April 4, 2013

Office of the Chief Counsel,
Division of Corporation Finance,
Securities and Exchange Commission,
100 F Street, N.E.,
Washington, D.C. 20549.

Re: W2007 Grace Acquisition I, Inc. Application under Section 12(h) of the Exchange Act

Ladies and Gentlemen:

On behalf of our client, W2007 Grace Acquisition I, Inc. (the “Company”), we are submitting this request to the Staff (the “Staff”) of the Securities and Exchange Commission (the “Commission”) for an exemption of the Company from the provisions of Section 15(d) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). We respectfully submit that, based on the Company’s unique facts and circumstances further described below, exemptive action under Section 12(h) of the Exchange Act is consistent with the public interest for the protection of investors because as of January 1, 2013, the Company had fewer than 300 holders of record of each class of its securities after excluding shares of the Company’s 8.75% Series B Cumulative Preferred Stock (the “Series B”) and its 9.00% Series C Cumulative Preferred Stock (the “Series C”) and together with the Series B, the “Preferred Stock”) that the Company believes are beneficially owned by a single beneficial owner through 300 trust entities formed by such owner solely for the purpose of attempting to cause the termination of the suspension of the Company’s reporting obligations under Section 15(d) of the Exchange Act; and there is limited trading activity in, and an absence of any regular market for, the Company’s securities.
Background

The Company is a Dallas-based hotel real estate investment firm, primarily focused on the upscale and midscale (without food and beverage) segments of the hotel industry. The Company is the issuer of four different series of equity securities: the Series B, the Series C, 8.00% Series D Cumulative Preferred Stock (the "Series D") and shares of common stock.\(^1\)

The Company holds a 1% general partnership interest in W2007 Equity Inns Partnership, L.P., a Tennessee limited partnership (the "Operating Partnership"). The Company also owns 100% of W2007 Equity Inns Trust, a Maryland trust (the "REIT Sub"). The Company does not have any operations independent from its ownership interest in the Operating Partnership and the REIT Sub. The Operating Partnership and the REIT Sub together indirectly own 130 hotel properties. A group of 106 hotels are owned by a series of wholly owned subsidiaries of the Operating Partnership that were created in connection with financing for the Merger (as defined below). A group of 24 hotels are owned by various limited partnerships with various corporations as their sole general partners, which corporations are wholly-owned by the REIT Sub. These general partners each own a 1% ownership interest in the respective limited partnerships and the Operating Partnership owns the remaining 98% ownership interest in the respective limited partnerships.

On October 25, 2007, pursuant to the Agreement and Plan of Merger, dated as of June 20, 2007, by and among W2007 Grace I, LLC ("Company Parent"), the Company, Grace II, L.P., the Operating Partnership and Equity Inns, Inc. ("Equity Inns"), Equity

\(^1\) Solely for purposes of this application for exemptive relief, the Company has treated the Series B and the Series C as having "substantially similar character and the holders of which enjoy substantially similar rights and privileges" and thus as a single "class" for purposes of Section 15(d), as the only significant difference between the two series is the interest rate. The Company has treated the shares of Series D as a different class than Series B and Series C as the terms of the Series D differ from Series B and Series C in respect of voting rights and liquidation preference. The Series D ranks junior to the Series B and Series C and holders do not have any right to vote for directors that holders of the Series B and Series C do as described herein, and was issued solely to ensure compliance with certain rules for the Company to qualify as a real estate investment trust ("REIT") for tax purposes. The Staff previously agreed with an issuer in its treatment of two classes of common stock as separate classes for purposes of Section 12(g)(5) of the Exchange Act where the securities differed as to liquidation and voting rights. Motorola, Inc. (avail. Jan. 31, 1972).
Inns merged with and into the Company, with the Company being the surviving corporation (such merger, the “Merger”). In the Merger, each share of 8.75% Series B Cumulative Preferred Stock of Equity Inns (the “ENN Series B”) and each share of 8.00% Series C Cumulative Preferred Stock of Equity Inns (the “ENN Series C”) was converted into the right to receive one share of Series B and one share of Series C, respectively, and each share of common stock of Equity Inns was converted into the right to receive $23.00, without interest. Each share of Series B and Series C has identical rights, preferences, limitations and restrictions as compared to the predecessor shares of ENN Series B and ENN Series C, respectively. The Series B and Series C were issued in transactions exempt from registration under the Securities Act of 1933, as amended.

