**3,941,351**
Amortization	12,871	14,094	39,428	42,844	14,806	13,686
ESOP and stock - based compensation	55,763	373,256	370,714	895,945	255,956	260,463
Loss on early debt extinguishment	—	—	—	5,948,881	241,878	—

Unrealized (gain) loss on hedging activities	(103,946)	(1,457,552)	51,686	(2,992,311)		
Unrealized loss on hedging activities					704,671	442,464
Adjusted FFO attributable to common stockholders and unitholders	**$ 50,268**	**$ 2,358,173**	**$ 11,739,270**	**$ 9,829,177**	**$ 5,178,340**	**$ 4,657,964**
Weighted average number of shares outstanding, basic	18,906,851	18,045,365	18,742,219	17,598,153	19,359,601	18,635,004
Weighted average number of non-controlling units	578,744	1,043,033	724,555	1,095,284	364,186	825,188
Weighted average number of shares and units outstanding, basic	**19,485,595**	**19,088,398**	**19,466,774**	**18,693,437**	**19,723,787**	**19,460,192**
FFO per common share and unit	$ 0.00	$ 0.18	$ 0.58	$ 0.32	$ 0.20	$ 0.20
Adjusted FFO per common share and unit	$ 0.00	$ 0.12	$ 0.60	$ 0.53	$ 0.26	$ 0.24

EBITDA. We believe that excluding the effect of non-operating expenses and non-cash charges, and the portion of those items related to unconsolidated entities, all of which are also based on historical cost accounting and may be of limited significance in evaluating current performance, can help eliminate the accounting effects of depreciation and financing decisions and facilitate comparisons of core operating profitability between periods and between REITs, even though EBITDA also does not represent an amount that accrued directly to shareholders.

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) loss on early debt extinguishment, (10) Paycheck Protection Program (PPP) debt forgiveness, (11) gain on exercise of development right, (12) corporate general and administrative expense, and (13) other operating revenue not related to our wholly-owned portfolio. 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.

The following is a reconciliation of net income (loss) to Hotel EBITDA for the three and nine months ended September 30, 2023 March 31, 2024 and 2022: 2023:

	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
Net (loss) income	**$ (2,065,826)**	**$ 1,972,563**	**$ 4,579,359**	**$ 28,766,978**		
Net income					**$ 1,322,821**	**$ 1,387,514**
Interest expense	4,466,630	4,224,387	12,868,595	15,280,531	4,888,806	4,113,597
Interest income	(222,878)	(40,581)	(592,315)	(92,515)	(214,772)	(146,665)
Income tax (benefit) provision	(354,398)	12,474	(322,679)	33,744		
Income tax provision					18,093	15,182
Depreciation and amortization	4,715,019	4,704,806	14,056,523	13,889,621	4,769,717	4,578,311
EBITDA	**6,538,547**	**10,873,649**	**30,589,483**	**57,878,359**	**10,784,665**	**9,947,939**

PPP loan forgiveness	—	—	(275,494)	—	—	(275,494)
Other income					(124,877)	—
Loss on early debt extinguishment	—	—	—	5,944,881	241,878	—
(Gain) loss on disposal of assets	(4,700)	1,215	(4,700)	(29,562,149)		
Gain on involuntary conversion of assets	(551,729)	(1,422,295)	(1,331,374)	(1,473,842)	(122,391)	(16,476)
Subtotal	**5,982,118**	**9,452,569**	**28,977,915**	**32,787,249**	**10,779,275**	**9,655,969**
Corporate general and administrative	1,688,535	1,827,746	5,458,340	4,774,139	1,916,526	1,980,765
Unrealized (gain) loss on hedging activities	(103,946)	(1,457,552)	51,686	(2,992,311)		
Realized (gain) and unrealized loss on hedging activities					(335,446)	442,464
Hotel EBITDA	**$ 7,566,707**	**$ 9,822,763**	**$ 34,487,941**	**$ 34,569,077**	**$ 12,360,355**	**$ 12,079,198**

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 and 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 September 30, 2023 March 31, 2024, we had approximately $19.2 million $29.3 million of unrestricted cash and $10.2 million $10.3 million of restricted cash.

