

**UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF TENNESSEE
WESTERN DIVISION**

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 DAVID JOHNSON, PATRICK LYNCH, ROBERTO VERTHELHI and FREDERICK :
 SHEARIN, on behalf of themselves and all others similarly situated, :
 :
 :
 Plaintiffs, :
 vs. : No. 2:13-cv-2777 (SHM/DKV)
 :
 W2007 GRACE ACQUISITION I, INC., TODD P. GIANNOBLE, GREGORY FAY, :
 BRIAN NORDAHL, DANIEL E. SMITH, MARK RICKETTS, THE GOLDMAN :
 SACHS GROUP, INC., GOLDMAN SACHS REALTY MANAGEMENT L.P., :
 WHITEHALL PARALLEL GLOBAL REAL ESTATE LIMITED PARTNERSHIP :
 2007, W2007 FINANCE SUB, LLC, W2007 GRACE I, LLC, and PFD HOLDINGS, :
 LLC, :
 :
 Defendants. :
 -----X

NOTICE OF PROPOSED SETTLEMENT OF CLASS ACTION LITIGATION

Your legal rights might be affected by the Settlement if you were/are an owner of W2007 Grace Preferred Stock AND

- (1) as of August 22, 2014 you held and through the Merger Effective Time continue to hold Series B or Series C Preferred Stock (the “Holder Class”); and/or,
- (2) you sold some or all of your Preferred Stock between October 25, 2007 and October 8, 2014, inclusive, and suffered a loss (the “Seller Class”).

**PLEASE READ THIS NOTICE CAREFULLY. A FEDERAL COURT AUTHORIZED THIS NOTICE.
THIS IS NOT A SOLICITATION. YOU HAVE NOT BEEN SUED.**

This notice advises you of a proposed settlement (“Settlement”) of a class action lawsuit brought by David Johnson, Patrick Lynch, Roberto Verthelyi and Frederick Shearin on behalf of themselves and as representatives of certain owners of 8.75% Series B Cumulative Preferred Stock (“Series B Preferred Stock”) and/or 9.00% Series C Cumulative Preferred Stock (“Series C Preferred Stock”) (collectively, the “Preferred Stock”) of W2007 Grace Acquisition I, Inc. (the “Company” or “W2007 Grace”). The class action lawsuit is referred to as the “Action.” The Action was brought against the Defendants named in the above-captioned action. Named Plaintiffs and Defendants are referred to as the “Parties.” Capitalized terms used in this Notice will have the same meanings as those definitions in the Stipulation of Settlement (“Stipulation”).

In full and complete settlement of the claims asserted by members of the Classes in the Action, and in consideration of the releases specified in the Stipulation, the Stipulation provides for the following:

With respect to the Holder Class, W2007 Grace shall present for approval by the holders of the Preferred Stock, as more fully described in the Proxy Statement, a merger transaction whereby W2007 Grace will be merged with and into another entity established for the purposes of such merger and all Series B Preferred Stock and Series C Preferred Stock (except for the Excluded Shares, defined below) shall be converted into the right to receive **\$26.00** per share (the “Merger”). In the aggregate, this is approximately **\$62 million** to be paid to holders of Preferred Stock who are unaffiliated with any Defendant.

With respect to the Seller Class, W2007 Grace shall establish a Seller Class Settlement Fund consisting of **\$6 million** in cash. The Net Seller Class Settlement Fund shall be distributed to the eligible Seller Class members pursuant to the Plan of Allocation discussed in Question 15 of this Notice.

The Holder Class does not include: Defendants and their affiliates; persons who validly exercise dissenters' rights in the Merger; and persons who validly exclude themselves from the Holder Class. The Seller Class does not include Defendants and their affiliates; persons who sold shares to Defendant PFD Holdings, LLC ("PFD") in private transactions; and persons who validly excluded themselves from the Seller Class.

Class Counsel intend to seek from the Court an order: (i) awarding reasonable fees and expenses in the aggregate amount of \$4,000,000; (ii) an award of Seller Class-related litigation expenses, other than the Seller Class Notice and Administration Expenses, not to exceed \$150,000, to be paid out of the Seller Class Settlement Fund; and (iii) granting payment of a case contribution award in the amount of \$7,500 to each Named Plaintiff for the time and expenses incurred in bringing and litigating this Action. If approved by the Court, reasonable fees and expenses for attorneys' fees, certain litigation expenses and the case contribution awards will be paid by W2007 Grace separately so as not to diminish the settlement consideration being paid to the members of the Classes.

As with any lawsuit, the Parties would face an uncertain outcome if the Action was not settled. Continued litigation of the Action could result in: the dismissal of all or a portion of the claims asserted in the Action; the denial of the certification of the Action as a class action; findings that, as a matter of law and/or fact, the holders of Preferred Stock are not damaged by misconduct of any Defendants; rulings that the evidence does not support the claims and damages alleged or evidence illegal or actionable wrongdoing by any Defendant; or, a judgment or verdict for greater or less than the recovery secured by the Settlement, or, no recovery at all. This Action has been highly contested from the outset. Named Plaintiffs and Defendants disagree about whether the Defendants did anything wrong, and disagree about the amount that would be recoverable if the case were tried. Defendants, among other things, have denied and continue to deny all allegations asserted in the Action and believe that they acted at all times consistent with the law. In light of the foregoing, Named Plaintiffs and Class Counsel believe that the Settlement is fair, adequate, reasonable and in the best interests of the Classes.

The United States District Court for the Western District of Tennessee (the "Court") has preliminarily approved the Settlement and has scheduled the Final Approval Hearing to evaluate the fairness and adequacy of the Settlement, and, to consider the Named Plaintiffs' request for final approval of the Settlement, for class certification, for approval of a proposed Plan of Allocation, for an award of attorneys' fees and litigation expenses, and for case contribution awards to the Named Plaintiffs. The Final Approval Hearing is scheduled for September 11, 2015, at 9:30 am in Courtroom 2 of the United States District Court for the Western District of Tennessee, Clifford David/Odell Horton Federal Building, 167 North Main Street, 11th Floor, Memphis, Tennessee 38103.

You can obtain a copy of the Stipulation and information about the Settlement by contacting Class Counsel at (866) 399-2487 (toll-free), by e-mail W2007Grace@AngeionGroup.com, or visit www.chimicles.com/W2007GraceLitigation.

Please do not contact the Court, Defendants or Defendants' counsel. They will not be able to answer your questions.

PLEASE READ THIS ENTIRE NOTICE CAREFULLY AND COMPLETELY. IF YOU ARE A MEMBER OF ONE OR MORE OF THE SETTLEMENT CLASSES, THE SETTLEMENT WILL AFFECT YOUR RIGHTS. YOU ARE NOT BEING SUED. YOU DO NOT HAVE TO APPEAR IN COURT, AND YOU DO NOT HAVE TO HIRE AN ATTORNEY IN THIS CASE.

ACTIONS YOU MAY TAKE IN THE SETTLEMENT	
<p>IF YOU ARE A MEMBER OF THE SELLER CLASS, YOU MUST SUBMIT A CLAIM FORM POSTMARKED BY SEPTEMBER 18, 2015</p>	<p>Submitting the enclosed Proof of Claim Form in accordance with its instructions is the only way for members of the Seller Class to be eligible to seek payment from the Net Seller Class Settlement Fund with respect to Preferred Stock sold between October 25, 2007 and October 8, 2014, inclusive, for which a loss was suffered.</p> <p>Seller Class members who do not complete and timely submit the Proof of Claim Form will be bound by the Settlement but will not participate in any distribution of the Net Seller Class Settlement Fund.</p>
<p>IF YOU ARE A MEMBER OF THE HOLDER CLASS, YOU MUST SUBMIT A LETTER OF TRANSMITTAL</p>	<p>Submitting the Letter of Transmittal and supplying the information requested is the only way to for members of the Holder Class to be eligible to receive Merger consideration with respect to Preferred Stock owned as of August 22, 2014 and held through the Merger Effective Time.</p> <p>Holder Class members who do not submit a Letter of Transmittal will be bound by the Settlement but will not participate in any distribution of Merger Consideration and/or any residual distribution from the Net Seller Class Settlement Fund.</p> <p>Promptly after the Merger Effective Time, the Exchange Agent Computershare Trust Company, N.A. (“Exchange Agent”) will mail to each person who immediately prior to the Merger Effective Time held record shares of Preferred Stock a Letter of Transmittal and instructions for use in effecting the surrender of such person’s Preferred Stock certificates in exchange for the Merger consideration. If you do not receive the Letter of Transmittal following the Merger Effective Time, please contact Morrow & Co., LLC at (203) 658-9400 or toll-free (800) 662-5200.</p>
<p>EXCLUDE YOURSELF FROM THE SELLER CLASS OR HOLDER CLASS BY SUBMITTING A WRITTEN REQUEST FOR EXCLUSION SO THAT IT IS RECEIVED NO LATER THAN AUGUST 21, 2015.</p>	<p>If you are a member of either of the Classes, you have the right to request exclusion (or “opt-out”) from either or both of the Classes. If you timely and validly opt-out from either or both of the Classes, you will not be bound by the Settlement. But, you will also not receive any distribution (residual or otherwise) from the Net Seller Class Settlement Fund.</p> <p>By submitting a Letter of Transmittal, holders of Preferred Stock will release the claims set forth in the Letter of Transmittal.</p>
<p>OBJECT TO THE SETTLEMENT BY SUBMITTING A WRITTEN OBJECTION SO THAT IT IS RECEIVED NO LATER THAN AUGUST 21, 2015.</p>	<p>If you believe that the Settlement is objectionable, you may submit a written statement explaining your objections to the Court and counsel. You cannot object to a Settlement unless you are a Class member and have not excluded yourself from any of the Classes.</p>

