

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form S-3

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

Moody National REIT I, Inc.

(Exact name of registrant as specified in its charter)

Maryland

(State or other jurisdiction of incorporation or organization)

26-1812865

(I.R.S. Employer Identification No.)

6363 Woodway Drive, Suite 110
Houston, Texas 77057
(713) 977-7500

(Address, including zip code, and telephone number, including area code, of registrants principal executive offices)

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(Name, address, including zip code and telephone number, including area code, of agent for service)

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Approximate date of commencement of proposed sale to the public: **From time to time after this Registration Statement becomes effective.**

If the only securities being registered on this form are being offered pursuant to dividend or interest reinvestment plans, please check the following box:

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933 check the following box:

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act of 1933, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration number of the earlier effective registration statement for the same offering.

If this form is a registration statement pursuant to General Instruction I.D. or a post-effective amendment thereto that shall become effective upon filing with the Commission pursuant to Rule 462(e) under the Securities Act, check the following box.

If this Form is a post-effective amendment to a registration statement filed pursuant to General Instruction I.D. filed to register additional securities or additional classes of securities pursuant to Rule 413(b) under the Securities Act, check the following box.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

(Do not check if a smaller reporting company)

Smaller reporting company

CALCULATION OF REGISTRATION FEE

<u>Title of each class of securities to be registered</u>	<u>Amount to be registered</u>	<u>Proposed maximum offering price per share</u>	<u>Proposed maximum aggregate offering price (1)</u>	<u>Amount of registration Fee</u>
Common Stock, par value \$.01 per share	2,631,579 shares	\$9.50	\$25,000,000	\$2,518
(1) Calculated pursuant to Rule 457(o).				

PROSPECTUS

MOODY NATIONAL REIT I, INC.



**Distribution Reinvestment Plan
\$25,000,000 in Shares of Common Stock**

Moody National REIT I, Inc. is a Maryland corporation formed in January 2008 to acquire a portfolio of real estate investments, primarily in the hospitality sector, real estate securities and debt-related investments. We are externally managed by Moody National Advisor I, LLC, which we refer to as our advisor. We have elected to be taxed as a real estate investment trust, or REIT, for federal income tax purposes beginning with the taxable year ended December 31, 2011.

As of October 30, 2015, our investment portfolio was comprised of ten hotel properties located in five states, a joint venture interest in a mortgage note in the original principal amount of \$13,000,000 secured by a hotel property and a note in the aggregate principal amount of \$9,000,000 originated to an affiliate of our sponsor and advisor to be used to acquire a commercial real property.

We are offering up to \$25 million in shares to existing stockholders pursuant to our distribution reinvestment plan. Some of the significant features of our distribution reinvestment plan are as follows:

- Stockholders who elect to participate in our distribution reinvestment plan may choose to invest their cash distributions in shares of our common stock.
- We are initially offering shares of our common stock pursuant to our distribution reinvestment plan at a purchase price of \$9.50 per share, though our board of directors may change this price from time to time based on our estimated value per share and other factors our board of directors deems relevant.
- We may suspend or terminate our distribution reinvestment plan at any time by providing ten days prior notice to participants.
- We may amend our distribution reinvestment plan at any time by delivering notice to participants at least ten days prior to the effective date of the amendment.
- Participants may terminate participation in our distribution reinvestment plan, without penalty, by providing us with written notice.
- If you elect to participate in our distribution reinvestment plan and are subject to federal income taxation, you will incur tax liability for distributions allocated to you even though you have elected not to receive the distribution in cash. In addition, to the extent you purchase shares through our distribution reinvestment plan at a discount to their fair market value, you will be treated for tax purposes as receiving an additional distribution equal to the amount of the discount.
- Stockholders may elect to participate in our distribution reinvestment plan by completing an Account Modification Form, Change of Ownership Form or other appropriate authorization form and returning it to Moody National REIT I, Inc. Investor Relations. Account Modification Forms, Change of Ownership Forms and other appropriate authorization forms may be obtained at any time by calling (713) 977-7500 or by writing to us at 6363 Woodway Drive, Suite 110, Houston, Texas 77057. **If you are already enrolled in our distribution reinvestment plan, no action is required.**

Investing in shares of our common stock involves a high degree of risk. You should purchase shares only if you can afford a complete loss of your investment. Before making an investment decision, you should carefully consider the specific risks set forth under the caption Risk Factors on page 6 of this prospectus as well as under Item 1A of Part I of our most recent Annual Report on Form 10-K and under Item 1A of Part II of our Quarterly Reports on Form 10-Q, as the same may be updated from time to time by future filings under the Securities Exchange Act of 1934, as amended, which are incorporated by reference into this prospectus. You should read this prospectus and any prospectus supplement, together with additional information described under the heading Incorporation by Reference and Where You Can Find Additional Information, carefully before you invest in shares of our common stock.

Neither the Securities and Exchange Commission, the Attorney General of the State of New York nor any other state securities regulator has approved or disapproved of our common stock, determined if this prospectus is truthful or complete or passed on or endorsed the merits of this offering. Any representation to the contrary is a criminal offense. No one is authorized to make any statement about this offering different from those that appear in this prospectus.

The use of projections or forecasts in this offering is prohibited. Any representation to the contrary and any predictions, written or oral, as to the amount or certainty of any present or future cash benefit or tax consequence that may flow from an investment in this offering is not permitted.

	<u>Price to Public</u>	<u>Selling Commissions and Dealer Manager Fees</u>	<u>Net Proceeds (Before Expenses)</u>
Distribution Reinvestment Plan Per Share	\$ 9.50	\$	\$ 9.50
Total Maximum	<u>\$ 25,000,000</u>	<u>\$</u>	<u>\$ 25,000,000</u>

November 4, 2015

SUITABILITY STANDARDS

Our shares of common stock are suitable only as a long-term investment for persons of adequate financial means. We do not expect that a public market for shares of our common stock will develop, which means that it may be difficult for you to sell your shares. On a limited basis, you may be able to have shares of our common stock repurchased through our share redemption program, and in the future we may also consider various forms of additional liquidity. You should not purchase shares of our common stock pursuant to our distribution reinvestment plan if you will need to sell them quickly in the future.

In consideration of these factors, we have established suitability standards for initial stockholders and subsequent transferees. These suitability standards require that a purchaser of shares of our common stock have either:

- a net worth (excluding the value of an investors home, furnishings and automobiles) of at least \$250,000; or
- a gross annual income of at least \$70,000 and a net worth (excluding the value of an investors home, furnishings and automobiles) of at least \$70,000.

The following states have established suitability standards different from those we have established. Shares will only be sold to investors in these states who meet our suitability standards set forth above, as well as the special suitability standards set forth as follows:

Alabama An Alabama investor must have represented to us that such investor has a liquid net worth of at least 10 times their investment in us and other similar programs and that such investor otherwise meets our suitability standards.

California A California investors aggregate investment in this offering may not exceed 10% of the investors liquid net worth.

Iowa An Iowa investors maximum investment in us and our affiliated programs cannot exceed 10% of the investors net worth.

Kansas It is recommended by the Office of the Kansas Securities Commissioner that Kansas investors not invest in the aggregate more than 10% of their liquid net worth in this and similar direct participation investments. Liquid net worth is defined as that portion of net worth which consists of cash, cash equivalents and readily marketable securities.

Kentucky A Kentucky investors aggregate investment in this offering may not exceed 10% of the investors liquid net worth.

Maine The Maine Office of Securities recommends that an investors aggregate investment in this offering and similar offerings not exceed 10% of the investors liquid net worth. For this purpose, liquid net worth is defined as that portion of net worth that consists of cash, cash equivalents and readily marketable securities.

Michigan A Michigan investors maximum investment in us and our affiliated programs cannot exceed 10% of the investors net worth.

New Jersey A New Jersey investors total investment in this offering and any similar program may not exceed 10% of the investors liquid net worth. For this purpose, liquid net worth is defined as that portion of net worth that consists of cash, cash equivalents and readily marketable securities.

New Mexico A New Mexico investors aggregate investment in this offering and any affiliated program may not exceed 10% of the investors liquid net worth.

Tennessee A Tennessee investors maximum investment in us and in our affiliates cannot exceed 10% of their net worth.

In the case of sales to fiduciary accounts (such as an individual retirement account, or IRA, Keogh plan or pension or profit sharing plan), these suitability standards must be met by the fiduciary account, by the person who directly or indirectly supplied the funds for the purchase of the shares of our common stock or by the beneficiary of the account.

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Except where the context suggests otherwise, the terms we, us, our, and the Company refer to Moody National REIT I, Inc., together with its subsidiaries, including Moody National Operating Partnership I, L.P. Reference to shares and our common stock refer to the shares of common stock of Moody National REIT I, Inc.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements included in this prospectus that are not historical facts (including any statements concerning investment objectives, other plans and objectives of management for future operations or economic performance, or assumptions or forecasts related thereto) are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. These statements are only predictions. We caution that forward-looking statements are not guarantees. Actual events or our investments and results of operations could differ materially from those expressed or implied in any forward-looking statements. Forward-looking statements are typically identified by the use of terms such as may, should, expect, could, intend, plan, anticipate, estimate, believe, continue, predict, potential or the negative of such terms and other comparable terminology.

The forward-looking statements included herein are based upon our current expectations, plans, estimates, assumptions and beliefs, which involve numerous risks and uncertainties. Assumptions relating to the foregoing involve judgments with respect to, among other things, future economic, competitive and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond our control. Although we believe that the expectations reflected in such forward-looking statements are based on reasonable assumptions, our actual results and performance could differ materially from those set forth in the forward-looking statements. Factors which could have a material adverse effect on our operations and future prospects include, but are not limited to:

- changes in economic conditions generally and the real estate and debt markets specifically;
- our ability to continue to successfully identify and acquire real estate and real estate-related assets on terms that are favorable to us;
- risks inherent in the real estate business, including potential liability relating to environmental matters and liquidity of real estate investments;
- our ability to successfully compete in the hospitality industry;
- the impact of any conflicts arising among us, our advisor and our sponsor;
- changes in demand for rooms at our hotel properties;
- the fact we pay fees and expenses to our advisor and its affiliates that were not negotiated on an arms length basis and the payment of these fees and expenses increases the risk that our stockholders will not earn a profit on their investment in us;
- the fact that (1) we cannot predict with any certainty how much, if any, of our distribution reinvestment plan proceeds will be available for general corporate purposes, including, but not limited to, the redemption of shares under our share redemption program, future funding obligations with respect to any real estate we acquire, the funding of capital expenditures on our real estate investments, or the repayment of debt, and (2) if such funds are not available from our distribution reinvestment plan, then we may have to use a greater proportion of our cash flow from operations to meet these cash requirements, which would reduce cash available for distributions and could limit our ability to redeem shares under our share redemption program;
- legislative or regulatory changes (including changes to the laws governing the taxation of real estate investment trusts, or REITs);
- our ability to retain our executive officers and other key personnel of our advisor and its affiliates;
- changes in interest rates; and
- changes to generally accepted accounting principles, or GAAP.

Any of the assumptions underlying the forward-looking statements included herein could be inaccurate, and undue reliance should not be placed on any forward-looking statements included herein. All forward-looking statements are made as of the date this prospectus is filed with the Securities and Exchange Commission, or SEC, and the risk that actual results will differ materially from the expectations expressed herein will increase with the passage of time. Except as otherwise required by the federal securities laws, we undertake no obligation to publicly update or revise any forward-looking statements made herein, whether as a result of new information, future events, changed circumstances or any other reason. In light of the significant uncertainties inherent in the forward-looking statements included in this prospectus, the inclusion of such forward-looking statements should not be regarded as a representation by us or any other person that the objectives and plans set forth in this prospectus will be achieved. We intend for these forward-looking statements to be covered by the applicable safe harbor provisions created by Section 27A of the Securities Act and Section 21E of the Exchange Act.

All forward-looking statements included herein should be read in light of the factors identified in the Risk Factors section of this prospectus and our Annual Report on Form 10-K for the year ended December 31, 2014, filed with the SEC on March 31, 2015 and our Quarterly Reports on Form 10-Q.

PROSPECTUS SUMMARY

This summary highlights material information about our business and this offering that is not otherwise addressed in Summary of Our Distribution Reinvestment Plan. Because it is a summary, it may not contain all of the information that is important to you. To understand this offering fully, you should read the entire prospectus carefully before making a decision to participate in the distribution reinvestment plan. You should also review the section of this prospectus titled Incorporation of Certain Documents by Reference.

Moody National REIT I, Inc.

We were formed as a Maryland corporation on January 15, 2008 to invest in a diversified portfolio of real estate investments, primarily in the hospitality sector, and real estate securities and debt-related investments. We have elected to qualify to be taxed as a real estate investment trust, or REIT, under the Internal Revenue Code of 1986, as amended, or the Internal Revenue Code, commencing with the taxable year ended December 31, 2011.

Substantially all of our business is conducted through Moody National Operating Partnership I, L.P., our operating partnership. We are the sole general partner of our operating partnership. As of September 30, 2015, our portfolio was comprised of (1) ten hotel properties located in five states with an aggregate 1,381 rooms, (2) a 74.5% joint venture interest in a mortgage note in the original principal amount of \$13,000,000 secured by a hotel property and (3) a note in the aggregate principal amount of \$9,000,000 originated to an affiliate of our sponsor and advisor to be used to acquire a commercial property.

On April 15, 2009, we commenced our initial public offering. In our initial public offering we offered up to \$1,000,000,000 in shares of our common stock to the public at \$10.00 per share in the primary offering and up to \$100,000,000 in shares of our common stock pursuant to our distribution reinvestment plan at \$9.50 per share. Our initial public offering terminated on October 12, 2012. As of the termination of our initial public offering, we had accepted subscriptions for, and issued, 1,126,253 shares of our common stock in our initial public offering, including 29,582 shares of our common stock pursuant to our distribution reinvestment plan, resulting in offering proceeds of \$10,966,713.

On October 12, 2012, we commenced our follow-on public offering, or our follow-on offering, of up to \$1,000,000,000 in shares of our common stock, comprised of up to \$900,000,000 in shares offered to the public at \$10.00 per share and up to \$100,000,000 in shares offered to our stockholders pursuant to our distribution reinvestment plan at \$9.50 per share. Effective February 20, 2015, we terminated the offer and sale of shares of our common stock to the public in our follow-on offering. As of September 30, 2015, we had accepted investors subscriptions for, and issued, 12,927,075 shares of our common stock in our initial public offering and follow-on offering, including 506,056 shares of common stock issued pursuant to our distribution reinvestment plan, resulting in aggregate gross offering proceeds of \$124,210,189. As of September 30, 2015, 10,049,841 shares of our common stock remained available for sale pursuant to our distribution reinvestment plan. In this offering we are offering a maximum of \$25 million in shares pursuant to our distribution reinvestment plan.

Our office is located at 6363 Woodway Drive, Suite 110, Houston, Texas 77057, and our main telephone number is 713-977-7500.

Our Advisor

Moody National Advisor I, LLC is our advisor. Subject to certain restrictions and limitations, our advisor manages our day-to-day operations and our portfolio of properties and real estate-related assets. Our advisor sources and presents investment opportunities to our board of directors. Our advisor also provides investment management, marketing, investor relations and other administrative services on our behalf.

Our advisor performs its duties and responsibilities as our fiduciary under an advisory agreement. The term of the current advisory agreement ends on April 15, 2016, subject to renewals by the board of directors for an unlimited number of successive one-year periods. Our officers and our affiliated director are all officers of our advisor.

Our Management

We operate under the direction of our board of directors, the members of which are accountable to us and our stockholders as fiduciaries. Our board of directors, including a majority of our independent directors, must approve each investment proposed by our advisor, as well as certain other matters set forth in our Second Articles of Amendment and Restatement, or our charter. We have four members on our board of directors, three of whom are independent of us, our advisor and its affiliates, and are responsible for reviewing our advisors performance. Our directors are elected annually by our stockholders. Although we have executive officers who manage our operations, we do not have any paid employees.

Terms of the Offering

We are offering a maximum of \$25,000,000 in shares of our common stock to our existing stockholders pursuant to our distribution reinvestment plan. Shares of our common stock issued pursuant to our distribution reinvestment plan are initially being offered at \$9.50 per share. This is the same price at which such shares were previously offered pursuant to our registration statement on Form S-11 (File No. 333-179521). Our board of directors may, in its sole discretion, from time to time, change this price based upon changes in our estimated value per share and other factors our board of directors deems relevant. If we determine to change the price at which we offer shares pursuant to our distribution reinvestment plan, we do not anticipate that we will do so more frequently than quarterly.

This offering must be registered or exempt from registration in every state in which we offer or sell shares. If this offering is not exempt from registration, the required registration generally is for a period of one year. Therefore, we may have to stop selling shares in any state in which the registration is not renewed annually and the offering is not otherwise exempt from registration.

YOU SHOULD RECOGNIZE THAT YOU MAY NOT PROFIT, AND MAY INCUR A LOSS, ON THE SHARES YOU ACQUIRE UNDER OUR DISTRIBUTION REINVESTMENT PLAN.

Estimated Use of Proceeds of this Offering

The proceeds raised pursuant to our distribution reinvestment plan will be used for general corporate purposes, including, but not limited to, investment in real estate and real estate related assets, payment of fees and other costs, repayment of debt and funding for our share redemption program. We cannot predict with any certainty how much distribution reinvestment plan proceeds will be used for any of the above purposes, and we have no basis for estimating the number of shares that will be sold pursuant to our distribution reinvestment plan. No selling commissions or dealer manager fees are payable on shares sold under our distribution reinvestment plan, and we expect any other offering expenses to be nominal.

Special Restrictions on the Ownership or Transfer of Shares

Our charter contains a restriction on ownership of more than 9.8% in value of our outstanding capital stock (which includes common stock and preferred stock we may issue) and more than 9.8% in value or number of shares, whichever is more restrictive, unless otherwise approved by our board of directors. Subsequent purchasers (i.e., potential purchasers of your shares), must also meet the net worth or income standards and unless you are transferring all of your shares, you may not transfer your shares in a manner that causes you or your transferee to own fewer than the number of shares required to meet the minimum purchase requirements of \$2,500, except in connection with redemptions or by operation of law. These suitability and minimum purchase requirements are applicable until our shares of common stock are listed on a national securities exchange, and these requirements may make it more difficult for you to sell your shares. All sales must also comply with applicable state and federal securities laws.

Listing or Liquidation

We presently intend, but are not required, to complete a transaction providing liquidity for our stockholders within four to six years from the termination of our initial public offering, which occurred on October 12, 2012. Our charter does not require our board of directors to pursue a liquidity event. However, we expect that our board of directors will determine to pursue a liquidity event when it believes that then-current market conditions are favorable for a liquidity event, and that such a transaction is in the best interests of our stockholders. A liquidity event could include (1) the sale of all or substantially all of our assets either on a portfolio basis or individually followed by a liquidation, (2) a merger or another transaction approved by our board of directors in which our stockholders will receive cash or shares of a publicly traded company or (3) a listing of our shares on a national securities exchange. There can be no assurance as to when a suitable transaction will be available.

Governing Law

The terms and conditions of our distribution reinvestment plan and its operation will be governed by the laws of the State of Maryland.

Incorporation by Reference

This prospectus incorporates by reference documents previously filed with the SEC, including, but not limited to, our Annual Report on Form 10-K for the year ended December 31, 2014 and all future documents we file pursuant to certain sections of the Exchange Act. These documents contain information about us which supplements the information in this prospectus. See Incorporation of Certain Documents by Reference.

RISK FACTORS

An investment in our shares involves various risks and uncertainties. For a discussion of the risks and uncertainties that we believe are material to our business, operating results, prospects and financial condition, you should carefully consider the specific risks set forth under the caption Risk Factors under Item 1A of Part I of our most recent Annual Report on Form 10-K and under Item 1A of Part II of our Quarterly Reports on Form 10-Q, as the same may be updated from time to time by future filings under the Exchange Act, which are incorporated by reference into this prospectus, as amended and supplemented. The risks discussed in our reports can adversely affect our business, operating results, prospects and financial condition. This could cause the value of our common stock to decline and could cause you to lose all or part of your investment.

ESTIMATED USE OF PROCEEDS

The proceeds raised pursuant to our distribution reinvestment plan will be used for general corporate purposes, including, but not limited to, investment in real estate and real estate related assets, payment of fees and other costs, repayment of debt and funding for our share redemption program. We cannot predict with any certainty how much distribution reinvestment plan proceeds will be used for any of these purposes, and we have no basis for estimating the number of shares that will be sold pursuant to our distribution reinvestment plan. No selling commissions or dealer manager fees are payable on shares sold under our distribution reinvestment plan, and we expect any other offering expenses to be nominal.

SUMMARY OF OUR DISTRIBUTION REINVESTMENT PLAN

What is the purpose of the distribution reinvestment plan?

Our distribution reinvestment plan is designed to offer our existing stockholders a way to invest their cash distributions in additional shares of our common stock without paying any selling commissions, fees or service charges. We expect to use substantially all of the net proceeds from the sale of shares under our distribution reinvestment plan for general corporate purposes, including, but not limited to, investment in real estate and real estate related assets, payment of fees and other costs, repayment of debt, and funding for our share redemption program.

