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**UNITED STATES BANKRUPTCY COURT
 SOUTHERN DISTRICT OF NEW YORK**

-----X
 In re : Chapter 11 Case No.
 :
 EXTENDED STAY INC., et al., : 09-____()
 :
 Debtors. : (Joint Administration Requested)
 :
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**DEBTORS' MOTION PURSUANT TO SECTIONS 105(a), 362(d), 363(b) AND 503(b) OF
 THE BANKRUPTCY CODE AND BANKRUPTCY RULES 4001, 6003 AND 6004
 (A) SEEKING AUTHORITY TO (i) CONTINUE THE DEBTORS'
 WORKERS' COMPENSATION PROGRAMS AND LIABILITY, PROPERTY, AND
 OTHER INSURANCE PROGRAMS AND (ii) PAY ALL PREPETITION OBLIGATIONS
 IN RESPECT THEREOF; (B) DIRECTING FINANCIAL INSTITUTIONS
 TO HONOR AND PROCESS CHECKS AND ELECTRONIC FUNDS TRANSFERS
RELATED TO SUCH OBLIGATIONS; AND (C) SCHEDULING A FINAL HEARING**

TO THE HONORABLE UNITED STATES BANKRUPTCY JUDGE:

Extended Stay Inc. and its debtor affiliates, as debtors and debtors in possession
 (collectively, "Extended Stay" or the "Debtors"),¹ respectfully represent:

Background

1. On the date hereof (the "Commencement Date"), the Debtors each
 commenced with this Court a voluntary case under chapter 11 of title 11 of the United States

¹ A list of the Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal
 tax identification number, is attached hereto as "Exhibit A."



Code (the “Bankruptcy Code”). The Debtors are authorized to operate their business and manage their properties as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code.

2. Contemporaneously herewith, the Debtors filed a motion seeking joint administration of their chapter 11 cases pursuant to Rule 1015(b) of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”).

Extended Stay’s Business

3. Extended Stay is the largest owner and operator of mid-price extended stay hotels in the United States, holding one of the most geographically diverse portfolios in the lodging sector with properties located across 44 states (including 11 hotels located in New York) and two provinces in Canada. As a result of acquisitions and mergers, Extended Stay’s portfolio has expanded to encompass over 680 properties, consisting of hotels directly owned or leased by Extended Stay or one of its affiliates. Extended Stay currently operates five hotel brands: (i) Crossland Economy Studios, (ii) Extended Stay America, (iii) Extended Stay Deluxe, (iv) Homestead Studio Suites, and (v) StudioPLUS Deluxe Studios, each designed to appeal to value-conscious customers at different price points in their respective markets, and offering Extended Stay guests a range of amenities and services.

4. Extended Stay’s business model is a hybrid between a hotel and an apartment, as it provides value-conscious guests seeking longer-term accommodations with an affordable, attractive alternative to traditional hotels and apartments. Extended Stay achieves lower operating costs than traditional hotels, which provide higher service levels such as room service and daily maid service, by eliminating these services and other amenities in exchange for a lower per night price and a fully equipped kitchen, cable TV, and wireless internet access in each of its available rooms, in addition to on site laundry facilities. Typical Extended Stay

guests include government and business travelers, people on temporary work assignments or training programs, individuals relocating or purchasing a home and individuals with other short-term housing needs.

5. For the year ending December 31, 2008, Extended Stay's audited financial statements show consolidated assets (including nondebtor affiliates) totaling approximately \$7.1 billion and consolidated liabilities totaling approximately \$7.6 billion. Consolidated revenues for the 12 months ending December 31, 2008 were approximately \$1 billion.

6. All Extended Stay hotels are managed by HVM L.L.C. ("HVM"), an entity that is affiliated with, but not directly owned by, the Extended Stay family of companies. HVM, on behalf of Extended Stay, pays all property level expenses of the hotels, contracts with service providers and purchases all goods and materials utilized in the operation of the business. HVM employs approximately 10,000 employees in connection with the operation of the hotels at any given point in time.

Jurisdiction and Venue

7. This Court has jurisdiction to consider this matter pursuant to 28 U.S.C. §§ 157 and 1334. This is a core proceeding pursuant to 28 U.S.C. § 157(b). Venue is proper before this Court pursuant to 28 U.S.C. §§ 1408 and 1409.

Relief Requested

8. In connection with the operation of their business, the Debtors maintain certain workers' compensation programs and various liability, property, and other insurance programs and policies (collectively, the "Insurance Programs") through several different insurance carriers (the "Insurance Carriers"). Attached hereto as "Exhibit B" is a list of each of the Insurance Programs, disclosing with respect to each Insurance Program, as applicable: the

Insurance Carrier, the type of coverage, the coverage period, and the aggregate annual premium due thereunder.² By this Motion, the Debtors request the Court enter an order, substantially similar to the proposed order attached hereto as “Exhibit C” (the “Proposed Order”), granting the Debtors authority, pursuant to sections 105(a), 362(d), 363(b), and 503(b) of the Bankruptcy Code and Bankruptcy Rules 4001, 6003 and 6004 to (i) continue and/or renew their existing Insurance Programs uninterrupted; (ii) pay, in the Debtors’ discretion, the undisputed prepetition obligations, as well as, on an ongoing basis, any postpetition obligations thereunder (the “Insurance Obligations”); (iii) modify the automatic stay solely and for the limited purpose of permitting employees with claims under the Workers’ Compensation Program to proceed with their claims in accordance with such program in the appropriate judicial or administrative forum; and (iv) schedule a final hearing (the “Final Hearing”) to consider the relief requested herein on a permanent basis.

9. As part of their cash management system, the Debtors maintain a checking account (the “ESI Payables Account”) at Bank of America and an escrow account (the “Escrow Account”) at Wachovia Bank (together with Bank of America, the “Banks”). The Debtors draw upon funds in the ESI Payables Account and the Escrow Account to satisfy, inter alia, obligations arising from the Insurance Programs. In addition to the relief requested above, the Debtors request that the Court authorize the Banks to receive, honor, process, and pay any and

² In addition to the Insurance Programs listed on “Exhibit B,” other insurance policies and programs, including insurance policies and programs with respect to employee benefits including health, dental, disability, and life insurance are paid exclusively by a non-debtor, HVM. Policies paid exclusively by HVM are not included on “Exhibit B.”

Although the Debtors believe “Exhibit B” is a substantially complete list of Insurance Programs, some Insurance Programs may have been omitted inadvertently. Accordingly, the Debtors reserve the right to supplement or amend “Exhibit B” as needed. Further, the Debtors’ failure to include a particular insurance policy on “Exhibit B” shall not operate to exclude that policy from the coverage of this Motion or an order of the Court entered in connection with this Motion.

all checks or electronic funds transfers drawn on the Debtors' Banks, to the extent that such checks or electronic funds transfers relate to any of the foregoing. The Debtors also request authority to issue new postpetition checks or effect postpetition electronic funds transfer requests with respect to the Insurance Obligations to replace any prepetition check that may be dishonored or electronic funds transfer that may be rejected.

Workers' Compensation Programs

10. The laws of the various states and Canada, where the Debtors also operate, require the Debtors to maintain workers' compensation policies and programs to provide hotel-level employees with workers' compensation benefits for claims arising from or related to their employment. Although the Debtors do not directly employ workers in connection with the operation of their business,³ the Debtors are responsible for paying some of the costs associated with maintaining the workers' compensation policies and programs for the hotel-level employees employed by HVM, the Debtors' management company. The Debtors, along with HVM, maintain workers' compensation coverage through (a) a fully-insured, third-party insurance program provided by the Zurich North American Insurance Company ("Zurich") (the "Zurich Program"), (b) statutorily required insurance programs in Ohio and Washington (the "Ohio Program" and the "Washington Program," respectively, and collectively, the "State Programs"), and (c) a federally mandated program in Newfoundland and Ontario, Canada (the "Canada Programs" and together with the Zurich Program and the State Programs, the "Workers Compensation Programs"). As of the Commencement Date, the Debtors have open Workers Compensation claims under the Workers' Compensation Programs.

³ As discussed in the Declaration of Joseph Teichman Pursuant to Rule 1007-2 of the Local Bankruptcy Rules for the Southern District of New York in Support of First-Day Motions and Applications filed contemporaneously herewith, HVM, as part of its hotel management function, directly employs all workers necessary to operate the Debtors' business.

