<u>Frequently Asked Questions</u>

from Holders of
8.75% Series B Cumulative Preferred Stock (the "<u>Grace Series B</u>")
and
9.00% Series C Cumulative Preferred Stock (the "<u>Grace Series C</u>," and together with the Grace Series B, the "<u>Grace Preferred Stock</u>")
of W2007 Grace Acquisition I, Inc. (the "<u>Company</u>")

How do I get my certificate representing shares of Grace Preferred Stock?

If you hold Grace Preferred Stock through a broker or dealer, then the certificate representing your shares should be held by such broker or dealer. If you are a registered shareholder and do not have your Grace Preferred Stock certificates, please contact Computershare (the Company's transfer agent) at (800) 962-4284 or Dan Smith of the Company at (972) 368-2081.

What is the value of my shares of Grace Preferred Stock?

The Grace Preferred Stock is not listed or traded on a national securities exchange. The Company does not establish the market value of your securities.

Are my shares of Grace Preferred Stock frozen in my brokerage account?

Your shares of Grace Preferred Stock are not frozen in your account. However, as the Grace Preferred Stock is 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 unlisted securities.

Will dividends be paid on the Grace Preferred Stock?

On December 28, 2007, the Company 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, the Company 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 through 2013; and at the end of the first, second and third quarters of 2014, the Company announced that it would not declare dividends with respect to such quarters for the Grace Preferred Stock.

Why has the Company elected not to declare dividends on the Grace Preferred Stock commencing with the second quarter of 2008 through the third quarter of 2014? What is the status of future dividends?

In October 2007, affiliates of the Company (the "Subsidiary Borrowers") entered into a new loan agreement, which was amended in February 2008, April 2008 and December 2010. The documentation for this loan contained certain covenants restricting the use of the Subsidiary Borrowers' cash, which impacted the Company's ability to make certain cash distributions, including cash distributions by the Company to holders of the Company's common stock or to the holders of Grace Preferred Stock. Commencing with the second quarter of 2008 through the first quarter of 2014, the Company's board of directors determined that, in light of these covenants and other factors, it was in the Company's best interest to not declare and pay dividends.

The October 2007 loan was repaid in April 2014 and was replaced with a new $976 million financing led by German American Capital Corporation (the "GACC Financing"). Simultaneously with the closing of the GACC Financing, WNT Holdings, LLC, an affiliate of the Whitehall Funds, acquired from a subsidiary of the Company pursuant to the exercise of a warrant agreement a 97% interest in W2007 Equity Inns Senior Mezz, LLC ("Senior Mezz LLC") which indirectly owns 106 of the Company's hotels. The Company retained a 3% interest in Senior Mezz, LLC. The GACC Financing does not currently restrict the use of the Subsidiary Borrowers' cash to the same extent that the October 2007 loan did (but it may in the future) and the pledge of the cash flow from the Company's other 20 hotels was terminated. The Company's board of directors determined that it would not be in the best interest of the Company to declare a dividend for the 2014 third quarter due primarily to its current cash position, anticipated capital improvement projects at the Company's hotels and the pending debt maturity in March 2015. The Company's board of directors will consider all current and relevant information on a quarter-by-quarter basis in determining whether to declare dividends in the future.

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

The Company's Charter, which is available on the Company's website (www.equityinns.com), contains all of the rights, preferences, limitations and restrictions relating to the Grace Preferred Stock, including the rights of holders of Grace Preferred Stock with respect to dividends and the consequences of failing to declare and pay dividends. The Company will continue to comply with the terms of the Grace Preferred Stock contained in the Charter. Below are some of the key points contained in the Charter relating to Grace Preferred Stock. Please refer to the Charter for a complete description of the rights of holders of Grace Preferred Stock.

- Quarterly dividends on the Grace Preferred Stock are cumulative and payable in arrears if not paid in any quarterly period.

- The Company is prohibited from making any distributions or paying any dividends to any other shareholder of the Company until the Grace Preferred Stock dividends are brought current.
- If and whenever distributions on the Grace Preferred Stock are in arrears for six or more quarterly periods, then the number of directors on the Company's board of directors shall be increased by two directors and the holders of Grace Preferred Stock (voting collectively 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. The Company's Bylaws, which are available on the Company's website (www.equityinns.com), require that a quorum be present in person or represented by proxy at any meeting of holders of the Grace Preferred Stock for the Company to conduct business at such meeting and for such an election to occur. The Company's Bylaws provide that holders of a majority of the outstanding shares of Grace Preferred Stock constitute a quorum.

On June 3, 2010, a special meeting of the holders of Grace Preferred Stock was convened for the election of the two additional directors. What was the outcome of that meeting?

Unfortunately, a quorum was not present at the June 3, 2010 special meeting because holders of Grace Preferred Stock representing less than a majority of the outstanding shares of Grace Preferred Stock were present in person or represented by proxy. As a result, the Company was unable to conduct business at the meeting and no election occurred.

On December 14, 2010, a second special meeting of the holders of Grace Preferred Stock was convened for the election of the two additional directors. What was the outcome of that meeting?