Prior to the consummation of the Merger, Equity Inns was a reporting issuer under the Exchange Act and the ENN Series B, the ENN Series C and the common stock of Equity Inns (the “ENN Common Stock”) were each listed on the New York Stock Exchange and registered pursuant to Section 12(g) of the Exchange Act. In connection with the consummation of the Merger, Equity Inns notified the New York Stock Exchange that on October 25, 2007, (i) each share of common stock of Equity Inns outstanding immediately prior to the effective time of the Merger was converted into the right to receive $23.00, without interest, and (ii) each share of ENN Series B and ENN Series C outstanding immediately prior to the effective time of the Merger was converted into the right to receive one share of Series B and Series C, respectively, and requested that the New York Stock Exchange file with the Commission a notification on Form 25 to remove the shares of ENN Common Stock, ENN Series B and ENN Series C from listing on the New York Stock Exchange and registration under Section 12(b) of the Exchange Act. On November 6, 2007, Equity Inns filed a notice of termination of registration under Section 12(g) of the Exchange Act and suspension of duty to file reports under Sections 13 and 15(d) of the Exchange Act on Form 15. As of November 5, 2007, the day prior to the filing of the Form 15, based on the records provided to the Company, the Company disclosed on the filed Form 15 that there were 66 holders of record of Series B and 36 holders of record of Series C.

From and after the consummation of the Merger, Company Parent has owned all 100 shares of the Company’s issued and outstanding common stock, and until on or about December 7, 2012, there have been fewer than 300 holders of record of the Preferred Stock. The maximum authorized number of shares of Series B is 3,450,000 and of Series C is 2,400,000, of which 3,450,000 and 2,400,000, respectively, are issued and outstanding. Of the 3,450,000 shares of Series B outstanding, 1,018,250, or approximately 29.5%, are held beneficially by an affiliate, and of the 2,400,000 outstanding shares of Series C, 1,000,000, or approximately 41.7%, are held beneficially by the affiliate. In January 2008, the Company issued 125 shares of Series D, the maximum amount authorized for issuance under the Company’s charter, to 112 employees of an affiliate of the Company for REIT tax compliance purposes.
With respect to dividend rights and rights upon liquidation, dissolution or winding up of the Company, shares of Series B and Series C rank relative to other equity interests in and indebtedness of the Company: (i) prior or senior to any class or series of common stock of the Company and any other class or series of equity securities of the Company if Holders are entitled to the receipt of dividends or of amounts distributable upon liquidation, dissolution or winding up in preference or priority to the holders of shares of such class or series ("Junior Stock"), (ii) on a parity with any class or series of equity securities of the Company if, pursuant to the specific terms of such class or series of equity securities, the holders of such class or series of equity securities and Holders are entitled to the receipt of dividends and of amounts distributable upon liquidation, dissolution or winding up in proportion to their respective amounts of accrued and unpaid dividends per share or liquidation preferences, without preference or priority one over the other ("Parity Stock"), (iii) junior to any class or series of equity securities of the Company if, pursuant to the specific terms of such class or series, the holders of such class or series are entitled to the receipt of dividends or of amounts distributable upon liquidation, dissolution or winding up in preference or priority to Holders ("Senior Stock"), and (iv) junior to all existing and future indebtedness of the Company. The only Junior Stock is comprised of the 100 shares of the Company's common stock owned by Company Parent and 125 shares of the Series D owned by an affiliate's employees. The Parity Stock is comprised of 3,450,000 shares of the Series B and 2,400,000 shares of the Series C. There are no shares of Senior Stock. Shares of the Series B and the Series C are not convertible or exchangeable for any other property or securities of the Company.