A. The Zurich Program

11. Unless otherwise required by state law, workers' compensation coverage for the hotel-level employees is provided through a fully-insured, guaranteed cost workers' compensation policy and program provided by Zurich. The Zurich Program is maintained by the Debtors and HVM and covers all of HVM's domestic employees who are not otherwise covered by one of the State Programs. Under the Zurich Program, the Debtors pay an annual premium but incur no other costs. Zurich is responsible for the payment of all claims and benefits up to the applicable statutory limit for all employees covered by the Zurich Program without the requirement for the Debtors to pay any deductible.

12. Currently, the Zurich Program covers the period from October 1, 2008 to October 1, 2009. The annual premium of \$6,800,158.00 is due in monthly installments of approximately \$505,000.00 after an initial down payment was made in October 2008. Because HVM and the Debtors share the cost of maintaining the Zurich Program, the Debtors pay only a portion of the monthly installment payments from the ESI Payables Account and the Escrow Account. As of the Commencement Date, the Debtors are obliged to make further payments under the Zurich Program, with such payments being due on the first of every month. The Debtors seek the Court's authorization to pay, in their discretion, these amounts as they come due in the ordinary course of the Debtors' business.

13. In addition, the Debtors are obliged to make payments to Zurich for claims associated with the Debtors' previous workers compensation program with Zurich, which expired on October 1, 2007. Although the Debtors are no longer obligated to pay premiums under this expired program, they are required to reimburse Zurich for any related claims and expenses. Zurich bills the Debtors on a monthly basis and such bills typically average

\$350,000.00. The Debtors pay a portion of the monthly installment payments from the ESI Payables Account, sharing the reimbursement costs with HVM. The Debtors estimate that, as of the Commencement Date, about \$7,500,000.00 in reimbursement claims related to the period prior to the Commencement Date will remain. Accordingly, the Debtors also seek the Court's authorization to pay, in their discretion, these amounts as they come due.

B. The State Programs

14. In Ohio and Washington, state statutes require the Debtors to utilize specific workers' compensation programs. These state specific workers' compensation programs provide coverage up to the statutory awards limit in each state (the "Statutory Limit"). Under the Ohio Program, HVM purchases workers' compensation insurance through a mandatory state-sponsored and managed workers' compensation system. The state of Ohio (rather than the market) sets the individual and aggregate deductible levels for all employers participating in the state program based on the state's evaluation of the applicant's credit and claims history. Similarly, under the Washington Program, workers' compensation for Statutory Limits is provided by the Washington Department of Labor and Industries. For the State Programs, HVM pays the full annual premium in advance. The Debtors have no obligation to pay any deductibles under the State Programs, and no cap on coverage exists for claims arising in Ohio or Washington. Accordingly, the Debtors do not owe any amounts relating to the prepetition period for either the Ohio Program or the Washington Program.

C. The Canada Programs

15. In addition to the Zurich Program and the State Programs, the Debtors are required to maintain workers' compensation insurance for employees working in the Debtors' hotels located in Newfoundland and Ontario, Canada. All Canadian based employees are

covered under the federally mandated program. Premium and other payments with respect to the Canada Programs are made by HVM Canada Hotel Management U.L.C. (“HVM Canada”), the Debtors’ management company for its Canadian locations. Thus, the Debtors do not owe any amounts relating to the prepetition period for the Canada Programs.

D. Payment of Workers’ Compensation Obligations is Warranted

16. Payment of the premiums for the Workers’ Compensation Programs and the payment of prepetition workers’ compensation claims is essential to the continued operation of the Debtors’ business. Some of the payments owed to the Insurance Carriers that may be payable over the next few months will have components that relate to periods prior to the Commencement Date. Absent court approval, the Debtors would be precluded from paying such amounts. Therefore, the Debtors request authority to pay, in their discretion, any and all undisputed amounts due and owing with respect to any Workers’ Compensation Program as they come due in the ordinary course of these chapter 11 cases.

E. The Automatic Stay Should Be Waived for Workers’ Compensation Claims

17. Section 362(a) of the Bankruptcy Code, commonly known as the “automatic stay,” operates to stay

the commencement or continuation, including the issuance or employment of process, of a judicial, administrative, or other action or proceeding against the debtor that was or could have been commenced before the commencement of the case under this title, or to recover a claim against the debtor that arose before the commencement of the case under this title.

11 U.S.C. § 362(a)(1). Section 362, however, permits a debtor or other parties in interest to request a modification or termination of the automatic stay for “cause.” 11 U.S.C. § 362(d)(1).

18. To the extent that HVM’s employees who operate the Debtors’ business hold valid workers’ compensation claims, the Debtors seek authorization, under section 362(d)

of the Bankruptcy Code, to permit these employees to proceed with their claims in the appropriate judicial or administrative forum. The Debtors believe cause exists to modify the automatic stay because prohibiting such employees from proceeding with their claims could have a detrimental effect on the financial well-being and morale of such employees and lead to their departure. Such departures could cause a severe disruption in the Debtors' business, to the detriment of all parties in interest.

19. To this end, and solely with respect to workers' compensation claims covered under the Workers' Compensation Programs, the Debtors seek to modify the automatic stay as it relates to workers' compensation claims; provided, that such claims are pursued in accordance with the applicable Workers' Compensation Program and recoveries, if any, are limited to the proceeds from the applicable Workers' Compensation Program. All other claims, including any relating to matters covered by other Insurance Programs, will remain subject to the automatic stay. To effectuate the aforementioned modification of the automatic stay, the Debtors request that the Court waive the stay of a judgment under Bankruptcy Rule 7062 and the requirements under Bankruptcy Rule 9014 relating to contested matters with respect to claims under the Workers' Compensation Programs.

20. Pursuant to this Motion, the Debtors do not seek a waiver, termination, or modification of the automatic stay with respect to any other claims or matters.

The Debtors' Other Insurance Programs and Related Obligations

A. General Liability Program

21. The Debtors' primary general liability insurance coverage (the "General Liability Program") is provided by Zurich and covers the period from October 1, 2008 to October 1, 2009. The annual premium for the General Liability Program in the amount of

\$654,289.00 is due to the Debtors' insurance broker, Willis HRH (the "Insurance Broker"), in equal monthly installments of approximately \$44,000.00 after an initial down payment was made in October 2008. Because HVM and the Debtors share the cost of maintaining the General Liability Program, the Debtors pay only a portion of the monthly installment payments from the ESI Payables Account and the Escrow Account. As of the Commencement Date, the Debtors are obliged to make further payments under the General Liability Program, with such payments being due on the first of every month. The Debtors seek the Court's authorization to pay, in their discretion, these amounts as they come due in the ordinary course of the Debtors' business.

22. Because not all claims expenses are covered under the General Liability Program and covered expenses are subject to a \$250,000.00 deductible, the Debtors maintain a loss reserve fund (the "Loss Reserve Fund") in conjunction with the General Liability Program to fund the cost of anticipated future and/or unpaid expenses related to claims. The Debtors pay directly to Zurich an annual premium in the amount of \$3,800,000.00 from the Escrow Account to maintain the Loss Reserve Fund. Monthly premium payments equal approximately \$304,000.00 after an initial down payment was made in October 2008. As of the Commencement Date, the Debtors are obliged to make further payments to the Loss Reserve Fund, with such payments due the first of every month. The Debtors request the Court's authorization to make, in their discretion, these payments as they come due in the ordinary course of the Debtors' business.

23. In addition, the Debtors are obligated to make payments to Zurich for claims associated with the Debtors' previous general liability insurance coverage with Zurich, which expired on October 1, 2007. Although the Debtors are no longer obligated to pay premiums under this expired program, they are required to reimburse Zurich for any related

claims and expenses. Zurich bills the Debtors on a monthly basis and such bills typically average \$175,000.00. The Debtors pay a portion of the monthly installment payments from the ESI Payables Account, sharing the reimbursement costs with HVM. The Debtors estimate that, as of the Commencement Date, approximately \$3,600,00.00 in reimbursement claims related to the prepetition period will remain. Accordingly, the Debtors seek the Court's authorization to pay, in their discretion, these amounts as they come due.

B. Liability and Property Insurance Programs

24. The Debtors maintain various liability and property-related insurance programs, set forth on "Exhibit B," which provide the Debtors with insurance coverage for liabilities relating to, among other things, commercial automotive claims, commercial property damage, flood damage, terrorism, commercial crime, premises pollution, and umbrella and excess liability claims (collectively, the "Liability and Property Insurance Programs"). Continuation of these policies is essential to the ongoing operation of the Debtors' business.