Operating Activities. Our net cash flow provided by operating activities for the nine three months ended September 30, 2023 March 31, 2024, was approximately $18.5 million $8.1 million, generally consisting of net cash flow provided by hotel operations. The positive cash flow from operations during the quarter and increase from the prior year was due to the increase in occupancy at our hotels as a result of increases in leisure transient, small group and corporate business travel. 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 nine three months ended September 30, 2023 March 31, 2024, was approximately $4.6 million $2.3 million. Of this amount approximately $6.1 million $2.4 million was related to capital expenditures for improvements and additions to hotel properties. There were also insurance proceeds related to involuntary conversions of approximately $1.3 million and proceeds from the grant of a utility easement of approximately $0.1 million.

Financing Activities. During the nine three months ended September 30, 2023 March 31, 2024, the Company and Operating Partnership received proceeds from a mortgage loan of $35.0 million, received proceeds from the redemption of the Tampa interest rate swap of approximately $2.7 million $1.0 million, made principal payments on its our mortgages of approximately $5.6 million $25.6 million, payments on its our unsecured notes of approximately $0.6 million $0.2 million and payments on deferred financing costs of approximately $0.4 million $0.6 million, and paid preferred dividends of approximately $8.0 million $2.0 million.

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. For 2024, we expect total capital expenditures for the routine replacement and refurbishment of furniture, fixtures and equipment for 2024 to be approximately $7.0 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 all of our hotels. We deposit an amount equal to 4.0% of gross revenue for The

DeSoto, the Hotel Ballast Wilmington, Tapestry Collection by Hilton, the Hotel Alba Tampa, Tapestry Collection by Hilton, the DoubleTree Resort by Hilton Hollywood Beach, the DoubleTree by Hilton Jacksonville Riverside, the DoubleTree by Hilton Laurel, The Whitehall 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") PIP in order to bring the hotel up to the franchisor's standards. Generally, we expect to fund renovations and improvements out of working capital, including restricted cash, replacement reserve accounts, proceeds of mortgage debt or equity offerings.

Historically, During fiscal years 2024, 2025 and 2026, we have aimed to maintain overall expect total capital expenditures except for those required by related to the renovation of our franchisors property in Philadelphia, Pennsylvania of approximately $11.5 million as condition to a 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 March 31, 2024, we had incurred costs totaling approximately $0.3 million.

During fiscal years 2024, 2025 and 2026, we expect total capital expenditures related to the renovation of our property in Jacksonville, Florida of approximately $14.6 million, as a condition to a renewal of our franchise license or license renewal, at 4.0% license. On July 8, 2024, in conjunction with the refinance of gross revenue. In 2020, the mortgage with Fifth Third Bank, N.A., we postponed all major non-essential capital expenditures. As travel demand returned, and occupancy and RevPAR gradually increased, we increased secured additional funding of $9.49 million to partially fund the level product improvement plan. The remainder of capital expenditures. We expect total the capital expenditures for 2023 to be approximately $7.6 million.

We expect capital expenditures for the recurring 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 all out of our hotels. Except as temporarily provided through loan modifications and forbearance agreements, we deposit an amount equal to 4.0% of gross revenue for The DeSoto, the Hotel Ballast Wilmington, Tapestry Collection by Hilton, the DoubleTree Resort by Hilton Hollywood Beach, the DoubleTree by Hilton Jacksonville Riverside, the DoubleTree by Hilton Laurel, The Whitehall 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. working capital.