How are my distributions reinvested?

If you choose to participate in our distribution reinvestment plan, we will apply distributions on the shares of stock registered in your name to purchase additional shares for you directly from us. The allocation of shares of our common stock among participants may result in the ownership of fractional shares, computed to four decimal places. The distributions paid on shares acquired through our distribution reinvestment plan will continue to be reinvested unless you elect to have them paid in cash by changing your investment option.

What is the purchase price of shares in the distribution reinvestment plan?

There is no public trading market for the shares of our common stock, and there can be no assurance that a market will develop in the future. Shares of our common stock issued pursuant to our distribution reinvestment plan are initially being offered at \$9.50 per share; provided, however, our board of directors may, in its sole discretion, from time to time, change this price based upon changes in our estimated value per share and other factors our board of directors deems relevant.

The initial selling price of \$9.50 per share is based upon a discount from the \$10.00 per share price at which we last sold shares of our common stock to the public in our public offering. The selling price may not be indicative of the price at which the shares may trade if they were listed on an exchange or of the proceeds that a stockholder may receive if we liquidated or dissolved.

Who is eligible to participate in the distribution reinvestment plan?

You are eligible to participate in our distribution reinvestment plan if you are a holder of record of shares of our common stock. In addition, we have established suitability standards for all stockholders, including subsequent transferees, which a stockholder must satisfy in order to participate in our distribution reinvestment plan. See Suitability Standards. If your shares are held of record by a broker or nominee, to enroll in our distribution reinvestment plan, you will need to arrange for that entity to transfer ownership of the shares to you. We may refuse participation in our distribution reinvestment plan to stockholders residing in states where shares offered pursuant to our distribution reinvestment plan are neither registered under applicable securities laws nor exempt from registration.

How do I enroll in the distribution reinvestment plan?

Eligible persons may become a participant in our distribution reinvestment plan at any time by completing and signing an Account Update Form, Change of Ownership Form or other appropriate authorization form. An Account Update Form is attached as *Appendix A* to this prospectus and a Change of Ownership Form is attached as *Appendix B* to this prospectus; both forms may be obtained at any time by calling Moody National REIT I, Inc. Investor Relations at (713) 977-7500 or by writing to us at 6363 Woodway Drive, Suite 110, Houston, Texas 77057. **If you are already enrolled in our distribution reinvestment plan, no action is required.**

Your participation in our distribution reinvestment plan will begin with the first distribution payment after your signed Account Update Form is received, provided such form is received on or before 10 days prior to the record date established for that distribution. If your distribution Account Update Form is received after the record date for any distribution and before payment of that distribution, the distribution will be paid to you in cash and reinvestment of your distributions will not begin until the next distribution payment date.

You will remain a participant of our distribution reinvestment plan until you deliver to us written notice of your desire to terminate your participation (described more fully below under *How do I terminate participation in the distribution reinvestment plan?*).

Who administers the distribution reinvestment plan for participants?

Our distribution reinvestment plan will be administered directly by us or an affiliate, but a different entity may act as distribution reinvestment plan administrator in the future. Our distribution reinvestment plan administrator will keep all records of your distribution reinvestment plan accounts and send statements of your account to you.

When will shares be purchased under the distribution reinvestment plan?

Shares will be purchased for you under our distribution reinvestment plan on the date on which common stock distributions are paid. We intend to pay distributions monthly and will ordinarily be on or about the fifteenth day of each month, but may be changed to quarterly in our sole discretion. If the aggregate amount of distributions to participants exceeds the amount required to purchase all shares of our common stock then available for purchase, we will purchase all available shares of our common stock and will return all remaining distributions to the participants. We will allocate the purchased shares of our common stock among the participants based on the portion of the aggregate distributions received on behalf of each participant, as reflected in our records.

Who will assume the costs of administering the distribution reinvestment plan?

Purchases under our distribution reinvestment plan will not be subject to selling commissions, dealer manager fees or due diligence reimbursements. All costs of administration of our distribution reinvestment plan will be borne by us.

When will I receive reports about my investments under the distribution reinvestment plan?

You will receive a statement of your account within 90 days after the end of the fiscal year. The statements will contain a report of all transactions with respect to your account since the last statement, including information with respect to the distributions reinvested during the year, the number of shares purchased during the year, the per share purchase price for such shares and the total number of shares purchased on your behalf pursuant to our distribution reinvestment plan. In addition, tax information with respect to income earned on shares issued pursuant to our distribution reinvestment plan for the year will be included in the account statements. In addition, we will provide to each participant an individualized quarterly report at the time of each distribution payment showing the number of shares owned prior to the current distribution, the amount of the current distribution and the number of shares owned after the current distribution.

In addition, our annual report contains information regarding our history of distribution payments. This annual report is mailed to our stockholders each year.

How do I terminate participation in the distribution reinvestment plan?

You may terminate your participation in our distribution reinvestment plan at any time, without penalty, upon written notice to us. To be effective for any distribution period such notice must be received by us at least five days prior to the next investment date (i.e., the date on which purchases of common stock are made under the distribution reinvestment plan). A notice of termination received by our distribution reinvestment plan administrator after such cutoff date will not be effective until the next following investment date. Participants who terminate their participation in our distribution reinvestment plan may thereafter rejoin our distribution reinvestment plan by notifying us and completing all necessary forms and otherwise as required by us.

Upon a stockholders termination of participation in our distribution reinvestment plan for any reason, distributions will be distributed to the stockholder in cash.

Can the company terminate my participation in the distribution reinvestment plan?

Our board of directors may terminate your individual participation in our distribution reinvestment plan at any time by notice to you if continued participation will, in the opinion of our board of directors, jeopardize our status as a REIT under the Internal Revenue Code.

If we terminate your participation in our distribution reinvestment plan or you terminate your participation in our distribution reinvestment plan, we will update our stock records to include the number of whole shares in your distribution reinvestment plan account. For any fractional shares of stock in your distribution reinvestment plan account, our distribution reinvestment plan administrator will send you a check in payment for any fractional shares in your account.

Can the distribution reinvestment plan be amended, suspended or terminated?

Our board of directors may, in its sole discretion, terminate our distribution reinvestment plan or amend any aspect of our distribution reinvestment plan without the consent of distribution reinvestment plan participants or other stockholders, provided that written notice of any material amendment is sent to distribution reinvestment plan participants at least 10 days prior to the effective date of that amendment and provided that we may not amend our distribution reinvestment plan to terminate a participants right to withdraw from our distribution reinvestment plan.

If our distribution reinvestment plan is terminated, we will update our stock records to include the number of whole shares in your distribution reinvestment plan account. For any fractional shares of stock in your distribution reinvestment plan account, our distribution reinvestment plan administrator will send you a check in payment for any fractional shares in your account.

What are the federal income tax consequences of participation in the distribution reinvestment plan?

The following discussion summarizes the principal federal income tax consequences, under current law, of participation in our distribution reinvestment plan. It does not address all potentially relevant federal income tax matters, including consequences peculiar to persons subject to special provisions of federal income tax law (such as tax-exempt organizations, insurance companies, financial institutions, broker dealers and non-U.S. persons). No IRS ruling has been issued or requested regarding our distribution reinvestment plan. The following discussion is for your general information only. You must consult your own tax advisor to determine the particular tax consequences (including the effects of any changes in law) that may result from your participation in our distribution reinvestment plan and the disposition of any shares purchased pursuant to our distribution reinvestment plan.

Reinvested Distributions. Stockholders subject to federal income taxation who elect to participate in our distribution reinvestment plan will incur a tax liability for distributions allocated to them even though they have elected not to receive their distributions in cash but rather to have their distributions reinvested pursuant to our distribution reinvestment plan. Specifically, distribution reinvestment plan participants will be treated as if they received the distribution and then applied such distribution to purchase shares in our distribution reinvestment plan. To the extent that a stockholder purchases shares through our distribution reinvestment plan at a discount to fair market value, the stockholder will be treated for tax purposes as receiving an additional distribution equal to the amount of such discount. A participant will be taxed on the amount of such distribution as ordinary income to the extent such distribution is from current or accumulated earnings and profits, unless we have designated all or a portion of the distribution as a capital gain dividend or as a qualified dividend. In such case, such designated portion of the distribution will be taxed as a capital gain. To the extent that we make a distribution in excess of our current or accumulated earnings and profits, such excess will be treated first as a tax-free return of capital, reducing the tax basis in your common stock, and any distribution in excess of such basis will be taxable as a gain realized from the sale of your common stock. Any income with respect to the distribution reinvestment plan will be included in a participants net investment income for purposes of the unearned income Medicare tax, discussed under the heading U.S. Federal Income Tax Considerations Taxation of Holders of Our Common Stock Taxation of Taxable U.S. Stockholders.

Withholding. In the case of participating stockholders whose distributions are subject to withholding of federal income tax, distributions will be reinvested less the amount of tax required to be withheld.

How will the shares purchased through the distribution reinvestment plan be recorded on the companys books?

All shares of our common stock that you purchase through the reinvestment of distributions are recorded in your name on our books. No stock certificates will be issued because we do not issue stock certificates. The number of shares you hold in our distribution reinvestment plan will be shown on your statement of account.

How may I sell shares acquired under the distribution reinvestment plan?

Subject to the applicable federal and state securities laws, you may sell the shares acquired pursuant to our distribution reinvestment plan, and your other shares, at any time, subject to any restrictions set forth in our charter or that we may impose on the sale of common shares to protect our status as a REIT. However, there currently is no public market for shares of our common stock. We do not expect a public market for our stock to develop prior to a listing on a national stock exchange, which may not occur in the near future or at all. Consequently, there may not be a readily available buyer for your shares. We have adopted a share redemption program to provide limited liquidity for our stockholders. However, our board of directors may, in its sole discretion, amend, suspend, or terminate our share redemption program at any time upon thirty days prior written notice. Therefore, you may not have the opportunity to make a repurchase request prior to any potential termination of our share redemption program.

Your transfer of shares will terminate participation in our distribution reinvestment plan with respect to such transferred shares as of the first day of the month in which such transfer is effective, unless the transferee of such shares in connection with such transfer demonstrates to us that such transferee meets the requirements for participation hereunder, including the suitability standards set forth in this prospectus, and affirmatively elects participation by delivering a written notice or other instrument required by us.

What are the voting rights of shares acquired under the distribution reinvestment plan?

Shares in your distribution reinvestment plan account will be voted as you direct. As a stockholder, you will receive a proxy card in connection with any annual or special meeting of stockholders. This proxy will apply to all shares registered in your name, including all shares credited to your distribution reinvestment plan account. You may also vote your shares, including those in your distribution reinvestment plan account, in person at any annual or special meeting of stockholders.

Who can help answer my questions or provide me with documents relating to the distribution reinvestment plan?

If you have questions about our distribution reinvestment plan or would like to request forms related to our distribution reinvestment plan and documents incorporated by reference into this prospectus, please contact:

**Moody National REIT I, Inc.
6363 Woodway Drive
Suite 110
Houston, Texas 77057
(713) 977-7500
Attn: Investor Relations**

U.S. FEDERAL INCOME TAX CONSIDERATIONS

General

The following is a summary of certain material federal income tax consequences relating to our qualification and taxation as a REIT and the acquisition, ownership and disposition of our common stock that a potential stockholder may consider relevant. Because this section is a general summary, it does not address all of the potential tax issues that may be relevant to you in light of your particular circumstances. This summary is based on the Internal Revenue Code; current, temporary and proposed U.S. Treasury Department, or Treasury, regulations promulgated thereunder; current administrative interpretations and practices of the Internal Revenue Service, or the IRS; and judicial decisions now in effect, all of which are subject to change (possibly with retroactive effect) or to different interpretations.

We have not requested, and do not plan to request, any rulings from the IRS concerning the tax treatment with respect to matters contained in this discussion, and the statements in this prospectus are not binding on the IRS or any court. Thus, we can provide no assurance that the tax considerations contained in this summary will not be challenged by the IRS or will be sustained by a court if challenged by the IRS.

This summary of certain federal income tax consequences applies to you if you acquire and hold our common stock as a capital asset (generally, property held for investment within the meaning of Section 1221 of the Internal Revenue Code). This summary does not consider all of the rules which may affect the U.S. tax treatment of your investment in our common stock in light of your particular circumstances. For example, except to the extent discussed under the headings Taxation of Holders of Our Common Stock Taxation of Tax-Exempt Shareholders and Taxation of Holders of Our Common Stock Taxation of Non-U.S. Shareholders, special rules not discussed here may apply to you if you are:

- a broker-dealer or a dealer in securities or currencies;
- an S corporation;
- a partnership or other pass-through entity;
- a bank, thrift or other financial institution;
- a regulated investment company or a REIT;
- an insurance company;
- a tax-exempt organization;
- subject to the alternative minimum tax provisions of the Internal Revenue Code;
- holding our common stock as part of a hedge, straddle, conversion, integrated or other risk reduction or constructive sale transaction;
- holding our common stock through a partnership or other pass-through entity;
- a non-U.S. corporation or partnership, and a person who is not a resident or citizen of the United States;
- a U.S. person whose functional currency is not the U.S. dollar; or
- a U.S. expatriate.

If a partnership, including any entity that is treated as a partnership for federal income tax purposes, holds our common stock, the federal income tax treatment of the partner in the partnership will generally depend on the status of the partner and the activities of the partnership. If you are a partner in a partnership that will hold our common stock, you should consult your tax advisor regarding the federal income tax consequences of acquiring, holding and disposing of our common stock by the partnership.

This summary does not discuss any alternative minimum tax considerations or any state, local or foreign tax considerations.

This summary of certain material federal income tax consideration is for general information purposes only and is not tax advice. You are advised to consult your tax adviser regarding the federal, state, local and foreign tax consequences of the purchase, ownership and disposition of our common stock.

Taxation of Moody National REIT I, Inc.

We elected to be taxed as a REIT under the Internal Revenue Code beginning with our taxable year ended December 31, 2011. We intend to continue to operate in such a manner as to qualify for taxation as a REIT. This section of the prospectus discusses the laws governing the tax treatment of a REIT and its stockholders. These laws are highly technical and complex.

In connection with this offering, Alston & Bird LLP has delivered an opinion to us that, commencing with our taxable year ended December 31, 2011, we have been organized and operated in conformity with the requirements for qualification as a REIT under the Internal Revenue Code and our proposed method of operation will enable us to continue to meet the requirements for qualification and taxation as a REIT.

It must be emphasized that the opinion of Alston & Bird LLP is based on various covenants made by us regarding our organization, assets and the past, present and future conduct of our business operations. While we intend to operate so that we will continue to qualify as a REIT, given the highly complex nature of the rules governing REITs, the ongoing importance of factual determinations and the possibility of future changes in our circumstances, no assurance can be given by Alston & Bird LLP or by us that we will so qualify for any particular year. Alston & Bird LLP will have no obligation to advise us or the holders of our common stock of any subsequent change in the matters stated, represented or assumed in the opinion or of any subsequent change in the applicable law. You should be aware that opinions of counsel are not binding on the Internal Revenue Service or any court, and no assurance can be given that the Internal Revenue Service will not challenge the conclusions set forth in such opinions.

Qualification and taxation as a REIT depends on our ability to meet on a continuing basis, through actual operating results, distribution levels and diversity of share ownership, various qualification requirements imposed upon REITs by the Internal Revenue Code, the compliance with which will not be reviewed by Alston & Bird LLP. Our ability to continue to qualify as a REIT also requires that we satisfy certain asset tests, some of which depend upon the fair market values of assets directly or indirectly owned by us. Such values may not be susceptible to a precise determination. While we intend to continue to operate in a manner that will allow us to continue to qualify as a REIT, no assurance can be given that the actual results of our operations for any taxable year satisfy such requirements for qualification and taxation as a REIT.

Taxation of REITs in General

As indicated above, qualification and taxation as a REIT depends upon our ability to meet, on a continuing basis, various qualification requirements imposed upon REITs by the Internal Revenue Code. The material qualification requirements are summarized below under Requirements for Qualification General. While we intend to operate so that we qualify as a REIT, no assurance can be given that the IRS will not challenge our qualification or that we will be able to operate in accordance with the REIT requirements in the future. See Failure to Qualify below.

We have made an election to be taxed as a REIT under the Internal Revenue Code beginning with our taxable year ended December 31, 2011. As a REIT, we generally are not subject to federal income tax on our REIT taxable income that is distributed to our stockholders. This treatment substantially eliminates the double taxation at the corporate and stockholder levels that have historically resulted from investment in a corporation. Rather, income generated by a REIT generally is taxed only at the stockholder level upon a distribution of dividends by the REIT.

Net operating losses, foreign tax credits and other tax attributes of a REIT generally do not pass through to the stockholders of the REIT, subject to special rules for certain items such as capital gains recognized by REITs.

Although we have made an election to be taxed as a REIT under the Internal Revenue Code beginning with our taxable year ended December 31, 2011, we will nonetheless be subject to federal tax in the following circumstances:

- We will be taxed at regular corporate rates on any taxable income, including undistributed net capital gains, that we do not distribute to stockholders during, or within a specified time period after, the calendar year in which the income is earned;
- We may be subject to the alternative minimum tax on our items of tax preference, including any deductions of net operating losses;
- If we have net income from prohibited transactions, which are, in general, sales or other dispositions of property held primarily for sale to customers in the ordinary course of business, other than foreclosure property, such income will be subject to a 100% tax. See Prohibited Transactions and Foreclosure Property below;
- REITs generally are subject to tax at the maximum corporate income tax rate (currently 35%) on any net income from foreclosure property that would not otherwise be qualifying income for purposes of the 75% gross income test and any gain from the disposition of foreclosure property that is held for sale in the ordinary course of business. See Foreclosure Property below;
- If we fail to satisfy the 75% gross income test or the 95% gross income test, as discussed below, but nonetheless maintain our qualification as a REIT because other requirements are met, we will be subject to a 100% tax on an amount based upon the magnitude of the failure, adjusted to reflect the profitability of such gross income;

- In the event of a failure of the asset tests (other than certain de minimis failures), as described below under Asset Tests, as long as the failure was due to reasonable cause and not to willful neglect, we dispose of the assets or otherwise comply with such asset tests within six months after the last day of the quarter in which we identify such failure and we file a schedule with the IRS describing the assets that caused such failure, we will pay a tax equal to the greater of \$50,000 or 35% of the net income from the nonqualifying assets during the period in which we failed to satisfy such asset tests;
- In the event of a failure to satisfy one or more requirements for REIT qualification, other than the gross income tests and the asset tests, we will be required to pay a penalty of \$50,000 for each such failure;
- If we fail to distribute during each calendar year at least the sum of (a) 85% of our REIT ordinary income for such year, (b) 95% of our REIT capital gain net income for such year and (c) any undistributed taxable income from prior periods, we will be subject to a 4% excise tax on the excess of the required distribution over the sum of (1) the amounts actually distributed, plus (2) retained amounts on which income tax is paid at the corporate level;
- We may be required to pay monetary penalties to the IRS in certain circumstances, including if we fail to meet record-keeping requirements intended to monitor our compliance with rules relating to the composition of a REIT's stockholders, as described below in Requirements for Qualification General;
- A 100% tax may be imposed on certain items of income and expense that are directly or constructively paid between a REIT and a taxable REIT subsidiary (as described below) if and to the extent that the IRS successfully adjusts the reported amounts of these items to conform to an arms length pricing standard;
- If we acquire appreciated assets from a corporation that is taxable under subchapter C of the Internal Revenue Code in a transaction in which the adjusted tax basis of the assets in its hands is determined by reference to the adjusted tax basis of the assets in the hands of the corporation, we will be subject to tax at the highest corporate income tax rate then applicable if we subsequently recognize the built-in gain on a disposition of any such assets during the 10-year period following the acquisition from the corporation, unless the corporation elects to treat the transfer of the assets to the REIT as a deemed sale; or
- The earnings of our lower-tier entities that are taxable corporations, if any, including domestic taxable REIT subsidiaries, are subject to federal corporate income tax.

In addition, we and our subsidiaries may be subject to a variety of taxes, including payroll taxes and state, local, and foreign income, property and other taxes on assets and operations. We could also be subject to tax in situations and on transactions not presently contemplated.

Requirements for Qualification General

The Internal Revenue Code defines a REIT as a corporation, trust or association:

- (1) that is managed by one or more trustees or directors;
- (2) the beneficial ownership of which is evidenced by transferable shares or by transferable certificates of beneficial interest;
- (3) which would be taxable as a domestic corporation but for the special Internal Revenue Code provisions applicable to REITs;
- (4) that is neither a financial institution nor an insurance company subject to specific provisions of the Internal Revenue Code;
- (5) the beneficial ownership of which is held by 100 or more persons;
- (6) in which, during the last half of each taxable year, not more than 50% in value of the outstanding stock is owned, directly or indirectly, by five or fewer individuals (as defined in the Internal Revenue Code to include specified entities); and
- (7) which meets other tests described below regarding the nature of its income and assets, its distributions, and certain other matters.