25. The Debtors are required to pay premiums under the Liability and Property Insurance Programs based upon fixed rates established by the applicable Insurance Carrier. In most instances, the Debtors paid the respective premiums due under the various Liability and Property Insurance Programs in advance to the Insurance Broker. However, premiums under the automobile insurance policy the Debtors maintain with Zurich are due on a monthly installment basis in the amount of approximately \$15,000.00 after an initial down payment in October 2008. As of the Commencement Date, the Debtors are obliged to make further payments under the automobile insurance policy, with such payments being due on the first of every month. The Debtors seek the Court's authorization to pay, in their discretion, these amounts as they come due in the ordinary course of the Debtors' business.

26. In addition to the annual premiums, certain of the Liability and Property Insurance Programs impose various deductibles for claims asserted under the policies. The amounts of the applicable deductibles are set forth in “Exhibit B.” All deductibles are paid by HVM, and, therefore, the Debtors believe they do not owe any obligations with respect to the deductibles imposed by certain of the Liability and Property Insurance Programs.

27. Lastly, certain of the Liability and Property Insurance Programs expire in the next few months. The Debtors will be required to renew or enter into new Liability and Property Insurance Programs to replace those expiring policies. The new policies may require the Debtors to pay premiums in advance. Although the Debtors do not believe they are required to seek authority from the Court to renew or enter into new Liability and Property Insurance Programs, out of an abundance of caution, the Debtors request such authorization. Additionally the Debtors request the Court’s authorization to pay, in their discretion, any associated premiums incurred as a result of such renewal.

C. Insurance Programs Maintained by HVM and HVM Canada on the Debtors’ Behalf

28. In addition to the General Liability Program and the Liability and Property Insurance Programs, HVM maintains, on behalf of the Debtors’ U.S. operations, multiple layers of risk protection against director and officers’ liability, as well as risk protection against employment practices liability, employed lawyers professional liability, excess executive liability and crime and special circumstances. HVM is responsible for paying all premiums and associated costs with maintaining these policies. As such, the Debtors do not owe any amounts relating to the prepetition period for any of these policies.

29. Similarly, HVM Canada maintains, on behalf of the Debtors’ Canadian operations, general liability and automobile insurance programs. All premiums and costs

associated with maintaining these programs are paid by HVM Canada. Thus, the Debtors do not owe any amounts relating to the prepetition period for any of these policies.

Insurance Broker Fees

30. HVM employs, on the Debtors' behalf, the Insurance Broker, to assist the Debtors with the procurement and negotiation of their Insurance Programs and the processing of claims, and, in certain circumstances, to remit payment to the Insurance Carriers on behalf of the Debtors. Because the Insurance Broker's fees are paid by HVM, the Debtors do not owe any amounts with respect thereto.

Debtors Request Authority to (i) Continue the Insurance Programs and (ii) Pay all Obligations in Respect Thereof

31. Pursuant to sections 105(a), 362(d), 363(b), and 503(b) of the Bankruptcy Code and Bankruptcy Rules 4001 and 6004, the Debtors seek authority to continue, in their sole discretion, the Insurance Programs on an uninterrupted basis, and in accordance with the same practices and procedures as were in effect prior to the Commencement Date. Furthermore, the Debtors seek authority to pay, in their sole discretion, all undisputed premiums, deductibles, administrative fees, and other obligations arising under the Insurance Programs, as applicable, that are due and payable, whether related to the period before or after the Commencement Date.

32. Pursuant to section 503(b)(1) of the Bankruptcy Code, a debtor may incur, and the court, after notice and a hearing, shall allow as administrative expenses, among other things, "the actual, necessary costs and expenses of preserving the estate." 11 U.S.C. § 503(b)(1). In addition, pursuant to section 363(b) of the Bankruptcy Code, a debtor may, in the exercise of its sound business judgment and after notice and a hearing, use property of the estate outside of the ordinary course of business. 11 U.S.C. § 363(b). The Debtors submit that the use

of estate funds for payment of the Insurance Obligations is permitted by sections 503(b)(1) and 363(b) of the Bankruptcy Code as a necessary cost of preserving the estates.

33. Furthermore, to supplement these explicit powers, section 105(a) of the Bankruptcy Code empowers the Court to “issue any order, process, or judgment that is necessary or appropriate to carry out the provisions of this title.” 11 U.S.C. § 105(a). A bankruptcy court’s use of its equitable powers to “authorize the payment of pre-petition debt when such payment is needed to facilitate the rehabilitation of the debtor is not a novel concept.” In re Ionosphere Clubs, Inc., 98 B.R. 174, 175 (Bankr. S.D.N.Y. 1989). “Under 11 U.S.C. § 105 the court can permit pre-plan payment of a pre-petition obligation when essential to the continued operation of the debtor.” In re NVR L.P., 147 B.R. 126, 127 (Bankr. E.D. Va. 1992) (citing Ionosphere Clubs, 98 B.R. at 177).

34. In a long line of well-established cases, federal courts consistently have permitted postpetition payment of prepetition obligations where necessary to preserve or enhance the value of a debtor’s estate for the benefit of all creditors. See, e.g., Miltenberger v. Logansport C. & S.W. Ry. Co., 106 U.S. 286, 312 (1882) (payment of pre-receivership claim prior to reorganization permitted to prevent “stoppage of [crucial] business relations”); Dudley v. Mealey, 147 F.2d 268 (2d Cir. 1945) (extending doctrine for payment of prepetition claims beyond railroad reorganization cases); Mich. Bureau of Workers’ Disability Comp. v. Chateaugay Corp. (In re Chateaugay Corp.), 80 B.R. 279, 285-86 (S.D.N.Y. 1987) (approving lower court order authorizing payment of prepetition wages, salaries, expenses, and benefits).

35. The “doctrine of necessity” functions in a chapter 11 reorganization as a mechanism by which the bankruptcy court can exercise its equitable power to allow payment of critical prepetition claims not explicitly authorized by the Bankruptcy Code. See In re Lehigh &

New England Ry. Co., 657 F.2d 570, 581 (3d Cir. 1981) (holding that a court may authorize the payment of prepetition claims if such payment was essential to the continued operation of the debtor); In re Boston & Me. Corp., 634 F.2d 1359, 1382 (1st Cir. 1980) (recognizing the existence of a judicial power to authorize trustees to pay claims for goods and services that are indispensably necessary to the debtors' continued operation). The doctrine is frequently invoked early in a chapter 11 case, particularly in connection with the payment of prepetition claims. The court in In re Structurelite Plastics Corp., 86 B.R. 922 (Bankr. S.D. Ohio 1988), indicated its accord with "the principle that a bankruptcy court may exercise its equity powers under section 105(a) to authorize payment of pre-petition claims where such payment is necessary to 'permit the greatest likelihood of survival of the debtor and payment of creditors in full or at least proportionately.'" 86 B.R. at 931 (quoting Chateaugay Corp., 80 B.R. at 287). The court stated that "a per se rule proscribing the payment of pre-petition indebtedness may well be too inflexible to permit the effectuation of the rehabilitative purposes of the Code." Id. at 932. The rationale for the doctrine of necessity rule is consistent with the paramount goal of chapter 11 – "facilitating the continued operation and rehabilitation of the debtor." Ionosphere Clubs, 98 B.R. at 176. Accordingly, pursuant to section 105(a) of the Bankruptcy Code, this Court is empowered to grant the relief requested herein.

