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May 7, 2014

Securities and Exchange Commission
100 F St. NW
Washington, DC 20549-9303
Rule-comments@sec.gov

Re: File No. 81-939, W2007 Grace Acquisition I application for exemption from reporting requirements

Dear SEC:

In summary:

- Upon re-examination, it is clear that W2007 Grace Acquisition I has for many years had more than 300 shareholders of record, even without counting the Sullivan trusts at issue in this proceeding or the Class D shares. The Company is thus required to resume its reporting obligations under SEC Rule 12h-3(e). The issue of the 300 Sullivan trusts is a red herring.

- The Company may claim that because of apparent repetitive brokerage names in the shareholder of record list that such apparent duplicates should not be counted. Under SEC Rule 12g5-1(a)(6), similar names and addresses on the shareholder of record list should be counted as one shareholder of record only if the issuer has reason to believe they represent the same person. The NOBO list proves otherwise. Thus, all of the shareholders of record on the Computershare list of shareholders (which is distinct from the NOBO list) should be included.

- The delay in public disclosure has caused and is continuing to cause serious harm to the public shareholders while an affiliate of the Company has been secretly buying up the stock at depressed prices. Indeed, the application and the attending delays appear to be a cynical attempt to delay public disclosure even longer by using this proceeding as another excuse to delay disclosure.

- The Company, its affiliates, and its officers appear to have committed numerous violations of U.S. law, including conspiracy, manipulation, and insider trading, along with other violations of financial reporting, trade reporting, and tender offer rules. The lack of adequate disclosure makes it difficult to determine exactly what has transpired.

- Justice demands that the SEC deny the application, order the Company to immediately begin complying with its reporting obligations. As the Company appears to be out of compliance since 2007, the Company should be required to file all of the delinquent filings. The SEC should also undertake appropriate enforcement action against the individuals and entities in concert with the Department of Justice.

- A failure by the SEC to take appropriate action in this public case will seriously damage the Commission's reputation as an agency willing to enforce or capable of enforcing U.S. securities laws.

- The case demonstrates the problems inherent in the current definition of shareholders of record in determining the threshold for SEC registration. The SEC should use its broad regulatory authority to define "shareholders of record" to count all beneficial owners, as is currently done for purposes of exchange listing requirements. To avoid imposing burdensome filing requirements on small businesses, the SEC should provide a safe harbor exemption from registration or re-registration for smaller companies with less than some threshold of beneficial owners that adopt shareholder-friendly policies of disclosure.

- The JOBS Act will lead to an increasing number of public shareholders in unregistered companies. Experience shows that state regulation is insufficient to provide adequate disclosure and protection to public shareholders of such companies. The SEC has an obligation to enforce the federal securities laws that apply to non-SEC registrants.

Background: A classic case of shareholder suppression

In April of 2013, W2007 Grace Acquisition I (the "Company") filed an application with the SEC seeking an exemption from its obligations from the provisions of Section 15(d) and thus avoid its duty to make required filings with the SEC.[1] W2007 Grace Acquisition I is a Goldman Sachs controlled entity. As of December 31, 2013, the Company has over 700 shareholders of record as well as over 1,000 beneficial owners of its Class B and Class C preferred shares.[2] Although the application disingenuously attempted to portray the Company as a firm with a "small economic interest" in some hotels with "no employees" and very few shareholders, it is in fact a large enterprise with over $1 billion in real estate assets and that controls over 100 hotels.[3]

The Company was formed as a result of a 2007 leveraged buyout of the common stock of NYSE-listed Equity Inns, one of the largest hotel REITs in the United States. The leveraged buyout, however, did not acquire the preferred shares. Instead, the NYSE-listed preferred shares of Equity Inns were replaced (without any consent of the preferred shareholders) with unlisted shares in the highly leveraged Company. The Company delisted the preferred shares from the NYSE and filed Form 15 to deregister the shares from the SEC. They even took steps to make the shares ineligible for electronic settlement at DTC, forcing shareholders to resort to antiquated paper certificates to trade the shares, despite the representation in the takeover proxy statement that the replacement shares would be "uncertificated."[4] The Company releases no public financial information. The Company has not filled the vacant director positions owed to the preferred shareholders for over four years, despite the fact that the board of directors has the power to fill all vacancies.

