

**Frequently Asked Questions**  
**from Former Holders of**  
**8.75% Series B Cumulative Preferred Stock**  
**and**  
**8.00% Series C Cumulative Preferred Stock**  
**of Equity Inns, Inc.**

**What happened to my ENN Preferred Shares?**

On October 25, 2007, Equity Inns, Inc. (“Equity Inns”) merged (the “Merger”) with and into W2007 Grace Acquisition I, Inc. (“Grace”), with Grace being the surviving corporation in the Merger. In the Merger, each share of 8.75% Series B Cumulative Preferred Stock of Equity Inns (“ENN Series B”) and each share of 8.00% Series C Cumulative Preferred Stock of Equity Inns (“ENN Series C,” and, together with the ENN Series B, the “ENN Preferred”) was converted into the right to receive one share of 8.75% Series B Cumulative Preferred Stock of Grace (“Grace Series B”) and one share of 8.00% Series C Cumulative Preferred Stock of Grace (“Grace Series C,” and, together with the Grace Series B, the “Grace Preferred”), respectively.

Each share of Grace Series B and Grace Series C has identical rights, preferences, limitations and restrictions as compared to the predecessor shares of the ENN Series B and ENN Series C, respectively, except that pursuant to the terms of Equity Inns’ and Grace’s charters, holders of Grace Series C are now entitled to receive dividends of 9.00%.

**When were new certificates representing shares of Grace Preferred issued and mailed?**

The certificates representing shares of Grace Preferred have been mailed to the holders of record (which may be your broker or dealer, if you held shares of ENN Preferred through a broker or dealer that was the holder of record of such shares). If you do not have your new certificates, please contact Dan Konecny of Computershare at (303) 262-0703 or Dan Smith of Grace at (901) 759-6025. Computershare is the agent with respect to the exchange of ENN Preferred for Grace Preferred, respectively, and is the transfer agent with respect to the Grace Preferred.

**How do I get my certificates representing shares of Grace Preferred?**

If you were the holder of record of shares of ENN Preferred as of the time of the Merger, then you were the holder of record of the shares of Grace Preferred immediately following the Merger, and they were mailed to you directly. If you held, as of the time of the Merger, shares of ENN Preferred through a broker or dealer that was the holder of record of such shares, then the certificates representing shares of Grace Preferred were sent to such broker or dealer.

**What is the value of my shares of ENN/Grace Preferred?**

The Grace Preferred, unlike the ENN Preferred, is not listed and is not traded on a national securities exchange. As a result, there may not be a market or any place to receive a quoted price for these securities. We do not establish the market value of your securities.

**Are my shares of ENN/Grace Preferred frozen in my brokerage account?**

Your Grace Preferred shares are not frozen in your account. However, as the Grace Preferred shares are not listed or traded on a national securities exchange, your ability to dispose of the shares may be limited. Please consult with your broker or dealer regarding their trading policies with respect to delisted securities.

### **Will dividends be paid on the Grace Preferred, and to whom will they be paid?**

On December 28, 2007, Grace declared quarterly cash dividends for the fourth quarter 2007 of \$0.546875 per share of Grace Series B and \$0.56667 per share of Grace Series C. The record date for such preferred dividends was December 31, 2007, and the dividends were payable on January 31, 2008. On March 31, 2008, Grace declared quarterly cash dividends for the first quarter 2008 of \$0.546875 per share of Grace Series B and \$0.562500 per share of Grace Series C. The record date for such preferred dividends was March 31, 2008, and the dividends were payable on April 30, 2008.

At the end of the second, third and fourth quarters in 2008; at the end of the first, second, third and fourth quarters of 2009; and at the end of the first and second quarters of 2010, Grace announced that it would not declare dividends with respect to such quarters for the Grace Series B and the Grace Series C.

### **Why has Grace elected not to declare dividends commencing with the second quarter of 2008 through the second quarter of 2010? What is the status of future dividends?**

In October 2007, affiliates of Grace which own most of the former Equity Inns properties entered into a new loan agreement. The documentation for this loan contains certain covenants restricting the use of cash generated from the hotels' operations, which impairs Grace's ability to distribute cash to affiliates. Grace's board of directors determined that, in light of these covenants and other factors, commencing with the second quarter of 2008 through the second quarter of 2010, it was in Grace's best interest to not declare and pay dividends. Decisions regarding future dividends will be made on a quarter-by-quarter basis, as determined by Grace's board of directors.

### **What is the consequence of Grace's failure to declare quarterly dividends on the Grace Preferred?**

Grace's Charter, which is available on the Equity Inns website ([www.equityinns.com](http://www.equityinns.com)), contains all of the rights, preferences, limitations and restrictions relating to the Grace Preferred, including the rights of holders of Grace Preferred with respect to dividends and the consequences of failing to declare and pay dividends.