36. Moreover, numerous courts in this jurisdiction have granted the relief requested herein in other chapter 11 cases. See, e.g., In re Gen. Growth Props., Inc., Case No. 09-11977 (ALG) (Bankr. S.D.N.Y. May 11, 2009) [Docket No. 462]; In re BearingPoint, Inc., Case No. 09-10691 (REG) (Bankr. S.D.N.Y. Mar. 13, 2009) [Docket No. 223]; In re Lenox Sales, Inc., Case No. 08-14679 (ALG) (Bankr. S.D.N.Y. Dec. 16, 2008) [Docket No. 125]; In re Lehman Bros. Holdings Inc., Case No. 08-13555 (JMP) (Bankr. S.D.N.Y. Nov. 5, 2008) [Docket

No. 1398]; In re Steve & Barry's Manhattan LLC, Case No. 08-12579 (ALG) (Bankr. S.D.N.Y. July 29, 2008) [Docket No. 289]; In re Lexington Precision Corp., Case No. 08-11153 (MG) (Bankr. S.D.N.Y. Apr. 22, 2008) [Docket No. 80]; In re Fortunoff Fine Jewelry & Silverware, LLC, Case No. 08-10353 (JMP) (Bankr. S.D.N.Y. Feb. 29, 2008) [Docket No. 312]; In re PRC, LLC, Case No. 08-10239 (MG) (Bankr. S.D.N.Y. Jan. 25, 2008) [Docket No. 37].⁴

Continuing the Insurance Programs and Paying All Obligations in Respect Thereof Is Necessary to Preserve the Value of the Debtors' Estates

37. The nature of the Debtors' business and the extent of their operations make it essential for the Debtors to maintain their Insurance Programs on an uninterrupted basis. The Debtors' business includes over 680 hotels spread across 44 states and two Canadian provinces. The Debtors require numerous Insurance Programs to meet the many and varied needs of its operations. The nonpayment of any premiums, deductibles, or related fees under one of the Insurance Programs could result in one or more of the Insurance Carriers declining to renew their insurance policies or refusing to enter into new insurance agreements with the Debtors in the future. If the Insurance Programs lapse without renewal, the Debtors could be exposed to substantial liability for personal and/or property damages to the detriment of all parties in interest. Furthermore, the Debtors would then be required to obtain replacement policies on an expedited basis at a significant cost to the estates.

38. Moreover, the success of the Debtors' business and, therefore, these chapter 11 cases, is contingent upon the efforts of hotel-level employees. The retention and dedication of such individuals depends on the continued effectiveness of the Workers' Compensation Programs. The risk that eligible workers' compensation claimants will not

⁴ Because of the voluminous nature of the unreported orders cited herein, they are not annexed to this Motion. Copies of these orders are available upon request of Debtors' counsel, including at the hearing to consider the Motion.

receive timely payment for prepetition employment-related injuries could have a devastating effect on the financial well-being and morale of those working at the Debtors' hotels. The departure of those individuals at this critical time may result in a severe disruption of the Debtors' business, with a substantially adverse impact on the Debtors, the value of their assets and their business and, ultimately, these chapter 11 cases.

39. Additionally, applicable state law mandates that the Debtors maintain workers' compensation coverage for those individuals. Failure by the Debtors to pay the premiums associated with their Workers' Compensation Programs would jeopardize their coverage and expose the Debtors to substantial liability for fines imposed by various state workers' compensation boards — all at a cost to the Debtors' estates.

40. Not only is maintenance of the Insurance Programs critical to the Debtors' uninterrupted business operations, but it is also critical to the Debtors' reorganization effort. Section 1112(b)(4)(C) of the Bankruptcy Code provides that “failure to maintain appropriate insurance that poses a risk to the estate or to the public,” is “cause” for mandatory conversion or dismissal of a chapter 11 case. 11 U.S.C. 1112(b)(4)(C). Here, the nature of the Debtors' business requires the Debtors to carry certain insurance policies for the preservation of their hotel properties and the safety of those working in and patronizing their hotels. The failure to continue to carry such policies may provide cause to convert or dismiss the Debtors' case and foreclose the possibility of a successful reorganization.

41. Finally, pursuant to the terms of the guidelines established by the Office of the United States Trustee for the Southern District of New York (the “U.S. Trustee”), the Debtors are obligated to remain current with respect to their primary Insurance Programs. Therefore, the continuation of the Insurance Programs, on an uninterrupted basis, and the

payment of all undisputed prepetition and postpetition Insurance Obligations arising under the Insurance Programs are essential to preserve the Debtors' business and preserve the value of the Debtors' estates for all creditors. For the foregoing reasons, the Court should authorize the Debtors to continue the Insurance Programs as such practices, programs, and policies were in effect as of the Commencement Date and authorize the Debtors, in their discretion, to pay any undisputed prepetition claims arising under the Insurance Program as they come due.

Reservation of Rights

42. To the extent any Insurance Program or related agreement is deemed an executory contract within the meaning of section 365 of the Bankruptcy Code, the Debtors do not seek to assume any such contract at this time. Accordingly, if the Court authorizes the payments described above, such payments should not be deemed to constitute a postpetition assumption or adoption of the programs, policies, or agreements as executory contracts pursuant to section 365 of the Bankruptcy Code. The Debtors are in the process of reviewing these matters and reserve all of their rights under the Bankruptcy Code with respect thereto.

43. The Debtors also reserve all rights to contest the amount or validity of any obligations arising from the Insurance Programs.

Interim Relief Should Be Granted

44. The Debtors seek authority to continue the Insurance Programs and to pay those obligations that are or become due and payable prior to the Final Hearing. The Debtors also seek authority to revise, extend, renew, supplement, change or enter into new Insurance Programs, as needed. In addition, the Debtors request that the automatic stay be waived for workers' compensation claims on an interim basis.

45. The Debtors' submit the facts cited herein illustrate that the interim relief requested in this Motion is necessary to avoid immediate and irreparable harm to the Debtors and their estates. Based on the foregoing, Bankruptcy Rule 6003 has been satisfied.

46. Furthermore, the Debtors seek a waiver of the notice requirements under Bankruptcy Rule 6004(a) and the stay of the order authorizing the use, sale, or lease of property under Bankruptcy Rule 6004(h).

Financial Institutions Should Be Authorized and Directed to Honor and Process Checks Issued and Make Other Transfers to Pay Insurance Obligations

47. As a result of the commencement of the Debtors' chapter 11 cases, and in the absence of an order of the Court providing otherwise, the Banks may dishonor the Debtors' checks or refuse to process requests for electronic funds transfers with respect to the Insurance Obligations. Therefore, the Debtors request that the Court authorize and direct the Banks, and any other bank or financial institution the Debtors are authorized to do business with under the Cash Management Motion⁵ to receive, process, honor, and pay all prepetition and postpetition checks issued or to be issued by the Debtors and any electronic funds transfers requested with respect to their Insurance Obligations. The Debtors also seek authority to issue new postpetition checks or effect postpetition electronic funds transfer requests with respect to the Insurance Obligations to replace any prepetition check that may be dishonored or electronic funds transfer that may be rejected.

⁵ Contemporaneously herewith the Debtors filed the Debtors' Motion Pursuant to Sections 105(a), 345(b), 363(b), 363(c) and 364(a) of the Bankruptcy Code and Bankruptcy Rules 6003 and 6004 for Order (A) Authorizing Debtors to (i) Continue Using Existing Centralized Cash Management System, as Modified (ii) Honor Certain Prepetition Obligations Related to the Use of the Cash Management System, and (iii) Maintain Existing Bank Accounts and Business Forms; (B) Extending Debtors' Time to Comply With or Seek a Waiver of Section 345(b) of the Bankruptcy Code, and (C) Scheduling a Final Hearing (the "Cash Management Motion").

48. The Debtors represent that each of these checks and electronic funds transfers is or will be drawn on accounts the Debtors are permitted to utilize under the Cash Management Motion, and can be readily identified as relating directly to payments under the Insurance Programs. Accordingly, the Debtors believe that prepetition checks and electronic funds transfers other than those relating to the Insurance Programs will not be honored inadvertently.

Notice

49. No trustee, examiner, or creditors' committee has been appointed in these chapter 11 cases. The Debtors have served notice of this Motion on the parties listed on "Exhibit 2" attached to the Proposed Order, and those creditors holding the five largest unsecured claims against the Debtors' estates (on a consolidated basis). The Debtors submit that no other or further notice need be provided.

50. No previous request for the relief sought herein has been made by the Debtors to this or any other court.

WHEREFORE the Debtors respectfully request that the Court grant the relief requested herein and such other and further relief as it deems just and proper.

