

**HIGHLAND HOSPITALITY CORPORATION**  
**COMPENSATION POLICY COMMITTEE CHARTER**

**Purpose**

The Compensation Policy Committee (the “Compensation Policy Committee”) of the Board of Directors (the “Board”) of Highland Hospitality Corporation (the “Company”) shall discharge the Board’s responsibilities relating to compensation of the Company’s directors and executive officers, and administer and implement the Company’s 2003 Omnibus Stock Incentive Plan and any other incentive compensation or equity-based plans adopted by the Board. The Compensation Policy Committee also shall be responsible for preparing a report on executive compensation for inclusion in the Company’s annual meeting proxy statement.

**Committee Membership**

The Compensation Policy Committee shall consist of no fewer than two members of the Board. Members of the Compensation Policy Committee shall be appointed by the Board upon the recommendation of the nominating and corporate governance committee and may be removed by the Board. All members of the Compensation Policy Committee shall meet the independence requirements of the New York Stock Exchange and any other legal requirements relevant to the proper administration of the Company’s compensation plans and programs, including requirements under the federal securities and tax laws and regulations.

**Committee Powers, Authority, Duties and Responsibilities**

1. The Compensation Policy Committee shall have the sole authority to retain and terminate any compensation consultant to be used to assist in the evaluation of directors’ and executive officers’ compensation and shall have the sole authority to approve the consultant’s fees and other retention terms. The Compensation Policy Committee also shall have authority to obtain advice and assistance from internal or outside legal, accounting or other advisors it determines necessary to carry out its duties. The Company shall provide for appropriate funding, as determined by the Compensation Policy Committee, in its capacity as a committee of the Board, for payment of compensation to any such compensation consultants or advisors and ordinary administrative expenses of the Compensation Policy Committee that are necessary or appropriate in carrying out its duties.
2. The Compensation Policy Committee shall oversee the annual evaluation of management’s performance. In making this evaluation, the Compensation Policy Committee shall annually review and approve corporate goals and objectives relevant to compensation of the Company’s President and CEO, evaluate his or her performance in light of those goals and objectives and, either as a committee or together with the other independent directors (as directed by the Board),

determine and approve his compensation level based on this evaluation and in accordance with any applicable employment agreement. In determining the long-term incentive component of President and CEO compensation, the Compensation Policy Committee may consider the Company's performance and relative shareholder return, the value of similar incentive awards to CEOs at comparable companies, the awards given to the President and CEO in past years, the overall economic climate and such other matters as it deems relevant.

3. The Compensation Policy Committee shall annually review with the President and CEO his or her evaluation of the performance of all other executive officers of the Company, together with his or her recommendations as to each such officer's (a) annual base salary amount, (b) annual bonus payment, as calculated in accordance with the each such executive's employment agreement, (c) any long-term incentive compensation, (d) any amendments to such executive's employment agreement, any proposed severance arrangements or change in control and similar agreements/provisions, and any amendments, supplements or waivers to the foregoing agreements, in each case as, when and if deemed necessary or advisable, and (e) any perquisites, special or supplemental benefits, all in accordance with applicable law, rules and regulations, and to the extent appropriate or necessary to comply with any federal securities or tax law requirements, such as Rule 16b-3 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or Section 162(m) of the Internal Revenue Code of 1986, as amended. In connection with this review, the Compensation Policy Committee may report its findings on these performance matters to the Nominating and Corporate Governance Committee for that committee's consideration in light of the policies and principles regarding management succession that such committee is charged with administering.
4. The Compensation Policy Committee shall periodically review and make recommendations to the Board with respect to the compensation of directors, including Board and committee retainers, meeting fees, equity-based compensation, and such other forms of compensation as the Compensation Policy Committee may consider appropriate.
5. The Compensation Policy Committee shall administer and implement the Company's 2003 Omnibus Stock Incentive Plan and any other incentive compensation or equity-based plans adopted by the Board, including, but not limited to, (a) approving option grants and restricted stock or other awards, (b) interpreting the plans, (c) determining rules and regulations relating to the plans, and (d) imposing limitations, restrictions and conditions upon any grant or award as the Compensation Policy Committee deems necessary or advisable. In carrying out the foregoing, the Compensation Policy Committee may delegate authority to one or more officers, and each and any of them, acting singly, to make awards under such plans, subject to limitations as may be determined by the Compensation Policy Committee and provided that the Compensation Policy Committee may not delegate to any such officer or officers authority to make

awards to any “officer” as that term is defined in Rule 16a-1(f) promulgated under the Exchange Act.

6. The Compensation Policy Committee shall annually assess the desirability of proposing and make recommendations to the Board with respect to any new incentive-compensation plans and equity-based plans and any increase in shares reserved for issuance under existing plans.
7. The Compensation Policy Committee shall prepare a report on executive compensation for inclusion in the Company’s annual meeting proxy statement or annual report on Form 10-K in accordance with applicable rules and regulations.
8. The Compensation Policy Committee may delegate its authority to members as the Compensation Policy Committee deems appropriate; provided that any delegate shall report any actions taken by him or her to the whole Compensation Policy Committee at its next regularly scheduled meeting.
9. The members of the Compensation Policy Committee shall appoint one of their number as the Chairman. The Chairman shall be responsible for leadership of the Compensation Policy Committee, including preparing the agenda, presiding over the meetings, making committee assignments and reporting for the Compensation Policy Committee to the Board at its next regularly scheduled meeting following the meeting of the Compensation Policy Committee.
10. The Compensation Policy Committee shall review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval.
11. The Compensation Policy Committee shall annually review its own performance as compared to the requirements of this Charter.
12. The Compensation Policy Committee shall have such other authority and responsibilities as may be assigned to it from time to time by the Board.

Adopted by the Board of Directors on January 23, 2004.