<p>ATTEND THE FINAL APPROVAL HEARING ON SEPTEMBER 11, 2015 at 9:30 a.m.</p>	<p>The hearing on whether to approve the Settlement is scheduled for September 11, 2015 at 9:30 a.m. and is open to the public. You do not need to attend the hearing unless you wish to speak either in support of the Settlement or in support of any objection you may have filed, in which case you must file a Notice of Intention to Appear so that it is received no later than August 28, 2015. The Court may postpone the Final Approval Hearing without prior notice on the date scheduled for the hearing.</p>
<p>DO NOTHING.</p>	<p>You will not be eligible to receive any payment if you are (i) a member of the Seller Class and do not timely submit a complete Proof of Claim Form postmarked by September 18, 2015, and/or (ii) a member of the Holder Class and do not submit a complete Letter of Transmittal. You will, however, be bound by the Settlement.</p>

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BASIC INFORMATION**1. Why did I receive this Notice?**

The Court authorized this Notice to be sent to you because you or someone in your family or household may have been a current or former holder of Preferred Stock who may be a member of the Holder Class and/or Seller Class. The Court directed us to send you this Notice because the Court preliminarily approved the Settlement and as a potential member of one or more of the Classes you have a right to know about the proposed Settlement. If the Court approves the Settlement and the Settlement becomes final, the Settlement consideration shall be paid in accordance with the Stipulation and Plan of Allocation, and all Released Parties shall be released from all Released Claims, as set forth in the Stipulation and summarized in response to Question 11 below.

This Notice also informs you of the Action, the Settlement, your legal rights, what benefits are available under the Settlement, who is eligible for them, and how you may receive your portion of the benefits. The Notice also informs you of the Final Approval Hearing which will be held on September 11, 2015, at 9:30 a.m., before the Honorable Samuel J. Mays, Jr. of the United States District Court for the Western District of Tennessee, Clifford David/Odell Horton Federal Building, 167 North Main Street, 11th Floor, Memphis, Tennessee 38103, to determine:

- (a) whether the Settlement should be approved as fair, reasonable and adequate;
- (b) whether the Action should be dismissed with prejudice pursuant to the terms of the Stipulation;
- (c) whether the Classes should be certified for the purposes of the Settlement only and whether Named Plaintiffs and their Counsel should be appointed as Class Representatives and Class Counsel, respectively;
- (d) whether the proposed Plan of Allocation should be approved as fair and reasonable; and,
- (e) whether Class Counsel's motion for an award of attorneys' fees and expenses, and payment of the case contribution awards for Named Plaintiffs should be approved.

2. Why the Action is called a "class action"?

In a class action, one or more plaintiffs, called "Named Plaintiffs," sue on behalf of people who have similar claims. Named Plaintiffs are suing on behalf of two "classes" of certain current and former holders of Preferred Stock. A class action allows the claims of all class members to be heard even though the amount involved may not be large enough for the individual class member to incur the expense of bringing his or her own action.

3. What is the Action about?

On September 13, 2013, the Action was commenced in the Chancery Court of Shelby County, Tennessee, for the Thirtieth Judicial District at Memphis ("State Court") against Defendants, alleging that subsequent to October 25, 2007, Defendants undertook a course of conduct in breach of their contractual, fiduciary and statutory duties to the owners of the Company's 8.75% Series B Cumulative Preferred Stock ("Series B Preferred Stock") and 9.00% Series C Cumulative Preferred Stock ("Series C Preferred Stock" and collectively with the Series B Preferred Stock, "Preferred Stock"). On October 2, 2013, Named Plaintiffs filed an Amended Complaint in State Court.

On October 4, 2013, Defendants removed the Action to the United States District Court for the Western District of Tennessee (the "Court"). On November 6, 2013, Named Plaintiffs moved to remand the Action to State Court. Defendants filed their opposition to the Motion to Remand on December 6, 2013, and Named Plaintiffs filed their reply to the Motion to Remand on December 20, 2013. The Court denied the Motion to Remand on July 28, 2014.

On January 23, 2014, Defendants moved to dismiss the Action in its entirety, asserting that certain of Named Plaintiffs' claims were untimely, that Defendants did not owe any fiduciary duties to holders of Preferred Stock, and to the extent fiduciary, contractual or statutory duties existed, Defendants complied fully with the relevant duties. Named Plaintiffs filed their

opposition to the Motion to Dismiss on March 21, 2014, and Defendants filed their reply to the Motion to Dismiss on April 25, 2014. The Court did not rule on Defendants' Motion to Dismiss.

On February 7, 2014 the Court issued a Scheduling Order, as thereafter amended, in which the Court, among other things, set deadlines for merits and expert discovery and class certification issues. The Parties immediately engaged in merits discovery, including, among other things, exchanging requests for production of documents and interrogatories, serving objections and responses to those requests, as well as serving document subpoenas on third parties. The Defendants and third-parties produced documents in response to those requests, which Named Plaintiffs and their consultants reviewed and analyzed.

On May 16, 2014, Named Plaintiffs moved for class certification pursuant to Rules 23(a) and 23(b) of the Federal Rules of Civil Procedure. Beginning on May 16, 2014, the Parties engaged in class certification discovery, including the exchange of document requests and objections and responses to those requests, as well as taking deposition testimony from each of the Named Plaintiffs. The Court did not rule on Plaintiffs' class certification motion.

On June 2, 2014, it was announced that subsidiaries of certain Defendants entered into an agreement to sell their 126 hotels for a combined purchase price of \$1.925 billion, subject to certain adjustments, to affiliates of ARC Hospitality (the "ARC Transaction"). Thereafter, Named Plaintiffs made requests for, and Defendants provided to Named Plaintiffs, information regarding the ARC Transaction. Among other information provided to and analyzed by Class Counsel, Defendant W2007 Grace estimated a reasonable fair present valuation of the ARC Transaction to be approximately \$18.50 per share of Preferred Stock. As was noted, there was no guarantee that the ARC Transaction would be consummated or consummated without modification downward to its price.

The Parties continued to engage in discovery, including the exchange of information and documents directed to the merits of Named Plaintiffs' claims and Defendants' defenses thereto, in addition to the terms and conditions of the ARC Transaction. Furthermore, Named Plaintiffs worked with two consultants to review and analyze all the documents and information produced. Named Plaintiffs continued with additional discovery, including conducting interviews of key Defendants, through to the time of the execution of the Stipulation.

Named Plaintiffs, through Class Counsel, held numerous in-person and telephonic settlement discussions and arm's-length negotiations with Defendants' Counsel beginning in early June, 2014. On August 20, 2014, after these extensive arm's-length negotiations, the Parties entered into a confidential non-binding Memorandum of Understanding ("MOU"), which set forth certain terms of a proposal to settle all claims asserted against Defendants in the Action on behalf of certain current and former holders of Preferred Stock. The Settlement remained contingent upon, among other things, negotiation of the terms of the Stipulation and completion of additional discovery relating to, among other things, the claims alleged in the Action, the defenses asserted by Defendants, the ARC Transaction, and the terms of the Stipulation. On August 22, 2014, the Parties notified the Court of the proposed settlement and requested that the Court hold the Action in abeyance until the Parties' submission of the Stipulation and the Court's ruling on the Preliminary Approval Order. The Court agreed to stay all pending deadlines, including deadlines for fact discovery, and the MOU was publicly announced.

Thereafter, extensive arm's-length negotiations between Defendants' Counsel and Class Counsel continued with respect to negotiating the terms of the Stipulation. On October 8, 2014, the Stipulation of Settlement and other settlement-related documents were finalized, and thereafter submitted to the Court.