Dated: June 15, 2009
New York, New York

/s/ Jacqueline Marcus
Marcia L. Goldstein
Jacqueline Marcus
WEIL, GOTSHAL & MANGES LLP
767 Fifth Avenue
New York, New York 10153
Telephone: (212) 310-8000
Facsimile: (212) 310-8007

Proposed Attorneys for Debtors
and Debtors in Possession

Exhibit A

Debtor	Last Four Digits of Federal Tax I.D. Number
Extended Stay Inc.	7401
ESA P Portfolio L.L.C. f/k/a BRE/ESA P Portfolio L.L.C.	7190
ESA 2005 Portfolio L.L.C. f/k/a BRE/ESA 2005 Portfolio L.L.C.	8617
ESA 2005-San Jose L.L.C. f/k/a BRE/ESA 2005-San Jose L.L.C.	1317
ESA 2005-Waltham L.L.C. f/k/a BRE/ESA 2005-Waltham L.L.C.	1418
ESA Acquisition Properties L.L.C. f/k/a BRE/ESA Acquisition Properties L.L.C.	8149
ESA Alaska L.L.C. f/k/a BRE/ESA Alaska L.L.C.	8213
ESA Canada Properties Borrower L.L.C. f/k/a BRE/ESA Canada Properties Borrower L.L.C.	7476
ESA FL Properties L.L.C. f/k/a BRE/ESA FL Properties L.L.C.	7687
ESA MD Borrower L.L.C. f/k/a BRE/ESA MD Borrower L.L.C.	8839
ESA MN Properties L.L.C. f/k/a BRE/ESA MN Properties L.L.C.	0648
ESA P Portfolio MD Borrower L.L.C. f/k/a BRE/ESA P Portfolio MD Borrower L.L.C.	7448
ESA P Portfolio PA Properties L.L.C. f/k/a BRE/ESA P Portfolio PA Properties L.L.C.	6306
ESA P Portfolio TXNC Properties L.P. f/k/a BRE/ESA P Portfolio TXNC Properties L.P.	7378
ESA PA Properties L.L.C. f/k/a BRE/ESA PA Properties L.L.C.	7652
ESA Properties L.L.C. f/k/a BRE/ESA Properties L.L.C.	1249
ESA TX Properties L.P. f/k/a BRE/ESA TX Properties L.P.	1295
ESH/Homestead Portfolio L.L.C. f/k/a BRE/Homestead Portfolio L.L.C.	9049
ESH/HV Properties L.L.C. f/k/a BRE/HV Properties L.L.C.	8927
ESH/MSTX Property L.P. f/k/a BRE/MSTX Property L.P.	5862
ESH/TN Properties L.L.C. f/k/a BRE/TN Properties L.L.C.	5781
ESH/TX Properties L.P. f/k/a BRE/TX Properties L.P.	6964
ESH/Homestead Mezz L.L.C. f/k/a BRE/Homestead Mezz L.L.C.	9883

Debtor	Last Four Digits of Federal Tax I.D. Number
ESA P Mezz L.L.C. f/k/a BRE/ESA P Mezz L.L.C.	7467
ESA Mezz L.L.C. f/k/a BRE/ESA Mezz L.L.C.	0767
ESH/Homestead Mezz 2 L.L.C. f/k/a BRE/Homestead Mezz 2 L.L.C.	9903
ESA P Mezz 2 L.L.C. f/k/a BRE/ESA P Mezz 2 L.L.C.	7480
ESA Mezz 2 L.L.C. f/k/a BRE/ESA Mezz 2 L.L.C.	0866
ESH/Homestead Mezz 3 L.L.C. f/k/a BRE/Homestead Mezz 3 L.L.C.	9936
ESA P Mezz 3 L.L.C. f/k/a BRE/ESA P Mezz 3 L.L.C.	8977
ESA Mezz 3 L.L.C. f/k/a BRE/ESA Mezz 3 L.L.C.	0929
ESH/Homestead Mezz 4 L.L.C. f/k/a BRE/Homestead Mezz 4 L.L.C.	9953
ESA P Mezz 4 L.L.C. f/k/a BRE/ESA P Mezz 4 L.L.C.	8997
ESA Mezz 4 L.L.C. f/k/a BRE/ESA Mezz 4 L.L.C.	0964
ESH/Homestead Mezz 5 L.L.C. f/k/a BRE/Homestead Mezz 5 L.L.C.	9613
ESA P Mezz 5 L.L.C. f/k/a BRE/ESA P Mezz 5 L.L.C.	9186
ESA Mezz 5 L.L.C. f/k/a BRE/ESA Mezz 5 L.L.C.	1006
ESH/Homestead Mezz 6 L.L.C. f/k/a BRE/Homestead Mezz 6 L.L.C.	9667
ESA P Mezz 6 L.L.C. f/k/a BRE/ESA P Mezz 6 L.L.C.	9247
ESA Mezz 6 L.L.C. f/k/a BRE/ESA Mezz 6 L.L.C.	8995
ESH/Homestead Mezz 7 L.L.C. f/k/a BRE/Homestead Mezz 7 L.L.C.	9722
ESA P Mezz 7 L.L.C. f/k/a BRE/ESA P Mezz 7 L.L.C.	9349
ESA Mezz 7 L.L.C. f/k/a BRE/ESA Mezz 7 L.L.C.	9065
ESH/Homestead Mezz 8 L.L.C. f/k/a BRE/Homestead Mezz 8 L.L.C.	9779
ESA P Mezz 8 L.L.C.	9402
ESA Mezz 8 L.L.C. f/k/a BRE/ESA Mezz 8 L.L.C.	9117
ESH/Homestead Mezz 9 L.L.C. f/k/a BRE/Homestead Mezz 9 L.L.C.	1011
ESA P Mezz 9 L.L.C.	0281

Debtor	Last Four Digits of Federal Tax I.D. Number
ESA Mezz 9 L.L.C.	0923
ESH/Homestead Mezz 10 L.L.C. f/k/a BRE/Homestead Mezz 10 L.L.C.	1063
ESA P Mezz 10 L.L.C.	0224
ESA Mezz 10 L.L.C.	0175
Homestead Village L.L.C. f/k/a BRE/Homestead Village L.L.C.	8930
ESA MD Beneficiary L.L.C. f/k/a BRE/ESA MD Beneficiary L.L.C.	7038
ESA P Portfolio MD Trust f/k/a BRE/ESA P Portfolio MD Trust	8258
ESA MD Properties Business Trust f/k/a BRE/ESA MD Properties Business Trust	6992
ESA P Portfolio MD Beneficiary L.L.C. f/k/a BRE/ESA P Portfolio MD Beneficiary L.L.C.	8432
ESA Canada Properties Trust f/k/a BRE/ESA Canada Properties Trust	2314
ESA Canada Trustee Inc. f/k/a BRE/ESA Canada Trustee Inc.	2861
ESA Canada Beneficiary Inc. f/k/a BRE/ESA Canada Beneficiary Inc.	7543
ESA UD Properties L.L.C.	7075
ESA 2007 Operating Lessee Inc. f/k/a BRE/ESA 2007 Operating Lessee Inc.	9408
ESA 2005 Operating Lessee Inc. f/k/a BRE/ESA 2005 Operating Lessee Inc.	8471
ESA Operating Lessee Inc. f/k/a BRE/ESA Operating Lessee Inc.	4369
ESA P Portfolio Operating Lessee Inc. f/k/a BRE/ESA P Portfolio Operating Lessee Inc.	7433
ESA Business Trust f/k/a BRE/ESA Business Trust	8078
ESA Management L.L.C.	9101
ESA P Portfolio Holdings L.L.C. f/k/a BRE/ESA P Portfolio Holdings L.L.C.	8432
ESA Canada Operating Lessee Inc. f/k/a BRE/ESA Canada Operating Lessee Inc.	8838
Extended Stay Hotels L.L.C.	7438

Exhibit B

Insurance Programs

Insurance Programs

Type of Coverage	Insurer	Policy Number(s)	Policy Term	Annual Premium	Deductible
General Liability	Zurich American Insurance Company	GLO9373922-04	October 1, 2008 - October 1, 2009	\$654,289.00	\$250,000.00
General Liability (Loss Reserve)	Zurich American Insurance Company	GLO9373922-04	October 1, 2008 - October 1, 2009	\$3,800,000.00	None.
Automobile Liability	Zurich American Insurance Company	BAP5085640-04	October 1, 2008 – October 1, 2009	\$188,449.00	None
Workers' Compensation	Zurich American Insurance Company	WC93017585-08	October 1, 2008 – October 1, 2009	\$6,800,158.00	None
Commercial Property	Lloyds	B080111384U09	April 30, 2009 – April 30, 2010	\$6,188,777.67 (Property Program Total)	\$100,000.00 except: <u>Flood:</u> <ul style="list-style-type: none"> - Special Flood Hazard Area – 5% per unit/\$500k min - Named Storm Florida – 5% per unit/\$250k min - Named Storm Tier 1 – 2% per unit/\$250k min
Commercial Property	Lexington	084143844	April 30, 2009 – April 30, 2010		
Commercial Property	Federal Insurance Company	3589-12-97	April 30, 2009 – April 30, 2010		
Commercial Property	Starr Specialty Lines	09SSP4264110001 / CPP9192738	April 30, 2009 – April 30, 2010		
Commercial Property	Liberty Mutual	MQ2-L9L-451863-019	April 30, 2009 – April 30, 2010		
Commercial Property	Arch	PRP0033207-00	April 30, 2009 – April 30, 2010		
Commercial Property	Max Bermuda	26790-2974-PRMAN-2009	April 30, 2009 – April 30, 2010		
Commercial Property	Westchester Surplus Lines	D37364071001	April 30, 2009 – April 30, 2010		
Commercial Property	Empire Indemnity	900168UX-1	April 30, 2009 – April 30, 2010		
Commercial Property	Industrial Risk Insurers	31-3-72524	April 30, 2009 – April 30, 2010		