Holders of the Series B and the Series C generally do not have voting rights except as described in this paragraph. The affirmative vote or consent of at least 66 2/3% of the votes entitled to be cast by all holders entitled to vote on such matters, voting as a single class, will be required to (x) authorize the creation of, the increase in the authorized amount of, or issuance of any shares of any class of Senior Stock or any security convertible into shares of any class of Senior Stock or (y) amend, alter or repeal any provision of, or add any provision to, the certificate of incorporation or bylaws of the Company if such action would materially adversely affect the voting powers, rights or preferences of holders. If at any time dividends on shares of Series B and Series C are in arrears for six or more quarterly periods, then the number of directors on the board of directors of the Company will be increased by two directors and holders of the Series B and Series C (voting together as a single class) are entitled to elect such additional directors at either the next annual meeting or a special meeting called for such purpose at the request of a holder of record. Dividends on the Series B and Series C have been in arrears for greater than six months. To date, the holders of the Series B and Series C have been unable to obtain a quorum with respect to a meeting to elect directors and as a result the additional directors have not been elected.
As a result of the filing by the Company of Form 15, the Company suspended its reporting obligations under Section 15(d) of the Exchange Act in November 2007. Nonetheless, the Company maintains a website for holders of the Preferred Stock with answers to frequently asked questions, copies of the Company’s charter and bylaws and a request form by which the Company provides additional information to holders upon request.

Correspondence with Joseph M. Sullivan

On January 2, 2013, the Company received an email from Joseph M. Sullivan, an individual purporting to be a “street name and record holder of Grace preferred shares.” In the email, Mr. Sullivan inquired as to the expected timing for filing of the Company’s Form 10-K for the year ending December 31, 2012. Mr. Sullivan inquired whether the representative recognized him from previous correspondence. Mr. Sullivan had previously contacted the Company on several occasions in 2012.

Mr. Sullivan initially sent a letter to the Company dated May 29, 2012 enclosing a completed shareholder request form requesting information relating to the company including financial statements for the years ended December 31, 2010 and 2011, a list of properties owned by the Company, and a list of the Company’s officers and directors. The request form indicated that Mr. Sullivan owned 400 shares of the Series C. A representative of the Company responded to Mr. Sullivan with the requested information on June 20, 2012.

Mr. Sullivan sent a letter to the Company dated June 21, 2012 demanding to inspect and copy the record of holders of shares of the Series B and the Series C. A representative of the Company responded to Mr. Sullivan on July 16, 2012 with (i) a list of registered holders of shares of the Series B and the Series C as of June 1, 2012 and (ii) a list of non-objecting beneficial owners of the Series B and the Series C as of February 3, 2012.

On October 1, 2012, Mr. Sullivan emailed a representative of the Company to note that the frequently asked questions section on the Company’s website was not functioning, and then emailed later that day to acknowledge that the problem was fixed.

On December 3, 2012, Mr. Sullivan emailed a representative of the Company with a demand to inspect and copy the record of holders of shares of the Series B and the Series C. The representative responded to Mr. Sullivan on December 3, 2012 with the list of registered holders as of October 1, 2012.

A representative for the Company responded on January 17, 2013 to Mr. Sullivan’s email dated January 2, 2013 that the Company was not subject to any requirement to file a Form 10-K with the Commission.
Mr. Sullivan responded on January 17, 2013 as follows:

It is my understanding that W2007 Grace had more than 300 record holders as of 12/31/2012.

Section 15(d) of the 1934 Securities and Exchange Act and the related SEC regulations require that any company with more than 300 record holders of securities sold in a public offering file file a 10-K.

As the surviving company in the merger with Equity Inns, W2007 Grace has the same SEC reporting obligations that Equity Inns had with respect to the Series B and Series C preferred shares sold by Equity Inns and converted to Series B and Series C preferred shares in the merger.

The due date for the Company's 2012 10-K report is March 31, 2013, but I'm hopeful that the 10-K will be available before the deadline.

After [Dan Smith, the Company’s corporate secretary] has had an opportunity to review the situation, please confirm to me that Company will file a 10-K report for 2012. In addition, please provide me with an estimate of when the 10-K report will be filed. Mr. Smith may also wish to consider filing an 8-K report with the SEC and issuing a press release to announce that the Company is subject to the SEC reporting requirements as of 12/31/2012.