Liquidity and Capital Resources

As of September 30, 2023 March 31, 2024, we had total cash and restricted cash of approximately $29.4 million $39.6 million. During the nine three months ended September 30, 2023 March 31, 2024, we generated had a net increase in cash, cash equivalents and restricted cash of approximately $2.1 million $13.4 million. We expect that our cash on hand combined with our cash flow from our hotels should be adequate to fund continuing operations, recurring routine 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).

On May 4, 2023 February 7, 2024, we secured a $10.0 million $35.0 million mortgage loan on the DoubleTree by Hilton Laurel hotel Hotel Alba located in Tampa, Florida with Citi Cit Real Estate Funding, Inc. Pursuant to the loan documents, the The loan has a maturity date of May 6, 2028 March 6, 2029; carries a fixed rate of interest of 7.35%; required 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 hotel. The remainder of the proceeds were used for general corporate purposes. working capital.

On April 29, 2024, we amended the mortgage loan agreement on the DoubleTree by Hilton Philadelphia Airport with the existing lender, TD Bank, N.A. The amendment extends the loan's maturity to April 29, 2026; requires payments of interest only at existing terms of interest at a floating rate based on SOFR plus 3.50%; and required a principal reduction of $3.0 million. Existing reserves were increased by $2.0 million and a separate reserve of $5.0 million was established for the anticipated renovation of the property in conjunction with the renewal of the franchise license.

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; requires monthly payments of interest at a floating interest rate of SOFR plus 3.00% plus principal of $38,700. Proceeds of the loan were used to repay the existing mortgage.

On August 14, 2024, we secured a $5.0 million second mortgage loan on the DeSoto hotel located in Savannah, GA 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.

As of the date of this report, we were current on all mortgage and other 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") covenant under the mortgage secured by the DoubleTree by Hilton Philadelphia Airport. The mortgage was set to mature on October 31, 2023, but was extended to December 29, 2023 pursuant to an amendment to the loan agreement. We anticipate a further extension of the maturity date the loan for an additional 18 to 36 months as well as a waiver of the non-compliance with the financial covenant subject to additional terms and conditions which may include a reduction of the principal balance and deposits into interest, FF&E and other reserve accounts.

In July 2024, June 2025, the mortgage on the DoubleTree by Hilton Jacksonville Riverfront The Georgian Terrace in Atlanta, Georgia matures. We intend to refinance the mortgage at but may be required to reduce the expected level of maturing indebtedness. indebtedness by an amount of up to $5.25 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 $12.5 million based upon anticipated financial performance of the property and anticipated market conditions.

We intend to continue to invest in hotel properties as suitable opportunities arise. The success of our acquisition strategy depends, in part, on our ability to access additional capital through other sources, which we expect to be limited as a result of the continuing impact economic changes in the travel industry coming out of the COVID-19 pandemic. There can be no assurance that we will continue to make investments in properties that meet our investment criteria or have access to capital during this period. Additionally, we may choose to dispose of certain hotels as a means to provide liquidity.

Over the long term, we expect to meet our liquidity requirements for hotel property acquisitions, property redevelopment, investments in new joint ventures and debt maturities, and the retirement of maturing mortgage debt, through net proceeds from additional issuances of common shares, additional issuances of preferred shares, issuances of units of limited partnership interest in

our Operating Partnership, secured and unsecured borrowings, the selective disposition of non-core assets, and cash on hand. We remain committed to a flexible capital structure and strive to maintain prudent debt leverage.

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 general economic conditions as well as the effects of the ongoing global pandemic. general economic conditions.

As described in "Liquidity and Capital Resources", as of September 30, 2023 March 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 Philadelphia Airport. We anticipate In April 2024, we obtained a waiver of non-compliance in conjunction with the financial covenants for the quarters ended September 30 and extension December 31, 2023. In May 2024, we obtained a waiver of non-compliance with the loan term. financial covenants for the quarter ended March 31, 2024.

As of September 30, 2024, we failed to maintain compliance with the financial covenants under the mortgage on the DoubleTree by Hilton Jacksonville Riverfront. If we are unable to receive a waiver, we may be required to reduce the outstanding balance with a prepayment of approximately $1.2 million or provide an equivalent amount of cash collateral until we establish compliance.