Type of Coverage	Insurer	Policy Number(s)	Policy Term	Annual Premium	Deductible
Commercial Property	Axis US	MGB717098-09	April 30, 2009 – April 30, 2010		<ul style="list-style-type: none"> - Florida – 5% per unit/\$250k min - Tier 1 – 2% per unit/\$250k min
Commercial Property	Landmark American	LHD362324	April 30, 2009 – April 30, 2010		
Commercial Property	Lancashire	B28817DIXB09	April 30, 2009 – April 30, 2010		
California Earthquake	Western Re	AXS100857 / LLB13744	April 30, 2009 – April 30, 2010		
California Earthquake	Endurance	CPN10001366500	April 30, 2009 – April 30, 2010		
California Earthquake	Shelter Re (Northshore Management)	SHR0174	April 30, 2009 – April 30, 2010		
Premises Pollution Liability	Greenwich Insurance Company	PEC000585603	October 2, 2008 – October 2, 2011	\$260,226.00	\$250,000.00
Umbrella - Primary	XI Insurance America, Inc.	US00009098LI08A	October 1, 2008 – October 1, 2009	\$308,000.00	\$10,000.00
Excess – 2nd Layer	Marine Insurance Company	QI03800665	October 1, 2008 – October 1, 2009	\$110,000.00	None
Excess – 3rd Layer	American Guarantee & Liability Insurance	ACE5967161-00	October 1, 2008 – October 1, 2009	\$42,016.00	None
Excess – 4th Layer	The North River Insurance Co. (Crum)	552-745967-7	October 1, 2008 – October 1, 2009	\$30,000.00	None
Flood - Extended Stay	Fidelity National Property & Casualty	347701191864	September 21, 2008 – September 21, 2009	\$1,650.00	\$500.00
Flood - Extended Stay	Fidelity National Property & Casualty	97700623539	September 23, 2008 – September 23, 2009	\$954.00	\$5,000.00
Flood - Extended Stay	Fidelity National Property & Casualty	097700623843	September 23, 2008 – September 23, 2009	\$1,117.00	\$5,000.00
Flood - Extended Stay	Fidelity National Property & Casualty	097700623536	September 23, 2008 – September 23, 2009	\$954.00	\$5,000.00

Type of Coverage	Insurer	Policy Number(s)	Policy Term	Annual Premium	Deductible
Flood - Extended Stay	Fidelity National Property & Casualty	427700625198	October 1, 2008 – October 1, 2009	\$1,182.00	\$5,000.00
Flood - Extended Stay	Fidelity National Property & Casualty	177700626589	October 11, 2008 – October 11, 2009	\$1,182.00	\$5,000.00
Flood – Extended Stay	Fidelity National Property & Casualty	FLD1265271	December 1, 2008 – December 1, 2009	\$2,530.00	\$500.00
Flood – Extended Stay	Fidelity National Property & Casualty	FLD1265272	December 1, 2008 – December 1, 2009	\$2,530.00	\$500.00
Flood – Extended Stay	Fidelity National Property & Casualty	FLD265273	December 1, 2008 – December 1, 2009	\$2,530.00	\$500.00
Flood – Extended Stay	Fidelity National Property & Casualty	FLD265274	December 1, 2008 – December 1, 2009	\$2,530.00	\$500.00
Flood - Studio Plus	Fidelity National Property & Casualty	97700631203	January 27, 2009 – January 27, 2010	\$3,368.00	\$5,000.00
Flood - Extended Stay	Fidelity National Property & Casualty	97700937507	February 9, 2009 – February 9, 2010	\$1,076.00	\$5,000.00
Flood - Extended Stay	Fidelity National Property & Casualty	97700937512	February 9, 2009 – February 9, 2010	\$1,076.00	\$5,000.00
Flood - Extended Stay	Fidelity National Property & Casualty	47700937525	February 9, 2009 – February 9, 2010	\$3,739.00	\$5,000.00
Flood - Extended Stay	Fidelity National Property & Casualty	97700937509	February 9, 2009 – February 9, 2010	\$1,076.00	\$5,000.00
Flood - Extended Stay	Fidelity National Property & Casualty	47700937514	February 9, 2009 – February 9, 2010	\$1,076.00	\$5,000.00
Flood - ESA - Wellesley	Fidelity National Property & Casualty	97700647157	March 20, 2009 – March 20, 2010	\$893.00	\$5,000.00
Flood - ESA - Wellesley	Fidelity National Property & Casualty	97700643673	March 20, 2009 – March 20, 2010	\$1,139.00	\$5,000.00
Flood - Homestead	Fidelity National Property & Casualty	040009598907	April 10, 2009 – April 10, 2010	\$658.00	\$500.00
Flood - Homestead	Fidelity National	97700513828	April 13, 2009 –	\$585.00	\$500.00

Type of Coverage	Insurer	Policy Number(s)	Policy Term	Annual Premium	Deductible
	Property & Casualty		April 13, 2010		
Flood - Homestead	Fidelity National Property & Casualty	097700513830	April 13, 2009 – April 13, 2010	\$561.00	\$500.00
Flood - Homestead	Fidelity National Property & Casualty	427700505117	April 13, 2009 – April 13, 2010	\$531.00	\$500.00
Flood - Extended Stay	Fidelity National Property & Casualty	047701163607	May 1, 2009 – May 1, 2010	\$1,349.00	\$5,000.00
Flood - Extended Stay	Fidelity National Property & Casualty	97700599541	June 4, 2009 – June 4, 2010	\$2,636.00	\$5,000.00
Flood - Extended Stay	Fidelity National Property & Casualty	97700599534	June 4, 2009 – June 4, 2010	\$1,076.00	\$5,000.00
Flood - Extended Stay	Fidelity National Property & Casualty	97700599550	June 4, 2009 – June 4, 2010	\$1,007.00	\$5,000.00
Flood - Extended Stay	Fidelity National Property & Casualty	97700599545	June 4, 2009 – June 4, 2010	\$950.00	\$5,000.00
Flood - Extended Stay	Fidelity National Property & Casualty	97700599553	June 4, 2009 – June 4, 2010	\$1,076.00	\$5,000.00
Flood - Extended Stay	Fidelity National Property & Casualty	97700599557	June 4, 2009 – June 4, 2010	\$1,139.00	\$5,000.00
Flood - Extended Stay	Fidelity National Property & Casualty	47700599519	June 4, 2009 – June 4, 2010	\$1,007.00	\$5,000.00
Flood - Extended Stay	Fidelity National Property & Casualty	47700599529	June 4, 2009 – June 4, 2010	\$1,179.00	\$5,000.00
Flood - Extended Stay	Fidelity National Property & Casualty	177700599514	June 4, 2009 – June 4, 2010	\$1,007.00	\$5,000.00
Flood - Extended Stay	Fidelity National Property & Casualty	177700599511	June 4, 2009 – June 4, 2010	\$1,117.00	\$5,000.00
Flood - Extended Stay	Fidelity National Property & Casualty	177700599503	June 4, 2009 – June 4, 2010	\$1,117.00	\$5,000.00
Flood - Extended Stay	Fidelity National Property & Casualty	297700599493	June 4, 2009 – June 4, 2010	\$1,007.00	\$5,000.00