Based on the Company’s review of the list of record holders of shares of the Series B and the Series C that was sent to Mr. Sullivan, the Company believed that it had fewer than 300 holders of the Series B and the Series C (separately or on a combined basis), and thus did not believe that it was under any obligation to file a Form 10-K with the Commission.

Mr. Sullivan sent another email to the Company on February 9, 2013 inquiring as to the status of the Company’s Form 10-K for the year ended December 31, 2012.

On February 11, 2013, upon a review of the list of record holders of the Series B and the Series C, the Company learned for the first time that there were 300 trusts listed as record holders, each beginning with “JMS Trust” and followed by a numerical identifier and each with Mr. Sullivan designated as the trustee (the “JMS Trusts”). The previous list of holders sent to Mr. Sullivan in December 2012 and dated as of October 1,
2012 showed only two “Joseph M. Sullivan” trust entities as record holders, which collectively owned 12,834 shares of Series B stock and 400 shares of Series C shares.

Based on the records of the Company’s transfer agent, in early December 2012, a trust entitled the Joseph M. Sullivan Family Trust, with Mr. Sullivan designated as the trustee, transferred 42 shares of the Series B and 8 shares of the Series C to each of the JMS Trusts.

On March 21, 2013, the Company sent Mr. Sullivan a letter informing him that the applicable due date for filing an annual report on Form 10-K for an issuer whose reporting obligations under Section 15(d) are no longer suspended is April 30, 2013, or 120 days following the end of the preceding fiscal year, but that in light of the information provided to it, the Company did not believe that it should be subject to such reporting requirements and invited Mr. Sullivan to provide details regarding the JMS Trusts. The Company stated that based on the circumstances, it assumed that Mr. Sullivan was the sole trustee, grantor and beneficiary for the JMS Trusts and that they were revocable. Later that day, Mr. Sullivan emailed the Company stating that the JMS Trusts are irrevocable trusts and that each trust has a unique beneficiary, but that the beneficiaries, the terms and the nature of the JMS Trusts are confidential and he requested the Company to provide support for its belief that he is required to provide such information.

On April 3, 2013, the Company responded to Mr. Sullivan’s reply of March 21, 2013. The Company again requested details regarding the JMS Trusts and informed Mr. Sullivan that the time and expense associated with the regulatory burden of periodic reporting under the Exchange Act required the Company to attempt to confirm that it is indeed required to report under the Exchange Act.

Mr. Sullivan responded on the same day of the Company’s request that in the absence of any obligation to provide additional information regarding the JMS Trusts, he declined to do so and reiterated his belief that the Company should resume reporting under the Exchange Act.

Analysis

In light of the direct transfers of shares from the Joseph M. Sullivan Family Trust to each of the JMS Trusts, the Company believes that Mr. Sullivan made these transfers solely for purposes of causing the Company to have more than 300 record holders. As a result, in determining the number of its holders of record as of January 1, 2012, the first day of the Company’s current fiscal year, for purposes of Section 15(d) of the Exchange Act, the Company is of the view that Rule 12g5-1(a)(3) under the Exchange Act provides that the shares held by the 301 trusts are deemed to be held of record by one person.
because those shares are identified as held of record by one or more custodians or in other fiduciary capacities with respect to a single account, that of Mr. Sullivan.

**Reporting Requirements**

Rule 12h-3 of the Exchange Act suspends the duty of an issuer under Section 15(d) of the Exchange Act to file reports required by Section 13(d) upon the filing of a Form 15 with respect to eligible classes of securities. Eligible classes of securities include any class of securities held of record by less than 300 persons. Although the Company believes that Rule 15d-5 of the Exchange Act is not entirely clear, the Company acknowledges based on its prior conversations with the Staff that it is the Staff’s position that pursuant to Rule 15d-5 of the Exchange Act, the Company succeeded to Equity Inns’ duty to file reports pursuant to Section 15(d) of the Exchange Act.