The Parties continued with the exchange of information about, among other things, the ARC Transaction and the operations of W2007 Grace. On November 13, 2014 it was announced that the terms of the ARC Transaction were amended to reflect, among other things, that ARC would purchase 116 of the 126 hotels for \$1.808 billion. The Parties exchanged information about the revised ARC Transaction. The ARC Transaction was consummated on February 27, 2015. On March 30, 2015, it was announced that W2007 Equity Inns Senior Mezz, LLC ("Senior Mezz") had entered into a contract (the "Excluded Hotel Sale Agreement") to sell the 10 hotels which were not included in the ARC Transaction (the "Excluded Hotel Assets") for a combined purchase price of \$100 million. On May 6, 2015 the Excluded Hotel Sale Agreement was terminated by the purchasers. While the Excluded Hotel Assets are expected to be sold, there can be no assurance as to whether or when the

Excluded Hotel Assets will be sold, the form of consideration which may be received in respect of the Excluded Hotel Assets, or whether the consideration which may be received in respect of the Excluded Hotel Assets will be greater or less than the purchase price in the Excluded Hotel Sale Agreement. Even if a transaction for the Excluded Hotel Assets does occur, there can be no assurance as to when a distribution from such sale proceeds would be received by the Company.

Subsequent to entering into the Stipulation of Settlement, the Parties continued to exchange information, including with respect to W2007 Grace's financial condition and W2007 Grace's estimate of the present valuation of the proceeds from the ARC Transaction. W2007 Grace estimated the present valuation of the proceeds to be received in the ARC Transaction to be approximately \$19.23 per share of Preferred Stock (applying a 15% discount rate and assuming interest on the seller financing portion of the consideration is collected monthly and 50% of the principal amount of the seller financing portion of the consideration payable in the ARC Transaction is collected 36 months after the closing of the ARC Transaction and the remaining 50% of the principal amount of the seller financing portion of the consideration payable in the ARC Transaction is collected 48 months after the closing of the ARC Transaction), or approximately \$22.46 per share of Preferred Stock (without applying any present value discount to the repayment of the principal amount of the seller financing portion of the consideration payable in the ARC Transaction and excluding interest payable on the seller financing portion of the consideration payable in the ARC Transaction).

Assuming the proceeds that would be received in respect of the Excluded Hotel Assets equal the \$100.0 million that was provided for in the Excluded Hotel Sale Agreement (which has since been terminated) less \$2 million of estimated transaction expenses (not taking into account in each case any present value discount), W2007 Grace estimated that the potential proceeds that would be received in respect of such hotels would result in approximately \$0.50 per share of Preferred Stock, or approximately \$19.73 per share when combined with the estimated present value of the proceeds that could be distributed to holders of the Preferred Stock as a result of the ARC Transaction as described above, or approximately \$22.96 per share of Preferred Stock without applying any net present value discount of the seller financing portion of the consideration in the ARC Transaction as described above.

The foregoing presentation of the amount of proceeds from the ARC Transaction per share of Preferred Stock disregards that W2007 Grace Acquisition I, Inc. only has a 1% ownership interest in W2007 Equity LP, the subsidiary that indirectly owned the 106 hotels and which owned a 99% ownership interest in the other 20 Trust hotels.

Class Counsel and their consultants conducted extensive legal and factual investigations of Defendants' actions and of the alleged losses suffered by the members of the Classes as a result of Defendants' conduct alleged in the Action. Based on that investigation and discovery, Class Counsel concluded that the Settlement as reflected in the Stipulation is fair, reasonable and adequate, and in the best interest of the Classes.

On April 30, 2015, the Court entered an order preliminarily approving the Settlement, conditionally certifying the Classes for settlement purposes, authorizing the mailing of this Notice to potential Class members and the publication of the Summary Notice, and scheduling the Final Approval Hearing.

4. Why is there a Settlement?

Although Named Plaintiffs believe that the claims asserted in the Action have merit, Named Plaintiffs and Class Counsel recognize and acknowledge the expense and length of continued proceedings necessary to prosecute the Action against Defendants through class certification, trial and appeals. Named Plaintiffs and Class Counsel also have taken into account the uncertain outcome and the risk of any litigation, especially in complex actions such as the Action, as well as the difficulties and delays inherent in such litigation. Furthermore, Named Plaintiffs and Class Counsel are mindful of the inherent problems of proof of, and the possible defenses to, class certification as well as the claims alleged in the Action.

Moreover, Class Counsel and their consultants thoroughly considered and assessed the evidence uncovered about the claims alleged in the Action and events that occurred after October 25, 2007, including:

- The rights and entitlements of holders of Preferred Stock under the applicable law and the W2007 Grace Charter.

- The impact of the financial crisis during relevant times on the financial condition of W2007 Grace, actions taken by Defendants, and losses incurred by members of the Classes.
- The purchases of Preferred Stock by PFD, which occurred in direct, private transactions, pursuant to negotiated contractual arrangements.
- The refinancing and purchase option transactions, including the terms of the loan covenants that precluded the payment of dividends.
- The impact of the refinancing and purchase option transactions on W2007 Grace and the Preferred Stock.
- The special meetings for the election by the holders of Preferred Stock of director nominees to the board of directors, for which paid proxy solicitors were unable to secure quorum.
- The information or lack thereof made available to holders of Preferred Stock after October 25, 2007.
- The information publicly available prior to October 25, 2007, including information about the financing of the Equity Inns merger and the payment of dividends.
- The transactions that occurred prior to October 25, 2007, including the change of the equity interest of the holders of Preferred Stock.
- The passage of time between the occurrence of certain events and the availability of information, and the filing of the complaints, and its impact on the timeliness or mootness of the claims.
- The Company has no obligation under the Charter to distribute the proceeds of any sale of assets.
- An assessment of the ARC Transaction, which was a fully-priced but contingent transaction for which there was no guarantee of a closing, or closing without a downward adjustment to the purchase price.
- The ARC Transaction is contingent upon seller financing which delays payment of cash consideration and creates additional risk about whether the seller financing will ultimately be paid.
- That the holders of the Preferred Stock will receive as a result of the Settlement a priority for all value attributable to W2007 Equity LP in the ARC Transaction, notwithstanding their 1% interest in the W2007 Equity LP.
- Even if the refinancing and purchase option transactions had not been entered into, the ARC Transaction may not have resulted in any distribution to holders of Preferred Stock.
- The current assets of W2007 Grace are not sufficient to satisfy the liquidation preference and accrued and unpaid dividends.
- But for the Settlement, W2007 Grace could engage in another transaction which would likely result in a payment of less than \$26 per share of Preferred Stock in respect of such shares.
- That a sale of the Company's assets does not constitute a liquidation under the Charter, therefore there is no obligation of W2007 Grace to pay the redemption price or accrued dividends to holders of the Preferred Stock upon the sale of assets in the ARC Transaction (or, for any future sale of assets, consolidation, merger or share exchange absent the consummation of the ARC Transaction).

Accordingly, Class Counsel have concluded that the proposed Settlement is reasonable particularly in that the Settlement consideration, including the \$26 per share for the Preferred Stock held by the Holder Class and the \$6 million cash Seller Class Settlement Fund, represents an amount that is a fair compromise of the issues in dispute. Based on their investigation and evaluation, Class Counsel have determined that the Settlement is in the best interests of Named Plaintiffs and the other members of the Classes.

5. Who is included in the Classes?

The Court has preliminarily certified this Action to proceed as a Class Action for purposes of Settlement. The Classes are:

The Holder Class: Any and all persons or entities that, as of August 22, 2014 and through the Merger Effective Time, hold 8.75% Series B Cumulative Preferred Stock and/or 9.00% Series C Cumulative Preferred Stock issued by W2007 Grace Acquisition I, Inc. (collectively, the "Preferred Stock"), excluding: (a) Defendants and their affiliates, and (b) any persons or entities that validly (i) exercised dissenters' rights in the Merger or (ii) opted out of this class (the "Holder Class"). The Merger is the merger reflected in the Merger Agreement, whereby W2007 Grace will be merged with and into Merger Sub and all Series B Preferred Stock and Series C Preferred Stock, except for the Excluded Shares, shall be converted into the right to

receive \$26.00 per share. The Merger Effective Time occurs when the Tennessee Articles of Merger have been duly filed with the Secretary of State of the State of Tennessee or at such later time as may be specified in the Tennessee Articles of Merger.

The Seller Class: Any and all persons or entities that sold some or all of their Preferred Stock between October 25, 2007 and October 8, 2014, inclusive, and suffered a loss, excluding: (a) Defendants and their affiliates, and (b) any persons or entities that (i) sold shares to Defendant PFD Holdings, LLC in a private transaction or (ii) validly opted out of this class (the “Seller Class,” and together with the Holder Class, the “Classes”).