Type of Coverage	Insurer	Policy Number(s)	Policy Term	Annual Premium	Deductible
Flood - Studio Plus	Fidelity National Property & Casualty	377700599497	June 4, 2009 – June 4, 2010	\$1,179.00	\$5,000.00
Flood - Extended Stay	Fidelity National Property & Casualty	377700599590	June 8, 2009 – June 8, 2010	\$1,179.00	\$5,000.00
Flood - Homestead	Fidelity National Property & Casualty	40009598906	June 13, 2008 – June 13, 2009	\$658.00	\$500.00
Flood - Homestead	Fidelity National Property & Casualty	97700769093	July 22, 2008 – July 22, 2009	\$954.00	\$5,000.00
Flood - Extended Stay	Fidelity National Property & Casualty	317700769060	July 22, 2008 – July 22, 2009	\$1,179.00	\$5,000.00
Flood - Extended Stay	Fidelity National Property & Casualty	127700769058	July 22, 2008 – July 22, 2009	\$3,368.00	\$5,000.00
Flood - Homestead	Fidelity National Property & Casualty	97700769051	July 22, 2008 – July 22, 2009	\$1,076.00	\$5,000.00
Flood - Studio Plus	Fidelity National Property & Casualty	467700769084	July 22, 2008 – July 22, 2009	\$3,554.00	\$5,000.00
Flood - Homestead	Fidelity National Property & Casualty	047700513834	July 25, 2008 – July 25, 2009	\$539.00	\$500.00

Exhibit C

Proposed Order

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

-----X
: **Chapter 11 Case No.**
: **09-____()**
: **(Joint Administration Requested)**
: **Debtors.**
: **Debtors.**
-----X

**INTERIM ORDER PURSUANT TO SECTIONS 105(a),
362(d), 363(b), AND 503(b) OF THE BANKRUPTCY CODE AND
BANKRUPTCY RULES 4001, 6003, AND 6004 (A) (i) AUTHORIZING THE
DEBTORS TO CONTINUE THEIR WORKERS' COMPENSATION PROGRAMS
AND LIABILITY, PROPERTY, AND OTHER INSURANCE PROGRAMS
AND (ii) AUTHORIZING DEBTORS TO PAY ALL PREPETITION OBLIGATIONS
IN RESPECT THEREOF; (B) AUTHORIZING FINANCIAL INSTITUTIONS
TO HONOR AND PROCESS CHECKS AND ELECTRONIC FUNDS TRANSFERS
RELATED TO SUCH OBLIGATIONS; AND (C) SCHEDULING A FINAL HEARING**

Upon the motion, dated June __, 2009 (the "Motion"), of Extended Stay Inc. and its debtor affiliates, as debtors and debtors in possession (collectively, the "Debtors"), for an order, pursuant to sections 105(a), 362(d), 363(b), and 503(b) of chapter 11 of title 11 of the United States Code (the "Bankruptcy Code") and Rules 4001, 6003 and 6004 of the Federal Rules of Bankruptcy Procedure, for an order (A) authorizing the Debtors to (i) continue and/or renew their existing insurance programs uninterrupted, including without limitation those insurance programs listed on "Exhibit 1" attached hereto (the "Insurance Programs"); (ii) pay, in the Debtors' discretion, the undisputed prepetition obligations, as well as, on an ongoing basis, any postpetition obligations thereunder (the "Insurance Obligations"); and (iii) modify the automatic stay solely and for the limited purpose of permitting employees with claims under the Workers' Compensation Program to proceed with their claims in accordance with such program in the appropriate judicial or administrative forum; (B) authorizing and directing certain banks

and financial institutions (the “Banks”) to honor and process checks and electronic funds transfers related to the Insurance Obligations, and (C) scheduling a hearing to consider the relief requested on a permanent basis (the “Final Hearing”), all as more fully described in the Motion; and the Court having jurisdiction to consider the Motion and the relief requested therein in accordance with 28 U.S.C. §§ 157 and 1334 and the Standing Order M-61 Referring to Bankruptcy Judges for the Southern District of New York Any and All Proceedings Under Title 11, dated July 10, 1984 (Ward, Acting C.J.); and consideration of the Motion and the relief requested therein being a core proceeding pursuant to 28 U.S.C. § 157(b); and venue being proper before this Court pursuant to 28 U.S.C. §§ 1408 and 1409; and due and proper notice of the Motion having been provided to the parties listed on “Exhibit 2” attached hereto and those creditors holding the five largest unsecured claims against the Debtors’ estates (on a consolidated basis) (collectively, the “Notice Parties”), and it appearing that no other or further notice need be provided; and a hearing having been held to consider the relief requested in the Motion (the “Interim Hearing”); and the appearances of all interested parties having been noted in the record of the Interim Hearing; and upon the Declaration of Joseph Teichman Pursuant to Rule 1007-2 for the Local Bankruptcy Rules of the Southern District of New York in Support of First-Day Motions and Applications, filed contemporaneously with the Motion, the record of the Interim Hearing, and all of the proceedings had before the Court; and the Court having found and determined that the relief sought in the Motion is in the best interests of the Debtors, their estates and creditors, and all parties in interest and that the legal and factual bases set forth in the Motion establish just cause for the relief granted herein; and after due deliberation and sufficient cause appearing therefor, it is

ORDERED that the Motion is granted on an interim basis; and it is further

ORDERED that the Debtors are authorized and empowered to maintain their existing Insurance Programs without interruption, on the same basis, and in accordance with the same practices and procedures that were in effect prior to the commencement of the Debtors' chapter 11 cases; and it is further

ORDERED that the Debtors, in their sole discretion, are authorized, but not required, to enter, revise, extend, renew, supplement, change or enter into new Insurance Programs in the ordinary course of their business; and it is further

ORDERED that the Debtors, in their sole discretion, are authorized, but not required, to pay all Insurance Obligations that are or become payable prior to the Final Hearing, including, without limitation, all premiums, claims, deductibles, excess, retrospective adjustments, administrative and brokers' fees, and all other obligations arising under the Insurance Programs, including those Insurance Obligations that (i) are due and payable and are related to the period before the commencement of these chapter 11 cases, and (ii) are or become due and payable and are related to the period after the commencement of these chapter 11 cases, without further Order of the Court; and it is further

ORDERED that pursuant to this interim Order, the Debtors shall only pay Insurance Obligations that become due and payable between the Commencement Date and entry of a final order approving this Motion; and it is further

ORDERED that, pursuant to section 362(d) of the Bankruptcy Code, to the extent any of the Debtors' employees hold claims under the Debtors' Workers' Compensation Programs, these employees are authorized to proceed with their workers' compensation claims through and including the collection of any judgment in the appropriate judicial or administrative forum under the Workers' Compensation Programs; provided that the prosecution of such claims

is in accordance with the applicable Workers' Compensation Program and the recoveries are limited to the proceeds available under the Workers' Compensation Program; and it is further

ORDERED that the Banks are authorized and directed to receive, honor, process, and pay, to the extent of funds on deposit, any and all prepetition checks issued and electronic funds transfers requested by the Debtors in respect of any Insurance Obligation, whether pre or postpetition; and it is further

ORDERED that any Bank may rely on the representations of the Debtors with respect to whether any check or electronic funds transfer drawn or issued by the Debtors prior to the Commencement Date should be honored pursuant to this Order, and such Bank shall not have any liability to any party for relying on such representations by the Debtors as provided for herein; and it is further

ORDERED that the Debtors are authorized to issue new postpetition checks or effect postpetition electronic funds transfer requests in replacement of any prepetition check issued or electronic funds transfer requested in respect of the Insurance Obligations that are dishonored or rejected; and it is further

ORDERED that the Debtors are authorized to take all actions necessary to effectuate the relief granted pursuant to this Order in accordance with the Motion; and it is further

ORDERED that nothing in this Order or the Motion shall be construed as prejudicing the rights of the Debtors to dispute or contest the amount of or basis for any claims against the Debtors in connection with or relating to the Debtors' Insurance Programs; and it is further

ORDERED that, to the extent that any Insurance Program or any related contract or agreement is deemed an executory contract within the meaning of section 365 of the Bankruptcy Code, neither this Order nor any payments made in accordance with this Order shall constitute the postpetition assumption of any such Insurance Program, contract, or related agreement pursuant to section 365 of the Bankruptcy Code; and it is further

ORDERED that Bankruptcy Rule 6003(b) has been satisfied; and it is further

ORDERED that notwithstanding any applicability of Rules 6004(h), 7062, or 9014 of the Bankruptcy Rules, the terms and conditions of this Order shall be immediately effective and enforceable upon its entry; and it is further

ORDERED that notice of the Motion as provided therein shall be deemed good and sufficient notice of such Motion and the requirements of Bankruptcy Rules 4001(d) and 6004(a) are waived; and it is further

ORDERED that the Final Hearing to consider entry of an order granting the relief requested in the Motion on a permanent basis shall be held on _____, 2009 at __:00 a.m./p.m. (Eastern Time); and any objections to entry of such order shall be in writing, filed with the Court in accordance with General Order M-242, and served upon the Notice Parties, in each case so as to be received no later than 4:00 p.m. (Eastern Time) on _____, 2009; and it is further

ORDERED that if no objections are filed to the Motion, the Court may enter a final order substantially in the form of this Order without further notice or hearing; and it is further

ORDERED that the Debtors shall serve this Order within three business days of its entry on the Notice Parties; and it is further

ORDERED that this Court shall retain jurisdiction to hear and determine all matters arising from or related to the implementation, interpretation and/or enforcement of this Order.