Rule 12g5-1(a)(3) of the Exchange Act provides that for purposes of determining whether an issuer is subject to the provisions of Section 15(d) of the Exchange Act, securities are deemed to be held of record by each person who is identified on records of security holders maintained by or on behalf of the issuer except that 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 will be included as held of record by one person.

The Company believes that the 301 trusts are holding the securities as fiduciary custodians which hold the shares of Preferred Stock on behalf of Mr. Sullivan, a single account. As such, Mr. Sullivan should be treated as a single holder of record for purposes of Section 15(d).

While guidance from the Staff on this issue has been limited, this is not an issue of first impression for the Staff. In a recent application for relief under Section 12(h) by BF Enterprises, Inc. under similar circumstances, relief was granted. In that case, a single beneficial owner created 500 trusts and transferred its ownership of shares of BF Enterprises’ common stock to those trusts for the sole purpose of attempting to cause the company to register its class of common stock under Section 12(g). As in the case at hand, the issuer had no involvement with the creation or administration of the trusts. In granting relief, the Staff noted “this increase in the number of owners appearing on the company’s books does not reflect a growth in public holders that requires the protections of Exchange Act reporting; nor is this increase ‘sufficiently significant from the point of view of investor protection’”.

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view of the public interest to warrant the regulatory burden to be assumed by the Government and the compliance burden to be imposed on the [issuer] involved.\textsuperscript{3}

The Company is aware of the administrative ruling in In the Matter of Bacardi Corporation, File No. 3-7019 (Feb. 15, 1990) in which the administrative judge disagreed with the issuer’s argument that 238 revocable trusts established by a single shareholder should be disregarded for purposes of terminating its registration as the issuer otherwise had fewer than 200 common stockholders of record. Bacardi is distinguishable as that involved a large public company with an active trading market for its securities that was seeking to terminate its Exchange Act registration over the objection of some of its stockholders. In addition, the trusts involved had 32 trustees and 30 beneficiaries. The Company, on the other hand, is an issuer whose common stock has been owned by a single stockholder for over five years and each class of whose preferred stock has been held by under 300 holders of record with a limited interest in trading for over five years, and whose reporting obligations under Section 15(d) of the Exchange Act have already been properly suspended for over five years.

The Company understands that in BF Enterprises, the Staff was not prepared to concur with the issuer’s view of how Rule 12g5-1(a)(3) applies to the circumstances presented in that case. Thus the Company is requesting exemptive relief pursuant to Section 12(h) of the Exchange Act. Absent the relief requested herein, the Company would become subject to the reporting requirements of the Exchange Act if the Company’s shares ultimately were deemed to be “held of record” by each of the 300 identical JMS Trusts to which Mr. Sullivan has transferred the shares of Preferred Stock for the apparent sole purpose of seeking to require the Company to become a reporting issuer under the Exchange Act.

Authority to Grant Relief

Section 12(h) provides “broad authority to exempt issuers from the registration requirements of Section 12(g).”\textsuperscript{4} In particular, Section 12(h) of the Exchange Act allows the Staff to exempt an issuer from the reporting requirements of Section 15(d) if the Staff finds that exemptive relief “by reason of the number of public investors, amount of trading interest in the securities, the nature and extent of the activities of the issuer,

\textsuperscript{3} Id. at 8-9 (quoting the Report of Special Study of Securities Markets of the Securities and Exchange Commission, H.R. Doc. No. 88-95 (1963)).

income or assets of the issuer, or otherwise, that such action is not inconsistent with the public interest or the protection of investors.”

Number of Public Investors

The first factor specified in Section 12(h) is the number of public investors in the issuer. Other than Mr. Sullivan and the JMS Trusts, the Company has fewer than 300 record holders of shares of the Series B and Series C on a combined basis. All of the Company’s common stock is owned by one holder, and the shares of Series D are held by 112 holders who are employees of an affiliate for REIT tax compliance purposes. In the Company’s view, there has been no substantive change to the number of record holders since the Merger in 2007 that requires the protections of the Exchange Act reporting or that would warrant the burden to the Company and the Commission of renewed periodic reporting. At the time of the Merger, The Depository Trust Company (“DTC”) was a holder of record. Following the Merger, DTC transferred the shares of the Series B and the Series C it held for the benefit of individual holders to those holders’ accounts in early 2008. Upon such transfer 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. 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.