PLEASE NOTE: RECEIPT OF THIS NOTICE DOES NOT MEAN THAT YOU ARE A MEMBER OF ONE OR BOTH OF THE CLASSES OR THAT YOU WILL BE ENTITLED TO RECEIVE PROCEEDS FROM THE SETTLEMENT. IF YOU ARE A MEMBER OF THE SELLER CLASS AND WISH TO BE ELIGIBLE TO PARTICIPATE IN THE DISTRIBUTION OF PROCEEDS FROM THE SETTLEMENT, THEN YOU ARE REQUIRED TO SUBMIT THE CLAIM FORM (INCLUDED WITH THIS NOTICE) POSTMARKED BY SEPTEMBER 18, 2015. SEE QUESTION 14. IF YOU ARE A MEMBER OF THE HOLDER CLASS AND WISH TO BE ELIGIBLE TO RECEIVE YOUR MERGER CONSIDERATION AND ANY RESIDUAL DISTRIBUTION FROM THE NET SELLER CLASS SETTLEMENT FUND, THEN YOU ARE REQUIRED TO RETURN THE LETTER OF TRANSMITTAL THAT WILL BE SENT TO YOU BY THE EXCHANGE AGENT.

The Settlement and Merger are contingent upon, among other things, the approval of the Merger by holders of Preferred Stock, the Court granting Final Approval of the Settlement and the final occurrence of the Effective Date of the Settlement. The Settlement is not contingent on the ARC Transaction. Even if the Court approves the Settlement, the Merger and payment to the Classes can be made only after all related appeals, if any, are favorably resolved, which can take a long time. Please be patient.

6. Who is not included in the Classes?

Excluded from both Classes are Defendants W2007 Grace, Todd P. Giannoble, Gregory Fay, Brian Nordahl, Daniel E. Smith, Mark Ricketts, The Goldman Sachs Group, Inc., Goldman Sachs Realty Management L.P., Whitehall Parallel Global Real Estate Limited Partnership 2007, W2007 Finance Sub, LLC, W2007 Grace I, LLC and PFD, and each of their respective affiliates and Persons who validly exclude themselves from one or both Classes.

Also excluded from the Seller Class are persons who sold shares to PFD in private transactions.

Excluded from the Holder Class are Persons who hold shares of Preferred Stock that are issued and outstanding immediately prior to the Merger Effective Time and who have properly demanded and perfected their rights to be paid the “fair value” of such shares in accordance with Title 48, Chapter 23 of the Tennessee Business Corporations Act (“TBCA”).

Any shares of Preferred Stock acquired after August 22, 2014 are not included in the Holder Class and will not participate in any residual distribution from the Net Seller Class Settlement Fund.

7. If I am not sure whether I’m included in the Classes, is there someone I can contact?

If, after reading this Notice and the prior sections regarding who is included in the Classes, you are still not sure whether you are included, you may contact Class Counsel at the address and telephone number listed in Question 16 of this Notice.

8. What are the Settlement’s benefits?

In full and complete settlement of the claims asserted by members of the Classes in the Action, and in consideration of the releases specified in the Stipulation, the Stipulation provides for the following:

For the Holder Class, W2007 Grace shall present for approval by holders of Preferred Stock, pursuant to a Proxy Statement, a Merger transaction whereby W2007 Grace will be merged with and into another entity for purposes of effecting the transaction and all Series B Preferred Stock and Series C Preferred Stock (except for (i) shares of Series B Preferred Stock and Series C Preferred Stock owned by W2007 Grace or any of its subsidiaries and (ii) holders of shares of Series B Preferred Stock or Series C Preferred Stock who have properly demanded and perfected their rights to be paid the “fair value” of such shares in accordance with Title 48, Chapter 23 of the TBCA in respect of such shares (collectively, “Excluded Shares”)) shall be converted into the right to receive \$26.00 per share. All holders of Preferred Stock should read the Proxy Statement, and all exhibits and attachments thereto, in connection with the Merger. This Notice is not a substitute or replacement for the disclosures contained in the Proxy Statement. Upon the approval of the Merger Agreement by a majority of each of the Series B Preferred Stock and the Series C Preferred Stock, voting separately, and the Court in the Final Approval Order, the satisfaction or waiver by W2007 Grace of the other conditions precedent to its obligations set forth therein, and within ten (10) business days after the Effective Date, W2007 Grace will be merged with and into Merger Sub, and each share of the Preferred Stock (except for the Excluded Shares) shall be converted into, and shall be canceled in exchange for, the right to receive \$26.00 in cash, without interest. In addition, to the extent that there remains any balance in the Net Seller Class Settlement Fund after distribution to the Seller Class, that balance will be distributed pro rata to the Holder Class, as set forth in the Plan of Allocation.

For the Seller Class, W2007 Grace shall establish a Seller Class Settlement Fund consisting of \$6 million in cash. The Seller Class Settlement Fund, after deduction of (i) Seller Class Notice and Administration Expenses, (ii) any award of Seller Class-related litigation expenses not to exceed \$150,000, (iii) payments for any Taxes and Tax Expenses, and (iv) costs for escrow services, if any (the “Net Seller Class Settlement Fund”), shall be distributed to the eligible Seller Class members pursuant to the Plan of Allocation. Among other things, in order to be eligible to receive a distribution from the Net Seller Class Settlement Fund, a member of the Seller Class must complete and submit a timely Proof of Claim Form and have suffered a loss. Question 15 of this Notice discusses how the amounts to be distributed from the Net Seller Class Settlement Fund will be determined and distributed per share of Preferred Stock sold by Authorized Claimants between October 25, 2007 and October 8, 2014, inclusive. The per share distribution amount will depend on the number of shares sold by Seller Class members who submit a complete and timely Proof of Claim Form and are deemed Authorized Claimants.

As with any lawsuit, the Parties would face an uncertain outcome if the Action were not settled. Continued litigation of the Action could result in: the dismissal of all or a portion of the claims asserted in the Action; the denial of the certification of the action as a Class Action; findings that, as a matter of law and/or fact, the current and former holders of Preferred Stock are not damaged by misconduct of any Defendants; rulings that the evidence does not support the claims and damages alleged or evidence illegal or actionable wrongdoing by any Defendant; or, a judgment or verdict for greater or less than the recovery secured by the Settlement, or, no recovery at all. Because of the passage of time between when events occurred and the filing of the complaint, the Court could determine that claims of current and former holders of Preferred Stock were time barred. This Action has been highly contested from the outset. Named Plaintiffs and Defendants have disagreed about whether the Defendants did anything wrong, whether a class could be certified, and whether any amount would be recoverable if the case were tried. Defendants, among other things, have denied and continue to deny all allegations asserted in the Action and believe that they acted at all times consistent with the law.

Moreover, the Settlement removes uncertainty that current and former holders of Preferred Stock may face such as: no future payment of dividends; no future liquidating event; no payment of any liquidating distribution or a liquidating distribution in excess of the Merger Consideration, even if a qualifying liquidating event were to occur, due to the ownership and economic rights of the real estate assets; no liquidating or winding up transaction that garners purchase prices for the real estate assets at prices at or near those which were received in the ARC Transaction; changes in the real estate markets; changes in the economic markets; the availability of financing and the terms of such financing; and the continued illiquidity of the Preferred Stock. Question 8 contains additional information as to why Class Counsel, after thoroughly considering the evidence uncovered about the claims alleged in the Action and events that occurred after October 25, 2007, determined that the benefits of the Settlement outweighed the risks of continued litigation.

9. How is the Merger Related to the Settlement?

THE PROXY STATEMENT DESCRIBES THE MERGER, THE MERGER AGREEMENT, THE CHARTER AMENDMENTS AND YOUR RIGHTS IN CONNECTION WITH THE MERGER. YOU SHOULD READ THE PROXY STATEMENT IN ITS ENTIRETY.

After extensive negotiations, the Parties reached an agreement to settle the claims of the Holder Class by and through the Merger. In the Merger W2007 Grace will be merged with and into Merger Sub, and each share of the Preferred Stock (except for the Excluded Shares) shall be converted into, and shall be canceled in exchange for, the right to receive \$26.00 in cash, without interest and less any applicable withholding taxes, in accordance with the Merger Agreement.