The Internal Revenue Code provides that conditions (1) through (4) must be met during the entire taxable year, and that condition (5) must be met during at least 335 days of a taxable year of 12 months, or during a proportionate part of a shorter taxable year. Our charter provides restrictions regarding the ownership and transfer of our shares, which are intended to assist us in satisfying the share ownership requirements described in conditions (5) and (6) above. For purposes of condition (6), an individual generally includes a supplemental unemployment compensation benefit plan, a private foundation, or a portion of a trust permanently set aside or used exclusively for charitable purposes, but does not include a qualified pension plan or profit sharing trust. We were not required to satisfy conditions (5) and (6) for the first taxable year in which we elected to be taxed as a REIT.

To monitor compliance with the share ownership requirements, we generally are required to maintain records regarding the actual ownership of our shares. To do so, we must demand written statements each year from the record holders of significant percentages of our stock in which the record holders are to disclose the actual owners of the shares (i.e., the persons required to include in gross income the dividends paid by us). A list of those persons failing or refusing to comply with this demand must be maintained as part of our records. Failure to comply with these record keeping requirements could subject us to monetary penalties. If we satisfy these requirements and have no reason to know that condition (6) is not satisfied, we will be deemed to have satisfied such condition. A stockholder that fails or refuses to comply with the demand is required by Treasury regulations to submit a statement with its tax return disclosing the actual ownership of the shares and other information.

In addition, a REIT must use the calendar year as its taxable year. We satisfy this requirement.

Effect of Subsidiary Entities

Ownership of Partnership Interests. In the case of a REIT that is a partner in a partnership, the REIT is deemed to own its proportionate share of the partnerships assets, and to earn its proportionate share of the partnerships income, for purposes of the asset and gross income tests applicable to REITs. In addition, the assets and gross income of the partnership are deemed to retain the same character in the hands of the REIT. Thus, our proportionate share of the assets and items of income of partnerships in which we own an equity interest (including our interest in our operating partnership) are treated as our assets and items of income for purposes of applying the REIT requirements. Our proportionate share is generally determined, for these purposes, based upon our percentage interest in the partnerships equity capital; however, for purposes of the 10% value-based asset test described below, the percentage interest also takes into account certain debt securities issued by the partnership and held by us. Consequently, to the extent that we directly or indirectly hold a preferred or other equity interest in a partnership, the partnerships assets and operations may affect our ability to qualify as a REIT, even if we have no control, or only limited influence, over the partnership. A summary of certain rules governing the federal income taxation of partnerships and their partners is provided below in Tax Aspects of Investments in Partnerships.

Disregarded Subsidiaries. If a REIT owns a corporate subsidiary that is a qualified REIT subsidiary, that subsidiary is disregarded for federal income tax purposes, and all assets, liabilities and items of income, deduction and credit of the subsidiary are treated as assets, liabilities and items of income, deduction and credit of the REIT itself, including for purposes of the gross income and asset tests applicable to REITs. A qualified REIT subsidiary is any corporation, other than a taxable REIT subsidiary as described below, that is wholly owned by a REIT, or by other disregarded subsidiaries, or by a combination of the two. Other entities that are wholly owned by us, including single member limited liability companies, are also generally disregarded as separate entities for federal income tax purposes, including for purposes of the REIT income and asset tests. Disregarded subsidiaries, along with partnerships in which we hold an equity interest, are sometimes referred to as pass-through subsidiaries.

In the event that one of our disregarded subsidiaries ceases to be wholly owned for example, if any equity interest in the subsidiary is acquired by a person other than us, or another of our disregarded subsidiaries the subsidiarys separate existence would no longer be disregarded for federal income tax purposes. Instead, it would have multiple owners and would be treated as either a partnership or a taxable corporation. Such an event could, depending on the circumstances, adversely affect our ability to satisfy the various asset and gross income requirements applicable to REITs, including the requirement that REITs generally may not own, directly or indirectly, more than 10% of the securities of another corporation. See Asset Tests and Income Tests.

Taxable Subsidiaries. A REIT may jointly elect with a subsidiary corporation, whether or not wholly owned, to treat the subsidiary corporation as a taxable REIT subsidiary, or TRS.

A TRS cannot directly or indirectly operate or manage a lodging facility or a health care facility or directly or indirectly provide to any other person (under a franchise, license, or otherwise) rights to any brand name under which any lodging facility or health care facility is operated, except that a TRS may provide rights to an eligible independent contractor to operate or manage a lodging facility or a health care facility if such rights are held by the TRS as a franchisee, licensee, or in a similar capacity and such lodging facility or health care facility is either owned by such TRS or is leased to such TRS from the REIT.

The separate existence of a TRS or other taxable corporation, is not ignored for federal income tax purposes. A domestic TRS will be subject to corporate income tax on its earnings, which may reduce the cash flow generated by us and our subsidiaries in the aggregate and our ability to make distributions to our stockholders.

A REIT is not treated as holding the assets of a taxable subsidiary corporation or as receiving any income that the subsidiary earns. Rather, the stock issued by the subsidiary is an asset in the hands of the parent REIT, and the REIT recognizes as income the dividends, if any, that it receives from the subsidiary. This treatment can affect the income and asset test calculations that apply to the REIT. Because a parent REIT does not include the assets and income of such subsidiary corporations in determining the parents compliance with the REIT requirements, such entities may be used by the parent REIT to undertake indirectly activities that the REIT rules might otherwise preclude it from doing directly or through pass-through subsidiaries (for example, activities that give rise to certain categories of income such as management fees).

We have organized a number of taxable REIT subsidiaries to lease our hotels under special rules (described below) that treat rents from leases of hotels to a taxable REIT subsidiary as qualifying income for purposes of the gross income requirements (described below) if, among other things, the hotel is managed by an eligible independent contractor.

Income Tests

We must satisfy two gross income requirements annually. First, at least 75% of our gross income for each taxable year, excluding gross income from sales of inventory or dealer property in prohibited transactions, must be derived from investments relating to real property or mortgages on real property, including rents from real property; dividends received from other REITs; interest income derived from mortgage loans secured by real property; income derived from a real estate mortgage investment conduit, or REMIC, in proportion to the real estate assets held by the REMIC, unless at least 95% of the REMICs assets are real estate assets, in which case all of the income derived from the REMIC; certain income from qualified temporary investments; and gains from the sale of real estate assets. Second, at least 95% of our gross income in each taxable year, excluding gross income from prohibited transactions, must be derived from some combination of income that qualifies under the 75% income test described above, as well as other dividends, interest, and gain from the sale or disposition of stock or securities, which need not have any relation to real property. Gross income from our sale of property that we hold primarily for sale to customers in the ordinary course of business is excluded from both the numerator and the denominator in both income tests. In addition, income and gain from hedging transactions, as defined in Hedging Transactions, that we enter into to hedge indebtedness incurred or to be incurred to acquire or carry select real estate equity investments or to hedge certain foreign currency risks and that are clearly and timely identified as such will be excluded from both the numerator and the denominator for purposes of the 75% and 95% gross income tests.

Rents received by us will qualify as rents from real property in satisfying the gross income requirements described above only if several conditions are met. The amount of rent received from a customer must not be based in whole or in part on the income or profits of any person; however, an amount received or accrued generally will not be excluded from the term rents from real property solely by reason of being based on a fixed percentage or percentages of gross receipts or sales. If rent is partly attributable to personal property leased in connection with a lease of real property, the portion of the total rent that is attributable to the personal property will not qualify as rents from real property unless it constitutes 15% or less of the total rent received under the lease. Moreover, for rents received to qualify as rents from real property, the REIT generally must not operate or manage the property or furnish or render services to the tenants of such property, other than through an independent contractor from which the REIT derives no revenue. We and our affiliates are permitted, however, to perform services that are usually or customarily rendered in connection with the rental of space for occupancy only and are not otherwise considered rendered to the occupant of the property. In addition, we and our affiliates may directly or indirectly provide non-customary services to tenants of properties without disqualifying all of the rent from the property if the payment for such services does not exceed 1% of the total gross income from the property. For this purpose, the amount received by the REIT for such service is deemed to be at least 150% of the REITs direct cost of providing the service. To the extent a TRS provides such non-customary services to our tenants, we must pay the TRS at least 150% of the direct cost of providing the services to qualify for a safe harbor from certain penalty taxes on non-arms length transactions between a REIT and a TRS. Also, rental income will qualify as rents from real property only to the extent that we do not directly or constructively hold a 10% or greater interest, as measured by vote or value, in the lessees equity, subject to a special rule for leases of our hotels to our TRSs.

Revenues from operating hotels are not qualifying income for purposes of the 75% or 95% gross income tests. We must lease our hotel properties to generate rents that may be qualifying income for purposes of either the 75% or the 95% gross income test. Under an exception to the rule disqualifying related party rents as rents from real property, our TRSs may lease (directly or through subsidiaries) hotel properties from our operating partnership (or its subsidiaries), provided that the hotel property is a qualified lodging facility and is managed by an eligible independent contractor.

A TRS may not directly or indirectly operate or manage any lodging facilities or health care facilities or provide rights to any brand name under which any lodging or health care facility is operated, unless such rights are provided to an eligible independent contractor to operate or manage a lodging or health care facility if such rights are held by the TRS as a franchisee, licensee, or in a similar capacity and such hotel is either owned by the TRS or leased to the TRS by its parent REIT. A TRS will not be considered to operate or manage a qualified lodging facility solely because the TRS directly or indirectly possesses a license, permit, or similar instrument enabling it to do so. Additionally, a TRS that employs individuals working at a qualified lodging facility outside the United States will not be considered to operate or manage a qualified lodging facility located outside of the United States, as long as an eligible independent contractor is responsible for the daily supervision and direction of such individuals on behalf of the TRS pursuant to a management agreement or similar service contract. However, rent that we receive from a TRS with respect to any property will qualify as rents from real property as long as the property is a qualified lodging facility and such property is operated on behalf of the TRS by a person from whom we derive no income who is adequately compensated, who does not, directly or through its shareholders, own more than 35% of our shares, taking into account certain ownership attribution rules, and who is, or is related to a person who is, actively engaged in the trade or business of operating qualified lodging facilities for any person unrelated to us and the TRS lessee (an eligible independent contractor) at the time the TRS enters into a management agreement with such eligible independent contractor. A qualified lodging facility is a hotel, motel, or other establishment more than one-half of the dwelling units in which are used on a transient basis, unless wagering activities are conducted at or in connection with such facility by any person who is engaged in the business of accepting

wagers and who is legally authorized to engage in such business at or in connection with such facility. A qualified lodging facility includes customary amenities and facilities operated as part of, or associated with, the lodging facility as long as such amenities and facilities are customary for other properties of a comparable size and class owned by other unrelated owners.

We believe that our hotels constitute qualified lodging facilities and that the hotel managers that our TRS lessees have engaged qualify as eligible independent contractors.

In order for the rent paid under the leases to constitute rents from real property, the leases must be respected as true leases for federal income tax purposes and not be treated as service contracts, joint ventures or some other type of arrangement. The determination of whether our leases are true leases depends on an analysis of all the surrounding facts and circumstances. In making such a determination, relevant factors may include the following:

- the intent of the parties;
- the form of the agreement;
- the degree of control over the property that is retained by the property owner (for example, whether the lessee has substantial control over the operation of the property or whether the lessee was required simply to use its best efforts to perform its obligations under the agreement); and
- the extent to which the property owner retains the risk of loss with respect to the property (for example, whether the lessee bears the risk of increases in operating expenses or the risk of damage to the property) or the potential for economic gain with respect to the property.

In addition, a contract that purports to be a service contract or a partnership agreement is treated instead as a lease of property for federal income tax purposes if the contract is properly treated as such, taking into account all relevant factors. Since the determination of whether a service contract should be treated as a lease is inherently factual, the presence or absence of any single factor may not be dispositive in every case.

We believe that we have structured our leases so that they qualify as true leases for federal income tax purposes. In particular, we attempt to structure our leases so that:

- the lessor and the lessee intend for their relationship to be that of a lessor and lessee, and such relationship is documented by a lease agreement;
- the lessee has the right to exclusive possession and use and quiet enjoyment of the hotels covered by the lease during the term of the lease;
- the lessee bears the cost of, and is responsible for, day-to-day maintenance and repair of the hotels other than the cost of certain capital expenditures, and dictates through hotel managers that are eligible independent contractors, who work for the lessee during the terms of the lease, how the hotels are operated and maintained;
- the lessee bears all of the costs and expenses of operating the hotels, including the cost of any inventory used in their operation, during the term of the lease, other than real estate and personal property taxes and the cost of certain furniture, fixtures and equipment, and certain capital expenditures;
- the lessee benefits from any savings and bears the burdens of any increases in the costs of operating the hotels during the term of the lease;
- in the event of damage or destruction to a hotel, the lessee is at economic risk because it bears the economic burden of the loss in income from operation of the hotels subject to the right, in certain circumstances, to the abatement of rent during the period of repair and restoration to the extent the hotel is not tenable;
- the lessee generally indemnifies the lessor against all liabilities imposed on the lessor during the term of the lease by reason of (i) injury to persons or damage to property occurring at the hotels or (ii) the lessees use, management, maintenance or repair of the hotels;
- the lessee is obligated to pay, at a minimum, substantial base rent for the period of use of the hotels under the lease;
- the lessee stands to incur substantial losses or reap substantial gains depending on how successfully it, through the hotel managers, who work for the lessees during the terms of the leases, operates the hotels;
- each lease that we have entered into, at the time we entered into it (or at any time that any such lease is subsequently renewed or extended) enables the tenant to derive a meaningful profit, after expenses and taking into account the risks associated with the lease, from the operation of the hotels during the term of its leases; and
- upon termination of each lease, the applicable hotel is expected to have a substantial remaining useful life and substantial remaining fair market value.

Investors should be aware that there are no controlling Treasury regulations, published rulings or judicial decisions involving leases with terms substantially the same as our leases that discuss whether such leases constitute true leases for federal income tax purposes. If our leases are characterized as service contracts or partnership agreements, rather than as true leases, or disregarded altogether for tax purposes, part or all of the payments that our operating partnership and its subsidiaries receive from the TRS lessees

may not be considered rent or may not otherwise satisfy the various requirements for qualification as rents from real property. In that case, we would not be able to satisfy either the 75% or 95% gross income test and, as a result, would lose our REIT status unless we qualify for relief.

The rent attributable to the personal property leased in connection with the lease of a hotel must not be greater than 15% of the total rent received under the lease. The rent attributable to the personal property contained in a hotel is the amount that bears the same ratio to total rent for the taxable year as the average of the fair market values of the personal property at the beginning and at the end of the taxable year bears to the average of the aggregate fair market values of both the real and personal property contained in the hotel at the beginning and at the end of such taxable year (the personal property ratio). To comply with this limitation, a TRS lessee may acquire furnishings, equipment and other personal property. We monitor the relative value of personal property used with respect to our hotels, with the intention that either the personal property ratio is less than 15% or that any rent attributable to excess personal property, when taken together with all of our other nonqualifying income, will not jeopardize our ability to qualify as a REIT. There can be no assurance, however, that the IRS would not challenge our calculation of a personal property ratio, or that a court would not uphold such assertion. If such a challenge were successfully asserted, we could fail to satisfy the 75% or 95% gross income test and thus potentially lose our REIT qualification.

Interest income constitutes qualifying mortgage interest for purposes of the 75% gross income test (as described above) to the extent that the obligation is secured by a mortgage on real property. If we receive interest income with respect to a mortgage loan that is secured by both real property and other property, and the highest principal amount of the loan outstanding during a taxable year exceeds the fair market value of the real property on the date that we had a binding commitment to acquire or originate the mortgage loan, the interest income will be apportioned between the real property and the other collateral, and its income from the arrangement will qualify for purposes of the 75% gross income test only to the extent that the interest is allocable to the real property. Even if a loan is not secured by real property or is undersecured, the income that it generates may nonetheless qualify for purposes of the 95% gross income test.

To the extent that the terms of a loan provide for contingent interest that is based on the cash proceeds realized upon the sale of the property securing the loan (a shared appreciation provision), income attributable to the participation feature will be treated as gain from sale of the underlying property, which generally will be qualifying income for purposes of both the 75% and 95% gross income tests provided that the property is not inventory or dealer property in the hands of the borrower or the REIT.

To the extent that a REIT derives interest income from a mortgage loan or income from the rental of real property where all or a portion of the amount of interest or rental income payable is contingent, such income generally will qualify for purposes of the gross income tests only if it is based upon the gross receipts or sales, and not the net income or profits, of the borrower or lessee. This limitation does not apply, however, where the borrower or lessee leases substantially all of its interest in the property to tenants or subtenants, to the extent that the rental income derived by the borrower or lessee, as the case may be, would qualify as rents from real property had it been earned directly by a REIT.

We may hold mezzanine loans, which are loans secured by equity interests in an entity that directly or indirectly owns real property, rather than by a direct mortgage of the real property. IRS Revenue Procedure 2003-65 provides a safe harbor pursuant to which a mezzanine loan, if it meets each of the requirements contained in the Revenue Procedure, will be treated by the IRS as a real estate asset for purposes of the REIT asset tests described below, and interest derived from it will be treated as qualifying mortgage interest for purposes of the 75% gross income test. Although the Revenue Procedure provides a safe harbor on which taxpayers may rely, it does not prescribe rules of substantive tax law. Our mezzanine loans might not meet all of the requirements for reliance on this safe harbor. We intend to make any investment in mezzanine loans in a manner that will enable us to continue to satisfy the REIT gross income and asset tests.

We may receive distributions from TRSs or other corporations that are not REITs. These distributions will be classified as dividend income to the extent of the earnings and profits of the distributing corporation. Such distributions will generally constitute qualifying income for purposes of the 95% gross income test but not the 75% gross income test. Any dividends we received from a REIT will be qualifying income for purposes of both the 75% and 95% gross income tests.

We may receive various fees in connection with our operations. The fees will be qualifying income for purposes of both the 75% and 95% gross income tests if they are received in consideration for entering into an agreement to make a loan secured by real property and the fees are not determined by the borrowers income and profits. Other fees are not qualifying income for purposes of either gross income test.

Any income or gain we derive from instruments that hedge certain risks, such as the risk of changes in interest rates with respect to debt incurred to acquire or carry real estate assets or certain foreign currency risks, will not be treated as income for purposes of calculating the 75% or 95% gross income test, provided that specified requirements are met. Such requirements include the instrument is properly identified as a hedge, along with the risk that it hedges, within prescribed time periods. Other hedging income is likely to be non-qualifying income for purposes of both gross income tests.

Prior to the making of investments in real properties, we may invest the net offering proceeds in liquid assets such as government securities or certificates of deposit. For purposes of the 75% gross income test, income attributable to a stock or debt instrument purchased with the proceeds received by a REIT in exchange for stock in the REIT (other than amounts received pursuant to a distribution reinvestment plan) constitutes qualified temporary investment income if such income is received or accrued during the one-year period beginning on the date the REIT receives such new capital. To the extent that we hold any proceeds of the offering for longer than one year, we may invest those amounts in less liquid investments such as certain mortgage-backed securities, maturing mortgage loans purchased from mortgage lenders or shares of common stock in other REITs to satisfy the 75% and 95% gross income tests and the asset tests described below.

If we fail to satisfy one or both of the 75% or 95% gross income tests for any taxable year, we may still qualify as a REIT for the year if we are entitled to relief under applicable provisions of the Internal Revenue Code. These relief provisions will be generally available if our failure to meet these tests was due to reasonable cause and not due to willful neglect, we attach to our tax return a schedule of the sources of our income, and any incorrect information on the schedule was not due to fraud with intent to evade tax. It is not possible to state whether we would be entitled to the benefit of these relief provisions in all circumstances. If these relief provisions are inapplicable, we will not qualify as a REIT. As discussed above under Taxation of REITs in General, even where these relief provisions apply, a tax would be imposed upon the amount by which we fail to satisfy the particular gross income test, adjusted to reflect the profitability of such gross income.

Asset Tests

At the close of each calendar quarter, we must satisfy four tests relating to the nature of our assets. First, at least 75% of the value of our total assets must be represented by some combination of real estate assets, cash, cash items and U.S. government securities. For this purpose, real estate assets include interests in real property, such as land, buildings, leasehold interests in real property, stock of other corporations that qualify as REITs, certain kinds of mortgage-backed securities and mortgage loans and, under some circumstances, stock or debt instruments purchased with new capital. Assets that do not qualify for purposes of the 75% asset test are subject to the additional asset tests described below.

Second, the value of any one issuers securities owned by us may not exceed 5% of the value of our total assets. Third, we may not own more than 10% of any one issuers outstanding securities, as measured by either voting power or value. The 5% and 10% asset tests do not apply to securities of TRSs, and the 10% value test does not apply to straight debt and certain other securities, as described below. Fourth, the aggregate value of all securities of TRSs held by a REIT may not exceed 25% of the value of the REITs total assets.

Notwithstanding the general rule that a REIT is treated as owning its share of the underlying assets of a subsidiary partnership for purposes of the REIT income and asset tests, if a REIT holds indebtedness issued by a partnership, the indebtedness will be subject to, and may cause a violation of, the asset tests, unless it is a qualifying mortgage asset or otherwise satisfies the rules for straight debt or one of the other exceptions to the 10% value test.