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[1] See http://www.sec.gov/rules/other/2013/34-69477-application.pdf.

[2] The Company treats the Class B and Class C shares as belonging to a single class in its application, and I concur with this combination. See footnote 1 of the application.

[3] Page 11 of the application stated "The Company is not directly engaged in extensive active operations as it is simply a real estate investment firm with a small economic interest in 130 hotels and no employees."

[4] http://www.sec.gov/Archives/edgar/data/916530/000095014407008153/g08518ddefm14a.htm page 9.

Another Goldman affiliate has been secretly buying up shares.

These deliberate acts of shareholder suppression have caused serious harm to the preferred shareholders of the Company. They no longer have a liquid secondary market for their shares and have seen the prices of their holdings plummet. In the meantime, PFD Holdings, another Goldman Sachs controlled entity, has been secretly buying up the shares at depressed prices and now holds a majority of the preferred shares.[5] Goldman Sachs renegotiated the debt involved in the buyout several times with itself, paying itself a nice fee each time. As a result of these debt restructurings with itself, it appears that Goldman has managed to tunnel the majority of the hotels out of the Company and into one of its other entities, to the detriment of the preferred shareholders. Given the lack of disclosure, it is not clear exactly what is going on, which is why it is so important that the Company comply with its reporting obligations to provide accurate, complete, and timely financial and ownership information to the public.

This campaign of shareholder suppression that reduced the marketability and thus price of the shares, combined with secret share purchases appears to represent a blatant manipulation of prices in contravention of Section 10b of the Securities Exchange Act of 1934.

As there is no public information about the current condition of the Company, and it is inconceivable that PFD Holdings would purchase millions of dollars of the shares unless it knew the shares were worth buying, it is also appears to be a blatant case of insider trading based on material non-public information. A failure of the SEC to investigate and prosecute such blatant criminal violations of U.S. securities laws in a timely manner will seriously damage the credibility of the Commission and seriously undermine investor confidence. If the Commission does not act on such egregious and public violations, it will appear as if the ghost of the Madoff investigation has come back to haunt the SEC.

The Company has far more than 300 shareholders of record and thus must resume its reporting obligations.

Under Rule 12h-3(e), a firm that has deregistered from the SEC resumes its reporting obligations if the number of shareholders of record rises above 300, and has 120 days in which to do so. In its original application, the Company, through its law firm of Sullivan and Cromwell, maintained in its original application that it had approximately 280 shareholders of record.[6] The application filed by the company alleged that 300 separate trusts (the "Sullivan trusts") should be counted as one shareholder of record.

I saw no reason to examine the assertion that the Company had "approximately 280" shareholders of record, as I thought that Sullivan and Cromwell was a respectable law firm working for a respectable client. It was inconceivable to me that they would be unable to accurately count the number of shareholders on the shareholder of record list. I thought that the entire issue was whether or not to count the 300 Sullivan trusts and the Class D shares. It is only relatively recently that I actually looked at the shareholder list and actually counted the number of shareholders of record.

Whether or not the Sullivan trusts are counted as one shareholder of record or more is a moot point. Even without the Sullivan trusts, the Company had and continues to have more than 300 shareholders of record and thus must resume making required filings with the SEC. The application looks like nothing more than a cynical delaying tactic to avoid compliance with U.S. law while the perpetrators continue their conspiracy to rob the preferred shareholders outside of the spotlight of disclosure.

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[5] The preferred shares purchased by PFD holdings are significantly more than the total share trading volume that was reported to the public, an apparent violation of the trade reporting rule, FINRA Rule 6620.