Trading Interest

The second factor specified in Section 12(h) is the level of trading interest in a company’s equity securities. There is no trading interest in the Company’s common stock or the Series D. There is limited trading interest in the Company’s Preferred Stock. Irrespective of whether the Company files reports in respect of an active Section 15(d) obligation, the Company does not believe that any significant interest is likely to develop in the future. Other than the 300 JMS Trusts, there are fewer than 300 holders of record of the Preferred Stock which make significant trading activity unlikely. In addition, the shares of Series B and Series C will not be listed on any exchange at any time in the future. According to OTCMarkets.com, in the 12 months ended December 31, 2012, out of the 250 trading days, there was no trading activity in shares of the Series B on 140 days and approximately 80% of all shares of Series B traded during that period occurred on 5 days, and there was no recorded trading activity in shares of the Series C on 198 days and approximately 90% of all shares of Series C traded during that period occurred on 4 days. In addition, from January 1, 2009 until December 31, 2012 (the full years for which trading data on the shares of the Series B and the Series C is available on OTCMarkets.com), out of the more than 1,000 trading days, there was recorded trading
activity on less than half of the days for the Series B and less than a quarter of the days for the Series C, and 79% of the trading activity in shares of the Series B occurred on 21 days and 93% of the trading activity in shares of the Series C occurred on 17 days. This data does not suggest a sustained trading interest in the shares of the Series B and Series C, but rather a limited market with most of the shares being traded in large blocks.

Nature of Issuer

The third factor specified in Section 12(h) is the nature and extent of the issuer’s activities, income or assets. As described above, the Company holds a 1% general partnership interest in the Operating Partnership, which through a number of subsidiaries owns a group of 106 hotels and a 99% limited partnership interest in various entities owning 24 other hotels. The REIT Sub, which is wholly owned by the Company, holds 1% general partnership interests in the entities owning the 24 other hotels. As described above, the Company is a real estate holding company which does not have any operations independent from its ownership interest in the Operating Partnership and the REIT Sub, which represent low single digit percentage interests in the 130 hotels. In addition, the Company has no employees. The Company’s total assets are approximately $1.6 billion as of December 31, 2012, with a net loss for 2012 of approximately $136 million. The Company believes that it is also relevant to consider that its total shareholders’ equity is considerably less than its total assets due to non-controlling interests in the Operating Partnership. Total shareholders’ equity is $65.7 million.

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. In addition, the Company notes that the Commission has previously stated that no single criterion alone serves as the basis for granting an exemption and the criteria set forth in Section 12(h) serve as “guidelines”.  

The Company is an issuer which operated for more than five years without being subject to the reporting requirements of the Exchange Act. The number of record holders of shares of the Series B and the Series C but for Mr. Sullivan’s actions has remained under 300, the trading interest has remained limited and the activities in which the Company engages have not changed significantly. The only significant change that has occurred with respect to the Company is that a single holder of Preferred Stock decided to reallocate his shares among 301 entities for the sole purpose of causing the Company to terminate the suspension of its reporting obligations under Section 15(d) of the Exchange Act and to bear the substantial costs associated therewith. The Company should not be required to bear the increased costs and other burdens that would be placed

5 BF Enterprises Order, at 8; Report at 17.
upon it as a result of Mr. Sullivan’s action which would appear to be taken solely as an attempt to circumvent the Commission’s rules and regulations. It appears to us to be more than coincidental that after Mr. Sullivan’s disappointment with the Commission’s decision to grant exemptive relief to the issuer in the BF Enterprises Order that Mr. Sullivan decided to transfer shares in another issuer not subject to the reporting requirements of the Exchange Act to trusts in excess of the applicable threshold for holders of record.