Certain securities will not cause a violation of the 10% value test described above. Such securities include instruments that constitute straight debt. A security does not qualify as straight debt where a REIT (or a controlled TRS of the REIT) owns other securities of the issuer of that security which do not qualify as straight debt, unless the value of those other securities constitute, in the aggregate, 1% or less of the total value of that issuers outstanding securities. In addition to straight debt, the following securities will not violate the 10% value test: (a) any loan made to an individual or an estate, (b) certain rental agreements in which one or more payments are to be made in subsequent years (other than agreements between a REIT and certain persons related to the REIT), (c) any obligation to pay rents from real property, (d) securities issued by governmental entities that are not dependent in whole or in part on the profits of (or payments made by) a non-governmental entity, (e) any security issued by another REIT, and (f) any debt instrument issued by a partnership if the partnerships income is such that the partnership would satisfy the 75% gross income test described above under Income Tests. In applying the 10% value test, a debt security issued by a partnership is not taken into account to the extent, if any, of the REITs proportionate interest in that partnership.

Any interests we hold in a REMIC are generally treated as qualifying real estate assets. If less than 95% of the assets of a REMIC are real estate assets, however, then only a proportionate part of our interest in the REMIC qualifies for purposes of the REIT asset test.

We monitor compliance with the asset tests on an ongoing basis. Independent appraisals will not be obtained, however, to support our conclusions as to the value of our assets or the value of any particular security or securities. Moreover, values of some assets, including instruments issued in securitization transactions, may not be susceptible to a precise determination, and values are subject to change in the future. Furthermore, the proper classification of an instrument as debt or equity for federal income tax purposes may be uncertain in some circumstances, which could affect the application of the REIT asset requirements. Accordingly, there can be no assurance that the IRS will not contend that we do not comply with one or more of the asset tests.

A REIT which fails one or more of the asset requirements may nevertheless maintain its REIT qualification (other than a de minimis failure described below), if (a) it provides the IRS with a description of each asset causing the failure, (b) the failure is due to

reasonable cause and not willful neglect, (c) the REIT pays a tax equal to the greater of (i) \$50,000 per failure, and (ii) the product of the net income generated by the assets that caused the failure multiplied by the highest applicable corporate tax rate (currently 35%), and (d) the REIT either disposes of the assets causing the failure within six months after the last day of the quarter in which it identifies the failure, or otherwise satisfies the relevant asset tests within that time frame. A second relief provision applies to de minimis violations of the 10% and 5% asset tests. A REIT may maintain its qualification despite a violation of such requirements if (a) the value of the assets causing the violation does not exceed the lesser of 1% of the REIT's total assets or \$10,000,000, and (b) the REIT either disposes of the assets causing the failure within six months after the last day of the quarter in which it identifies the failure or the relevant tests are otherwise satisfied within that time frame.

Annual Distribution Requirements

In order to maintain our REIT status, we are required to distribute dividends, other than capital gain dividends, to our stockholders in an amount at least equal to:

- (a) the sum of:
 - (1) 90% of our REIT taxable income (computed without regard to deduction for dividends paid and net capital gains), and
 - (2) 90% of our net income, if any, (after tax) from foreclosure property (as described below), minus
- (b) the sum of specified items of non-cash income.

These distributions must be paid in the taxable year to which they relate, or in the following taxable year if declared before we timely file our tax return for the year and if paid on or before the first regular dividend payment after such declaration. Distributions that we declare in October, November or December of any year payable to a stockholder of record on a specified date in any of these months will be treated as both paid by us and received by the stockholder on December 31 of the year, provided that we actually pay the distribution during January of the following calendar year.

In order for distributions to be counted for this purpose, and to give rise to a tax deduction by us, they must not be preferential dividends. A dividend is not a preferential dividend if it is pro rata among all outstanding shares of stock within a particular class, and is in accordance with the preferences among different classes of stock as set forth in the organizational documents. The IRS takes the position that a distribution reinvestment plan that provides shares to participants at a discount to fair market value of no more than 5% does not create preferential dividends.

To the extent that we distribute at least 90%, but less than 100%, of our REIT taxable income, as adjusted, we will be subject to tax at the regular corporate tax rates on the retained portion. We may elect to retain, rather than distribute, our net long-term capital gains and pay tax on such gains. In this case, we could elect to have our stockholders include their proportionate share of such undistributed long-term capital gains in income and receive a corresponding credit for their share of the tax paid by us. Our stockholders would then increase the adjusted basis of their stock by the difference between the designated amounts included in their long-term capital gains and the tax deemed paid with respect to their shares.

To the extent that a REIT has available net operating losses carried forward from prior tax years, such losses may reduce the amount of distributions that it must make in order to comply with the REIT distribution requirements. Such losses, however, will generally not affect the character, in the hands of stockholders, of any distributions that are actually made by the REIT, which are generally taxable to stockholders to the extent that the REIT has current or accumulated earnings and profits.

If we fail to distribute during each calendar year at least the sum of (a) 85% of our REIT ordinary income for such year, (b) 95% of our REIT capital gain net income for such year and (c) any undistributed taxable income from prior periods, we would be subject to a 4% excise tax on the excess of such required distribution over the sum of (x) the amounts actually distributed and (y) the amounts of income retained on which we have paid corporate income tax. We intend to make timely distributions so that we are not subject to the 4% excise tax.

It is possible that we, from time to time, may not have sufficient cash to meet the distribution requirements due to timing differences between the actual receipt of cash and our inclusion of items in income for federal income tax purposes. Potential sources of non-cash taxable income include real estate and securities that have been financed through securitization structures, such as the term-debt structure, which require some or all of available cash flows to be used to service borrowings, loans or mortgage-backed securities we hold that have been issued at a discount and require the accrual of taxable economic interest in advance of its receipt in cash, and distressed loans on which we may be required to accrue taxable interest income even though the borrower is unable to make current servicing payments in cash. In the event that such timing differences occur, it might be necessary to arrange for short-term, or possibly long-term, borrowings to meet the distribution requirements or to pay dividends in the form of taxable in-kind distributions of property.

In certain circumstances, we may be able to cure a failure to meet the distribution requirements for a year by paying deficiency dividends to stockholders in a later year, which may be included in our deduction for dividends paid for the earlier year. In this case, we may be able to avoid losing our REIT status or being taxed on amounts distributed as deficiency dividends. However, we will be required to pay interest and possibly a penalty based on the amount of any deduction taken for deficiency dividends.

Failure to Qualify

If we fail to satisfy one or more requirements for REIT qualification, other than the gross income tests and the asset tests, we could avoid disqualification if our failure is due to reasonable cause and not to willful neglect and we pay a penalty of \$50,000 for each such failure. In addition, there are relief provisions for a failure of the gross income tests and asset tests, as described in Income Tests and Asset Tests.

If we fail to qualify for taxation as a REIT in any taxable year, and the relief provisions do not apply, we will be subject to tax, including any applicable alternative minimum tax, on our taxable income at regular corporate income tax rates. Distributions to stockholders in any year in which we are not a REIT would not be deductible by us, and we are not required to make them. In this situation, to the extent of current and accumulated earnings and profits, all distributions to stockholders taxed as individuals will generally be treated as qualified dividends that are taxed at corporate capital gains rates and, subject to limitations of the Internal Revenue Code, corporate stockholders may be eligible for the dividends received deduction. Unless we are entitled to relief under specific statutory provisions, we will be disqualified from re-electing to be taxed as a REIT for the four taxable years following the year during which qualification was lost. It is not possible to state whether, in all circumstances, we will be entitled to this statutory relief.

Prohibited Transactions

Net income derived from a prohibited transaction is subject to a 100% tax. The term prohibited transaction generally includes a sale or other disposition of property (other than foreclosure property) that is held primarily for sale to customers in the ordinary course of a trade or business, by a REIT, by a lower-tier partnership in which the REIT holds an equity interest or by a borrower that has issued a shared appreciation mortgage or similar debt instrument to the REIT. We intend to conduct our operations so that no asset owned by us or our pass-through subsidiaries will be held for sale to customers, and that a sale of any such asset will not be in the ordinary course of business. Whether property is held primarily for sale to customers in the ordinary course of a trade or business depends, however, on the particular facts and circumstances. No assurance can be given that any particular property in which we hold a direct or indirect interest will not be treated as property held for sale to customers, or that we can comply with certain safe-harbor provisions of the Internal Revenue Code that would prevent such treatment. The 100% tax will not apply to gains from the sale of property that is held through a TRS or other taxable corporation, although such income will be taxed to the corporation at regular corporate income tax rates.

Foreclosure Property

Foreclosure property is real property (including interests in real property) and any personal property incident to such real property (1) that is acquired by a REIT as the result of the REIT having bid on the property at foreclosure, or having otherwise reduced the property to ownership or possession by agreement or process of law, after there was a default (or default was imminent) on a lease of the property or on a mortgage loan held by the REIT and secured by the property, (2) for which the related loan or lease was acquired by the REIT at a time when default was not imminent or anticipated and (3) for which such REIT makes a proper election to treat the property as foreclosure property. REITs generally are subject to tax at the maximum corporate income tax rate (currently 35%) on any net income from foreclosure property that would not otherwise be qualifying income for purposes of the 75% gross income test and any gain from the disposition of foreclosure property that is held for sale in the ordinary course of business. Any gain from the sale of property for which a foreclosure property election has been made will not be subject to the 100% tax on gains from prohibited transactions described above, even if the property would otherwise constitute inventory or dealer property in the hands of the selling REIT. We do not anticipate that we will receive any income from foreclosure property that is not qualifying income for purposes of the 75% gross income test, but, if we do receive any such income, we intend to make an election to treat the related property as foreclosure property.

Hedging Transactions

We expect to enter into hedging transactions, from time to time, with respect to our liabilities. Our hedging activities may include entering into interest rate swaps, caps, floors, collars, options to purchase these items, and futures and forward contracts. To the extent that we enter into an interest rate swap or cap contract, option, futures contract, forward rate agreement, or any similar financial instrument to hedge our indebtedness incurred or to be incurred to acquire or carry real estate assets, including mortgage loans, or to hedge certain foreign currency risks, any periodic income or gain from the disposition of that contract are disregarded for purposes of the 75% and 95% gross income tests. We are required to identify clearly any such hedging transaction before the close of the day on which it was acquired, originated, or entered into and satisfy other identification requirements. To the extent that we hedge for other purposes, the income from those transactions will likely be treated as nonqualifying income for purposes of both gross income tests. We intend to structure any hedging transactions in a manner that does not jeopardize our status as a REIT.

Tax Aspects of Investments in Partnerships

We will hold investments through entities, including our operating partnership, that are classified as partnerships for federal income tax purposes. In general, partnerships are pass-through entities that are not subject to federal income tax. Rather, partners are allocated their proportionate shares of the items of income, gain, loss, deduction and credit of a partnership, and are potentially subject to tax on these items, without regard to whether the partners receive a distribution from the partnership. We will include in our income our proportionate share of these partnership items from subsidiary partnerships for purposes of the various REIT income tests and in the computation of our REIT taxable income. Moreover, for purposes of the REIT asset tests, we will include our proportionate share of assets held by subsidiary partnerships. See *Effect of Subsidiary Entities Ownership of Partnership Interests*. Consequently, to the extent that we hold an equity interest in a partnership, the partnerships assets and operations may affect our ability to continue to qualify as a REIT, even if we may have no control, or only limited influence, over the partnership.

Entity Classification

Investment in partnerships involves special tax considerations, including the possibility of a challenge by the IRS of the status of any partnerships as a partnership, as opposed to an association taxable as a corporation, for federal income tax purposes. If any of these entities were treated as an association for federal income tax purposes, it would be taxable as a corporation and therefore could be subject to an entity-level tax on its income. In such a situation, the character of our assets and items of gross income would change and could preclude us from satisfying the REIT asset tests or the gross income tests as discussed in *Asset Tests and Income Tests*, and in turn could jeopardize our REIT status. See *Failure to Qualify*, above, for a discussion of the effect of our failure to meet these tests for a taxable year. In addition, any change in the status of any partnerships for tax purposes might be treated as a taxable event, in which case we could have taxable income that is subject to the REIT distribution requirements without receiving any cash.

Tax Allocations with Respect to Partnership Properties

Under the Internal Revenue Code and the Treasury regulations, income, gain, loss or deduction attributable to appreciated or depreciated property that is contributed to a partnership in exchange for an interest in the partnership must be allocated for tax purposes in a manner such that the contributing partner is charged with, or benefits from, the unrealized gain or unrealized loss associated with the property at the time of the contribution. The amount of the unrealized gain or unrealized loss is generally equal to the difference between the fair market value of the contributed property at the time of contribution and the adjusted tax basis of such property at the time of contribution (a book-tax difference). Such allocations are solely for federal income tax purposes and do not affect the book capital accounts or other economic or legal arrangements among the partners.

To the extent that any of our partnerships acquire appreciated (or depreciated) properties by way of capital contributions from its partners, allocations would need to be made in a manner consistent with these requirements. Where a partner contributes cash to a partnership at a time that the partnership holds appreciated (or depreciated) property, the Treasury regulations provide for a similar allocation of any existing book-tax difference to the other (i.e., non-contributing) partners. These rules may apply to the contribution by us to our operating partnerships of the cash proceeds received in offerings of our stock. As a result, we could be allocated greater or lesser amounts of depreciation and taxable income in respect of a partnerships properties than would be the case if all of the partnerships assets (including any contributed assets) had a tax basis equal to their fair market values at the time of any contributions to that partnership. This could cause us to recognize, over a period of time, taxable income in excess of cash flow from the partnership, which might adversely affect our ability to comply with the REIT distribution requirements discussed above.

Taxation of Holders of Our Common Stock

The following is a summary of certain additional federal income tax considerations with respect to the ownership of our common stock.

Taxation of Taxable U.S. Shareholders

As used herein, the term U.S. shareholder means a holder of our common stock that for federal income tax purposes is:

- a citizen or resident of the United States;
- a corporation (including an entity treated as a corporation for federal income tax purposes) created or organized in or under the laws of the United States, any of its states or the District of Columbia;
- an estate whose income is subject to U.S. federal income taxation regardless of its source; or
- a trust if: (1) a U.S. court is able to exercise primary supervision over the administration of such trust and one or more U.S. persons have the authority to control all substantial decisions of the trust; or (2) it has a valid election in place to be treated as a U.S. person.

If a partnership, entity or arrangement treated as a partnership for federal income tax purposes holds our common stock, the federal income tax treatment of a partner in the partnership will generally depend on the status of the partner and the activities of the partnership. If you are a partner in a partnership that will hold our common stock, you should consult your tax advisor regarding the consequences of the purchase, ownership and disposition of our common stock by the partnership.

Taxation of U.S. Shareholders on Distributions on Our Common Stock. As long as we qualify as a REIT, a taxable U.S. shareholder generally must take into account as ordinary income distributions made out of its current or accumulated earnings and profits that we do not designate as capital gain dividends or retained long-term capital gain.

Dividends paid to corporate U.S. shareholders will not qualify for the dividends received deduction generally available to corporations. In addition, dividends paid to a U.S. shareholder generally will not qualify as qualified dividend income, the maximum federal income tax rate on which is 20%. As a result, our ordinary dividends generally will be taxed at the higher tax rate applicable to ordinary income, which currently is a maximum rate of 39.6%. However, the lower tax rates for qualified dividend income will apply to our ordinary dividends to the extent attributable: (i) to dividends received by us from non-REIT corporations, such as TRSs; and (ii) to income upon which we have paid corporate income tax (e.g., to the extent that we distribute less than 100% of our taxable income). In general, to qualify for the reduced tax rate on qualified dividend income, a shareholder must hold our common stock for more than 60 days during the 121-day period beginning on the date that is 60 days before the date on which our common stock become ex-dividend.

A U.S. shareholder generally will take into account as long-term capital gain any distributions that we designate as capital gain dividends without regard to the period for which the U.S. shareholder has held its common stock. We generally will designate our capital gain dividends as either capital paid distributions or unrecaptured Section 1250 gains, which we subject to a maximum federal income tax rate of 25%. See Capital Gains and Losses. A corporate U.S. shareholder, however, may be required to treat up to 20% of certain capital gain dividends as ordinary income.

We may elect to retain and pay income tax on the net long-term capital gain that we receive in a taxable year. In that case, to the extent that we designate such amount in a timely notice to such shareholder, a U.S. shareholder would be taxed on its proportionate share of its undistributed long-term capital gain. The U.S. shareholder would receive a credit for its proportionate share of the tax we paid. The U.S. shareholder would increase the basis in its stock by the amount of its proportionate share of our undistributed long-term capital gain, minus its share of the tax we paid.

To the extent that we make a distribution in excess of our current and accumulated earnings and profits, such distribution will not be taxable to a U.S. shareholder to the extent that it does not exceed the adjusted tax basis of the U.S. shareholders common stock. Instead, such distribution will reduce the adjusted tax basis of such stock. To the extent that we make a distribution in excess of both our current and accumulated earnings and profits and the U.S. shareholders adjusted tax basis in its common stock, such shareholder will recognize long-term capital gain, or short-term capital gain if the common stock has been held for one year or less, assuming the common stock is a capital asset in the hands of the U.S. shareholder. In addition, if we declare a distribution in October, November, or December of any year that is payable to a U.S. shareholder of record on a specified date in any such month, such distribution shall be treated as both paid by us and received by the U.S. shareholder on December 31 of such year, provided that we actually pay the distribution during January of the following calendar year.

Shareholders may not include in their individual income tax returns any of a REITs net operating losses or capital losses. Instead, the REIT would carry over such losses for potential offset against its future income. Taxable distributions from us and gain from the disposition of our common stock will not be treated as passive activity income, and therefore, shareholders generally will not be able to apply any passive activity losses, such as losses from certain types of limited partnerships in which the shareholder is a limited partner to offset income they derive from our common stock, against such income. In addition, taxable distributions from us and gain from the disposition of our common stock generally may be treated as investment income for purposes of the investment interest limitations (although any capital gains so treated will not qualify for the lower 20% tax rate applicable to capital gains of U.S. shareholders taxed at individual rates). We will notify shareholders after the close of our taxable year as to the portions of our distributions attributable to that year that constitute ordinary income, return of capital and capital gain.

Taxation of U.S. Shareholders on the Disposition of Our Common Stock. In general, a U.S. shareholder must treat any gain or loss realized upon a taxable disposition of our common stock as long-term capital gain or loss if the U.S. shareholder has held the common stock for more than one year and otherwise as short-term capital gain or loss. However, a U.S. shareholder must treat any loss upon a sale or exchange of common stock held by such shareholder for six months or less as a long-term capital loss to the extent of any actual or deemed distributions from us that such U.S. shareholder previously has characterized as long-term capital gain. All or a portion of any loss that a U.S. shareholder realizes upon a taxable disposition of the common stock may be disallowed if the U.S. shareholder purchases other substantially identical common stock within 30 days before or after the disposition.

A non-corporate taxpayer may deduct capital losses not offset by capital gains against its ordinary income only up to a maximum annual amount of \$3,000. A non-corporate taxpayer may carry forward unused capital losses indefinitely. A corporate taxpayer must pay tax on its net capital gain at ordinary corporate rates. A corporate taxpayer may deduct capital losses only to the extent of capital gains, with unused losses being carried back three years and forward five years.

Unearned Income Medicare Tax. High-income U.S. individuals, estates, and trusts are subject to an additional 3.8% tax on net investment income. For these purposes, net investment income includes dividends and gains from sales of stock. In the case of an individual, the tax will be 3.8% of the lesser of the individual's net investment income or the excess of the individual's modified adjusted gross income over \$250,000 in the case of a married individual filing a joint return or a surviving spouse, \$125,000 in the case of a married individual filing a separate return, or \$200,000 in the case of a single individual.

Information Reporting Requirements and Backup Withholding. We will report to our shareholders and to the IRS the amount of distributions we pay during each calendar year, and the amount of tax we withhold, if any. Under the backup withholding rules, a shareholder may be subject to backup withholding with respect to distributions unless such holder:

- is a corporation or comes within certain other exempt categories and, when required, demonstrates this fact; or
- provides a taxpayer identification number, certifies as to no loss of exemption from backup withholding, and otherwise complies with the applicable requirements of the backup withholding rules.

A shareholder who does not provide us with its correct taxpayer identification number also may be subject to penalties imposed by the IRS. Any amount paid as backup withholding will be creditable against the shareholder's income tax liability.

Brokers are subject to information reporting requirements relating to certain transactions involving shares of our capital stock acquired on or after January 1, 2011 by a stockholder other than an exempt recipient (covered stock). Specifically, upon the transfer or redemption of shares of covered stock, the broker must report certain information to the stockholder and the IRS, including the adjusted tax basis of the shares and whether any gain or loss recognized on the transfer or redemption is long-term or short-term. Shares of covered stock will be transferred or redeemed on a first in/first out basis unless the stockholder identifies specific lots to be transferred or redeemed in a timely manner.

If we take an organizational action such as a stock split, merger, or acquisition that affects the tax basis of shares of covered stock, or even make distributions that exceed our current or accumulated earnings and profits, we will report to each stockholder and the IRS (or post on our primarily public Web site) a description of the action and the quantitative effect of that action on the tax basis of the applicable shares. Although corporations generally qualify as exempt recipients, an S corporation will not qualify as an exempt recipient with respect to shares of our capital stock that the S corporation acquires on or after January 1, 2012. Thus, the transfer or redemption of shares of our capital stock acquired by an S corporation on or after January 1, 2012 will be subject to the reporting requirements discussed above.

