

# HERSHA HOSPITALITY TRUST

## AUDIT COMMITTEE CHARTER

The Audit Committee (“the Committee”), of the Board of Trustees (“the Board”) of Hersha Hospitality Trust (“the Company”), will have the oversight responsibility, authority and specific duties as described below.

### **COMPOSITION**

The Committee will be comprised of three or more independent trustees as determined by the Board. The members of the Committee will meet the independence and “financial literacy” requirements of the American Stock Exchange and Securities and Exchange Commission.

The members of the Committee will be elected annually at the organizational meeting of the full Board held in May/June and will be listed in the annual report to shareholders. One of the members of the Committee will be elected Committee Chair by the Committee. The Chairperson of the Committee or, if not present, another member of the Committee, shall preside at all meetings of the Committee and provide an oral report to the Board on each meeting.

The Chief Financial Officer of the Company will serve as the Secretary of the Committee and the Treasurer will serve as the Assistant Secretary of the Committee. Minutes of each meeting will be prepared and submitted to Committee members for approval at the next meeting.

### **MEMBERSHIP REQUIREMENTS**

At least one member of the Audit Committee shall, in the judgment of the Board of Trustees, be an audit committee financial expert in accordance with the rules and regulations of the Securities and Exchange Commission and at least one member (who may also serve as the audit committee financial expert) shall in the judgment of the Board of Trustees have accounting or related financial management expertise in accordance with American Stock Exchange listing standards.

Committee members may not simultaneously serve on the audit committee of more than two other public companies unless the Board determines that such simultaneous service does not impair efficacy of Board service.

### **PURPOSE**

The Committee is a part of the Board. It’s primary function is to assist the Board in fulfilling its oversight responsibilities with respect to:

- (i) the annual financial information to be provided to shareholders and the Securities and Exchange Commission (SEC);
- (ii) the Company’s compliance with legal and regulatory requirements;
- (iii) the system of internal controls that management has established; and

- (iv) the performance of the Company's internal audit function and independent public accountants.

The Committee will rely upon a internal control letter and management letter provided by the independent accountants in order gauge management's effectiveness in implementing a satisfactory system of internal controls.

The Committee will also utilize outside experts to provide internal control expertise and internal audit services.

In addition, the Committee provides an avenue for communication between internal audit, the independent accountants, financial management and the Board. The Committee should have a clear understanding with the independent accountants that they must maintain an open and transparent relationship with the Committee, and that the ultimate accountability of the independent accountants is to the Board and the Committee. The Committee will make reports to the Board as necessary.

While the Audit Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Audit Committee to plan or conduct audits or to determine that the Company's financial statements are complete and accurate and are in accordance with generally accepted accounting principles. This is the responsibility of management and the independent auditor. Nor is it the duty of the Audit Committee to conduct investigations, to resolve disagreements, if any, between management and the independent auditor or to assure compliance with laws and regulations and the Company's business conduct guidelines.

### **MEETINGS**

The Committee is to meet at least four times annually and as many additional times as the Committee deems necessary. Audit meetings to be conducted via telephone or video conference are considered acceptable. Content of the agenda for each meeting should be cleared by the Committee Chair.

### **ATTENDANCE:**

Committee members will strive to be present at all meetings or will strive to be present via telephone or video conference. As necessary or desirable, the Committee Chair may request that members of management and representatives of the independent accountants be present at Committee meetings.

### **SPECIFIC DUTIES**

In carrying out its oversight responsibilities, the Committee will:

1. Review and reassess the adequacy of this charter annually and recommend any proposed changes to the Board for approval. This should be done in compliance with applicable AMEX Audit Committee Requirements.
2. Review with the Company's management and independent accountants significant accounting and reporting principles, practices and procedures applied

- by the Company in preparing its financial statements. Discuss with the independent accountants their judgments about the quality, not just the acceptability, of the Company's accounting principles used in financial reporting.
3. Review the scope and general extent of the independent accountants' annual audit. The Committee's review should include an explanation from the independent accountants of the factors considered by the accountants in determining the audit scope, including the major risk factors. The independent accountants should confirm to the Committee that no limitations have been placed on the scope or nature of their audit process. The Committee will review annually with management the fee arrangement with the independent accountants.
  4. Inquire as to the independence of the independent accountants and obtain from the independent accountants, at least annually, a formal written statement delineating all relationships between the independent accountants and the Company as contemplated by Independence Standards Board Standard No. 1, Independence Discussions with Audit Committees.
  5. Have a predetermined arrangement with the independent accountants that they will advise the Committee through its Chair and management of the Company of any matters identified through procedures followed for interim quarterly financial statements, and that such notification as required under standards for communication with Audit Committees is to be made prior to the related press release or, if not practicable, prior to filing Forms 10-Q.
  6. At the completion of the annual audit, review with management and the independent accountants the following:
    - a. The annual financial statements and related footnotes and financial information to be included in the Company's annual report to shareholders and on Form 10-K.
    - b. Results of the audit of the financial statements and the related report thereon and, if applicable, a report on changes during the year in accounting principles and their application.
    - c. Significant changes to the audit plan, if any, and any serious disputes or difficulties with management encountered during the audit. Inquire about the cooperation received by the independent accountants during their audit, including access to all requested records, data and information. Inquire of the independent accountants whether there have been any disagreements with management that, if not satisfactorily resolved, would have caused them to issue a nonstandard report on the Company's financial statement.
    - d. Other communications as required to be communicated by the independent accountants by Statement of Auditing Standards (SAS) 61 as amended by SAS 90 relating to the conduct of the audit. Further, receive a written communication provided by the independent accountants concerning their judgment about the quality of the Company's accounting principles, as outlined in SAS 61 as amended by SAS 90, and that they concur with management's representation concerning audit adjustments.
  7. After preparation by management and review by independent accountants, approve the audit committee report required under SEC rules to be included in the

- Company's annual proxy statement. The charter is to be published as an appendix to the proxy statement every three years.
8. Discuss with the independent accountants the quality of the Company's financial and accounting personnel. Also, elicit the comments of management regarding the responsiveness of the independent accountants to the Company's needs.
  9. Meet with management, internal audit and the independent accountants to discuss any relevant significant recommendations that the independent accountants may have, particularly those characterized as 'material weaknesses' or 'significant deficiencies'. Typically, such recommendations will be presented by the independent accountants in the form of a Letter of Comments and Recommendations to the Committee. The Committee should review responses of management to the Letter of Comments and Recommendations from the independent accountants and receive follow-up reports on action taken concerning the aforementioned recommendations.
  10. Recommend the appointment of the Company's independent public accountants to the full board. Maintain direct responsibility for monitoring, evaluation, termination, compensation and oversight of the Company's independent auditors. Provide the full board with an overview of any material issues discovered by the audit committee.
  11. Pre-approve all audit and non-audit services to be performed by the independent auditor.
  12. Engage independent legal, accounting and other advisors, as the Committee determines necessary to carry out their duties, and obtain appropriate funding from the Company, as determined by the Committee, for compensating such advisors.
  13. Set clear policies for the Company's hiring of employees or former employees of the independent public accountants.
  14. Discuss Company policies with respect to risk assessment and risk management, and review contingent liabilities and risks that may be material to the Company.
  15. Establish procedures for the confidential and anonymous receipt, retention and treatment of complaints regarding the Company's accounting, internal controls and auditing matters.