Grace intends to continue to comply with the terms of the Grace Preferred contained in the Charter. Below are some of the key points contained in the Charter relating to Grace Preferred. Please refer to the Charter for a complete description of the rights of holders of Grace Preferred.

- Quarterly dividends on the Grace Preferred are cumulative and payable in arrears if not paid in any quarterly period.
- Grace is prohibited from making any distributions or paying any dividends to any other shareholder of Grace until the Grace Preferred dividends are brought current.
- If and whenever distributions on the Grace Preferred are in arrears for six or more quarterly periods, then the number of directors on Grace's board of directors shall be increased by two directors and the holders of Grace Series B and Grace Series C (voting together as a single class) will be entitled to elect such additional directors at any annual meeting of the shareholders or at a special meeting called for such purpose. Grace's corporate bylaws require that a majority of the outstanding shares of Grace Preferred be present at the meeting (whether in person or by proxy) for Grace to conduct business and for such an election to occur.

### **What was the outcome of the election of the two additional preferred directors at the June 3, 2010 special meeting of the Grace Preferred shareholders?**

Unfortunately, less than a majority of the outstanding shares of Grace Preferred were represented by the shareholders in attendance at the special meeting (whether by proxy or via the internet). As a result, Grace was unable to conduct business at the meeting and thus, no election occurred.

As indicated at the meeting, Grace is evaluating what the appropriate next steps should be, and is considering holding another special meeting in late September 2010. We will update these FAQs once we have more information regarding the next special meeting.

**Do the holders of the Grace Preferred or the company have any redemption right with respect to the Grace Preferred?**

Grace may at any time redeem the Grace Series B for \$25.00 per share (plus all accrued and unpaid dividends). On February 14, 2011 and thereafter, Grace may redeem the Grace Series C for \$25.00 per share (plus all accrued and unpaid dividends). Holders of the Grace Preferred do not have the right at any time to cause Grace to redeem or otherwise purchase their shares of Grace Preferred.

**Whom can I contact with questions about the Grace Preferred?**

Computershare is the agent with respect to the exchange of ENN Series B and ENN Series C for Grace Series B and Grace Series C, respectively, and is the transfer agent with respect to the Grace Preferred. Please call Dan Smith of Grace at (901) 759-6025 for questions relating to the shares. Please call Computershare at 1-800-546-5141 (or 1-781-575-2765 if outside the US, Canada and Puerto Rico) for copies of additional materials required to effect the exchange. Please note, however, that the matters contained in this FAQ and procedural matters are the only questions that you should anticipate having answered.

**What reporting will be given to holders of Grace Preferred?**

The shares of ENN Series B and ENN Series C were, at the time of the Merger, delisted from the New York Stock Exchange, and neither Equity Inns nor Grace is required to file reports, including financial statements, with the Securities and Exchange Commission or make them available to holders of Grace Preferred.

Grace has elected to make certain company materials and information available to the holders of Grace Preferred. Interested shareholders must complete, sign and mail to Grace a request form which is available on the Equity Inns website ([www.equityinns.com](http://www.equityinns.com)). Shareholders will be required to confirm their status as a Grace shareholder, acknowledge their understanding that the materials provided must be kept confidential, and pay the reasonable cost of copying and shipping the materials. If you do not have access to the internet, and would like a request form mailed to you, please contact Dan Smith at the above number.

**Grace's December 31, 2008 audited financial statements indicate that \$1,779,879,805 of the company's mortgage debt was to mature in November 2009. What is the status of that debt?**

The maturity date of the \$1,779,879,805 in mortgage debt referenced in the December 31, 2008 financial statements was extended to November 4, 2010. Additional information regarding the mortgage debt will be included in the 2009 financial statements, which Grace expects to be available to its shareholders in the third quarter of 2010.

**My address has changed. Whom should I contact to ensure that I receive my certificates/dividends?**

If you are the holder of record, then please contact Dan Smith of Grace at (901) 759-6025. Computershare is the agent with respect to the exchange of ENN Series B and ENN Series C for Grace Series B and Grace Series C, respectively, and is the transfer agent with respect to the Grace Preferred. If you held shares of ENN Series B or ENN Series C through a broker or dealer that was the holder of record of such shares, then please contact such broker or dealer, as the certificates/dividends were/will be sent to them.

**I am a holder of the Grace Preferred. Why wasn't the 4th quarter 2007 dividend payable to me reported on my 2007 Form 1099 as had been the previous practice with Equity Inns before the merger?**

Grace has previously announced the characterization for income tax reporting purposes of the 2007 dividends paid by Equity Inns before the merger. The dividends for the Grace Preferred declared by Grace on December 28, 2007 for shareholders of record as of December 31, 2007, payable January 31, 2008, were reported on shareholders' 2008 Form 1099.

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