Brokers may be subject to transfer statement reporting on certain transactions not otherwise subject to the reporting requirements discussed above (excluding transactions involving shares acquired before January 1, 2011). Transfer statements, however, are issued only between brokers and are not issued to stockholders or the IRS.

Stockholders are encouraged to consult their tax advisors regarding the application of the information reporting rules discussed above to their investment in our capital stock.

Taxation of Tax-Exempt Shareholders

Tax-exempt entities, including qualified employee pension and profit sharing trusts and individual retirement accounts and annuities, generally are exempt from federal income taxation. However, they are subject to taxation on their unrelated business taxable income. Dividend distributions from a REIT to an exempt employee pension trust generally do not constitute unrelated business taxable income, provided that the exempt employee pension trust does not otherwise use the shares of the REIT in an unrelated trade or business of the pension trust. However, if a tax-exempt shareholder were to finance its investment in our common stock with debt, a portion of the income that it receives from us would constitute unrelated business taxable income pursuant to the debt-financed property rules. Furthermore, social clubs, voluntary employee benefit associations, supplemental unemployment benefit trusts, and qualified group legal services plans that are exempt from taxation under special provisions of the federal income tax laws are subject to different unrelated business taxable income rules, which generally will require them to characterize distributions that they receive from us as unrelated business taxable income. Finally, in certain circumstances, a qualified employee pension or profit sharing trust that owns more than 10% of our stock is required to treat a percentage of the dividends that it receives from us as unrelated business taxable income. Such percentage is equal to the gross income that we derive from an unrelated trade or business, determined as if we were a pension trust, divided by our total gross income for the year in which we pay the dividends. That rule applies to a pension trust holding more than 10% of our stock only if:

- the percentage of our dividends that the tax-exempt trust would be required to treat as unrelated business taxable income is at least 5%;
- We qualify as a REIT by reason of the modification of the rule requiring that no more than 50% of our stock be owned by five or fewer individuals that allows the beneficiaries of the pension trust to be treated as holding our stock in proportion to their actuarial interests in the pension trust (see Taxation of Moody National REIT I, Inc. Requirements for Qualification General); and
- either: (1) one pension trust owns more than 25% of the value of our stock; or (2) a group of pension trusts individually holding more than 10% of the value of our stock collectively owns more than 50% of the value of our stock.

Taxation of Non-U.S. Shareholders

The term non-U.S. shareholder means a holder of our common stock that is not a U.S. shareholder or a partnership or an entity treated as a partnership for federal income tax purposes. The rules governing federal income taxation of non-U.S. shareholders are complex. This section is only a summary of such rules. Non-U.S. shareholders are urged to consult their tax advisors to determine the impact of federal, state, local and foreign income tax laws on the ownership of our common stock, including any reporting requirements.

Ordinary Dividends. A non-U.S. shareholder that receives a distribution that is not attributable to gain from our sale or exchange of a United States real property interest (a USRPI), and that we do not designate as a capital gain dividend or retained capital gain will recognize ordinary income to the extent that we pay such distribution out of our current or accumulated earnings and profits. A withholding tax equal to 30% of the gross amount of the distribution ordinarily will apply to such distribution unless an applicable tax treaty reduces or eliminates the tax. If a distribution is treated as effectively connected with the non-U.S. shareholders conduct of a U.S. trade or business, the non-U.S. shareholder generally will be subject to federal income tax on the distribution at graduated rates, in the same manner as U.S. shareholders are taxed with respect to such distribution, and a non-U.S. shareholder that is a corporation also may be subject to the 30% branch profits tax with respect to the distribution. We plan to withhold U.S. income tax at the rate of 30% on the gross amount of any such distribution paid to a non-U.S. shareholder unless either:

- a lower treaty rate applies and the non-U.S. shareholder furnishes to us an IRS Form W-8BEN evidencing eligibility for that reduced rate; or
- the non-U.S. shareholder furnishes to us an IRS Form W-8ECI claiming that the distribution is effectively connected income.

Capital Gain Dividends. For any year in which we qualify as a REIT, a non-U.S. shareholder will incur tax on distributions that are attributable to gain from our sale or exchange of a USRPI under the Foreign Investment in Real Property Tax Act of 1980 (FIRPTA). A USRPI includes certain interests in real property and stock in United States real property holding corporations but does not include interests solely as a creditor and, accordingly, does not include a debt instrument that does not provide for contingent payments based on the value of or income from real property interests. Under FIRPTA, a non-U.S. shareholder is taxed on distributions attributable to gain from sales of USRPIs as if such gain were effectively connected with a U.S. business of the non-U.S. shareholder. A non-U.S. shareholder thus would be required to file U.S. federal income tax returns and would be taxed on such a distribution at the normal capital gains rates applicable to U.S. shareholders, subject to applicable alternative minimum tax and a special alternative minimum tax in the case of a nonresident alien individual. A non-U.S. corporate shareholder not entitled to treaty relief or exemption also may be subject to the 30% branch profits tax on such a distribution. There is a special 35% withholding rate for distributions to non-US shareholders attributable to the REITs gains from dispositions of USRPIs. A non-U.S. shareholder may receive a credit against its U.S. federal income tax liability for the amount we withhold.

Capital gain dividends that are attributable to our sale of USRPIs would be treated as ordinary dividends rather than as gain from the sale of a USRPI, if: (1) our common stock is regularly traded on an established securities market in the United States; and (2) the non-U.S. shareholder did not own more than 5% of our common stock at any time during the one-year period prior to the distribution. Such distributions would be subject to withholding tax on such capital gain distributions in the same manner as they are subject to withholding tax on ordinary dividends. Our stock is not regularly traded on an established securities market in the United States and there is no assurance that it ever will be.

Capital gain dividends that are not attributable to our sale of USRPIs, e.g., distributions of gains from sales of debt instruments that are not USRPIs, generally will not be taxable to non-US shareholders or subject to withholding tax.

Non-Dividend Distributions. A non-U.S. shareholder will not incur tax on a distribution in excess of our current and accumulated earnings and profits if the excess portion of such distribution does not exceed the adjusted basis of its common stock. Instead, the excess portion of such distribution will reduce the adjusted basis of such shares. A non-U.S. shareholder will be subject to tax on a distribution that exceeds both our current and accumulated earnings and profits and the adjusted basis of its common stock, if the non-U.S. shareholder otherwise would be subject to tax on gain from the sale or disposition of its common stock, as described

below. Because we generally cannot determine at the time we make a distribution whether the distribution will exceed our current and accumulated earnings and profits, we normally will withhold tax on the entire amount of any distribution at the same rate as we would withhold on an ordinary dividend. However, a non-U.S. shareholder may claim a refund of amounts that we withhold if we later determine that a distribution in fact exceeded our current and accumulated earnings and profits.

We may be required to withhold 10% of any distribution that exceeds our current and accumulated earnings and profits if our stock is a USRPI. Consequently, although we intend to withhold at a rate of 30% on the entire amount of any distribution, to the extent that we do not do so, we may withhold at a rate of 10% on any portion of a distribution not subject to withholding at a rate of 30%.

A non-U.S. shareholder generally will not incur tax under FIRPTA with respect to a gain realized upon a disposition of our common stock as long as we (i) are not a United States real property holding corporation during a specified testing period or (ii) are a domestically controlled qualified investment entity. We believe that we will not be a United States real property holding corporation, but no assurance can be provided that we will not become a United States real property holding corporation in the future. In addition, we believe that we will be a domestically controlled qualified investment entity, but we cannot assure you that we will be a domestically controlled qualified investment entity in the future. Even if we were a United States real property holding corporation and we were not a domestically controlled qualified investment entity, a non-U.S. shareholder that owned, actually or constructively, 5% or less of our common stock at all times during a specified testing period would not incur tax under FIRPTA if our common stock is regularly traded on an established securities market. Our stock is not regularly traded on an established securities market in the United States and there is no assurance that it ever will be.

If the gain on the sale of our common stock were taxed under FIRPTA, a non-U.S. shareholder would be taxed in the same manner as U.S. shareholders with respect to such gain, subject to applicable alternative minimum tax or, a special alternative minimum tax in the case of nonresident alien individuals. Distributions subject to FIRPTA may also be subject to a 30% branch profits tax when received by a non U.S. shareholder that is a corporation. Furthermore, a non-U.S. shareholder will incur tax on gain not subject to FIRPTA if (1) the gain is effectively connected with the non-U.S. shareholders U.S. trade or business, in which case the non-U.S. shareholder will be subject to the same treatment as U.S. shareholders with respect to such gain, or (2) the non-U.S. shareholder is a nonresident alien individual who was present in the United States for 183 days or more during the taxable year and has a tax home in the United States, in which case the non-U.S. shareholder will incur a 30% tax on his capital gains.

FATCA Withholding

After June 30, 2014, withholding at a rate of 30% will be required on dividends in respect of, and after December 31, 2018, withholding at a rate of 30% will be required on gross proceeds from the sale of shares of our common stock held by or through certain foreign financial institutions (including investment funds), unless such institution enters into an agreement with the Secretary of the Treasury (unless alternative procedures apply pursuant to an applicable intergovernmental agreement between the United States and the relevant foreign government) to report, on an annual basis, information with respect to shares in, and accounts maintained by, the institution to the extent such shares or accounts are held by certain U.S. persons or by certain non-U.S. entities that are wholly or partially owned by U.S. persons. Accordingly, the entity through which our shares are held will affect the determination of whether such withholding is required. Similarly, after June 30, 2014, dividends in respect of, and after December 31, 2018, gross proceeds from the sale of our shares held by an investor that is a non-financial non-U.S. entity will be subject to withholding at a rate of 30%, unless such entity either (1) certifies to us that such entity does not have any substantial U.S. owners or (ii) provides certain information regarding the entity's substantial U.S. owners, which we will in turn provide to the Secretary of the Treasury. Non-U.S. shareholders are encouraged to consult with their tax advisers regarding the possible implications of these rules on their investment in our common stock.

U.S. Federal Income Tax Aspects of Our Operating Partnership

The following discussion summarizes certain U.S. federal income tax considerations applicable to our investment in our operating partnership. The discussion does not cover state or local tax laws or any federal tax laws other than income tax laws.

Classification as a Partnership

We include in our income our distributive share of our operating partnerships income and deduct our distributive share of our operating partnerships losses only if our operating partnership is classified for federal income tax purposes as a partnership, rather than as a corporation or an association taxable as a corporation. Under applicable Treasury Regulations, an unincorporated domestic entity with at least two members may elect to be classified either as an association taxable as a corporation or as a partnership. If the entity fails to elect otherwise, it generally will be treated as a partnership for U.S. federal income tax purposes. Our operating partnership is classified as a partnership for U.S. federal income tax purposes and will not elect to be treated as an association taxable as a corporation.

Even though our operating partnership will not be treated as an association for U.S. federal income tax purposes, it may be taxed as a corporation if it is deemed to be a publicly traded partnership. A publicly traded partnership is a partnership whose interests are traded on an established securities market or are readily tradable on a secondary market or the substantial equivalent thereof.

Under applicable Treasury regulations, which we refer to as the PTP Regulations, limited safe harbors from the definition of a publicly traded partnership are provided. Pursuant to one of those safe harbors, which we refer to as the Private Placement Exclusion, interests in a partnership will not be treated as readily tradable on a secondary market or the substantial equivalent thereof if (1) all interests in the partnership were issued in a transaction (or transactions) that were not required to be registered under the Securities Act and (2) the partnership does not have more than 100 partners at any time during the partnerships taxable year. In determining the number of partners in a partnership, a person owning an interest in a flow-through entity (including a partnership, grantor trust or S corporation) that owns an interest in the partnership is treated as a partner in such partnership only if (a) substantially all of the value of the owners interest in the flow-through entity is attributable to the flow-through entity's direct or indirect interest in the partnership and (b) a principal purpose of the use of the flow-through entity is to permit the partnership to satisfy the 100 partner limitation. We and our operating partnership believe and currently intend to take the position that our operating partnership should not be classified as a publicly traded partnership because (1) limited partnership interests are not traded on an established securities market and (2) limited partnership interests should not be considered readily tradable on a secondary market or the substantial equivalent thereof. In addition, our operating partnership presently qualifies for the Private Placement Exclusion.

Even if our operating partnership were considered a publicly traded partnership under the PTP Regulations, our operating partnership should not be treated as a corporation for Federal income tax purposes as long as 90% or more of its gross income consists of qualifying income under section 7704(d) of the Internal Revenue Code. In general, qualifying income includes interest, dividends, real property rents (as defined by section 856 of the Internal Revenue Code) and gain from the sale or disposition of real property. If our operating partnership were characterized as a publicly traded partnership but was not taxable as a corporation because of the qualifying income exception, however, holders of limited partnership interests would be subject to special rules under section 469 of the Internal Revenue Code. Under such rules, each holder of limited partnership interests would be required to treat any loss derived from our operating partnership separately from any income or loss derived from any other publicly traded partnership, as well as from income or loss derived from other passive activities. In such case, any net losses or credits attributable to our operating partnership that are carried forward may only be offset against future income of our operating partnership. Moreover, unlike other passive activity losses, suspended losses attributable to our operating partnership would only be allowed upon the complete disposition of the limited partners entire interest in our operating partnership.

We have not requested, and do not intend to request, a ruling from the Internal Revenue Service that our operating partnership will be classified as a partnership for federal income tax purposes.

If for any reason our operating partnership were taxable as a corporation, rather than a partnership, for federal income tax purposes, we would not be able to qualify as a REIT, unless we are eligible for relief from the violation pursuant to relief provisions described above. In addition, any change in our operating partnerships status for tax purposes might be treated as a taxable event, in which case we might incur a tax liability without any related cash distribution. Further, items of income and deduction of our operating partnership would not pass through to its partners, and its partners would be treated as stockholders for tax purposes. Our operating partnership would be required to pay income tax at corporate tax rates on its net income, and distributions to its partners would constitute distributions that would not be deductible in computing our operating partnerships taxable income.

Income Taxation of Our Operating Partnership and its Partners

Partners, Not Operating Partnership, Subject to Tax. A partnership is not a taxable entity for U.S. federal income tax purposes. As a partner in our operating partnership, we will be required to take into account our allocable share of our operating partnerships income, gains, losses, deductions and credits for any taxable year of our operating partnership ending within or with our taxable year, without regard to whether we have received or will receive any distributions from our operating partnership.

Operating Partnership Allocations. Although a partnership agreement generally determines the allocation of income and losses among partners, such allocations will be disregarded for tax purposes under section 704(b) of the Internal Revenue Code if they do not comply with the provisions of section 704(b) of the Internal Revenue Code and the Treasury Regulations promulgated thereunder. If an allocation is not recognized for U.S. federal income tax purposes, the item subject to the allocation will be reallocated in accordance with the partners interests in the partnership, which will be determined by taking into account all of the facts and circumstances relating to the economic arrangement of the partners with respect to such item. Our operating partnerships allocations of taxable income and loss are intended to comply with the requirements of section 704(b) of the Internal Revenue Code and the Treasury Regulations promulgated thereunder.

Tax Allocations With Respect to Contributed Properties. Pursuant to section 704(c) of the Internal Revenue Code, income, gain, loss and deduction attributable to appreciated or depreciated property that is contributed to a partnership in exchange for an interest in the partnership must be allocated for U.S. federal income tax purposes in a manner such that the contributor is charged with, or benefits from, the unrealized gain or unrealized loss associated with the property at the time of the contribution. The amount of unrealized gain or unrealized loss is generally equal to the difference between the fair market value of the contributed property at the time of contribution and the adjusted tax basis of such property at the time of contribution.

Under applicable Treasury Regulations, partnerships are required to use a reasonable method for allocating items subject to section 704(c) of the Internal Revenue Code, and several reasonable allocation methods are described therein. Under the operating partnership agreement, depreciation or amortization deductions of our operating partnership generally will be allocated among the partners in accordance with their respective interests in our operating partnership, except to the extent that our operating partnership is required under section 704(c) to use a different method for allocating depreciation deductions attributable to its properties. In addition, gain or loss on the sale of a property that has been contributed to our operating partnership will be specially allocated to the contributing partner to the extent of any built-in gain or loss with respect to the property for federal income tax purposes. It is possible that we may (1) be allocated lower amounts of depreciation deductions for tax purposes with respect to contributed properties than would be allocated to us if each such property were to have a tax basis equal to its fair market value at the time of contribution and (2) be allocated taxable gain in the event of a sale of such contributed properties in excess of the economic profit allocated to us as a result of such sale. These allocations may cause us to recognize taxable income in excess of cash proceeds received by us, which might adversely affect our ability to comply with the REIT distribution requirements, although we do not anticipate that this event will occur. The foregoing principles also will affect the calculation of our earnings and profits for purposes of determining the portion of our distributions that are taxable as a distribution. The allocations described in this paragraph may result in a higher portion of our distributions being taxed as a distribution than would have occurred had we purchased such properties for cash.

Basis in Operating Partnership Interest. The adjusted tax basis of our partnership interest in our operating partnership generally will be equal to (1) the amount of cash and the basis of any other property contributed to our operating partnership by us, (2) increased by (a) our allocable share of our operating partnerships income and (b) our allocable share of indebtedness of our operating partnership and (3) reduced, but not below zero, by (a) our allocable share of our operating partnerships loss and (b) the amount of cash distributed to us, including constructive cash distributions resulting from a reduction in our share of indebtedness of our operating partnership. If the allocation of our distributive share of our operating partnerships loss would reduce the adjusted tax basis of our partnership interest in our operating partnership below zero, the recognition of the loss will be deferred until such time as the recognition of the loss would not reduce our adjusted tax basis below zero. If a distribution from our operating partnership or a reduction in our share of our operating partnerships liabilities would reduce our adjusted tax basis below zero, that distribution, including a constructive distribution, will constitute taxable income to us. The gain realized by us upon the receipt of any such distribution or constructive distribution would normally be characterized as capital gain, and if our partnership interest in our operating partnership has been held for longer than the long-term capital gain holding period (currently one year), the distribution would constitute long-term capital gain.

Depreciation Deductions Available to Our Operating Partnership. Our operating partnership will use a portion of contributions we make from net offering proceeds to acquire interests in properties and securities. To the extent that our operating partnership acquires properties or securities for cash, our operating partnerships initial basis in such properties for federal income tax purposes generally will be equal to the purchase price paid by our operating partnership. To the extent that our operating partnership acquires properties in exchange for limited partnership interests in our operating partnership, our operating partnerships initial basis in each such property for federal income tax purposes should be the same as the transferors basis in that property on the date of acquisition by our operating partnership.

Sale of Our Operating Partnerships Property. Generally, any gain realized by our operating partnership on the sale of property held for more than one year will be long-term capital gain, except for any portion of such gain that is treated as depreciation or cost recovery recapture. Our share of any gain realized by our operating partnership on the sale of any property held by our operating partnership as inventory or other property held primarily for sale to customers in the ordinary course of our operating partnerships trade or business will be treated as income from a prohibited transaction that is subject to a 100% tax. Whether property is held primarily for sale to customers in the ordinary course of a trade or business depends on the facts and circumstances surrounding each property. We intend to avoid the 100% prohibited transaction tax by (1) conducting activities that may otherwise be considered prohibited transactions through a taxable REIT subsidiary, (2) conducting our operations in such a manner so that no sale or other disposition of an asset we own, directly or through any subsidiary other than a taxable REIT subsidiary, will be treated as a prohibited transaction or (3) structuring certain dispositions of our properties to comply with certain safe harbors available under the Internal Revenue Code for properties held at least two years. Despite our present intention, no assurance can be given that any particular property we own, directly or through any subsidiary entity, including our operating partnership, but excluding our taxable REIT subsidiaries, will not be treated as property held primarily for sale to customers in the ordinary course of trade or business.

Other Tax Considerations

Legislative or Other Actions Affecting REITs

The rules dealing with U.S. federal income taxation are constantly under review. No assurance can be given as to whether, when or in what form the U.S. federal income tax laws applicable to us and our stockholders may be changed, possibly with retroactive effect. Changes to the federal tax laws and interpretations of federal tax laws could adversely affect an investment in shares of our common stock.

State, Local and Foreign Taxes

We may be subject to state, local or foreign taxation in various jurisdictions, including those in which we and our subsidiaries transact business, own property or reside. The state, local or foreign tax treatment of us may not conform to the federal income tax treatment discussed above. Any foreign taxes incurred by us would not pass through to stockholders against their United States federal income tax liability. Prospective investors should consult their tax advisors regarding the application and effect of state, local and foreign income and other tax laws on an investment in our common stock.

PLAN OF DISTRIBUTION

We are offering a maximum of \$25,000,000 in shares of our common stock, or 2,631,579 shares, to our existing stockholders pursuant to our distribution reinvestment plan. Shares of our common stock issued pursuant to our distribution reinvestment plan are initially being offered at \$9.50 per share; provided, however, our board of directors may, in its sole discretion, from time to time, change this price based upon changes in our estimated value per share and offer factors our board of directors deems relevant.

We will not pay any selling commissions, dealer manager fees or any other remuneration in connection with the sale of shares pursuant to our distribution reinvestment plan.