[6] Page 10 of the application states: "…the records of the Company in March 2008 reflected approximately 260 holders of record of the Series B and the Series C. As of January 1, 2013, and deeming the JMS Trusts to be only one holder of record, the Company has approximately 280 holders of record of the Series B and the Series C. Absent the actions taken by Mr. Sullivan to transfer the shares of the Series B and the Series C to the JMS Trusts, the actual number of holders of record has not significantly changed from the date of the Merger until January 1, 2013."

Even the point of whether the more than 100 Class D shareholders are counted as shareholders of record is irrelevant. Even if one counts neither the Sullivan Trusts nor the Class D shareholders (and I believe both should be counted), there are still more than 300 shareholders of record.

The shareholder of record list from approximately December 31, 2013 contains 709 names. If one counts the 300 Sullivan trusts as one shareholder, this reduces the count to 410. Note that this list does not include the more than 100 Class D shareholders. The issue then becomes how many of the shareholders of record should not be counted for the purposes of determining whether the Company has sufficient shareholders of record to warrant a resumption of its reporting obligations.

The Company has indicated that "…the actual number of holders of record has not significantly changed from the date of the Merger until January 1, 2013." It would thus appear that the Company has had more than 300 shareholders of record, not counting the Sullivan trusts or the Class D shares, since the merger. An examination of a shareholder list from approximately 2010 appears to confirm that the Company has been in long-term noncompliance with its reporting obligations.

Similar street name records reflect different persons and thus separate shareholders of record under Rule 12g5-1(a)(6)

The Company may attempt to maintain that some of its shareholders of record are duplicate records and should not be counted. The SEC has provided guidance on this issue in Rule 12g5-1(a)(6) which states (**emphasis added**):

*(6) Securities registered in substantially similar names where the issuer has reason to believe because of the address or other indications that such names **represent the same person**, may be included as held of record by one person.*

It is apparent that there are substantially similar names and addresses in the register. Consider the following example:

CHARLES SCHWAB & CO	1958 SUMMIT PARK DRIVE	ORLANDO FL 32810
CHARLES SCHWAB & CO INC	1958 SUMMIT PARK DR	ORLANDO FL 32810
CHARLES SCHWAB & CO INC	1958 SUMMIT PARK DR	ORLANDO FL 32810
CHARLES SCHWAB & CO INC	101 MONTGOMERY ST	SAN FRANCISCO CA 94104
CHARLES SCHWAB & CO INC	211 MAIN ST	SAN FRANCISCO CA 94105
CHARLES SCHWAB & CO INC	211 MAIN ST	SAN FRANCISCO CA 94105
CHARLES SCHWAB & CO INC	ATTN SECURITIES OPERATIONS	2423 E LINCOLN DR PHOENIX AZ
CHARLES SCHWAB & CO INC	2423 E LINCOLN DR	PHOENIX AZ 85016

Should these eight entries under the name of Charles Schwab & Co, all of which have different DTC identifiers, count as one, three, eight, or more some other number of shareholders of record? There is no reason to believe that those different records on the Computershare list of shareholders represent the same person. First, we see that there are separate addresses in Arizona, California, and Florida. The last time I checked, those were not substantially similar addresses, so there are at least three. 101 Montgomery Street is several blocks away from 211 Main Street in San Francisco, so there are at least four distinct addresses. Indeed, a quick glance at the NOBO list indicates there are many more than eight different persons holding shares at Charles Schwab.[7]

[7] The NOBO list is the list of Non Objecting Beneficial Owners. These are the shareholders who hold their shares in brokerage accounts but do not object to letting their brokers release contact information.

The rule clearly states that the issuer must have reason to believe that the entries represent the same person. Given the large number of different beneficial shareholders at Charles Schwab, it is clear that the Company has no legitimate reason to believe that that the multiple entries represent the same person. Therefore, each of these eight entries should count as a separate shareholder of record.

