

# Report of Organizational Actions Affecting Basis of Securities

OMB No. 1545-2224

► See separate instructions.

## Part I Reporting Issuer

<b>1</b> Issuer's name		<b>2</b> Issuer's employer identification number (EIN)	
Moody National REIT I, Inc.		26-1812865	
<b>3</b> Name of contact for additional information	<b>4</b> Telephone No. of contact	<b>5</b> Email address of contact	
Robert Engel	713-977-7500	rengel@moodynational.com	
<b>6</b> Number and street (or P.O. box if mail is not delivered to street address) of contact		<b>7</b> City, town, or post office, state, and Zip code of contact	
6363 Woodway, Suite 110		Houston, TX 77057	
<b>8</b> Date of action		<b>9</b> Classification and description	
September 27, 2017		Common Stock of Moody National REIT I, Inc.	
<b>10</b> CUSIP number	<b>11</b> Serial number(s)	<b>12</b> Ticker symbol	<b>13</b> Account number(s)

## Part II Organizational Action Attach additional statements if needed. See back of form for additional questions.

**14** Describe the organizational action and, if applicable, the date of the action or the date against which shareholders' ownership is measured for the action ► [See attached statement](#)

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**15** Describe the quantitative effect of the organizational action on the basis of the security in the hands of a U.S. taxpayer as an adjustment per share or as a percentage of old basis ► [See attached statement](#)

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**16** Describe the calculation of the change in basis and the data that supports the calculation, such as the market values of securities and the valuation dates ► [See attached statement](#)

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**Part II Organizational Action** (continued)

**17** List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ► See attached statement

**18** Can any resulting loss be recognized? ► See attached statement

**19** Provide any other information necessary to implement the adjustment, such as the reportable tax year ► See attached statement

**Sign  
Here**

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Signature ►

*R Engel, CFO*

Date ►

*11/13/17*

Print your name ► Robert Engel

Title ► CFO

**Paid  
Preparer  
Use Only**

Print/Type preparer's name

David Sanders

Preparer's signature

*David Sanders*

Date

11/13/2017

Check ☐ if self-employed

PTIN

P00407038

Firm's name ► Deloitte Tax, LLP

Firm's EIN ► 86-1065772

Firm's address ► 1111 Bagby Street, Suite 4500, Houston, TX 77002

Phone no. 713-982-2000

Send Form 8937 (including accompanying statements) to: Department of the Treasury, Internal Revenue Service, Ogden, UT 84201-0054

**Moody National REIT I, Inc.**  
**EIN: 26-1812865**  
**Attachment to Form 8937 – Part II**

**Line 14**

Effective September 27, 2017, pursuant to the Agreement and Plan of Merger, dated November 16, 2016, as amended by Amendment No. 1 thereto dated as of August 9, 2017 (the “Merger Agreement”), Moody National REIT I, Inc. (“REIT I”) merged with and into Moody Merger Sub, LLC (“Merger Sub”) with Merger Sub surviving as a direct, wholly owned subsidiary of Moody National REIT II, Inc. (“REIT II”) (the “Merger”). Following the Merger, Merger Sub merged with and into REIT II with REIT II surviving (the “Subsidiary Merger”). The Merger together with the Subsidiary Merger is referred to as the “Transaction.”

In the Transaction each outstanding share of REIT I common stock (“Old Common Shares”) was automatically cancelled and retired, and converted into the right to receive, at the election of each holder of such share of Old Common Stock, either: (i) 0.41 shares of REIT II Class A common stock (“New Common Shares”) (the “Share Consideration”), or (ii) \$10.25 in cash (the “Cash Consideration”). The Share Consideration together with the Cash Consideration is referred to as the “Merger Consideration.”

No fractional New Common Shares were issued in the Transaction. In lieu of receiving any fractional New Common Shares, the holder received cash in an amount rounded up to the nearest whole cent, determined by multiplying (i) the fraction of a share to which such holder would otherwise be entitled by (ii) \$25.00.

A holder of Old Common Shares that elected to receive only the Cash Consideration in the Merger in exchange for all the Old Common Shares of such holder and, accordingly, did not receive any of the Share Consideration in the Transaction is not covered by this Form 8937 because for such holder the Transaction is generally expected to be treated as a taxable sale for U.S. federal income purposes, which does not affect the tax basis of a specified security required to be reported on Form 8937.

