

White Bay Capital Management, LLC
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New York, NY 10017

June 20, 2013

United States Securities and Exchange Commission
Attention: Ms. Elizabeth M. Murphy, Secretary
Station Place
100 F Street, NE
Washington, DC 20549-1090

Subj: File 81-939: W2007 Grace Acquisition I, Inc. (“W2007 Grace”)

Ladies and Gentlemen:

This letter is a follow-up to my letter submitted to the Commission, dated May 20, 2013.

I have reviewed the Supplemental Letter to the Application, submitted by Sullivan & Cromwell, dated June 7, 2013.¹

The Supplemental Letter cites the *Report on Authority to Enforce Exchange Act Rule 12g5-1 and Subsection (b)(3)*, by the Staff to the Commission, dated October 15, 2012 (the “Report”).² It is noteworthy that the Supplemental Letter cites the Report, but it is very noteworthy for the relevant issues of the Report that Supplemental Letter ignores. In regard to Rule 12g and the consideration of DTC’s appearance on an issuer’s shareholder records, the Report states:

*“[DTC] is not considered a single holder of record for purposes of the Exchange Act’s registration and periodic reporting provisions. Instead, each of the accounts of the participants in DTC that hold securities of an issuer is considered a record holder.”*³

The Application contains the following two relevant statements regarding DTC:

*“As of November 5, 2007, the day prior to the filing of the Form 15, based on records provided to the Company, the Company disclosed on the filed Form 15 that there were 66 holders of record of the Series B and 36 holders of record of the Series C”*⁴

*“At the time of the Merger (October 25, 2007), DTC was a holder of record”*⁵

¹ The Commission had set the termination of the comment period on the Application as June 5, 2013. In light of the fact that a Supplemental Letter was submitted on June 7th, it is my hope that the Commission will recognize this follow-up letter. Defined terms in this letter have the same meaning as in my May 20th letter.

² Supplemental Letter, footnote 4.

³ Report at 11.

⁴ Application at 3.

⁵ Application at 10.

These statements in the Application raise serious doubt over the material representations in the Form 15 that terminated the SEC reporting obligation of W2007 Grace. While the Application states that the Form 15 reported a combined 99 shareholders of record, the Application claims that one of the 99 shareholders was DTC. As clearly stated in the Report, DTC is not regarded as a shareholder of record, but rather the broker-dealer participants who hold the respective shares via DTC are the shareholders of record.

The Application disclosed that, as of the filing of the Form 15 on November 5, 2007, DTC was immobilizing share certificates that represented significantly more record shareholders than merely DTC as a single entry in the Company’s shareholder records:

“Following the Merger, DTC transferred the shares of the Series B and Series C it held for the benefit of the individual holders to those holders’ accounts in early 2008. ⁶ Upon such transfers from DTC to the individuals, the records of the Company in March 2008 reflected approximately 260 holders of record of the Series B and the Series C” ⁷

While the Application describes the expansion of the list of record shareholders upon DTC’s 2008 distribution, it remains unknown the number of record shareholders immobilized via DTC as of the November 2007 filing of the Form 15. Since by March 2008 W2007 Grace had already terminated SEC reporting for approximately four months, thus depriving shareholders of W2007 Grace of vital information concerning the Company, it is very possible that the record shareholding ownership profile of the Company had been materially reduced during the period prior to March 2008, by which time 260 record holders were calculated. The facts surrounding the Form 15 filing in November 2007 require an investigation by the Commission.

Additionally, the Application states that *“the shares of the Series D are held by 112 holders who are employees of an affiliate”*.⁸ In fact, upon a document request by shareholders, W2007 Grace discloses that: *“In February 2008, [W2007 Grace] also issued 125 shares of the 8% Series D cumulative preferred stock at \$250 per share to employees of Goldman Sachs”*⁹

Since it is clear that as of 2008 there were 260 holders of record of the Series B and Series C, and that there were an additional 112 holders of record of the Series D, for a total of 372 holders of record, it remains unclear how W2007 Grace continued its exemption status in 2008 and beyond. The critical question of the number of record shareholders in 2008 requires an investigation by the Commission.

Separately, the Supplemental letter attempts to provide the Commission with the total number of beneficial holders of the Grace Preferred Stock. In this attempt, the Application offers data from the non-objecting beneficial ownership lists and then represents that data to be the total of the

⁶ While the Application does not provide further clarification, it may be inferred that distribution was of the shares held by DTC to the respective participating broker-dealers.

⁷ Application at 10.

⁸ Application at 10.

⁹ W2007 Grace Consolidated Financial Statements, as of December 31, 2012, at 19.

beneficial shareholders.¹⁰ These numbers provide only a partial representation of the true number of beneficial owners. By its definition, these lists exclude objecting beneficial owners. If the Commission desires to investigate the true number of beneficial shareholders, it should consider requesting that W2007 Grace provide it with the number of mailings it has sent to all beneficial shareholders on certain occasions. The most recent mailing to all beneficial holders was a letter by W2007 Grace, dated May 23, 2013, which announced the commencement of a period for nominations for the election of directors to W2007 Grace.

I reiterate my recommendation that the Commission should (i) deny the Application; (ii) order that W2007 Grace resume its SEC reporting obligations; (iii) take appropriate action on the unlawful related-party activities described in my May 20th letter that have harmed public investors; and (iv) I request that the Commission investigate the circumstances of the Form 15 filing described herein.

I support a public hearing on this matter and would be willing to participate if the Commission schedules a hearing.

Sincerely,

A handwritten signature in cursive script, appearing to read "Andrew Siegel".

Andrew R. Siegel
Managing Member

¹⁰ Supplemental Letter at 3.