Similar logic applies to any other purported duplicates in the shareholder of record list. There is no credible reason for the issuer to believe that multiple entries from brokerage firms on the Computershare list represent the same person. Therefore, all of the shareholders on the shareholder of record list should be counted for the purposes of determining compliance with SEC registration requirements.

Whether the Sullivan trusts represent more than one shareholder of record should be easily determinable by examining the beneficiaries.

Although I believe the issue of the Sullivan trusts is a red herring designed to confuse the issues involved in the case, the issue is a moot one given that the number of shareholders already exceeds the 300 number. Whether the Sullivan trusts represent the same person or not should be relatively easy to determine by examining the beneficiaries. If the beneficiaries are different persons, then they should be counted as separate shareholders of record. If they are all one person, then they should be counted as one person.

The Company's deliberate attempts to suppress the number of shareholders should also trigger 12g5-1(b)(3) and thus all beneficial shareholders should be counted.

In addition, there is also Rule 12g5-1(b)(3):

(3) If the issuer knows or has reason to know that the form of holding securities of record is used primarily to circumvent the provisions of section 12(g) or 15(d) of the Act, the beneficial owners of such securities shall be deemed to be the record owners thereof.

The Company's campaign of shareholder suppression, and in particular its removal of the shares from DTC eligibility, appears to have been aimed at reducing the number of shareholders and thus circumventing the provisions of section 12(g) and 15(d) of the Act. Removing the shares from DTC eligibility, and thus forcing shareholders to resort to antiquated paper certificates, flies in the face of longstanding Congressional and SEC policies aimed at moving away from paper stock certificates.[8] As the Company has well over 1,000 beneficial owners, it clearly is subject to a resumption of its reporting requirements.

The Company's application appears to be a dilatory action to delay disclosure.

It is thus clear that the Company had and continues to have more than enough shareholders of record to require a resumption of its filing obligations. It is also possible and quite likely that the Company and its counsel were aware of this and filed this application in a cynical attempt to delay the required resumption of its filing requirements. The Company could pretend to wait for an SEC decision regarding the Sullivan trusts while not disclosing the required

[8] For example, in the Concept Release: Securities Transactions Settlement, the Commission stated "Consistent with its Congressional directives, the Commission has long encouraged the use of alternatives to holding securities in certificated form in its effort to improve efficiencies and decrease risks associated with processing securities certificates." https://www.sec.gov/rules/concept/33-8398.htm

information, despite the fact that the Sullivan trusts were not and are not needed to reach the 300 shareholder threshold.

Sullivan and Cromwell's misleading statements appear to be either incompetent or an intentional artifice to deceive the Commission and its staff.

Sullivan and Cromwell is a well-known respectable law firm working for a respectable client. One would expect them to be aware of the rules regarding how to count the number of shareholders of record, and to verify the extremely material "approximately 280" shareholder of record figure before putting their professional reputation on the line through filing the application. They either knew or should have known that the similar brokerage names on the shareholder list did not represent the same person and should not have been eliminated in the counting. I believe that this application appears to demonstrate either an incompetent lack of understanding of SEC Rules, or an intentional artifice to deceive the Commission and its staff.

The delay in disclosure has harmed and continues to harm the shareholders.

It has been more than a year since this application was filed with the Commission, and the Company continues its activities that expropriate value from the public shareholders. No election attempts have been held for the vacant board seats belonging to the preferred shareholders in over a year. The board of directors has neglected its basic fiduciary obligation to fill the vacant seats despite clear authority in the Company charter to fill any vacancies.