LIMITED LIABILITY AND INDEMNIFICATION OF DIRECTORS, OFFICERS, EMPLOYEES AND OTHER AGENTS

Subject to certain limitations, our charter limits the personal liability of our stockholders, directors and officers for monetary damages and provides that we will indemnify and pay or reimburse reasonable expenses in advance of final disposition of a proceeding to our directors, officers and advisor and our advisors affiliates. In addition, we have obtained directors and officers liability insurance.

The Maryland General Corporation Law, or the MGCL, permits a corporation to include in its charter a provision limiting the liability of its directors and officers to the corporation and its stockholders for money damages, except for liability resulting from (1) actual receipt of an improper benefit or profit in money, property or services or (2) active and deliberate dishonesty established by a final judgment and which is material to the cause of action.

The MGCL allows directors and officers to be indemnified against judgments, penalties, fines, settlements and expenses actually incurred in a proceeding unless the following can be established:

- an act or omission of the director or officer was material to the cause of action adjudicated in the proceeding and was committed in bad faith or was the result of active and deliberate dishonesty;
- the director or officer actually received an improper personal benefit in money, property or services; or
- with respect to any criminal proceeding, the director or officer had reasonable cause to believe his act or omission was unlawful.

However, indemnification for an adverse judgment in a suit by us or in our right, or for a judgment of liability on the basis that personal benefit was improperly received, may not be made unless ordered by a court if it determines that the director or officer is fairly and reasonably entitled to indemnification, even though the director or officer did not meet the prescribed standard of conduct or was adjudged liable on the basis that personal benefit was improperly received, and then only for expenses.

The MGCL permits a corporation to advance reasonable expenses to a director or officer upon receipt of a written affirmation by the director or officer of his good faith belief that he has met the standard of conduct necessary for indemnification and a written undertaking by him or on his behalf to repay the amount paid or reimbursed if it is ultimately determined that the standard of conduct was not met.

However, our charter provides that we may indemnify our directors and our advisor and its affiliates for loss or liability suffered by them or hold them harmless for loss or liability suffered by us only if all of the following conditions are met:

- our directors and our advisor or its affiliates have determined, in good faith, that the course of conduct that caused the loss or liability was in our best interests;
- our directors and our advisor or its affiliates were acting on our behalf or performing services for us;
- in the case of affiliated directors and our advisor or its affiliates, the liability or loss was not the result of negligence or misconduct;
- in the case of our independent directors, the liability or loss was not the result of gross negligence or willful misconduct; and
- the indemnification or agreement to hold harmless is recoverable only out of our net assets and not from our stockholders.

We have also agreed to indemnify and hold harmless our advisor and its affiliates performing services for us from specific claims and liabilities arising out of the performance of their obligations under the advisory agreement subject to the limitations set forth immediately above. As a result, we and our stockholders may be entitled to a more limited right of action than we would otherwise have if these indemnification rights were not included in the advisory agreement.

The general effect to investors of any arrangement under which any of our controlling persons, directors or officers are insured or indemnified against liability is a potential reduction in distributions resulting from our payment of premiums associated with insurance or any indemnification for which we do not have adequate insurance.

The SEC takes the position that indemnification against liabilities arising under the Securities Act is against public policy and unenforceable. Indemnification of our directors and our advisor or its affiliates will not be allowed for liabilities arising from or out of a violation of state or federal securities laws, unless one or more of the following conditions are met:

- there has been a successful adjudication on the merits of each count involving alleged securities law violations;
- such claims have been dismissed with prejudice on the merits by a court of competent jurisdiction; or
- a court of competent jurisdiction approves a settlement of the claims against the indemnitee and finds that indemnification of the settlement and the related costs should be made and the court considering the request for indemnification has been advised of the position of the SEC and of the published position of any state securities regulatory authority in which the securities were offered as to indemnification for violations of securities laws.

We may advance funds to our directors, our advisor and its affiliates for legal expenses and other costs incurred as a result of legal action for which indemnification is being sought only if all of the following conditions are met:

- the legal action relates to acts or omissions with respect to the performance of duties or services on behalf of us;
- the party seeking indemnification has provided us with written affirmation of his good faith belief that he has met the standard of conduct necessary for indemnification;
- the legal action is initiated by a third party who is not a stockholder or the legal action is initiated by a stockholder acting in his capacity as such and a court of competent jurisdiction specifically approves such advancement; and
- the party seeking indemnification undertakes to repay the advanced funds to us, together with the applicable legal rate of interest thereon, in cases in which he is found not to be entitled to indemnification.

Indemnification may reduce the legal remedies available to us and our stockholders against the indemnified individuals.

The aforementioned charter provisions do not reduce the exposure of directors and officers to liability under federal or state securities laws, nor do they limit a stockholders ability to obtain injunctive relief or other equitable remedies for a violation of a directors or an officers duties to us or our stockholders, although the equitable remedies may not be an effective remedy in some circumstances.

LEGAL MATTERS

The legality of the shares of our common stock being offered hereby has been passed upon for us by Venable LLP. The statements relating to certain federal income tax matters under the caption U.S. Federal Income Tax Considerations have been reviewed by and our qualifications as a REIT for federal income tax purposes has been passed upon by Alston & Bird LLP.

EXPERTS

The consolidated financial statements, including the schedule appearing therein, of Moody National REIT I, Inc. appearing in its Annual Report on Form 10-K for the year ended December 31, 2014 have been audited by Frazier & Deeter, LLC, an independent registered public accounting firm, as set forth in their report thereon included therein, and incorporated herein by reference. Such consolidated financial statements are incorporated herein by reference in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

The (1) combined financial statements of Terrapin Operator Woodlands, LLC and the Tenancy In Common incorporated by reference from the Companys Current Report on Form 8-K/A filed with the SEC on January 25, 2013, (2) financial statements of SHG HP Germantown LLC incorporated by reference from the Companys Current Report on Form 8-K/A filed with the SEC on June 25, 2013, (3) financial statements of Naman Ashley I, LLC incorporated by reference from the Companys Current Report on Form 8-K/A filed with the SEC on September 18, 2013, (4) combined financial statements of Austin Lodging, Inc. and the Tenancy In Common incorporated by reference from the Companys Current Report on Form 8-K/A filed with the SEC on March 18, 2014, (5) combined financial statements of Moody National RI Grapevine S, LLC and Moody National RI Grapevine MT, LLC incorporated by reference from the Companys Current Report on Form 8-K/A filed with the SEC on June 17, 2014, (6) combined financial statements of MN Newark, LLC and Moody National TPS Newark MT, LLC incorporated by reference from the Companys Current Report on Form 8-K/A filed with the SEC on September 9, 2014, (7) combined financial statements of Moody National CY Lyndhurst MT, LLC and Tenancy In Common incorporated by reference from the Companys Current Report on Form 8-K/A filed with the SEC on December 16, 2014, (8) combined financial statements of Alegre Hospitality, Ltd. and WS Arboretum JV, LLC incorporated by reference from the Companys Current Report on Form 8-K/A filed with the SEC on February 4, 2015, and (9) combined financial statements of Moody National Nashville MT, LLC and the tenant-in-common owners incorporated by reference from the Companys Current Report on Form 8-K/A filed with the SEC on August 28, 2015, have been audited by Frazier & Deeter, LLC, an independent auditor, as stated in their reports included therein, which are incorporated herein by reference. Such financial statements have been so included in reliance upon the reports of such firm given upon its authority as experts in accounting and auditing.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

We have elected to incorporate by reference certain information into this prospectus. By incorporating by reference, we are disclosing important information to you by referring you to another document that we have filed separately with the SEC. The information incorporated by reference is deemed to be part of this prospectus, except for information incorporated by reference that is superseded by information contained in this prospectus. Further, any reports filed by us with the SEC after the date of this prospectus and before the date that the offering of the securities by means of this prospectus is terminated will automatically update and, where applicable, supersede any information contained in this prospectus or incorporated by reference in this prospectus. You can access documents that are incorporated by reference into this prospectus at the web site maintained for us at <http://www.moodynationalreit.com>. There is additional information about us and our advisor and its affiliates at the web site, but unless specifically incorporated by reference herein as described in the paragraphs below, the contents of that web site are not incorporated by reference in or otherwise a part of this prospectus.

The following documents filed with the SEC are incorporated by reference in this prospectus, except for any document or portion thereof deemed to be furnished and not filed in accordance with SEC rules:

- Annual Report on Form 10-K filed with the SEC on March 31, 2015;
- Quarterly Report on Form 10-Q filed with the SEC on May 15, 2015;
- Quarterly Report on Form 10-Q filed with the SEC on August 14, 2015;
- Definitive Proxy Statement filed with the SEC on July 16, 2015;
- Current Report on Form 8-K filed with the SEC on October 1, 2015;
- Current Report on Form 8-K filed with the SEC on September 28, 2015;
- Current Report on Form 8-K filed with the SEC on September 15, 2015;
- Current Report on Form 8-K/A filed with the SEC on August 28, 2015;

- Current Report on Form 8-K filed with the SEC on August 18, 2015;
- Current Report on Form 8-K filed with the SEC on August 6, 2015;
- Current Report on Form 8-K filed with the SEC on July 23, 2015;
- Current Report on Form 8-K filed with the SEC on July 15, 2015;
- Current Report on Form 8-K filed with the SEC on June 22, 2015;
- Current Report on Form 8-K filed with the SEC on June 2, 2015;
- Current Report on Form 8-K filed with the SEC on May 20, 2015;
- Current Report on Form 8-K filed with the SEC on May 15, 2015;
- Current Report on Form 8-K filed with the SEC on May 11, 2015;
- Current Report on Form 8-K filed with the SEC on April 24, 2015;
- Current Report on Form 8-K filed with the SEC on April 2, 2015;
- Current Report on Form 8-K/A filed with the SEC on February 4, 2015;
- Current Report on Form 8-K filed with the SEC on January 20, 2015;
- Current Report on Form 8-K/A filed with the SEC on December 16, 2014;
- Current Report on Form 8-K/A filed with the SEC on September 9, 2014;
- Current Report on Form 8-K/A filed with the SEC on June 17, 2014;
- Form for Registration of a Class of Securities on Form 8-A filed with the SEC on April 30, 2014;
- Current Report on Form 8-K/A filed with the SEC on March 18, 2014;
- Current Report on Form 8-K/A filed with the SEC on September 18, 2013;
- Current Report on Form 8-K/A filed with the SEC on June 25, 2013; and
- Current Report on Form 8-K/A filed with the SEC on January 25, 2013.

All documents filed by Moody National REIT I, Inc. pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act subsequent to the date of this prospectus and prior to the termination of this offering of the securities made hereby shall be deemed to be incorporated by reference into this prospectus.

We hereby undertake to provide without charge to each person, including any beneficial owner, to whom a prospectus is delivered, upon written or oral request of that person, a copy of any document incorporated herein by reference (or incorporated into the documents that this prospectus incorporates by reference). To receive a free copy of any of the documents incorporated by reference in this prospectus, other than exhibits, unless they are specifically incorporated by reference in those documents, call or write us at:

Moody National REIT I, Inc.
6363 Woodway Drive
Suite 110
Houston, Texas 77057
(713) 977-7500
Attn: Investor Relations

The information relating to us contained in this prospectus does not purport to be comprehensive and should be read together with the information contained in the documents incorporated or deemed to be incorporated by reference in this prospectus.

WHERE YOU CAN FIND MORE INFORMATION

We are required to file annual, quarterly and current reports, proxy statements and other information with the SEC. You may read and copy any documents filed by us at the SECs public reference room at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information about the public reference room. Our filings with the SEC are also available to the public through the SECs Internet site at <http://www.sec.gov>. We have filed with the SEC a registration statement relating to the securities covered by this prospectus. This prospectus is a part of the registration statement and does not contain all the information in the registration statement. Whenever a reference is made in this prospectus to a contract or other document of ours, the reference is only a summary and you should refer to the exhibits that are a part of the registration statement for a copy of the contract or other document. You may review a copy of the registration statement at the SECs public reference room in Washington, D.C., as well as through the SECs Internet site.

APPENDIX A

ACCOUNT MODIFICATION FORM

Complete and deliver this form to:
Moody National REIT I, INC.
P: (888) 457-2358 F: (713) 273-6663

Regular Mail:
P.O. Box 219280
Kansas City, MO 64121-9280

Express/Overnight:
430 West 7th Street
Kansas City, MO 64105-1407

INSTRUCTIONS (Sections 1 and 7 must be completed for ANY requested changes)

This form may be used to make the following changes (complete all that apply):

Section 2: Change or correction of address or record.

Section 3: Add an alternate address where duplicate tax and/or distribution statements may be sent.

Section 4: Distribution modification request for non-qualified accounts. For qualified accounts, custodian signature is required.

Section 5: Add or change a power of attorney. Add or change trustee for a trust or perpetual entity (e.g. corporation, pension or profit sharing plan). Change name due to divorce or marriage. Must be signed by investor(s).

Section 6: Change financial advisor. Must be signed by investor(s).

1. REGISTRATION NAME

Account Number:
Name of Trust/Plan (if applicable):
Name of Investor/Trustee:
Name of Joint Investor/Trustee (if applicable):
Street/P.O. Box:
City: State: Zip Code:
Daytime Phone: Evening phone:

The following is required for Custodial Accounts

Name of Custodian:
Street Address:
City: State: Zip Code:
Custodian Telephone Number: Custodian Tax ID/SSN:
Custodian Account Number:

2. ADDRESS OF RECORD CHANGE

New Physical Address (No P.O. Boxes):
City: State: Zip Code:
Daytime Phone: Evening phone:
Email:

3. ALTERNATE ADDRESS (for duplicate statements)

Mailing Address (can be a P.O. Box):
City: State: Zip Code:
Daytime Phone: Evening phone:
Email:

4. DISTRIBUTION MODIFICATION

Non-Custodial Ownership *(check only one)*

- I prefer to participate in the Distribution Reinvestment Plan (DRIP). In the event that the DRIP is not offered for distribution, your distribution will be sent by check to the mailing address of record.
- I prefer that my distribution be paid by check to the address of record.
- I prefer that my distribution be deposited directly into the account listed as follows *(no ACH for brokerage accounts)*:

Name of Financial Institution: _____
 Street Address: _____
 City: _____ State: _____ Zip Code: _____
 Name(s) listed on Account: _____
 Checking *(please provide voided check)* Savings *(please provide voided check)* Brokerage Account
 Account Number: _____ Routing Number *(for checking & savings only)*: _____

Custodial Ownership *(check only one)*

- I prefer to participate in the Distribution Reinvestment Plan (DRIP). In the Event that the DRIP is not offered for a distribution, your distribution will be sent to your Custodian for deposit into your Custodial account.
- I prefer that my distribution be sent to my Custodian for deposit into my Custodial account.

5. CHANGE OF POWER OF ATTORNEY/TRUSTEE/NAME *(investor signature required in section 7)*

Add or Change Power of Attorney to: _____
 Add or Change Trustee Name to: _____
 Date of Birth: _____ Tax ID/SSN: _____
 Change Name due to Marriage or Divorce to: _____

6. CHANGE OF FINANCIAL ADVISOR *(investor signature required in section 7)*

New RIA or Broker/Dealer Firm Name: _____
 New Financial Advisor/Registered Representative: _____
 Rep ID#: _____ Branch #: _____
 Mailing Address *(can be a P.O. Box)*: _____
 City: _____ State: _____ Zip Code: _____
 Phone Number: _____ Fax Number: _____ Email: _____

7. SIGNATURES

Investor/Authorized Person/Trustee Signature	Date	Medallion Signature Guarantee Stamp
Joint Investor/Trustee/Custodian Signature <i>(if applicable)</i>	Date	
Financial Advisor Signature <i>(if applicable)</i>	Date	

APPENDIX B

CHANGE OF OWNERSHIP FORM

Complete and deliver this form to:

Moody National REIT I, INC.

P: (888) 457-2358 F: (713) 273-6663

Regular Mail:

P.O. Box 219280

Kansas City, MO 64121-9280

Express/Overnight:

430 West 7th Street

Kansas City, MO 64105-1407

1. CURRENT OWNER REGISTRATION

Account Number: _____
Name of Trust/Plan (if applicable): _____ Tax ID/SSN: _____
Name of Investor/Trustee: _____ Tax ID/SSN: _____
Name of Joint Investor/Trustee (if applicable): _____ Tax ID/SSN: _____
Street/P.O. Box: _____
City: _____ State: _____ Zip Code: _____
Daytime Phone: _____ Evening phone: _____

The following is required for Custodial Accounts

Name of Custodian: _____
Street Address: _____
City: _____ State: _____ Zip Code: _____
Custodian Telephone Number: _____ Custodian Tax ID/SSN: _____
Custodian Account Number: _____

2. SHARE TRANSFER/MINIMUM RETAINED INVESTMENT

Please note that the minimum transfer from the Current Owner to the New Owner is 250 Shares (\$2,500) or, if the New Owner currently owns 250 Shares, then 50 Shares (\$500). The Current Owner must transfer all Shares if after the transfer the Current Owner would own less than 250 Shares unless the transfer is due to death or family dissolution.

- Check this box if this transfer is due to death. Include a certified copy of the death certificate and a certified copy of the letters of testamentary or court appointment of the executor of the estate dated within 90 days along with the submission of this form.
- Check this box if this transfer is due to family dissolution. Include a certified copy of the Qualified Domestic Relations Order (QDRO) with this form.

Number of shares subject to this transfer: _____

Number of shares retained by current owner: _____

Net sales proceeds for the sales of the shares: _____ *(If no consideration is paid for this transfer, please insert \$0.00)*

Signature of Current Owner/Trustee: _____ Date: _____
 Print or Type Name: _____
 Signature of Joint Current Owner/Trustee: _____ Date: _____
 Print or Type Name: _____
 Signature of Current Custodian, Officer, or Authorized Person: _____
 Print or Type Name: _____ Date: _____

3. NEW OWNER TYPE OF OWNERSHIP (NON-CUSTODIAL ONLY)

- Individual** **Joint Tenants with Rights of Survivorship** **Tenants in Common**
- Corporation** Authorized signature required. Include copies of corporate resolutions designating executive officer as the person authorized to sign on behalf of corporation and authorizing the investment. *Include a copy of Incorporation documents.*
- Partnership** Authorized signature required. *Include copy of partnership agreement.*
 Identify whether general or limited partnership: _____
- Estate** Personal representative signature required. Include a copy of the court appointment dated within 90 days.
 Name of Executor: _____
- Trust** Trustee signatures required. *Include a copy of the title and signature pages of the trust.*
 Name of Trust: _____
 Name of Trustee(s): _____
 Name of Beneficiary(s): _____
- Qualified Pension Plan or Profit Sharing Plan (Non-Custodian)** Trustee signature required. *Include a copy of the title and signature pages of the trust.*
 Name of Plan: _____
 Name of Trustee(s): _____
- Other Non-Custodial Ownership Account (Specify):** _____

4. NEW OWNER CUSTODIAL OWNERSHIP ACCOUNTS (CUSTODIAN SIGNATURE REQUIRED)

Moody National REIT Sponsor, LLC does not provide custodial services; therefore, if this is a custodial account, a custodian must be indicated below. For custodial accounts, a completed copy of this Change of Ownership Form should be sent directly to the custodian. The custodian will forward the subscription documents and wire the appropriate funds pursuant to the payment instructions

- Traditional IRA** **ROTH IRA** **Simplified Employee Pension/Trust** **KEOGH Plan**
- Pension or Profit-Sharing Plan** **Uniform Gift to Minors Act**
- Other (Specify):** _____

The following is required for Custodial Accounts

Name of Custodian: _____
 Street Address: _____
 City: _____ State: _____ Zip Code: _____

Custodian Telephone Number: _____ Custodian Tax ID/SSN: _____
Custodian Account Number: _____

5. NEW OWNER REGISTRATION INFORMATION

Name of Trust/Plan (if applicable): _____ Tax ID/SSN: _____
Name of Investor/Trustee: _____ Tax ID/SSN: _____
Name of Joint Investor/Trustee (if applicable): _____ Tax ID/SSN: _____
Investor/Trustee Date of Birth: _____ Joint Investor/Trustee Date of Birth: _____

Physical Address (no P.O. Box): _____
City: _____ State: _____ Zip Code: _____
Mailing Address (if different from above. P.O. Box is acceptable): _____
City: _____ State: _____ Zip Code: _____
Daytime Phone: _____ Evening phone: _____

6. DISTRIBUTION SELECTION NEW OWNER

Non-Custodial Accounts Only (check only one)

- I prefer to participate in the Distribution Reinvestment Plan (DRIP). In the event that the DRIP is not offered for distribution, your distribution will be sent by check to the mailing address of record.
- I prefer that my distribution be paid by check to the address of record.
- I prefer that my distribution be deposited directly into the account listed as follows (no ACH for brokerage accounts):

Name of Financial Institution: _____
Street Address: _____
City: _____ State: _____ Zip: _____

- Checking Account (voided check required) Savings Account (voided check required) Brokerage Account

Name(s) listed on Account: _____
Account Number: _____ Routing Number (for checking & savings accounts only): _____

Custodial Accounts Only (check only one)

- I prefer to participate in the Distribution Reinvestment Plan (DRIP). In the Event that the DRIP is not offered for a distribution, your distribution will be sent to your Custodian for deposit into your Custodial account.
- I prefer that my distribution be sent to my Custodian for deposit into my Custodial account.