Other Factors

On June 13, 2011, Mr. Sullivan submitted a letter in opposition to the application submitted by BF Holdings.6 In Mr. Sullivan’s letter, he objected to how the Exchange Act defines holders of record, insisting that the Commission change the standard from holders in street name to beneficial holders. In the BF Enterprises Order, the Staff acknowledged receipt of Mr. Sullivan’s letter, but described in detail how these views stand in opposition with the standard adopted by the Commission in Rule 12g5-1, which requires an issuer to count, as holders of record, only persons identified as owners on the record of security holders maintained by or on behalf of the issuer in accordance with accepted practice and subject to certain conditions and how the Commission determined not to require issuers to count as holders of record the separate accounts in which securities are held by brokers, dealers, banks or their nominees for the benefit of other persons.7 The Staff went on to explain that this standard was adopted to “have the effect of simplifying the process by which companies determine whether or not they are covered by [Sections 12(g) and 15(d)].”8

During the pendency of the application for exemptive relief submitted by BF Enterprises, the Commission heard testimony on the standards set forth for counting holders of record under Sections 12(g) and 15(d) as well as the thresholds.9 In April

6 Comment Letter from Joseph M. Sullivan (June 13, 2011).

7 BF Enterprises Order, at 6.

8 Id (quoting Adoption of Rules 12g5-1 and 12g5-2 Under the Securities Exchange Act of 1934, Release No. 34-7492 (Jan. 5, 1965). The Staff’s quote in the BF Enterprises Order only addressed Section 12(g) since that was the provision at issue, but the original quote referenced both Sections 12(g) and 15(d).

9 See Testimony on the Future of Capital Formation, by Mary L. Schapiro, Chairman, U.S. Securities and Exchange Commission, before the U.S. House of Representatives Committee on Oversight and Government Reform (May 10, 2011). See also Testimony on Crowdfunding and Capital Formation, by Meredith
2012, the Jumpstart Our Business Startups Act (the “JOBS Act”) was enacted and modified the number of holders of record to trigger the threshold for Sections 12(g) and 15(d) and modified the definition of “held of record” to exclude securities held by persons who received the securities pursuant to an employee compensation plan in transactions exempted from the registration requirements of Section 5 of the Securities Act of 1933.\textsuperscript{10} Congress, in possession of testimony and comments from advocates for liberalizing and constricting the standards for determining holders of record, decided not to make any change to the standard for determining holders of record other than to expand the categories of holders which are excluded for purposes of determining whether they are holders of record. The Company understands that Mr. Sullivan may have an opinion in contrast to that which has been expressed by Congress legislatively, and the Commission and the Staff in its actions and reports, but the Company respectively submits that his disagreement with the current state of affairs would be better expressed by advocating for change through legislative channels than attempting to unilaterally effect his point of view by targeting individual issuers, such as the Company, and using artifices to impose the significant reporting burdens in contravention of the intent of Section 15(d) and Rule 12g5-1.

Conclusion

We respectfully request that the Staff issue an exemptive order pursuant to Section 12(h) of the Exchange Act relieving the Company from having to become a reporting issuer under Section 15(d) of the Exchange Act as a result of the unilateral actions of Mr. Sullivan, a single holder of the Company’s Preferred Stock. The relief requested is limited to ownership of the shares of Series B and Series C held by the 300 JMS Trusts that Mr. Sullivan established and does not include the Company generally or any other shares of the Company’s equity securities.

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If for any reason you are unable to grant the Company’s request, we would very much appreciate the opportunity to confer with members of the Staff prior to any written

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B. Cross, Director, Division of Corporation Finance, U.S. Securities and Exchange Commission, before the Subcommittee on TARP, Financial Services and Bailouts of Public and Private Programs of the U.S. House of Representatives, Committee on Oversight and Government Reform (Sept. 15, 2011).
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\textsuperscript{10} Sections 501, 502, 503 and 601 of the JOBS Act.
Office of the Chief Counsel

response to this letter. Please contact the undersigned at (212) 558-4940 with any questions regarding this matter.

Very truly yours,

William G. Farrar

cc: Daniel E. Smith, W2007 Grace Acquisition I, Inc.