During this period of delay, Goldman-controlled PFD Holdings, has continued to buy up the preferred shares at distressed prices and now owns the majority of the shares. Furthermore, another Goldman entity, WNT, has acquired and exercised an option from Goldman to purchase the majority of the hotels at what could be a sweetheart price that was negotiated between two Goldman affiliates with no one representing the interests of the preferred shareholders. The net result appears to be a plan to systematically strip assets out of the Company and into Goldman's hands, leaving an empty shell behind to the detriment of the long suffering preferred shareholders. The lack of disclosure makes it extremely difficult to determine exactly what is going on. The Company's scorched earth policy towards the preferred shareholders leads one to suspect the worst.

It is clear that the Commission should immediately deny the application and commence enforcement activities against the Company and the individuals involved. As the Company appears to have been delinquent in its filings since 2007, the Company should be ordered to file all of the delinquent filings including 8-Ks, 10Qs, 10Ks, DEF 14s, and all ownership forms.

This case demonstrates the need for the SEC to improve protection for shareholders in non-SEC registrants. State regulators are not up to the task.

The federal securities laws against manipulation and deception in securities apply to non-SEC registrants as well as SEC registrants. Changes in the manner of holding shares in street name that depress the number of shareholders "of record," along with provisions of the JOBS Act to increase the threshold for full-blown SEC registration, will lead to a much larger number of shareholders in public companies that are not SEC registrants. The SEC needs to consider how it will enforce the letter and spirit of the securities laws in this sector of the market. These public but unregistered companies have shareholders dispersed across the United States. State regulation has proven inadequate to protect these shareholders and the SEC should fulfill its statutory duty to step in.

W2007 Grace Acquisition I is not the first issuer to go dark and mistreat its shareholders. Since this case has hit the media, I have heard from aggrieved shareholders of several other companies allegedly engaged in similar manipulations. This problem will only get worse unless the SEC takes proactive steps to improve shareholder protection in these companies.

I recommend a carrot and stick approach to the unregistered sector. Such issuers should be encouraged to adhere to a suggested set of best practices of corporate governance. These practices would include:

- Prompt publication of quarterly and annual financial statements on the issuer's web site.
- Prompt disclosure of material events, either via Twitter, posting on the web site, and/or email to a list of interested market participants.
- Good corporate governance practices such as an independent board.
- Making shares DTC eligible
- Taking no actions to suppress the marketability of the shares

Adherence to such a code of best practices would provide a safe harbor exemption against full-blown registration even if the number of shareholders of record increases a certain amount above the threshold level, until the size of the firm reaches a larger threshold.

The stick would be prompt enforcement of the laws against manipulation and insider trading in the shares of these companies. Any purchases or sales by informed parties would be vulnerable to charges of insider trading, leading to a strong incentive for such small unregistered issuers to treat their shareholders fairly.

Respectfully submitted,

James J. Angel

Appendix:

§ 240.12g5-1 Definition of securities "held of record".

(a) For the purpose of determining whether an issuer is subject to the provisions of sections 12(g) and 15(d) of the Act, securities shall be deemed to be "held of record" by each person who is identified as the owner of such securities on records of security holders maintained by or on behalf of the issuer, subject to the following:

(1) In any case where the records of security holders have not been maintained in accordance with accepted practice, any additional person who would be identified as such an owner on such records if they had been maintained in accordance with accepted practice shall be included as a holder of record.

(2) Securities identified as held of record by a corporation, a partnership, a trust whether or not the trustees are named, or other organization shall be included as so held by one person.

(3) Securities identified as held of record by one or more persons as trustees, executors, guardians, custodians or in other fiduciary capacities with respect to a single trust, estate or account shall be included as held of record by one person.

(4) Securities held by two or more persons as coowners shall be included as held by one person.

(5) Each outstanding unregistered or bearer certificate shall be included as held of record by a separate person, except to the extent that the issuer can establish that, if such securities were registered, they would be held of record, under the provisions of this rule, by a lesser number of persons.

(6) Securities registered in substantially similar names where the issuer has reason to believe because of the address or other indications that such names represent the same person, may be included as held of record by one person.