Unfortunately, a quorum was not present at the December 14, 2010 special meeting because holders of Grace Preferred Stock representing less than a majority of the outstanding shares of Grace Preferred Stock were present in person or represented by proxy. As a result, the Company was unable to conduct business at the meeting and no election occurred.

On March 27, 2012, a third special meeting of the holders of Grace Preferred Stock was convened for the election of the two additional directors. What was the outcome of that meeting?

Unfortunately, a quorum was not present at the March 27, 2012 special meeting because holders of Grace Preferred Stock representing less than a majority of the outstanding shares of Grace Preferred Stock were present in person or represented by proxy. As a result, the Company was unable to conduct business at the meeting and no election occurred.

How did the Company attempt to achieve a quorum at the three special meetings of the holders of Grace Preferred Stock?

For all three special meetings, the Company engaged Broadridge Financial Solutions to coordinate delivery of notices and proxy materials to the holders of Grace Preferred Stock. Holders' addresses were provided to Broadridge by Computershare, the Company's transfer agent with respect to the Grace Preferred Stock. In light of the failure to achieve a quorum at the June 3, 2010 special meeting, for the December 14, 2010 and the March 27, 2012 meetings, the Company engaged leading proxy solicitors to contact the holders of Grace Preferred Stock to encourage them to vote their shares of Grace Preferred Stock.

Even with the help of the proxy solicitors, a quorum was not present at either of those special meetings because holders of Grace Preferred Stock representing at least a majority of the outstanding shares of Grace Preferred Stock were not present in person or represented by proxy. The Company's Bylaws require that a quorum be present in person or represented by proxy at any meeting of holders of Grace Preferred Stock for the Company to conduct business at such meeting.

What are the Company's plans regarding the two additional directors that the holders of Grace Preferred Stock are entitled to elect pursuant to the terms of the Charter?

A quorum was not achieved at any of the previously-called special meetings because an insufficient number of holders of Grace Preferred Stock participated in the meetings. In addition, subsequent to the previously-called special meetings, PFD Holdings, LLC ("PFD"), an affiliate of the Whitehall funds, notified the Company that it has acquired 58.8% of the aggregate amount of issued and outstanding shares of Grace Preferred Stock. The Company is considering whether and when to hold another special meeting of the holders of Grace Preferred Stock.

What financial reporting or other materials are available to holders of the Grace Preferred Stock?

The Company is not required to file reports, including financial statements, with the Securities and Exchange Commission.

The Company has elected to make certain Company materials and information available to holders and prospective holders of Grace Preferred Stock. Interested holders and prospective holders of Grace Preferred Stock must complete, sign and furnish to the Company a request form which is available on the Company's website (www.equityinns.com). Such holders and prospective holders will be required to certify their status as a holder of Grace Preferred Stock (or that they are contemplating acquiring shares of Grace Preferred Stock, as applicable), acknowledge their understanding that the materials provided must be kept confidential, and pay the reasonable cost of copying and shipping the materials (however, no fee will be charged if the shareholder or prospective shareholder requests that the materials be delivered via email). 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.

In the Company's 2013 audited financial statements, Note 7 listing the Company's notes payable references the "GE Mortgage." In the Company's financial statements for prior years, the list of notes payable referred instead to the "GSMC Mortgage." Why was this change made?

In 2008, GE acquired from GSMC the controlling senior note position and the loan servicing rights for this loan. This change was made to avoid further confusion regarding the identity of the current controlling note holder and servicer of the loan.

On April 14, 2014, the Company announced a new $976 million financing (the "GACC Financing") secured by mortgages on the 106 hotels owned by subsidiaries of W2007 Equity Inns Senior Mezz, LLC ("Senior Mezz, LLC") and the simultaneous acquisition by WNT Holdings, LLC ("WNT") of a 97% interest in Senior Mezz, LLC pursuant to the exercise of a warrant agreement. What will be the impact of these transactions to holders of the Grace Preferred Stock?

WNT's acquisition of a 97% interest in Senior Mezz, LLC was pursuant to a warrant agreement entered into in June 2009. The warrant was granted simultaneously with the cancelation of $545 million in existing indebtedness and the injection of $190 million in cash that was used to pay down existing indebtedness. As a result of the warrant exercise, the Company's assets now consist of a 3% economic interest in Senior Mezz, LLC, which owns through its subsidiaries 106 hotels encumbered by the GACC Financing; and a 100% economic interest in 20 hotels encumbered by pre-existing individual mortgage loans.

On June 2, 2014, the Company announced that certain subsidiaries of the Company and WNT had entered into an agreement to sell their 126 hotels. What will be the impact of this transaction to holders of the Grace Preferred Stock?

It is not currently possible to determine the timing of distributions to holders of the Grace Preferred Stock from the contemplated sale transaction, if consummated. Such a determination will be made by the Company's board when sufficient information is available. Any distributions will be made out of available funds. Please see the preceding question for an explanation of the economic interest in the 126 hotels.

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