7. FINANCIAL ADVISOR NEW OWNER

The Financial Advisor and, in the case of a Broker-Dealer (BD), an authorized registered principal of the Firm must sign below to complete the order. The Financial Advisor and/or the BD hereby warrant that each is duly licensed and may lawfully conduct business in the state designated as the subscribers legal residence or the state in which the sale was made, if different.

Name of BD or Registered Investment Advisory Firm: _____
Firm Home Office Street Address: _____

City: _____ State: _____ Zip: _____
 Telephone Number: _____ Fax Number: _____
Name of Financial Advisor: _____
 Financial Advisor Branch Code: _____ Financial Advisor Rep Number: _____
 Financial Advisor Street Address: _____
 City: _____ State: _____ Zip: _____
 Telephone Number: _____ Fax Number: _____

The undersigned confirm that they (i) have reasonable grounds to believe that the information and representations concerning the investors identified herein are true, correct and complete in all respects; (ii) have discussed such investors prospective purchase of Shares with such investor; (iii) have advised such investor of all pertinent facts with regard to the lack of liquidity and marketability of the Shares; (iv) have delivered a current Prospectus and related supplements, if any, to such investor; (v) have reasonable grounds to believe that the investor is purchasing these Shares for its own account; and (vi) have reasonable grounds to believe that the purchase of Shares is a suitable investment for such investor, that such investor meets the suitability standards applicable to such investor set forth in the Prospectus and related supplements, if any, and that such investor is in a financial position to enable such investor to realize the benefits of such an investment and to suffer any loss that may occur with respect thereto. The undersigned attest that the Financial Advisor and, to the extent applicable, Registered Representative and the Broker-Dealer are subject to the USA PATRIOT Act. In accordance with Section 326 of the Act, the registered representative and the Broker-Dealer have performed a Know Your Customer review of each investor who has signed this Subscription Agreement in accordance with the requirements of the Customer Identification Program.

Signature of Financial Advisor: _____ Date: _____
 Signature of Authorized Principal of the firm: _____ Date: _____

8. NEW OWNER ACKNOWLEDGEMENT & SUITABILITY ACKNOWLEDGMENTS

Please separately initial ALL acknowledgements that apply:

- | | Investor | Co-Investor |
|--|-----------------|-----------------|
| • I (we) received a final Prospectus for the Company relating to the Shares, wherein the terms and conditions of the offering are described, 5 business days in advance of the date hereof. | Initials: _____ | Initials: _____ |
| • I (we) accept and agree to be bound by the terms and conditions of the Companys charter. | Initials: _____ | Initials: _____ |
| • I am (we are) purchasing Shares for my (our) own account and acknowledge that the investment is not liquid. | Initials: _____ | Initials: _____ |
| • I (we) acknowledge that the assignability and transferability of the Shares is restricted and will be governed by the Companys charter and bylaws and all applicable laws as described in the Prospectus. | Initials: _____ | Initials: _____ |
| • I (we) acknowledge that there is no public market for the Shares and, accordingly, it may not be possible to readily liquidate an investment in the Company. | Initials: _____ | Initials: _____ |
| • I certify that I have a net worth (exclusive of home, home furnishings and automobiles) of \$250,000 or more, or that I meet the higher suitability requirements imposed by my state of primary residence as set forth in the Prospectus under Suitability Standards. | Initials: _____ | Initials: _____ |
| • I certify that I have a net worth (exclusive of home, home furnishings and automobiles) of at least \$70,000 and had during the last year or that I will have during the current tax year a minimum of \$70,000 annual gross income, or that I meet the higher suitability requirements imposed by my state of primary residence as set forth in the Prospectus under Suitability Standards. | Initials: _____ | Initials: _____ |
| • If I am an Alabama investor, I have a liquid net worth of at least 10 times my investment in the Company and other similar programs and I otherwise meet the Companys suitability standards. | Initials: _____ | Initials: _____ |

- If I am a **California** investor, my aggregate investment in this offering may not exceed 10% of my liquid net worth. Initials: _____ Initials: _____
- If I am a **Kansas** resident, I understand that it is recommended by the office of the Kansas Securities Commissioner that Kansas investors not invest in the aggregate more than 10% of their liquid net worth in this and similar direct participation investments. Liquid net worth is defined as that portion of net worth which consists of cash, cash equivalents and readily marketable securities. Initials: _____ Initials: _____
- If I am a **Kentucky** investor, my aggregate investment in this offering may not exceed 10% of my liquid net worth. Initials: _____ Initials: _____
- If I am a **Maine** investor, I understand that The Maine Office of Securities recommends that an investors aggregate investment in this offering and similar offerings not exceed 10% of the investors liquid net worth. For this purpose, liquid net worth is defined as that portion of net worth that consists of cash, cash equivalents and readily marketable securities. Initials: _____ Initials: _____
- If I am an **Iowa, Michigan or Tennessee** investor, my maximum investment in the Company and affiliated programs cannot exceed 10% of my net worth. Initials: _____ Initials: _____
- If I am a **New Jersey** investor, my total investment in this offering and any similar program may not exceed 10% of my liquid net worth. For this purpose, liquid net worth is defined as that portion of net worth that consists of cash, cash equivalents and readily marketable securities. Initials: _____ Initials: _____
- If I am a **New Mexico** investor, my aggregate investment in this offering and affiliated programs may not exceed 10% of my liquid net worth. Initials: _____ Initials: _____
- If I am an **Ohio** investor, my aggregate investment in shares of the Company, affiliates of the Company, and in other non-traded real estate investment trusts will not exceed ten percent (10%) of my liquid net worth. Liquid net worth shall be defined as that portion of net worth (total assets exclusive of primary residence, home furnishings, and automobiles minus total liabilities) that is comprised of cash, cash equivalents, and readily marketable securities. Initials: _____ Initials: _____
- If I am a **Pennsylvania** investor, my maximum investment in this offering may not exceed 10% of my net worth (excluding the value of my home, home furnishings and automobiles). Initials: _____ Initials: _____

9. COST BASIS REPORTING

Effective January 1, 2011, new federal income tax information reporting rules may apply to certain transactions in our shares. Where they apply, the quantitative effect of a transaction on the cost basis in the shares involved will be reported to the Internal Revenue Service (IRS) and to you. Generally, these rules apply to all shares purchased after December 31, 2010, including those purchased through our distribution reinvestment plan. You should consult your own tax advisor regarding the consequences of these new rules and your cost basis reporting options.

Indicate the type of transfer affected by this form (Please, select only one option):

- Account Re-Registration
 Gift
 Inheritance
 Divorce
 Secondary Market Transaction

Price paid per share by Transferee: _____ (required)

SUBSTITUTE FORM W-9

Under penalties of perjury, by signing this Form, I hereby certify that (a) I have provided herein my correct Taxpayer Identification Number, (b) I am not subject to back-up withholding as a result of a failure to report all interest or dividends, or the Internal Revenue Service has notified me that I am no longer subject to back-up withholding and (c) except as otherwise expressly indicated above, I am a U.S. person (including a U.S. resident alien).

The Internal Revenue Service does not require your consent to any provision of this document other than the certifications required to avoid backup withholding.

NOTICE IS HEREBY GIVEN TO EACH SUBSCRIBER THAT YOU DO NOT WAIVE ANY RIGHTS YOU MAY HAVE UNDER THE SECURITIES ACT OF 1933, THE SECURITIES EXCHANGE ACT OF 1934 OR ANY STATE SECURITIES LAW BY EXECUTING THIS AGREEMENT.

Signature of New Owner/Trustee: _____ Date: _____

Print or Type Name: _____

Signature of Joint New Owner/Trustee: _____ Date: _____

Print or Type Name: _____

Signature of New Custodian, Officer, or Authorized Person: _____ Date: _____

Print or Type Name: _____

**SPECIAL NOTICE FOR CALIFORNIA RESIDENTS ONLY
CONDITIONS RESTRICTING TRANSFER OF SHARES**

260.141.11 Restrictions on Transfer

- (a) This issuer of any security upon which a restriction on transfer has been imposed pursuant to Sections 260.102.6, 260.141.10, or 260.534 of the Rules (the Rules) adopted under the California Corporate Securities Law (the Code) shall cause a copy of this section to be delivered to each issuee or transferee of such security at the time the certificate evidencing the security is delivered to the issuee or transferee.
- (b) It is unlawful for the holder of any such security to consummate a sale or transfer of such security, or any interest therein, without the prior written consent of the Commissioner (until this condition is removed pursuant to Section 260.141.12 of the Rules), except:
 - (1) to the issuer;
 - (2) pursuant to the order or process of any court;
 - (3) to any person described in subdivision (i) of Section 25102 of the Code or Section 260.105.14 of the Rules;
 - (4) to the transferors ancestors, descendants or spouse, or any custodian or trustee for the account oldie transferor or the transferors ancestors, decendants or spouse; or to a transferee by a trustee or custodian for the account of the transferee or the transferees descendants or spouse;
 - (5) to holders of securities of the same class of the same issuer;
 - (6) by way of gill or donation inter vivos or on death;
 - (7) by or through a broker-dealer licensed under the Code (either acting as such or as a tinder) to a resident of a foreign state, territory, or country who is neither domiciled in this slate to the knowledge of the broker-dealer, nor actually present in this state if the sale of such securities is not in violation of any securities laws of the foreign state, territory or country concerned.
 - (8) to a broker-dealer licensed under the Code in a principal transaction, or as an underwriter or member of an underwriting syndicate or selling group;
 - (9) if the interest sold or transferred is a pledge or other lien given by the purchaser to the seller upon a sale of the security for which the Commissioners written consent is obtained or under this rule not required;
 - (10) by way of a sale qualified under Sections 25111, 25112, 25113, or 25121 of the Code, of the Securities to be transferred, provided that no order under Section 25140 or subdivision (a) of Section 25143 is in effect with respect to such qualification;
 - (11) (I I) by a corporation to a wholly owned subsidiary of such corporation, or by a wholly owned subsidiary of a corporation to such corporation;
 - (12) by way of an exchange qualified under Section 25111, 25112, or 25113 of the Code provided that no order under Section 25140 or subdivision (a) of Section 25143 is in abet with respect to such qualification;
 - (13) between residents of foreign states, territories or countries who are neither domiciled or actually present in this state;
 - (14) to the State Controller pursuant to the Unclaimed Property Law or to the administrator of the unclaimed property law of another state;
 - (15) by the State Controller pursuant to the Unclaimed Property Law or by the administrator of the unclaimed property law of another state if; in either such case, such person (i) discloses to potential purchasers at the sale that transfer of the securities is restricted under this rule, (ii) delivers to each purchaser a copy of this rule, and (iii) advises the Commissioner of the name of each purchaser;
 - (16) by a trustee to a successor trustee when such transfer does not involve a change in the beneficial ownership of the securities; or
 - (17) by way of an offer and sale of outstanding securities in an issuer transaction that is subject to the qualification requirement of Section 25110 of the Code but exempt from that qualification requirement by subdivision (1) of Section 25102; provided that any such transfer is on the condition that any certificate evidencing the security issued to such transferee shall contain the legend required by this section.
- (c) The certificates representing all such securities subject to such a restriction on transfer, whether upon initial issuance or upon any transfer thereof, shall bear on their face a legend, prominently stamped or printed thereon in capital letters of not less than 10-point size, reading as follows:

IT IS UNLAWFUL TO CONSUMMATE A SALE OR TRANSFER OF THIS SECURITY, OR ANY INTEREST THEREIN, OR TO RECEIVE ANY CONSIDERATION THEREFORE, WITHOUT THE PRIOR WRITTEN CONSENT OF THE COMMISSIONER OF CORPORATIONS OF THE STATE OF CALIFORNIA, EXCEPT AS PERMITTED IN THE COMMISSIONERS RULES.

[Last amended effective January 21, 1988]

Moody National REIT I, Inc. ~ Change of Ownership Form Page 7 of 7

APPENDIX C
MOODY NATIONAL REIT I, INC.
DISTRIBUTION REINVESTMENT PLAN

Effective as of April 15, 2009

This DISTRIBUTION REINVESTMENT PLAN (Plan) is adopted by Moody National REIT I, Inc., a Maryland corporation (the Company), pursuant to its charter (the Charter). Unless otherwise defined herein, capitalized terms shall have the same meaning as set forth in the Charter.

1. *Distribution Reinvestment.* As agent for the stockholders (Stockholders) of the Company who (i) purchase shares of the Companys common stock (Shares) pursuant to the Companys initial public offering (the Initial Offering), or (ii) purchase Shares pursuant to any future offering of the Company (Future Offering), and who elect to participate in the Plan (the Participants), the Company will apply all distributions declared and paid in respect of the Shares held by each Participant (the Distributions), including Distributions paid with respect to any full or fractional Shares acquired under the Plan, to the purchase of Shares for such Participants directly, if permitted under state securities laws and, if not, through the Dealer Manager or Soliciting Dealers registered in the Participants state of residence.

2. *Effective Date.* The effective date of this Plan shall be the date that the minimum offering requirements (as defined in the Prospectus relating to the Initial Offering) are met in connection with the Initial Offering.

3. *Procedure for Participation.* Any Stockholder who has received a Prospectus, as contained in the Companys registration statement filed with the Securities and Exchange Commission (the SEC), may elect to become a Participant by completing and executing the subscription agreement, an enrollment form or any other appropriate authorization form as may be available from the Company, the Dealer Manager or Soliciting Dealer. Participation in the Plan will begin with the next Distribution payable after acceptance of a Participants subscription, enrollment or authorization. Shares will be purchased under the Plan on the date that Distributions are paid by the Company. The Company intends to make Distributions on a monthly basis. Each Participant agrees that if, at any time prior to the listing of the Shares on a national stock exchange, such Participant fails to meet the minimum income and net worth standards as stated in the subscription agreement for making an investment in the Company or cannot make the other representations or warranties set forth in the subscription agreement, such Participant will promptly so notify the Company in writing.

4. *Purchase of Shares.* Participants will acquire Shares from the Company under the Plan (the Plan Shares) at an initial price of \$9.50 per Share until the earliest of (i) the Board of Directors of the Company decides to change the purchase price for shares offered pursuant to the Plan, (ii) all the Plan Shares registered in the Initial Offering or any Future Offering are issued, (iii) the Initial Offering and any Future Offering of Plan Shares terminate and the Company elects to deregister with the SEC the unsold Plan Shares, or (iv) there is more than a de minimis amount of trading in the Shares, at which time any registered Plan Shares then available under the Plan will be sold at a price equal to the fair market value of the Shares, as determined by the Companys Board of Directors by reference to the applicable sales price with respect to the most recent trades occurring on or prior to the relevant Distribution date. Participants in the Plan may also purchase fractional Shares so that 100% of the Distributions will be used to acquire Shares. However, a Participant will not be able to acquire Plan Shares to the extent that any such purchase would cause such Participant to exceed the Aggregate Share Ownership Limit or the Common Share Ownership Limit as set forth in the Charter or otherwise would cause a violation of the Share ownership restrictions set forth in the Charter.

Shares to be distributed by the Company in connection with the Plan may (but are not required to) be supplied from: (a) the Plan Shares which will be registered with the SEC in connection with the Companys Initial Offering, (b) Shares to be registered with the SEC in a Future Offering for use in the Plan (a Future Registration), or (c) Shares purchased by the Company for the Plan in a secondary market (if available) or on a stock exchange (if listed) (collectively, the Secondary Market).

Shares purchased in any Secondary Market will be purchased at the then-prevailing market price, which price will be utilized for purposes of issuing Shares in the Plan. Shares acquired by the Company in any Secondary Market or registered in a Future Registration for use in the Plan may be at prices lower or higher than the Share price which will be paid for the Plan Shares pursuant to the Initial Offering.

If the Company acquires Shares in any Secondary Market for use in the Plan, the Company shall use its reasonable efforts to acquire Shares at the lowest price then reasonably available. However, the Company does not in any respect guarantee or warrant that the Shares so acquired and purchased by the Participant in the Plan will be at the lowest possible price. Further, irrespective of the Companys ability to acquire Shares in any Secondary Market or to make a Future Offering for Shares to be used in the Plan, the Company is in no way obligated to do either, in its sole discretion.

5. *Taxes.* IT IS UNDERSTOOD THAT REINVESTMENT OF DISTRIBUTIONS DOES NOT RELIEVE A PARTICIPANT OF ANY INCOME TAX LIABILITY WHICH MAY BE PAYABLE ON THE DISTRIBUTIONS.

6. Share Certificates. The ownership of the Shares purchased through the Plan will be in book-entry form unless and until the Company issues certificates for its outstanding common stock.

7. Reports. Within 90 days after the end of the Companys fiscal year, the Company shall provide each Stockholder with an individualized report on such Stockholders investment, including the purchase date(s), purchase price and number of Shares owned, as well as the dates of Distributions and amounts of Distributions paid during the prior fiscal year. In addition, the Company shall provide to each Participant an individualized quarterly report at the time of each Distribution payment showing the number of Shares owned prior to the current Distribution, the amount of the current Distribution and the number of Shares owned after the current Distribution.

8. Termination by Participant. A Participant may terminate participation in the Plan at any time, without penalty, by delivering to the Company a written notice. Prior to the listing of the Shares on a national stock exchange, any transfer of Shares by a Participant to a non-Participant will terminate participation in the Plan with respect to the transferred Shares. If a Participant terminates Plan participation, the Company will ensure that the terminating Participants account will reflect the whole number of shares in such Participants account and provide a check for the cash value of any fractional share in such account. Upon termination of Plan participation for any reason, Distributions will be distributed to the Stockholder in cash.

9. Amendment or Termination of Plan by the Company. The Board of Directors of the Company may by majority vote (including a majority of the Independent Directors) amend or terminate the Plan for any reason upon 10 days written notice to the Participants.

10. Liability of the Company. The Company shall not be liable for any act done in good faith, or for any good faith omission to act, including, without limitation, any claims or liability (i) arising out of failure to terminate a Participants account upon such Participants death prior to receipt of notice in writing of such death; or (ii) with respect to the time and the prices at which Shares are purchased or sold for a Participants account. To the extent that indemnification may apply to liabilities arising under the Securities Act of 1933, as amended, or the securities laws of a particular state, the Company has been advised that, in the opinion of the SEC and certain state securities commissioners, such indemnification is contrary to public policy and, therefore, unenforceable.

PART II
INFORMATION NOT REQUIRED IN PROSPECTUS

Item 14. Other Expenses of Issuance and Distribution.

The estimated expenses to be included in connection with the issuance and distribution of the securities covered by this Registration Statement, all of which will be paid by the Registrant, are as follows:

SEC registration fee	\$ 2,518
Auditors fees and expenses	10,000*
Legal fees and expenses	40,000*
Plan administrator fees and expenses	*
Miscellaneous	30,000*
Total	\$ 82,518

* Estimated

Item 15. Indemnification of Directors and Officers.

Subject to certain limitations, our charter limits the personal liability of our directors and officers to us and our stockholders for monetary damages. Maryland law permits a corporation to include in its charter a provision limiting the liability of its directors and officers to the corporation and its stockholders for money damages except for liability resulting from (a) actual receipt of an improper benefit or profit in money, property or services or (b) active and deliberate dishonesty established by a final judgment and which is material to the cause of action. Pursuant to Maryland corporate law and our charter, we are also required, subject to certain limitations, to indemnify, and pay or reimburse reasonable expenses in advance of final disposition of a proceeding to, a present or former director or officer, our advisor, or any affiliate of our advisor and may indemnify, and pay or reimburse reasonable expenses in advance of final disposition of a proceeding to, a present or former employee or agent, which we refer to as indemnitees, against any or all losses or liabilities reasonably incurred by the indemnitee in connection with or by reason of any act or omission performed or omitted to be performed on our behalf while a director, officer, advisor, affiliate, employee or agent. However, we will not indemnify a director, the advisor or an affiliate of the advisor for any liability or loss suffered by such indemnitee or hold such indemnitee harmless for any liability or loss suffered by us if: (1) the loss or liability was the result of negligence or misconduct if the indemnitee is an affiliated director, the advisor or an affiliate of the advisor, or if the indemnitee is an independent director, the loss or liability was the result of gross negligence or willful misconduct, (2) the indemnitee has not determined, in good faith, that the course of conduct that caused the loss or liability was in our best interests or (3) the indemnitee was not acting on our behalf or performing services for us. Moreover, we will not indemnify any indemnitee if (1) the act or omission was material to the loss or liability and was committed in bad faith or was the result of active and deliberate dishonesty, (2) the indemnitee actually received an improper personal benefit in money, property, or services, (3) in the case of any criminal proceeding, the indemnitee had reasonable cause to believe that the act or omission was unlawful or (4) in a proceeding by or in the right of the company, the indemnitee shall have been adjudged to be liable to us. In addition, we will not provide indemnification to a director, the advisor or an affiliate of the advisor for any loss or liability arising from an alleged violation of federal or state securities laws unless one or more of the following conditions are met: (1) there has been a successful adjudication on the merits of each count involving alleged securities law violation as to the particular indemnitee; (2) such claims have been dismissed with prejudice on the merits by a court of competent jurisdiction as to the particular indemnitee or (3) a court of competent jurisdiction approves a settlement of the claims against a particular indemnitee and finds that indemnification of the settlement and the related costs should be made, and the court considering the request of indemnification has been advised of the position of the SEC and of the published position of any state securities regulatory authority in which our securities were offered or sold as to indemnification for violation of securities laws.