(b) Notwithstanding paragraph (a) of this section:

(1) Securities held, to the knowledge of the issuer, subject to a voting trust, deposit agreement or similar arrangement shall be included as held of record by the record holders of the voting trust certificates, certificates of deposit, receipts or similar evidences of interest in such securities: Provided, however, That the issuer may rely in good faith on such information as is received in response to its request from a non-affiliated issuer of the certificates or evidences of interest.

(2) Whole or fractional securities issued by a savings and loan association, building and loan association, cooperative bank, homestead association, or similar institution for the sole purpose of qualifying a borrower for membership in the issuer, and which are to be redeemed or repurchased by the issuer when the borrower's loan is terminated, shall not be included as held of record by any person.

(3) If the issuer knows or has reason to know that the form of holding securities of record is used primarily to circumvent the provisions of section 12(g) or 15(d) of the Act, the beneficial owners of such securities shall be deemed to be the record owners thereof.

§ 240.12h-3 Suspension of duty to file reports under section 15(d).

(a) Subject to paragraphs (c) and (d) of this section, the duty under section 15(d) to file reports required by section 13(a) of the Act with respect to a class of securities specified in paragraph (b) of this section shall be suspended for such class of securities immediately upon filing with the Commission a certification on Form 15 (17 CFR 249.323) if the issuer of such class has filed all reports required by section 13(a), without regard to Rule 12b-25 (17 CFR 249.322), for the shorter of its most recent three fiscal years and the portion of the current year preceding the date of filing Form 15, or the period since the issuer became subject to such reporting obligation. If the certification on Form 15 is subsequently withdrawn or denied, the issuer shall, within 60 days, file with the Commission all reports which would have been required if such certification had not been filed.

(b) The classes of securities eligible for the suspension provided in paragraph (a) of this section are:

(1) Any class of securities, other than any class of asset-backed securities, held of record by:

(i) Less than 300 persons; or

(ii) By less than 500 persons, where the total assets of the issuer have not exceeded $10 million on the last day of each of the issuer's three most recent fiscal years; and

(2) Any class or securities deregistered pursuant to section 12(d) of the Act if such class would not thereupon be deemed registered under section 12(g) of the Act or the rules thereunder.

NOTE TO PARAGRAPH (*B*):

The suspension of classes of asset-backed securities is addressed in § 240.15d-22.

(c) This section shall not be available for any class of securities for a fiscal year in which a registration statement relating to that class becomes effective under the Securities Act of 1933, or is required to be updated pursuant to section 10(a)(3) of the Act, and, in the case of paragraph (b)(1)(ii), the two succeeding fiscal years; *Provided, however,* That this paragraph shall not apply to the duty to file reports which arises solely from a registration statement filed by an issuer with no significant assets, for the reorganization of a non-reporting issuer into a one subsidiary holding company in which equity security holders receive the same proportional interest in the holding company as they held in the non-reporting issuer, except for changes resulting from the exercise of dissenting shareholder rights under state law.

(d) The suspension provided by this rule relates only to the reporting obligation under section 15(d) with respect to a class of securities, does not affect any other duties imposed on that class of securities, and shall continue as long as either criteria (i) or (ii) of paragraph (b)(1) is met on the first day of any subsequent fiscal year; *Provided, however,* That such criteria need not be met if the duty to file reports arises solely from a registration statement filed by an issuer with no significant assets in a reorganization of a non-reporting company into a one subsidiary holding company in which equity security holders receive the same proportional interest in the holding company as they held in the non-reporting issuer except for changes resulting from the exercise of dissenting shareholder rights under state law.

(e) If the suspension provided by this section is discontinued because a class of securities does not meet the eligibility criteria of paragraph (b) of this section on the first day of an issuer's fiscal year, then the issuer shall

resume periodic reporting pursuant to section 15(d) of the Act by filing an annual report on Form 10-K for its preceding fiscal year, not later than 120 days after the end of such fiscal year.