Certain of our loan agreements also include financial covenants that trigger a “cash trap”. As of September 30, 2023 March 31, 2024, we failed to meet the financial covenants under the mortgage secured by the DoubleTree Resort by Hilton Hollywood Beach and The Georgian Terrace, which triggers trigger a “cash trap” under the loan documents, requiring substantially all the revenue generated by the hotel hotels 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 respective loan agreement for exiting the “cash trap”. Subsequent to March 31, 2024, we met the requirements for exiting a cash trap under the mortgage secured by The Georgian Terrace.

Dividend Policy

We may not make distributions with respect to any shares of our common stock, unless and until full cumulate 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.

On January 24, 2023, we announced that we will resume quarterly distributions 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, we announced the declaration of a quarterly distribution to holders of our preferred stock with a record date of May 31, 2023 and a payment date of June 13, 2023.

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

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

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

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

As of September 30, 2023 March 31, 2024, the amount of cumulative unpaid dividends on our outstanding preferred shares as approximately $21.9 million. We expect that any reduction in the level of cumulative unpaid distributions will be made in the form of a series of "catch up" distributions, such as the distribution announced on May 30, 2023. The amount, timing and frequency of distributions, including additional “catch-up” distributions, will be authorized by our board of directors and based upon a variety of factors deemed relevant by the directors. No assurance can be given that the distribution policy will not change in the future.

Off-Balance Sheet Arrangements

None.

Inflation

We generate revenues primarily from lease payments from our MHI TRS Entities and net income from the operations of our MHI TRS Entities. 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 are expected to increase 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, local stay-at-home and business closure orders, and adverse weather conditions ,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 typically experience significant room demand during this period.

Critical Accounting Policies

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liability liabilities at the date of our financial statements and the reported amounts of revenue and expenses during the reporting period. It is possible that the actual amounts may differ significantly from these estimates and assumptions. It is also possible that actual amounts may differ significantly from these estimates and assumptions. We evaluate our estimates, assumptions and judgment on an ongoing basis, based on information that is available to us, our business and industry experience, and various other matters that we believe are reasonable and appropriate for consideration under the circumstances. All of our significant accounting policies, including certain critical accounting policies, are disclosed in our Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023. There have been no material changes in these critical accounting policies or the methods or assumptions we apply.

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.

Item 3. *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 September 30, 2023 March 31, 2024, we had approximately $267.8 million $275.2 million of fixed-rate debt, including the mortgage on our Tampa, Florida hotel, which is fixed by an interest rate swap to approximately 5.576%, and the PPP Loans of approximately $1.7 million $1.3 million, with a fixed rate of 1.0% and approximately $53.0 million of variable-rate debt. The weighted-average interest rate on the fixed-rate debt was 4.87% 4.9%. 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 the Prime Rate. Assuming that the aggregate amount outstanding on the mortgages on our Philadelphia, Pennsylvania and Houston, Texas hotels remains at approximately $53.0 million, the balance at September 30, 2023 March 31, 2024, the impact on our annual interest incurred and cash flows of a one percent increase in SOFR and the Prime Rate, would be approximately $0.5 million $0.4 million.

As of December 31, 2022 December 31, 2023, we had approximately $310.2 million $266.0 million of fixed-rate debt, including the mortgage on our DoubleTree by Hilton Philadelphia Airport hotel, which is fixed by an interest rate swap to 5.237%, the mortgage on our Hotel Alba Tampa, Tapestry Collection by Hilton, which is fixed by an interest rate swap to approximately 5.576% and the PPP Loans of $2.5 million $1.5 million, with a fixed rate of 1.0% and approximately $14.2 million $52.9 million of variable-rate debt. The weighted-average interest rate on the fixed-rate debt was 4.83% 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 LIBOR, SOFR, and in Prime Rate. Assuming that the aggregate amount amounts outstanding on the mortgage on The Whitehall remains at approximately $14.2 million $14.0 million and the mortgage on the DoubleTree by Hilton Philadelphia Airport remains at approximately $38.9 million, the balance at December 31, 2022 December 31, 2023, the impact on our annual interest incurred and cash flows of a one percent increase in 1-month LIBOR, SOFR and in Prime Rate, would be approximately $0.1 million $0.4 million.

