

## Report of Organizational Actions Affecting Basis of Securities

▶ See separate instructions.

**Part I Reporting Issuer**

1 Issuer's name  <b>APPLE REIT SEVEN, INC.</b>		2 Issuer's employer identification number (EIN)  <b>20-2879175</b>	
3 Name of contact for additional information  <b>CLIFF DALSEIDE</b>	4 Telephone No. of contact  <b>804-344-8121</b>	5 Email address of contact  <b>CDALSEIDE@APPLEREIT.COM</b>	
6 Number and street (or P.O. box if mail is not delivered to street address) of contact  <b>814 E MAIN ST.</b>		7 City, town, or post office, state, and Zip code of contact  <b>RICHMOND, VA 23219</b>	
8 Date of action  <b>MONTHLY DISTRIBUTIONS - SEE LINE 14</b>		9 Classification and description  <b>COMMON STOCK</b>	
10 CUSIP number  <b>037851201</b>	11 Serial number(s)	12 Ticker symbol  <b>N/A</b>	13 Account number(s)

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

14 Describe the organizational action and, if applicable, the date of the action or the date against which shareholders' ownership is measured for the action ▶ **APPLE REIT SEVEN, INC. DISTRIBUTED MONTHLY CASH DISTRIBUTIONS TO ITS COMMON SHAREHOLDERS FOR THE 2011 TAX YEAR. A PORTION OF THESE DISTRIBUTIONS REPRESENT A NON-DIVIDEND DISTRIBUTION. THESE DISTRIBUTIONS WERE PAID 1/18/2011, 2/15/2011, 3/15/2011, 4/14/2011, 5/16/2011, 6/15/2011, 7/14/2011, 8/15/2011, 9/15/2011, 10/17/2011, 11/15/2011 AND 12/15/2011.**

15 Describe the quantitative effect of the organizational action on the basis of the security in the hands of a U.S. taxpayer as an adjustment per share or as a percentage of old basis ▶

**THE TOTAL COMMON DISTRIBUTIONS PAID BY THE COMPANY DURING 2011 IS \$.77 PER SHARE. THE PERCENTAGE OF NONTAXABLE CASH DISTRIBUTIONS(RETURN OF CAPITAL) IS 48%. THE TAX BASIS OF EACH SHAREHOLDER OF COMMON STOCK HELD THROUGHOUT 2011 SHOULD BE REDUCED BY \$.37.**

16 Describe the calculation of the change in basis and the data that supports the calculation, such as the market values of securities and the valuation dates ▶

**THE NON-DIVIDEND DISTRIBUTION REPRESENTS DISTRIBUTIONS ASSOCIATED WITH THE 2011 TAX YEAR WHICH ARE IN EXCESS OF THE CURRENT YEAR AND ACCUMULATED EARNINGS AND PROFITS. THE COMPANY ANTICIPATES DIVIDENDS FOR 2011 WILL EXCEED CURRENT AND ACCUMULATED EARNINGS AND PROFITS RESULTING IN A NONTAXABLE RETURN OF CAPITAL AND A REDUCTION IN THE BASIS OF SHAREHOLDER STOCK. THEREFORE, THE COMPANY DETERMINED THE AMOUNT OF EARNINGS AND PROFITS FOR THE YEAR WHICH SUPPORTS THE CALCULATION OF THE AMOUNT OF NONTAXABLE RETURN OF CAPITAL. THE INFORMATION NECESSARY FOR THIS ANALYSIS WAS NOT AVAILABLE ON JANUARY 17, 2012, THEREFORE THE FINAL DETERMINATION OF EARNINGS AND PROFITS WAS NOT CALCULATED AS OF THAT DATE. UPON COMPLETION OF ITS ANNUAL FINANCIAL REPORTING PROCESSES, THE COMPANY WAS ABLE TO MAKE THE FINAL DETERMINATION OF NONTAXABLE RETURN OF CAPITAL AND PREPARE A FORM 8937.**

**Part II Organizational Action** (continued)

17 List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ▶ IRC 301(c)(2)

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18 Can any resulting loss be recognized? ▶ N/A

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19 Provide any other information necessary to implement the adjustment, such as the reportable tax year ▶ \_\_\_\_\_

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**Sign Here**  
Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.  
Signature ▶ [Handwritten Signature] Date ▶ 3/26/12  
Print your name ▶ BRYAN PEERY Title ▶ VP

<b>Paid Preparer Use Only</b>	Print/Type preparer's name	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN
	LARRY GOOD	<u>[Handwritten Signature]</u>	<u>3/29/12</u>		P00540769
	Firm's name ▶ DELOITTE TAX LLP	Firm's EIN ▶	86-1065772	Phone no.	704-887-1500
	Firm's address ▶ 550 S. TRYON ST, STE 2500, CHARLOTTE, NC 28202				