W2007 Grace shall call a shareholder meeting (the “Shareholder Meeting”) scheduled to take place on July 14, 2015 at 10:00 a.m. Central Time for the purpose of voting on the Merger Agreement and the amendment to the W2007 Grace Amended and Restated Charter (the “Charter Amendment”). A Proxy Statement has been mailed to holders of record of Preferred Stock as of the close of business on the record date, May 11, 2015. The Proxy Statement describes the Merger, the Merger Agreement, and the Charter Amendment, and your rights as a holder of Preferred Stock with respect to the Merger. All holders of Preferred Stock should read the Proxy Statement, and all exhibits and attachments thereto, in connection with the Merger. This Notice is not a substitute or replacement for the disclosures contained in the Proxy Statement. For the Merger to occur, the affirmative vote of a majority of the outstanding Series B Preferred Stock and Series C Preferred Stock, voting as separate classes, is required. For the Charter Amendment to be approved, the affirmative vote of at least 66 2/3% of votes entitled to be cast by the holders of the Preferred Stock is required. PFD, which holds approximately 59% of the outstanding shares of Preferred Stock, will vote its shares in favor of the Merger and Charter Amendment.

PFD is not expected to receive consideration in the Merger, as it is PFD’s intention that, if the Merger is approved and the Effective Date of the Settlement has occurred, PFD will elect to cancel the shares of Preferred Stock it owns in lieu of accepting the merger consideration of \$26.00 per share of Preferred Stock by contributing such shares of Preferred Stock to a newly formed subsidiary, which subsidiary will then be contributed to W2007 Grace immediately prior to the Merger Effective Time in exchange for newly issued shares of W2007 Grace common stock. If such election is made, such shares of Preferred Stock shall, immediately prior to the Merger Effective Time, be cancelled without payment of any consideration to PFD.

The Merger Agreement provides that, unless waived by the Company, the Merger is conditioned upon: (a) approval of the Merger and Charter Amendment by holders of Preferred Stock; (b) the Opt-Out Thresholds not being met; (c) no more than 7.5% of holders of the outstanding shares of Preferred Stock validly exercising dissenters’ rights; and (d) the approval of the Stipulation by the Court and the entering of a Final Judgment in the Action that is no longer appealable (which condition may not be waived); and (e) the absence of any law or order whether temporary, preliminary or permanent, being enacted, issued, entered, promulgated or enforced by any governmental authority having jurisdiction over the parties to the Merger Agreement being in effect which makes illegal, enjoins, prohibits or otherwise prevents the consummation of the Merger and the other transactions contemplated by the Merger Agreement or the Stipulation.

The Merger is contingent upon the Effective Date of the Settlement.

10. How is the ARC Transaction Related to the Settlement?

The Settlement is not and has never been contingent on the ARC Transaction or the receipt of payments under the seller financing portion of the consideration payable in the ARC Transaction. On November 13, 2014 it was announced that the terms of the ARC Transaction were amended to reflect, among other things, that ARC would purchase 116 of the 126 hotels for \$1.808 billion. In addition, the Settlement is not and has never been contingent on the sale of the Excluded Hotel Assets, nor can there be any assurance that the Excluded Hotel Assets will be sold.

Defendant W2007 Grace estimated a reasonable fair present valuation of the proceeds to be received in the ARC Transaction to be approximately \$19.23 per share of Preferred Stock (applying a 15% discount rate and assuming interest on the seller

financing portion of the consideration is paid monthly and 50% of the principal amount of the seller financing portion of the consideration payable in the ARC Transaction is collected 36 months after the closing of the ARC Transaction and the remaining 50% of the principal amount of the seller financing portion of the consideration payable in the ARC Transaction is collected 48 months after the closing of the ARC Transaction), or approximately \$22.46 per share of Preferred Stock (without any applying any present value discount to the repayment of the principal amount of the seller financing portion of the consideration payable in the ARC Transaction and excluding interest payable on the seller financing portion of the consideration payable in the ARC Transaction).

Assuming the proceeds that would be received in respect of the Excluded Hotel Assets equal the \$100.0 million that was provided for in the Excluded Hotel Asset Agreement (which has since been terminated), less \$2 million of estimated transaction expenses (not taking into account in each case any present value discount), W2007 Graces estimated that the potential proceeds that would be received in respect of such hotels would result in approximately \$0.50 per share of Preferred Stock, or approximately \$19.73 per share when combined with the estimated present value of the proceeds that could be distributed to holders of the Preferred Stock as a result of the ARC Transaction as described above, or approximately \$22.96 per share of Preferred Stock without applying any net present value discount of the seller financing portion of the consideration in the ARC Transaction as described above.

All Class members should read the Proxy Statement which describes the ARC Transaction, in addition to the Merger, the Merger Agreement, the Charter Amendment, and your rights as a holder of Preferred Stock with respect to the Merger. This Notice is not a substitute or replacement for the disclosures contained in the Proxy Statement.

11. Am I giving up anything in order to participate in the Settlement?

As a member of the Classes, in consideration for the benefits of the Settlement, you will be bound by the terms of the Stipulation, you will release the Defendants and other Released Defendant Parties from the Released Claims, as defined below, and the Action will be dismissed.

Released Defendant Parties means Defendants, their parents, subsidiaries, affiliates, predecessors (including Equity Inns), successors, assigns, and each of their respective past or present directors, officers, partners, limited partners, owners, beneficial owners, investors, employees, agents, attorneys, financial advisors, control persons, representatives, and their predecessors, successors, and assigns. Released Claims means any and all claims (including any and all Unknown Claims), demands, actions, causes of action, obligations, debts, judgments and liabilities of any kind, nature and description, whether direct or derivative, whether at law or in equity, upon any legal or equitable theory, whether contractual, common law or statutory, whether arising under federal, state, common, or foreign law (including, without limitation, claims under the federal securities laws and regulations, claims for breach of fiduciary duty, breach of contract or corporate charter, or the misstatement of or the failure to disclose material facts), whether secured or unsecured, contingent or absolute, choate or inchoate, liquidated or unliquidated, perfected or unperfected, in any forum, including in arbitration or similar proceedings, including class, derivative, individual or other claims, that previously existed or that currently exist as of the date of the approval of the Settlement by the Court or that may arise in the future against the Released Defendant Parties, (i) related to the purchase, sale, holding or investment in, or the terms of, the securities of W2007 Grace or its predecessors (including Equity Inns), including, without limitation, the Preferred Stock; (ii) asserted, or that could have been asserted in the Action or arising out of or relating to the facts, matters and transactions alleged in the Action, including, without limitation, claims for breach of contract, claims for breach of fiduciary duties, and claims for violations of the TBCA; and/or (iii) arising out of the Merger that is a component of the Settlement, including, without limitation, claims related to the sufficiency of the merger process and the Proxy Statement, and claims for breach of the fiduciary duties; *provided* that the Released Claims do not include claims based upon the interpretation or enforcement of the terms of the Settlement.

Unknown Claims means any and all Released Claims that the Named Plaintiffs or any other member of the Holder Class or Seller Class does not know or suspect to exist in his, her or its favor at the time of the release of the Released Defendant Parties, and any Released Defendants' Claims that any Defendant or any of the other Released Defendant Parties does not know or suspect to exist in his, her or its favor at the time of the release of the Releasing Plaintiffs, which if known by him, her or it

might have affected his, her or its decision(s) with respect to the Settlement. With respect to any and all Released Claims and Released Defendants' Claims, the Parties stipulate and agree that, upon the Effective Date, each of the Named Plaintiffs and each of the Defendants shall expressly waive, and each other member of the Classes and each of the other Released Defendant Parties will be deemed to have, and by operation of the Judgment or any Alternative Judgment will have, expressly waived and relinquished any and all provisions, rights and benefits conferred by any law of any state or territory of the United States or any other jurisdiction, or principle of common law that is similar, comparable, or equivalent to Cal. Civ. Code § 1542, which provides: A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor. Named Plaintiffs, any other member of the Holder Class or Seller Class, any Defendant or any other of the Released Defendant Parties may hereafter discover facts in addition to or different from those that he, she, or it now knows or believes to be true with respect to the subject matter of, respectively, the Released Claims and the Released Defendants' Claims, but Named Plaintiffs and Defendants shall expressly, fully, finally and forever settle and release, and each other member of the Classes and each of the other Released Defendant Parties shall be deemed to have settled and released, and upon the Effective Date and by operation of the Judgment shall have settled and released, fully, finally, and forever, any and all Released Claims and Released Defendants' Claims as applicable, without regard to the existence or subsequent discovery of such different or additional facts. Named Plaintiffs and Defendants acknowledge, and each other member of the Holder Class and Seller Class and each of the other Released Defendant Parties by operation of law shall be deemed to have acknowledged, that the inclusion of "Unknown Claims" in the definition of Released Claims and Released Defendants' Claims was separately bargained for and was a key and material element of the Settlement.