**Line 15**

The integrated steps of the Transaction are intended to qualify as a reorganization under section 368(a) of the Internal Revenue Code of 1986, as amended (the “Code”) for a holder that received at least some Share Consideration in the Merger.

*Share Consideration Election (Only)*

A holder of Old Common Shares that elected to receive only the Share Consideration in the Merger for all of such holder’s Old Common Shares generally will not recognize gain or loss in the Transaction (except with respect to any fractional shares). In general, under Code section 358(a), the holder will have an aggregate adjusted basis in the New Common Shares received in

the Merger (including any fractional New Common Shares that are deemed received and then redeemed as described below) equal to such holder's aggregate adjusted basis in the Old Common Shares surrendered in the Merger.

#### Mixed Share Consideration and Cash Consideration Elections

A holder of Old Common Shares that elected to receive the Share Consideration for some Old Common Shares and the Cash Consideration for other Old Common Shares in the Merger generally will recognize gain (but not loss) in an amount equal to the lesser of: (i) the amount by which the Merger Consideration received by a holder exceeds such shareholder's aggregate tax basis in the Old Common Shares; and (ii) the Cash Consideration received by such holder in the Merger (excluding any cash received in lieu of a fractional share in each of (i) and (ii)). For purposes of determining the amount of gain recognized, the Cash Consideration is allocated only to the Old Common Shares for which a Cash Consideration election was made. In addition, if Old Common Shares were acquired at different times or at different prices, any gain or loss is determined separately with respect to each block.

The aggregate adjusted tax basis of the New Common Shares received in the Merger (including any fractional shares deemed received and redeemed for cash) will be the same as the aggregate tax basis of the Old Common Shares surrendered in exchange therefor, (a) decreased by the amount of the Cash Consideration (excluding any cash received in lieu of a fractional REIT II share), and (b) increased by the amount of gain recognized in the Merger (excluding gain recognized with respect to a fractional share).

#### Fractional Shares

A holder that received cash in lieu of fractional New Common Shares in the Merger will be treated as though such holder received such fractional New Common Shares in the Merger, with an adjusted basis in such fractional New Common Shares as determined in the manner described above (and in accordance with Line 16), and then as having had such fractional New Common Shares redeemed for cash. As a result, a holder is generally expected to recognize gain or loss equal to the difference between the amount of cash received and the portion of the aggregate tax basis allocated to such fractional New Common Shares.

Shareholders should consult with a qualified tax advisor regarding their specific U.S. federal income tax consequences of the Merger (including, but not limited to, the computation of gain and tax basis).

#### **Line 16**

For the purposes of the Transaction, REIT II has determined that the fair market value of the New Common Shares for purposes of calculating any gain on the Old Common Shares exchanged in the Merger is \$25.04.

A holder of Old Common Shares that received New Common Shares in exchange for Old Common Shares that were acquired at different times or for different prices should allocate the

aggregate adjusted tax basis in the Old Common Shares (pursuant to Line 16) to the New Common Shares received in a manner that reflects, to the greatest extent possible, that New Common Shares are received in exchange for blocks of Old Common Shares that were acquired on the same date and at the same price. To the extent this is not possible, the aggregate adjusted tax basis of the Old Common Shares surrendered must be allocated to the New Common Shares received (or allocable portions thereof) in a manner that minimizes the disparity in the holding periods of the surrendered Old Common Shares whose basis is allocated to the New Common Shares received. This may result in the New Common Shares having split basis and holding period segments.

Shareholders should consult with a qualified tax advisor regarding their specific U.S. income tax consequences of the Merger (including, but not limited to, the computation of gain and tax basis).

#### **Line 17**

Sections 368(a), 358(a), 358(b), and 354(a) or 356(a) with respect to the Merger (depending on the election with respect to the Merger Consideration); and

Section 302(a) with respect to (1) cash for any fractional New Common Shares and (2) Cash Consideration received by a holder of Old Common Stock where all of the holder's Old Common Stock was exchanged solely for the Cash Consideration.

#### **Line 18**

No holder of Old Common Stock may recognize a loss as a result of the Merger (other than with respect to any cash received in lieu of fractional New Common Shares and the Cash Consideration received by a holder of Old Common Stock where all of the holder's Old Common Stock was exchanged solely for the Cash Consideration).

#### **Line 19**

The federal income tax consequences of the Merger are taken into account in the tax year of each holder of Old Common Shares that includes September 27, 2017.