Item 4. *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 Exchange Act, as required by paragraph (b) of Rules 13a-15 and 15d-15 under the Exchange Act), as of September 30, 2023 March 31, 2024. Based on that evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that, as of September 30, 2023 March 31, 2024, its disclosure controls and procedures were effective and designed to ensure that (i) information required to be disclosed in its reports

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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.

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 September 30, 2023 March 31, 2024. Based on that evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that, as of September 30, 2023 March 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.

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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.

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.

PART II

Item 1. ***Legal Proceedings***

We are not involved in any material legal proceedings, nor to our knowledge, is any material litigation threatened against us. We are involved in routine legal proceedings 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 1A. ***Risk Factors***

There have been no material changes in our risk factors from those disclosed in our annual report on Form 10-K for the year ended December 31, 2022 December 31, 2023.

Item 2. ***Unregistered Sales of Equity Securities and Use of Proceeds and Issuer Purchases of Equity Securities***

From time to time, the Operating Partnership issues limited partnership units to the Company, as required by the Partnership Agreement, to mirror the capital structure of the Company to reflect additional issuances by the Company and to preserve equitable ownership ratios.

Item 3. ***Defaults upon Senior Securities***

Preferred Stock

The Company's distribution on the shares of the Series B Preferred Stock, Series C Preferred Stock, and Series D Preferred Stock are in arrears for nine eleven quarterly periods. When distributions on any shares of the Company's Series B Preferred Stock, Series C Preferred Stock and Series D Preferred Stock are in arrears for six or more quarterly periods, whether or not consecutive, the holders of the Company's preferred stock shall be 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. In addition, the Company may not make distributions with respect to any shares of its common stock, unless and until full cumulative distributions on the preferred stock for all past unpaid periods are paid or declared and a sum sufficient for the payment thereof in cash is set aside.

As of November 10, 2023 October 29, 2024, the Company has deferred payment and is in arrears on dividends for the Company's Series B Preferred Stock, Series C Preferred Stock, and Series D Preferred Stock for the periods ending March 31, 2021, June 30, 2021, September 30, 2021, December 31, 2021, March 31, 2022, June 30, 2022, September 30, 2022, December 31, 2022, March 31, 2023, June 30, 2023, September 30, 2023, December 31, 2023, March 31, 2024, June 30, 2024, and September 30, 2023 September 30, 2024. The relevant distributions were as follows:

- A regular quarterly cash dividend of $0.50 per share of beneficial interest of the Series B Preferred Stock;
- A regular quarterly cash dividend of $0.4921875 per share of beneficial interest of the Series C Preferred Stock; and
- A regular quarterly cash dividend of $0.515625 per share of beneficial interest of the Series D Preferred Stock.

The Company has declared dividends in the respective amounts shown above for each of the Series B, Series C, and Series D Preferred Stock, for the distribution period ending March 31, 2021 March 31, 2022, payable on December 15, 2023 December 16, 2024. The total arrearage of cumulative unpaid cash dividends on each of the Series B Preferred Stock, Series C Preferred Stock and Series D Preferred Stock through November 10, 2023 October 29, 2024, are $8,052,550, $7,287,931, and $6,596,958, respectively.

Item 4. ***Mine Safety Disclosures***

Not applicable.

Item 5. ***Other Information***

Not applicable.During the three months ended March 31, 2024, none of our directors or officers (as defined in Rule 16a-1(f) under the Exchange Act) adopted or terminated any contract, instruction or written plan for the purchase or sale of our securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) or any “non-Rule 10b5-1 trading arrangement” as defined in Item 408(c) of Regulation S-K.