12. Can I exclude myself from the Classes? How do I exclude myself?
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The Court has preliminarily certified the Holder Class and the Seller Class, collectively, the "Classes," pursuant to Federal Rule of Civil Procedure 23. The members of the Classes will be bound by the Settlement and the Final Judgment unless such Person mails or delivers a written "Request for Exclusion" addressed to: *W2007 Grace Preferred Shareholder Litigation, EXCLUSIONS*, c/o Angeion Group LLC, 1801 Market Street, Suite 660, Philadelphia, PA 19103. The Request for Exclusion must be received no later than August 21, 2015. You will not be able to exclude yourself from the Classes after that date. Each Request for Exclusion must (i) state that you request exclusion from the Holder Class and/or Seller Class; (ii) state the name, address and telephone number of the Person requesting exclusion; (iii) state the identity and original face value of the Preferred Stock purchased (or otherwise acquired) or sold; (iv) state the prices or other consideration paid for the Preferred Stock; (v) state the date of each purchase and sale transaction; and (vii) state that the person wishes to be excluded from the Classes. Members of the Classes may not exclude themselves by filing requests for exclusion as a group or class, but must in each instance individually and personally execute the request.

Any member of either the Holder Class or Seller Class who or which does not submit a timely written request for exclusion as provided by this section shall, upon entry of the Final Approval Order, be bound by this Stipulation, whether or not such Person objected to the Settlement and whether or not such Person received Settlement consideration.

By requesting exclusion from the Seller Class, you would retain the right to sue or commence a proceeding against any of the Defendants or released parties in connection with any of the claims asserted in the Action, but you will not receive any portion of the consideration paid from the Net Seller Class Settlement Fund. If you request exclusion from the Holder Class, you will not receive any portion of the residual distribution from the Net Seller Class Settlement Fund. If you request exclusion from the Holder Class, you will only retain your right to sue if you also do not submit a Letter of Transmittal, which would otherwise entitle you to receive \$26.00 per share in merger consideration. If you submit a Letter of Transmittal, you do not retain your right to commence a proceeding against any of the Defendants or released parties in connection with any of the claims asserted in the Action.

The Holder Class does not include any persons or entities that validly exercise dissenters' rights in the Merger. Dissenters' rights are available to holders of Preferred Stock under the TBCA in connection with the proposal to approve the merger agreement in the event that the merger is consummated. Under the TBCA, if you are a holder of Preferred Stock and do not vote in favor of the amendment to W2007 Grace's Amended and Restated Charter or the merger agreement, you have the right

to seek an appraisal of the “fair value” of your Preferred Stock, and to receive a cash payment of such fair value (provided that in no event will you be entitled to more than one payment for your shares). Shareholders electing to exercise dissenters’ rights must comply with the provisions of Chapter 23 of the TBCA in order to perfect their rights. Please see the disclosure in the proxy statement under the caption “Dissenters’ Rights” for a discussion of the availability of dissenters’ rights and the procedures required to be followed to assert these rights in connection with the proposal to approve the merger agreement.

ANYONE CONSIDERING REQUESTING EXCLUSION SHOULD CONSULT WITH THEIR PERSONAL ATTORNEY CONCERNING THE IMPLICATIONS OF EXCLUSION FROM THE CLASS AND THE ABILITY TO BRING YOUR OWN LAWSUIT, IF ANY.

13. What do I have to do to receive my portion of the Merger Consideration?

In order to receive the Merger Consideration you must complete and return the Letter of Transmittal that will be sent to you by the Exchange Agent promptly after the Merger Effective Time. After the Merger is completed, the Exchange Agent will send holders of Preferred Stock a formal Letter of Transmittal and written instructions for exchanging stock certificates for the Merger consideration. Holders of Series B Preferred Stock and Series C Preferred Stock will not be entitled to receive the Merger consideration until after they surrender their certificate or certificates (or otherwise comply with the process in the event of lost certificates) to the Exchange Agent, together with a duly completed and executed Letter of Transmittal and any other documents the Exchange Agent may reasonably require. The Letter of Transmittal will contain a broad release from all claims (known or unknown), whether individual, direct, class, derivative, representative, legal, equitable, or any other type or in any other capacity, by holders and former holders of Series B Preferred Stock and Series C Preferred Stock (1) related to their purchase, sale, holding or investment in, or the terms of, the securities of the Company or its predecessors, including, without limitation, the Preferred Stock, (2) claims asserted or that could have been asserted in the Action, or arising out of or relating to the facts, matters and transactions alleged in the Action, including, without limitation, claims for breach of contract, claims for breach of fiduciary duties, claims for violations of the TBCA, and/or (3) arising out of the Merger that is a component of the Stipulation, including, without limitation claims related to the sufficiency of the Merger process and the Proxy Statement, and claims for breach of the fiduciary duties. The Letter of Transmittal contains important terms relating to the Merger and should be reviewed carefully in its entirety.

More complete instructions are included on the Letter of Transmittal. If you do not receive the Letter of Transmittal following the Merger Effective Time, please contact Morrow & Co., LLC at (203) 658-9400 or call toll-free at (800) 662-5200.

14. What do I have to do to receive my portion of the Net Seller Class Settlement Fund?

In order to receive a portion of the Net Seller Class Settlement Fund you must complete and return the Proof of Claim form that accompanied this Notice. Your completed and signed Proof of Claim form must be mailed to the claims administrator at the address indicated on the Proof of Claim form on or before September 18, 2015. A Proof of Claim Form shall be deemed to be submitted when mailed, if received with a postmark indicated on the envelope and if mailed by first-class or overnight U.S. Mail and addressed in accordance with the instructions on the Proof of Claim Form. If a Proof of Claim form did not accompany this Notice you may obtain a copy by contacting the claims administrator at (877) 386-1776 or W2007Grace@AngeionGroup.com. **More complete instructions are included on the Proof of Claim.**

The Claims Administrator shall determine each Authorized Claimant’s share of the Net Seller Class Settlement Fund based upon each Authorized Claimant’s Recognized Loss, as defined in the Plan of Allocation, which is discussed in Question 15. Keep in mind that if the portion of the Net Seller Class Settlement Fund to which you would otherwise be entitled is less than \$24.00 no distribution will be made due to the cost of distributing and accounting for small settlement amounts.

Any member of the Seller Class who fails to submit a Proof of Claim by September 18, 2015 shall be forever barred from receiving any payment from the Net Seller Class Settlement Fund (unless, by order of the Court, a later-submitted Proof of

Claim Form by such Person is approved), but shall in all other respects be bound by all of the terms of the Settlement, including the terms of the Final Judgment to be entered in the Action, and will be barred from bringing any action as described in Question 11.

15. How will the Net Seller Class Settlement Fund be distributed? What is the Plan of Allocation?

After approval of the Settlement by the Court and upon satisfaction of the other conditions to the Settlement, the Net Seller Class Settlement Fund will be distributed to the Authorized Claimants in accordance with the Plan of Allocation approved by the Court. Under the terms of the Settlement and the proposed Plan of Allocation, your share of the Net Seller Class Settlement Fund will depend on: (1) your membership in the Seller Class; (2) the number of shares of Preferred Stock you owned and sold between October 25, 2007 and October 8, 2014, inclusive; (3) the prices at which you purchased and sold the Preferred Stock; (4) whether you had any losses in the purchase and sale of the Preferred Stock; (5) the expense of administering the claims process; (6) any expenses awarded by the Court in an amount not to exceed \$150,000; (7) interest income received and taxes paid by the Net Seller Class Settlement Fund; and (8) the number of shares of Preferred Stock held by other members of the Seller Class who submit timely and valid Proof of Claim Forms.

The Net Seller Class Settlement Fund will not be distributed until the Court has approved a plan of allocation, and the time for petition for rehearing, appeal or review, whether by certiorari or otherwise, of the Final Judgment has expired. Neither the Defendants nor any other person or entity that paid any portion of the Net Seller Class Settlement Fund on any of their behalves are entitled to get back any portion of the Net Seller Class Settlement Fund once the Court's orders or judgments approving the Settlement become final.

The Net Seller Class Settlement Fund will be distributed in accordance with a Plan of Allocation. The purpose of the Plan of Allocation is to divide the Settlement proceeds equitably among the members of the Seller Class, taking into account such factors as the relative strength of the claims and the total claimed damages arising from the conduct complained of by the Seller Class in the Action. The Plan of Allocation, which is Exhibit 5 to the Stipulation, is described in more detail here:

PLAN OF ALLOCATION

The Plan of Allocation governs: (A) The distribution of the Net Seller Class Settlement Fund to Authorized Claimants from the Seller Class. The "Net Seller Class Settlement Fund" means the gross Seller Class Settlement Fund (\$6,000,000 plus any interest earned thereon) less: (i) Seller Class Notice and Administration Expenses; (ii) any award of Seller Class-related litigation expenses not to exceed \$150,000; (iii) payments for any Taxes and Tax Expenses; and (iv) costs for escrow services, if any; and (B) The distribution of any residual balance (whether by reason of tax refunds, uncashed checks, or otherwise) in the Net Seller Class Settlement Fund ("Residual") to the Holder Class ("Residual Distribution to Holder Class").