Pursuant to our charter, we may pay or reimburse reasonable expenses incurred by a director, the advisor or an affiliate of the advisor in advance of final disposition of a proceeding only if the following are satisfied: (1) the indemnitee was made a party to the proceeding by reason of the performance of duties or services on our behalf, (2) the indemnitee provides us with written affirmation of his good faith belief that he has met the standard of conduct necessary for indemnification by us as authorized by the charter, (3) the indemnitee provides us with a written agreement to repay the amount paid or reimbursed by us, together with the applicable legal rate of interest thereon, if it is ultimately determined that the indemnitee did not comply with the requisite standard of conduct and (4) the legal proceeding was initiated by a third party who is not a stockholder or, if by a stockholder acting in his capacity as such, a court of competent jurisdiction approves such advancement.

Any indemnification of a director, the advisor or an affiliate of the advisor may be paid only out of our net assets, and no portion may be recoverable from the stockholders.

It is the position of the SEC that indemnification of directors and officers for liabilities arising under the Securities Act is against public policy and is unenforceable pursuant to Section 14 of the Securities Act. Any indemnification or agreement to hold harmless may be paid only out of our net assets, and no portion may be recoverable from the stockholders.

We have entered into indemnification agreements with each of our executive officers and directors. The indemnification agreements require, among other things, that we indemnify our executive officers and directors and advance to the executive officers and directors all related expenses, subject to reimbursement if it is subsequently determined that indemnification is not permitted. In accordance with these agreements, we must indemnify and advance all expenses incurred by executive officers and directors seeking to enforce their rights under the indemnification agreements. We also cover officers and directors under our directors and officers liability insurance.

Item 16. Exhibits.

The list of exhibits filed part of this Registration on Form S-3 is submitted in the Exhibit Index following the signature page.

Item 17. Undertakings.

(a) The Registrant undertakes to file, during any period in which offers or sales are being made, a post-effective amendment to this Registration Statement (i) to include any prospectus required by Section 10(a)(3) of the Securities Act of 1933 (the Act); (ii) to reflect in the prospectus any facts or events arising after the effective date of this Registration Statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the Registration Statement; and (iii) to include any material information with respect to the plan of distribution not previously disclosed in the Registration Statement or any material change to such information in the Registration Statement; provided, however, that clauses (i), (ii) and (iii) above do not apply if the Registration Statement is on Form S-3, and the information required to be included in a post-effective amendment by those clauses is contained in reports filed with or furnished to the Commission by the Registrant pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 that are incorporated by reference in the Registration Statement, or is contained in a form of prospectus filed pursuant to Rule 424(b) that is part of the Registration Statement.

(b) The Registrant undertakes (i) that, for the purpose of determining any liability under the Act, each such post-effective amendment shall be deemed to be a new Registration Statement relating to the securities offered therein and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof and (ii) to remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(c) The Registrant undertakes that, for the purpose of determining liability under the Act to any purchaser, each prospectus filed pursuant to Rule 424(b) as part of a Registration Statement relating to an offering shall be deemed to be part of and included in the Registration Statement as of the date it is first used after effectiveness; provided, however, that no statement made in a Registration Statement or prospectus that is part of the Registration Statement or made in a document incorporated or deemed incorporated by reference into the Registration Statement or prospectus that is part of the Registration Statement will, as to a purchaser with a time of contract of sale prior to such first use, supersede or modify any statement that was made in the Registration Statement or prospectus that was part of the Registration Statement or made in any such document immediately prior to such date of first use.

(d) The Registrant undertakes that, for purposes of determining any liability under the Act, each filing of the Registrants annual report pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of any employee benefit plans annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the Registration Statement shall be deemed to be a new Registration Statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(e) The Registrant undertakes to deliver or cause to be delivered with the prospectus, to each person to whom the prospectus is sent or given, the latest annual report to security holders that is incorporated by reference in the prospectus and furnished pursuant to and meeting the requirements of Rule 14a-3 or Rule 14c-3 under the Securities Exchange Act of 1934; and, where interim financial information required to be presented by Article 3 of Regulation S-X are not set forth in the prospectus, to deliver, or cause to be delivered to each person to whom the prospectus is sent or given, the latest quarterly report that is specifically incorporated by reference in the prospectus to provide such interim financial information.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Houston and the State of Texas on November 4, 2015.

MOODY NATIONAL REIT I, INC.

By: /s/ Brett C. Moody
Brett C. Moody,
Chief Executive Officer

Power of Attorney

Each person whose signature appears below constitutes and appoints, jointly and severally, Brett C. Moody and Robert W. Engel, and each of them, as his or her true and lawful attorneys-in-fact and agents, each with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any and all amendments (including, but not limited to, post-effective amendments) to this Registration Statement, and to sign any registration statement for the same offering covered by this registration statement that is to be effective upon filing pursuant to Rule 462(b) promulgated under the Securities Act, and all post-effective amendments thereto, and to file the same, with all exhibits thereto and all documents in connection therewith, with the Securities and Exchange Commission, and granting unto each of said attorneys-in-fact and agents, and substitute or substitutes, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection with such matters, as fully to all intents and purposes as he or she might or could do in person, and hereby ratifying and confirming all things that each of said attorneys-in-fact and agents or any of them, or his, her or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

This Power of Attorney may be executed in multiple counterparts, each of which shall be deemed an original, but which taken together shall constitute an instrument.

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed below by the following persons in their capacities on November 4, 2015.

/s/ Brett C. Moody

Brett C. Moody
Chief Executive Officer, President and Chairman of the Board
(principal executive officer)

/s/ Robert W. Engel

Robert W. Engel
Treasurer, Chief Financial Officer and Secretary
(principal financial officer and principal accounting officer)

/s/ William H. Armstrong

William H. Armstrong
Director

/s/ John P. Thompson

John P. Thompson
Director

/s/ Charles L. Horn

Charles L. Horn
Director

INDEX TO EXHIBITS

Exhibit No.	Description
3.1	Second Articles of Amendment and Restatement of Moody National REIT I, Inc. (incorporated by reference to Exhibit 3.1 to the Registrants Quarterly Report on Form 10-Q filed on November 14, 2014)
3.2	Bylaws of Moody National REIT I, Inc. (incorporated by reference to Exhibit 3.2 to the Registrants Registration Statement on Form S-11 (File No. 333-150612) filed on May 2, 2008)
4.1	Distribution Reinvestment Plan (incorporated by reference to Appendix C to the prospectus contained in this Registration Statement)
5.1*	Opinion of Venable LLP as to the legality of the securities being registered
8.1*	Opinion of Alston & Bird, LLP regarding certain federal income tax considerations
23.1*	Consent of Frazier & Deeter, LLC
23.2	Consent of Venable LLP (contained in its opinion filed as Exhibit 5.1)
23.3	Consent of Alston & Bird, LLP (contained in its opinion filed as Exhibit 8.1)
24.1	Power of Attorney, contained on the signature pages hereto
*	Filed herewith



750 E. PRATT STREET SUITE 900 BALTIMORE, MD 21202
T 410.244.7400 F 410.244.7742 www.Venable.com

November 4, 2015

Moody National REIT I, Inc.
6363 Woodway Dr., Suite 110
Houston, TX 77057

Re: Registration Statement on Form S-3

Ladies and Gentlemen:

We have served as Maryland counsel to Moody National REIT I, Inc., a Maryland corporation (the Company), in connection with certain matters of Maryland law arising out of the registration of 2,631,579 shares (the Shares) of Common Stock, \$0.01 par value per share, of the Company (the Common Stock) to be issued from time to time pursuant to the Company's Distribution Reinvestment Plan (the Plan). The Shares are covered by the above-referenced Registration Statement, and all amendments thereto (the Registration Statement), filed by the Company with the Securities and Exchange Commission (the Commission) under the Securities Act of 1933, as amended (the 1933 Act).

In connection with our representation of the Company, and as a basis for the opinion hereinafter set forth, we have examined originals, or copies certified or otherwise identified to our satisfaction, of the following documents (herein collectively referred to as the Documents):

1. The Registration Statement and the related form of prospectus included therein in the form in which it was transmitted to the Commission under the 1933 Act;
2. The charter of the Company (the Charter), certified by the State Department of Assessments and Taxation of Maryland (the SDAT);
3. The Bylaws of the Company, as amended, certified as of the date hereof by an officer of the Company;
4. A certificate of the SDAT as to the good standing of the Company, dated as of a recent date;
5. Resolutions adopted by the Board of Directors of the Company relating to, among other matters, the registration and issuance of the Shares (the Resolutions), certified as of the date hereof by an officer of the Company;

Moody National REIT I, Inc.

November 4, 2015

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6. The Plan;

7. A certificate executed by an officer of the Company, dated as of the date hereof; and

8. Such other documents and matters as we have deemed necessary or appropriate to express the opinion set forth below, subject to the assumptions, limitations and qualifications stated herein.

In expressing the opinion set forth below, we have assumed the following:

1. Each individual executing any of the Documents, whether on behalf of such individual or another person, is legally competent to do so.

2. Each individual executing any of the Documents on behalf of a party (other than the Company) is duly authorized to do so.

3. Each of the parties (other than the Company) executing any of the Documents has duly and validly executed and delivered each of the Documents to which such party is a signatory, and such party's obligations set forth therein are legal, valid and binding and are enforceable in accordance with all stated terms.

4. All Documents submitted to us as originals are authentic. The form and content of all Documents submitted to us as unexecuted drafts do not differ in any respect relevant to this opinion from the form and content of such Documents as executed and delivered. All Documents submitted to us as certified or photostatic copies conform to the original documents. All signatures on all Documents are genuine. All public records reviewed or relied upon by us or on our behalf are true and complete. All representations, warranties, statements and information contained in the Documents are true and complete. There has been no oral or written modification of or amendment to any of the Documents, and there has been no waiver of any provision of any of the Documents, by action or omission of the parties or otherwise.

5. The Shares will not be issued or transferred in violation of any restriction or limitation on transfer and ownership of shares of stock of the Company contained in Article VI of the Charter.

Moody National REIT I, Inc.

November 4, 2015

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6. Upon the issuance of any of the Shares, the total number of shares of Common Stock issued and outstanding will not exceed the total number of shares of Common Stock that the Company is then authorized to issue under the Charter.

Based upon the foregoing, and subject to the assumptions, limitations and qualifications stated herein, it is our opinion that:

1. The Company is a corporation duly incorporated and existing under and by virtue of the laws of the State of Maryland and is in good standing with the SDAT.

2. The issuance of the Shares has been duly authorized and, when and to the extent issued and delivered against payment therefor in accordance with the Resolutions, the Plan and the Registration Statement, the Shares will be validly issued, fully paid and nonassessable.

The foregoing opinion is limited to the laws of the State of Maryland and we do not express any opinion herein concerning any other law. We express no opinion as to compliance with any federal or state securities laws, including the securities laws of the State of Maryland, or as to federal or state laws regarding fraudulent transfers. To the extent that any matter as to which our opinion is expressed herein would be governed by the laws of any jurisdiction other than the State of Maryland, we do not express any opinion on such matter. The opinion expressed herein is subject to the effect of judicial decisions which may permit the introduction of parol evidence to modify the terms or the interpretation of agreements.

The opinion expressed herein is limited to the matters specifically set forth herein and no other opinion shall be inferred beyond the matters expressly stated. We assume no obligation to supplement this opinion if any applicable law changes after the date hereof or if we become aware of any fact that might change the opinion expressed herein after the date hereof.

This opinion is being furnished to you for submission to the Commission as an exhibit to the Registration Statement. We hereby consent to the filing of this opinion as an exhibit to the Registration Statement and to the use of the name of our firm therein. In giving this consent, we do not admit that we are within the category of persons whose consent is required by Section 7 of the 1933 Act.

Very truly yours,

By: /s/ VENABLE LLP

ALSTON & BIRD LLP

The Atlantic Building
950 F Street, NW
Washington, DC 20004-1404

202-239-3300
Fax: 202-654-4829
www.alston.com

November 4, 2015

Moody National REIT I, Inc.
6363 Woodway Dr., Suite 110
Houston, TX 77057

Re: Registration Statement Relating to Offering of Shares of Common Stock of Moody National REIT I, Inc. Pursuant to Distribution Reinvestment Plan

Ladies and Gentlemen:

We are acting as tax counsel to Moody National REIT I, Inc., a Maryland corporation (the Company), in connection with the registration statement on Form S-3 (as amended, the Registration Statement), filed by the Company with the Securities and Exchange Commission under the Securities Act of 1933, as amended, to register 2,631,579 shares of the Companys common stock, par value \$0.01 per share to be issued pursuant to the Companys Distribution Reinvestment Plan (the Distribution Reinvestment Plan). This opinion letter is rendered pursuant to Item 601(b)(8) of Regulation S-K.

You have requested our opinions as to (i) the qualification of the Company as a real estate investment trust (REIT) under Sections 856 through 860 of the Internal Revenue Code of 1986, as amended (the Code), and (ii) the accuracy of the discussion of U.S. federal income tax considerations contained under the captions What are the federal income tax consequences of participation in the distribution reinvestment plan? and U.S. Federal Income Tax Considerations in the Registration Statement.

In preparing this opinion letter, we have reviewed the Companys Second Articles of Amendment and Restatement, the Limited Partnership Agreement of Moody National Operating Partnership I, L.P. (the Operating Partnership), the Distribution Reinvestment Plan, the Registration Statement and such other documents as we have considered relevant to our analysis. We have also obtained representations as to factual matters made by the Company through a certificate of an officer of the Company (the Officers Certificate). Our opinion letter is based solely on the information and representations in such documents. In our examination of such documents, we have assumed the authenticity of all documents submitted to us as originals, the genuineness of all signatures thereon, the legal capacity of natural persons executing such documents and the conformity to authentic original documents of all documents submitted to us as copies.

Atlanta Beijing Brussels Charlotte Dallas Los Angeles New York Research Triangle Silicon Valley Washington, D.C.

Further, we have assumed, with your consent, that (i) the factual representations set forth in the Officers Certificate are true, accurate and complete as of the date hereof, (ii) any representation made in the Officers Certificate to the knowledge of or similarly qualified is correct without such qualification, (iii) the Operating Partnership has a valid legal existence under the laws of the state in which it was formed and has operated in accordance with the laws of such state, (iv) the Company and the entities in which it holds direct or indirect interests will operate in a manner that will make the representations contained in the Officers Certificate true, and (v) no action will be taken after the date hereof by the Company or any of the entities in which it holds direct or indirect interests that would have the effect of altering the facts upon which the opinion set forth below is based.

The opinions expressed herein are given as of the date hereof and are based upon the Code, the U.S. Treasury regulations promulgated thereunder, current administrative positions of the U.S. Internal Revenue Service and existing judicial decisions, any of which could be changed at any time, possibly on a retroactive basis. Any such changes could adversely affect the opinions rendered herein. In addition, as noted above, our opinions are based solely on the documents that we have examined and the representations that have been made to us and cannot be relied upon if any of the facts contained in such documents or in such additional information is, or later becomes, inaccurate or if any of the representations made to us are, or later become, inaccurate. Our opinions are limited to the U.S. federal income tax matters specifically covered herein. We have not opined on any other tax consequences to the Company or any other person. Further, we express no opinion with respect to other federal laws, the laws of any other jurisdiction, the laws of any state or as to any matters of municipal law or the laws of any other local agencies within any state.

Based on the foregoing, we are of the opinion that:

(i) Commencing with the Companys taxable year ended December 31, 2011, the Company was organized and operated in conformity with the requirements for qualification and taxation as a REIT under the Code, and the Companys proposed method of operations will enable it to continue to so qualify.

(ii) The discussion of U.S. federal income tax considerations contained under the captions What are the federal income tax consequences of participation in the distribution reinvestment plan? and U.S. Federal Income Tax Considerations in the Registration Statement, to the extent that it constitutes matters of federal income tax law or legal conclusions relating thereto, is correct in all material respects.

The Companys qualification as a REIT depends on the Companys ongoing satisfaction of the various requirements under the Code relating to, among other things, the nature of the Companys gross income, the composition of the Companys assets, the level of distributions to the Companys shareholders, and the diversity of the Companys ownership. Alston & Bird LLP will not review the Companys compliance with these requirements on a continuing basis. No assurances can be given that the Company will satisfy these requirements.

Moody National REIT I, Inc.

November 4, 2015

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No opinions other than those expressly contained herein may be inferred or implied. We undertake no obligation to update this opinion letter, or to ascertain after the date hereof whether circumstances occurring after such date may affect the conclusions set forth herein.

This opinion letter is being furnished to you for submission to the Securities and Exchange Commission as an exhibit to the Registration Statement. We hereby consent to the filing of this opinion letter as Exhibit 8.1 to the Registration Statement and to the reference to this firm under the caption Legal Matters in the prospectus constituting a part of the Registration Statement. In giving this consent, we do not thereby admit that we are an expert within the meaning of the Securities Act of 1933, as amended.

Very truly yours,

ALSTON & BIRD LLP

By: /s/ ALSTON & BIRD LLP

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the use of our report dated March 31, 2015, with respect to the consolidated balance sheets of Moody National REIT I, Inc. and subsidiaries as of December 31, 2014 and 2013, and the related consolidated statements of operations, equity, and cash flows for the years then ended, and the related financial statement schedule included in the Annual Report on Form 10-K of Moody National REIT I, Inc. for the year ended December 31, 2014, filed with the Securities and Exchange Commission on March 31, 2015, our report dated January 25, 2013, with respect to the combined balance sheets of Terrapin Operator Woodlands, LLC and the Tenancy In Common as of September 30, 2012 and December 31, 2011, and the related combined statements of operations, changes in owners equity and cash flows for the nine month period ended September 30, 2012 and the year ended December 31, 2011, included in the Form 8-K/A of Moody National REIT I, Inc. filed with the Securities and Exchange Commission on January 25, 2013, our report dated June 25, 2013, with respect to the balance sheets of SHG HP Germantown, LLC as of December 31, 2012 and 2011, and the related statements of operations, changes in owners equity, and cash flows for the years then ended, included in the Form 8-K/A of Moody National REIT I, Inc. filed with the Securities and Exchange Commission on June 25, 2013, our report dated September 18, 2013, with respect to the balance sheets of Naman Ashley I, LLC as of December 31, 2012 and 2011, and the related statements of operations, owners equity, and cash flows for the years then ended, included in the Form 8-K/A of Moody National REIT I, Inc. filed with the Securities and Exchange Commission on September 18, 2013, our report dated March 18, 2014, relating to the combined balance sheets of Austin Lodging, Inc. and the Tenancy In Common as of October 7, 2013 and December 31, 2012, and the related combined statements of operations, owners equity, and cash flows for the period from January 1, 2013 to October 7, 2013 and the year ended December 31, 2012 included in the Form 8-K/A of Moody National REIT I, Inc. filed with the Securities and Exchange Commission on March 18, 2014, our report dated June 16, 2014, with respect to the combined balance sheets of Moody National RI Grapevine S, LLC and Moody National RI Grapevine MT, LLC as of December 31, 2013 and 2012 and the related combined statements of operations, owners equity (deficit), and cash flows for the years then ended, included in the Form 8-K/A of Moody National REIT I, Inc. filed with the Securities and Exchange Commission on June 17, 2014, our report dated September 9, 2014, with respect to the combined balance sheets of MN Newark, LLC and Moody National TPS Newark MT, LLC as of December 31, 2013 and 2012 and the related combined statements of operations, owners equity and cash flows for the years then ended included in the Form 8-K/A of Moody National REIT I, Inc. filed with the Securities and Exchange Commission on September 9, 2014, our report dated December 16, 2014, with respect to the combined balance sheets of Moody National CY Lyndhurst MT, LLC and Tenancy In Common as of December 31, 2013 and 2012, and the related combined statements of operations, owners equity (deficit) and cash flows for the years then ended included in the Form 8-K/A of Moody National REIT I, Inc. filed with the Securities and Exchange Commission on December 16, 2014, our report dated February 4, 2015, with respect to the combined balance sheets of Alegre Hospitality, Ltd. and WS Arboretum JV, LLC as of September 30, 2014 and December 31, 2013 and the related combined statements of operations, owners equity and cash flows for the nine months ended September 30, 2014 and the year ended December 31, 2013 included in the Form 8-K/A of Moody National REIT I, Inc. filed with the Securities and Exchange Commission on February 4, 2015, and our report dated August 27, 2015, with respect to the combined balance sheets of Moody National Nashville MT, LLC and the tenant-in-common owners as of December 31, 2014 and 2013 and the related combined statements of operations, owners equity, and cash flows for the years then ended included in the Form 8-K/A of Moody National REIT I, Inc. filed with the Securities and Exchange Commission on August 28, 2015, all of which are incorporated by reference in this Registration Statement on Form S-3, and related Prospectus of Moody National REIT I, Inc., and to the reference to our firm under the heading Experts in the Registration Statement and related Prospectus.

/s/ Frazier & Deeter, LLC

Atlanta, Georgia
November 4, 2015