Item 6. ***Exhibits***

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

Exhibit Number	Description of Exhibit
10.1	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).
31.1	Certification of Chief Executive Officer pursuant to Exchange Act Rules 13(a)-14 and 15(d)-14, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 for the Company. **

31.2	Certification of Chief Financial Officer pursuant to Exchange Act Rules 13(a)-14 and 15(d)-14, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 for the Company. **
31.3	Certification of Chief Executive Officer pursuant to Exchange Act Rules 13(a)-14 and 15(d)-14, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 for the Operating Partnership. **
31.4	Certification of Chief Financial Officer pursuant to Exchange Act Rules 13(a)-14 and 15(d)-14, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 for the Operating Partnership. **
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 for the Company. ** (+)
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 for the Company. ** (+)
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 for the Operating Partnership. ** (+)
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 for the Operating Partnership. ** (+)
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 Document (+)
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document (+)
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document (+)
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document (+)
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document (+)
104	Cover Page Interactive Data File (embedded within the Inline XBRL document) (+)

** Filed herewith

(+) Users of this data are advised pursuant to Rule 406T of Regulation S-T that this interactive data file is This certification shall not be deemed not filed or part of a registration statement for purposes of Section 11 or 12 of the Securities Act, is deemed not filed "filed" for purposes of Section 18 of the Securities Exchange Act and of 1934, or otherwise is not subject to the liability of that section, nor shall it be deemed to be incorporated by reference into any filing under these sections. 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.

SOTHERLY HOTELS INC.

Date: November 13, 2023 November 5, 2024

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

By: /s/ Anthony E. Domalski
Anthony E. Domalski
Chief Financial Officer

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.

SOTHERLY HOTELS LP

By: SOTHERLY HOTELS INC.
Its General Partner

Date: November 13, 2023 November 5, 2024

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

By: /s/ Anthony E. Domalski
Anthony E. Domalski
Chief Financial Officer

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 quarterly report on Form 10-Q 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 th statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by th 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 supervis to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within tl 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 rec 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 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 reasona 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 cc over financial reporting.

Date: November 13, 2023 November 5, 2024

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 quarterly report on Form 10-Q 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 tl statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by th 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 supervis to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within tl 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 rec 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 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 reason 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 cc over financial reporting.

Date: November 13, 2023 November 5, 2024

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 quarterly report on Form 10-Q 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 tl statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by th 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 supervis to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within tl 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 rec 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 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 reason 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 cc over financial reporting.

Date: November 13, 2023 November 5, 2024

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 quarterly report on Form 10-Q 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 th statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by th 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 supervis to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within th 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 rec 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 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 reason 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 cc over financial reporting.

Date: November 13, 2023 November 5, 2024

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 Quarterly Report of Sotherly Hotels Inc. (the “Corporation”) on Form 10-Q for the period ending September 30, 2023 March 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, David R. Folsom, 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: November 13, 2023 November 5, 2024

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 Quarterly Report of Sotherly Hotels Inc. (the “Corporation”) on Form 10-Q for the period ending September 30, 2023 March 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: November 13, 2023 November 5, 2024

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 Quarterly Report of Sotherly Hotels LP (the "Operating Partnership") on Form 10-Q for the period ending September 30, 2023 March 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David R. Folsom, Chief Executive Officer of the 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: November 13, 2023 November 5, 2024

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 Quarterly Report of Sotherly Hotels LP (the "Operating Partnership") on Form 10-Q for the period ending September 30, 2023 March 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: November 13, 2023 November 5, 2024

By:	/s/ Anthony E. Domalski
Name:	Anthony E. Domalski
Title:	Chief Financial Officer
	Sotherly Hotels, Inc., sole general partner of Sotherly Hotels LP

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