Proof of Claim Process. The Seller Class member must complete and sign the Proof of Claim Form and timely return it to the Claims Administrator. Submission of the Proof of Claim Form does not guarantee that the Seller Class member will share in the Net Seller Class Settlement Fund. Furthermore, any member of the Seller Class who or which fails to submit a Proof of Claim Form by such date shall be barred from receiving any distribution from the Net Seller Class Settlement Fund or payment (unless late-filed Proof of Claim Forms are accepted by an Order of the Court), but shall in all other respects be bound by any and all terms of the Stipulation.

Determination of Authorized Claimants. In addition to having submitted a timely, complete and executed Proof of Claim Form, in order for a member of the Seller Class to be considered an Authorized Claimant, the Claims Administrator must determine whether the Seller Class member is eligible for payment from the Net Seller Class Settlement Fund based upon that Seller Class member's Recognized Loss, which is determined as follows. The Court has reserved jurisdiction to allow, disallow or adjust the claim of any Class Member on equitable grounds. Payment pursuant to the Plan of Allocation shall be conclusive against all Authorized Claimants.

Damages and Recognized Loss. Class Counsel and its experts calculated the potential recoverable damages realized by members of the Seller Class who owned Preferred Stock as of October 25, 2007 that arose from the continuing harm created by the restricted access to timely, accurate and complete financial information. The fixed damage per share to the Series B Preferred Stock that was held as of October 25, 2007 and sold between October 25, 2007 and October 8, 2014, inclusive (the “Class Period”) equals \$4.19. The damage per share to the Series C Preferred Stock that was held as of October 25, 2007 and sold during the Class Period equals \$4.00. The damages per share takes into account, among other things, the liquidating distribution amounts of \$17.50 and \$17.00 per share of Series B and Series C, respectively, the weighted average reported trading and between October 25, 2007 and June 29, 2008, and per share adjustments for certain industry specific market changes.

Class Counsel and its experts also calculated and determined that there was a fixed amount of potential recoverable damages realized by members of the Seller Class who purchased shares of Preferred Stock after October 25, 2007 and sold such shares of Preferred Stock during the Class Period (“In and Out Transactions”). The determination of damage to the In and Out Transactions recognizes that both the purchase and sale decisions were made with full knowledge of the restricted access to timely, accurate and complete financial information. The damage per share to In and Out Transactions equals \$0.23 in the Series B Preferred Stock and \$0.31 in the Series C Preferred Stock. The damages per share takes into account, among other things, the liquidating distribution amounts, estimated market losses realized through In and Out Transactions compared to the estimated imputed market losses to shares of Preferred Stock that were held on October 25, 2007 and sold during the Class Period.

For purposes of distribution of the Net Seller Class Settlement Fund, Recognized Loss per Share may not equal the fixed damage per share described above.

- a) Recognized Loss per share of Series B Preferred Stock that was held as of October 25, 2007 and sold during the Class Period will equal the lower of: (i) the imputed market loss and (ii) \$4.19. Imputed market loss per share of Series B Preferred Stock is calculated as \$17.50, the Liquidating Distribution amount, less the actual sale price per share.
- b) Recognized Loss per share of Series C Preferred Stock that was held as of October 25, 2007 and sold during the Class Period will equal the lower of: (i) the imputed market loss and (ii) \$4.00. Imputed market loss per share of Series C Preferred Stock is calculated as \$17.00, the Liquidating Distribution amount, less the actual sale price per share.
- c) Recognized Loss per share of In and Out Transactions in the Series B Preferred Stock will equal the lower of: (i) the actual market loss and (ii) \$0.23.
- d) Recognized Loss per share of In and Out Transactions in the Series C Preferred Stock will equal the lower of: (i) the actual market loss and (ii) \$0.31.
- e) In and Out Transactions where a gain was realized (e.g. the sale price was greater than the purchase price) will have a zero Recognized Loss. Market loss for In and Out Transactions will be calculated on an Average Cost inventory method.

The Net Seller Class Settlement Fund shall be distributed to the Authorized Claimants *pro rata* determined by the Recognized Loss per share.

The foregoing takes into account the allegations made in the Action with respect to shares of Preferred Stock sold after October 25, 2007, the discovery taken, consultation with experts, the potential, recoverable damages of the Seller Class, and that the claims of those who sold Preferred Stock primarily related to the allegations that: (a) after October 25, 2007, Defendants restricted access by the Seller Class to timely, accurate and complete financial information; and (b) members of the Seller Class may have sold their shares to Defendant PFD Holdings. Class Counsel considered the legal and factual support for such allegations, including that the discovery taken revealed that the restrictions and dearth of timely information could not have been anticipated from the disclosures made prior to October 25, 2007 about W2007 Grace ceasing to be a publicly reporting company, and, that PFD acquired Preferred Stock pursuant to private transactions, not from members of the Seller Class. Class Counsel also recognized, and took into account in determining the Recognized Loss for the Seller Class, the impact of the

global financial crisis that occurred during the Class Period, which caused impairment in the share value of all hospitality real estate entities, the effects of which cannot be attributable to any alleged wrongdoing of Defendants.

Net Loss Required. For any member of the Seller Class to be eligible to receive a distribution from the Net Seller Class Settlement Fund, the Seller Class member must have a net loss, after all profits from transactions in Preferred Stock during the Seller Class Period are subtracted from all losses.

Transfers by Operation of Law. If an Authorized Claimant acquired the Preferred Stock by means of a gift, inheritance, assignment, devise, or operation of law, the Authorized Claimant's Recognized Loss will be calculated by using the date and price of the original purchase and not the date of transfer.

Approximate Allocation Per Share. Based on the information currently available to Plaintiffs and the analysis performed by their expert the estimated average allocation from the Seller Class Settlement Fund per share:

- of Preferred Stock held as of October 25, 2007 and sold during the Seller Class Period would be approximately \$3.28 per share; and,
- of Preferred Stock in In and Out Transactions would be approximately \$0.20 per share.

These are only estimates, and they assume that valid and timely Proof of Claim Forms are submitted with respect to 30% of the eligible Seller Class Preferred Shares with a Recognized Loss and that the Court awards Seller Class-related litigation expenses of \$150,000. These estimates do not take into account Seller Class Notice and Administration Expenses which will reduce the Seller Class Settlement Fund. If valid and timely Proof of Claims for more eligible Seller Class Preferred Shares with a Recognized Loss are submitted, the estimated average allocation per share will be lower.

Minimum Distribution. No distributions will be made to Seller Class Authorized Claimants who would otherwise receive a distribution from the Net Seller Class Settlement Fund of less than \$24.00.

Subsequent Distribution. If there is any balance in the Net Seller Class Settlement Fund after one hundred and twenty (120) calendar days from the date of distribution of the Net Seller Class Settlement Fund to Authorized Claimants, then, after the Claims Administrator has made reasonable and diligent efforts to have Authorized Claimants cash their distributions, any balance remaining shall be re-distributed among Authorized Claimants in an equitable and economic manner, if feasible, until all Authorized Claimants have recovered 100% of their Recognized Losses.

Residual Distribution to Holder Class. If, after the Subsequent Distribution and the payment in full of all Seller Class Claims Administration Fees and Expenses has occurred, there remains any residual balance in the Net Seller Class Settlement Fund ("Residual"), then the Residual shall be distributed by the Class Administrator *pro rata* to the Holder Class, as set forth in the Plan of Allocation, subject to their being a sufficient Residual to effectuate such distribution. No Proof of Claim Form will be required from any member of the Holder Class in order to participate in the Residual Distribution to Holder Class and to receive, if any, a *pro rata*, allocation of the Residual.

Cy Pres Distribution. Defendants retain no interest in or right to any amount remaining in the Seller Class Settlement Fund. If any balance remains in the Net Seller Class Settlement Fund after all distributions provided for in the Plan of Allocation are made, such balance shall be disbursed in accordance with Class Counsel's suggestions pursuant to *cy pres* principles and as approved by the Court.

16. Do I have a lawyer in this case?

Yes, Class Counsel for Named Plaintiffs and the Classes is:

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 Kimberly M. Donaldson Smith
 Catherine Pratsinakis

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Phone: (610) 642-8500 or (866) 399-2487 (toll-free)
Website: www.chimicles.com/W2007GraceLitigation

There is no need to retain your own lawyer. If you want to be represented by your own lawyer you may hire one at your own expense and your lawyer must file with the Court an Intention to Appear as described in Question 21.

17. Will being a member of the Classes cost me anything?

You will not be charged by Class Counsel for representation and will not be asked to pay anything. Class Counsel will ask the Court to award them reasonable attorneys' fees and expenses (described in Question 18) which amount will be paid by W2007 Grace, and will not be deducted from any of the Settlement consideration, except for an award of Seller Class-related litigation expenses not to exceed \$150,000 which will be deducted from the Seller Class Settlement Fund.

18. How much will Class Counsel be paid?

Class Counsel intend to seek from the Court an order: (i) awarding reasonable fees and expenses in the aggregate amount of \$4,000,000 to be paid by W2007 Grace; (ii) an award of Seller Class-related litigation expenses not to exceed \$150,000, to be paid out of the Seller Class Settlement Fund; and (iii) granting payment by W2007 Grace of a case contribution award in the amount of \$7,500 to each Named Plaintiff for the time and expenses incurred in bringing and litigating this Action. If approved by the Court, reasonable fees and expenses for attorneys' fees, certain litigation expenses and the Case Contribution Awards will be paid by W2007 Grace separately so as not to diminish the settlement consideration being paid to the members of the Classes. To date, Class Counsel have not received any payment for their services in prosecuting the Action, nor have Class Counsel been reimbursed for the litigation expenses.

19. Can I object to all or part of the Settlement?

If you believe that you have reason to do so, as a member of one or both of the Classes, you may make a written submission to the Court setting out the nature of your objection to the Settlement, the application for an award of attorneys' fees and litigation expenses, and/or the case contribution awards. In order for your objection to be considered, you must comply with the following procedures.

On or before August 21, 2015, you must file with the Clerk of the Court, United States District Court for the Western District of Tennessee, Clifford David/Odell Horton Federal Building, 167 North Main Street, Memphis, Tennessee 38103, a statement or letter setting forth what you are objecting to and the reasons for your objection, and including copies of any supporting documentation. Your filing should include:

- (a) The case name and number: *Johnson, et al. v. W2007 Grace Acquisition I, Inc., et al*, Civil Action No. 2:13-cv-2777(SHM), United State District Court, Western District of Tennessee;
- (b) Your name, address, telephone number and signature;
- (c) Which of the Classes (Holder or Seller, or both) you are a member of;
- (d) The number of shares of Preferred Stock owned at the time of the objection, if any;
- (e) The Preferred Stock purchased and sold, and at what prices, from October 25, 2007 to the date of the objection, if any;
- (f) The reason(s) you object to the Settlement (or to a particular part of the Settlement);
- (g) All legal support or documentation you wish to bring to the Court's attention in support of your objection; and,
- (h) A list of all other objections submitted by you or your counsel to any class action settlements in any court in the United States in the previous five years. If you or your counsel have not so objected so state in the objection.
- (i) If you wish to appear in person at the Settlement Hearing you must also file a Notice of Intention to Appear with the

Court as described in Question 21.

You must also, on or before August 21, 2015, provide to counsel for the Parties, either in person or by mail, copies of all papers you are filing with the Clerk of the Court at the following addresses:

To Class Counsel

Kimberly M. Donaldson Smith
Chimicles & Tikellis LLP
361 West Lancaster Avenue
Haverford, PA 19041

To Defendants' Counsel

Sharon L. Nelles
Sullivan & Cromwell LLP
125 Broad Street
New York, New York 10004-2498

Any Class Member may attend the Final Approval Hearing, but only those Class Members who comply with the provisions hereof will be permitted to raise any objection to the proposed Settlement and only those who have filed with the Clerk and sent to Counsel a Notice of Intention to Appear (see Question 21) will be allowed to speak at the Settlement Hearing.

Upon the filing of an objection, Class Counsel may take the deposition of the objecting Class Member pursuant to the Federal Rules of Civil Procedure at an agreed-upon time and location, and to obtain any evidence relevant to the objection. Failure by an objector to make himself or herself available for a deposition or comply with expedited discovery may result in the Court striking the objection. The Court may tax the costs of any such discovery to the objector or the objector's counsel if the Court determines that the objection is frivolous or is made for an improper purpose.

Because any appeal by an objecting Class Member would delay the payment under the Settlement, Class Counsel may seek a cash bond to be set by the district court sufficient to account for, among other things, damages to the Classes, including lost interest, caused by the delay.

UNLESS OTHERWISE ORDERED BY THE COURT, ANY CLASS MEMBER WHO DOES NOT OBJECT IN THE MANNER DESCRIBED ABOVE WILL BE DEEMED TO HAVE WAIVED ANY OBJECTION AND SHALL BE FOREVER FORECLOSED FROM OBJECTING TO THE PROPOSED SETTLEMENT AND THE APPLICATION FOR ATTORNEYS' FEES AND EXPENSES AND CASE CONTRIBUTION AWARDS.

20. When and where will the Court consider whether to approve the Settlement?

The Court will hold a Final Approval Hearing on September 11, 2015 at 9:30 a.m. in Courtroom 2 of the United States District Court for the Western District of Tennessee, Clifford Davis/Odell Horton Federal Building, 167 North Memphis Street, 11th Floor, Memphis, Tennessee 38103. The Court will consider whether the Settlement, including the Plan of Allocation, is fair, reasonable and adequate, and, whether to approve the request for attorneys' fees and the reimbursement of expenses, and case contribution awards to Named Plaintiffs. The Court may postpone or reschedule the Final Approval Hearing without prior notice.

21. Do I have to attend the Final Approval Hearing?

No. Class Counsel will answer any questions the Court may have on behalf of Named Plaintiffs and the Classes. However, you are welcome to attend the Final Approval Hearing at your own expense, or to pay your own attorney to attend the Final Approval Hearing on your behalf, but you do not need to attend. If you send an objection, you do not have to come to Court to talk about it. As long as you timely submit your written objection as described in Question 19, it will be before the Court.

If you or your attorney want to speak at the Final Approval Hearing, you must ask the Court for permission by submitting a written "Notice of Intention to Appear at the Final Approval Hearing in *Johnson, et al. v. W2007 Grace Acquisition I, Inc., et al.*, Civil Action No. 2:13-cv-2777(SHM)." The Notice of Intention to Appear must be BOTH (a) received by the attorneys listed in response to Question 19 no later than August 28, 2015, and (b) filed with the Clerk of the Court, United States District

Court for the Western District of Tennessee, Clifford David/Odell Horton Federal Building, 167 North Main Street, Memphis, Tennessee 38103. Be sure to include your name, address, telephone number and signature. Any objector who does not timely file and serve a Notice of Intent to Appear in accordance with this paragraph will not be permitted to speak at the Final Approval Hearing, except for good cause shown.

The Court may decide to reschedule the Final Approval Hearing without sending a further notice to the Classes.

22. Are there more details about the Settlement?

Yes. This Notice summarizes the proposed Settlement. More details are contained in the Stipulation and papers filed with the Court which are available online at www.chimicles.com/W2007GraceLitigation, or contact Class Counsel at (866) 399-2487 to request a copy of the Stipulation. Prior to the Final Approval Hearing, Named Plaintiffs' submissions in support of the Settlement will be filed with the Court. If you have any further questions you may contact Class Counsel identified in Question 16.

23. Are there more details about the Merger?

For details about the Merger, please refer to the Proxy Statement, the Merger Agreement and Letter of Transmittal. Promptly after the Merger Effective Time, the Exchange Agent will mail to each person who immediately prior to the Merger Effective Time held record shares of Preferred Stock, a Letter of Transmittal with instructions on how to exchange Preferred Stock certificates for Merger Consideration. If you do not receive the Letter of Transmittal following the Merger Effective Time, please contact Morrow & Co., LLC at (203) 658-9400 or call toll-free (800) 662-5200.

If you are unable to locate some or all of your stock certificates, please read and follow the instructions in the Letter of Transmittal. For any questions about lost stock certificates or if you need assistance obtaining your certificate number(s), please call the Exchange Agent at (855) 396-2084 (toll-free).

SPECIAL NOTICE TO SECURITIES BROKERS AND OTHER NOMINEES

If you hold or held shares of Preferred Stock as a nominee for a beneficial owner who is a member of one or all of the Classes, then within 10 days after you receive this Notice you must either: (1) mail copies of this Notice by first class mail to each such beneficial owner; or (2) send a list of the names and addresses of such beneficial owners to:

W2007 Grace Preferred Shareholder Litigation
c/o Angeion Group
1801 Market Street, Suite 660
Philadelphia, PA 19103
Email: W2007Grace@AngeionGroup.com

PLEASE DO NOT CALL THE COURT OR COURT CLERK FOR INFORMATION

Dated: May 21, 2015

By Order of the United States District Court,
Western District of Tennessee