Dated: June , 2009
New York, New York

UNITED STATES BANKRUPTCY JUDGE

Exhibit 1

Insurance Programs

Insurance Programs

Type of Coverage	Insurer	Policy Number(s)	Policy Term	Annual Premium	Deductible
General Liability	Zurich American Insurance Company	GLO9373922-04	October 1, 2008 - October 1, 2009	\$654,289.00	\$250,000.00
General Liability (Loss Reserve)	Zurich American Insurance Company	GLO9373922-04	October 1, 2008 - October 1, 2009	\$3,800,000.00	None.
Automobile Liability	Zurich American Insurance Company	BAP5085640-04	October 1, 2008 – October 1, 2009	\$188,449.00	None
Workers' Compensation	Zurich American Insurance Company	WC93017585-08	October 1, 2008 – October 1, 2009	\$6,800,158.00	None
Commercial Property	Lloyds	B080111384U09	April 30, 2009 – April 30, 2010	\$6,188,777.67 (Property Program Total)	\$100,000.00 except: <u>Flood:</u> - Special Flood Hazard Area – 5% per unit/\$500k min - Named Storm Florida – 5% per unit/\$250k min - Named Storm Tier 1 – 2% per unit/\$250k min <u>Earthquake</u> - California and Puerto Rico –
Commercial Property	Lexington	084143844	April 30, 2009 – April 30, 2010		
Commercial Property	Federal Insurance Company	3589-12-97	April 30, 2009 – April 30, 2010		
Commercial Property	Starr Specialty Lines	09SSP4264110001 / CPP9192738	April 30, 2009 – April 30, 2010		
Commercial Property	Liberty Mutual	MQ2-L9L-451863-019	April 30, 2009 – April 30, 2010		
Commercial Property	Arch	PRP0033207-00	April 30, 2009 – April 30, 2010		
Commercial Property	Max Bermuda	26790-2974-PRMAN-2009	April 30, 2009 – April 30, 2010		
Commercial Property	Westchester Surplus Lines	D37364071001	April 30, 2009 – April 30, 2010		
Commercial Property	Empire Indemnity	900168UX-1	April 30, 2009 – April 30, 2010		

Type of Coverage	Insurer	Policy Number(s)	Policy Term	Annual Premium	Deductible
Commercial Property	Industrial Risk Insurers	31-3-72524	April 30, 2009 – April 30, 2010		5% per unit/\$250k min <u>Named Windstorm</u> - Florida – 5% per unit/\$250k min - Tier 1 – 2% per unit/\$250k min
Commercial Property	Axis US	MGB717098-09	April 30, 2009 – April 30, 2010		
Commercial Property	Landmark American	LHD362324	April 30, 2009 – April 30, 2010		
Commercial Property	Lancashire	B28817DIXB09	April 30, 2009 – April 30, 2010		
California Earthquake	Western Re	AXS100857 / LLB13744	April 30, 2009 – April 30, 2010		
California Earthquake	Endurance	CPN10001366500	April 30, 2009 – April 30, 2010		
California Earthquake	Shelter Re (Northshore Management)	SHR0174	April 30, 2009 – April 30, 2010		
Premises Pollution Liability	Greenwich Insurance Company	PEC000585603	October 2, 2008 – October 2, 2011	\$260,226.00	\$250,000.00
Umbrella - Primary	XI Insurance America, Inc.	US00009098LI08A	October 1, 2008 – October 1, 2009	\$308,000.00	\$10,000.00
Excess – 2nd Layer	Marine Insurance Company	QI03800665	October 1, 2008 – October 1, 2009	\$110,000.00	None
Excess – 3rd Layer	American Guarantee & Liability Insurance	ACE5967161-00	October 1, 2008 – October 1, 2009	\$42,016.00	None
Excess – 4th Layer	The North River Insurance Co. (Crum)	552-745967-7	October 1, 2008 – October 1, 2009	\$30,000.00	None
Flood - Extended Stay	Fidelity National Property & Casualty	347701191864	September 21, 2008 – September 21, 2009	\$1,650.00	\$500.00
Flood - Extended Stay	Fidelity National Property & Casualty	97700623539	September 23, 2008 – September 23, 2009	\$954.00	\$5,000.00

Type of Coverage	Insurer	Policy Number(s)	Policy Term	Annual Premium	Deductible
Flood - Extended Stay	Fidelity National Property & Casualty	097700623843	September 23, 2008 – September 23, 2009	\$1,117.00	\$5,000.00
Flood - Extended Stay	Fidelity National Property & Casualty	097700623536	September 23, 2008 – September 23, 2009	\$954.00	\$5,000.00
Flood - Extended Stay	Fidelity National Property & Casualty	427700625198	October 1, 2008 – October 1, 2009	\$1,182.00	\$5,000.00
Flood - Extended Stay	Fidelity National Property & Casualty	177700626589	October 11, 2008 – October 11, 2009	\$1,182.00	\$5,000.00
Flood – Extended Stay	Fidelity National Property & Casualty	FLD1265271	December 1, 2008 – December 1, 2009	\$2,530.00	\$500.00
Flood – Extended Stay	Fidelity National Property & Casualty	FLD1265272	December 1, 2008 – December 1, 2009	\$2,530.00	\$500.00
Flood – Extended Stay	Fidelity National Property & Casualty	FLD265273	December 1, 2008 – December 1, 2009	\$2,530.00	\$500.00
Flood – Extended Stay	Fidelity National Property & Casualty	FLD265274	December 1, 2008 – December 1, 2009	\$2,530.00	\$500.00
Flood - Studio Plus	Fidelity National Property & Casualty	97700631203	January 27, 2009 – January 27, 2010	\$3,368.00	\$5,000.00
Flood - Extended Stay	Fidelity National Property & Casualty	97700937507	February 9, 2009 – February 9, 2010	\$1,076.00	\$5,000.00
Flood - Extended Stay	Fidelity National Property & Casualty	97700937512	February 9, 2009 – February 9, 2010	\$1,076.00	\$5,000.00
Flood - Extended Stay	Fidelity National Property & Casualty	47700937525	February 9, 2009 – February 9, 2010	\$3,739.00	\$5,000.00
Flood - Extended Stay	Fidelity National Property & Casualty	97700937509	February 9, 2009 – February 9, 2010	\$1,076.00	\$5,000.00
Flood - Extended Stay	Fidelity National Property & Casualty	47700937514	February 9, 2009 – February 9, 2010	\$1,076.00	\$5,000.00

Type of Coverage	Insurer	Policy Number(s)	Policy Term	Annual Premium	Deductible
Flood - ESA - Wellesley	Fidelity National Property & Casualty	97700647157	March 20, 2009 – March 20, 2010	\$893.00	\$5,000.00
Flood - ESA - Wellesley	Fidelity National Property & Casualty	97700643673	March 20, 2009 – March 20, 2010	\$1,139.00	\$5,000.00
Flood - Homestead	Fidelity National Property & Casualty	040009598907	April 10, 2009 – April 10, 2010	\$658.00	\$500.00
Flood - Homestead	Fidelity National Property & Casualty	97700513828	April 13, 2009 – April 13, 2010	\$585.00	\$500.00
Flood - Homestead	Fidelity National Property & Casualty	097700513830	April 13, 2009 – April 13, 2010	\$561.00	\$500.00
Flood - Homestead	Fidelity National Property & Casualty	427700505117	April 13, 2009 – April 13, 2010	\$531.00	\$500.00
Flood - Extended Stay	Fidelity National Property & Casualty	047701163607	May 1, 2009 – May 1, 2010	\$1,349.00	\$5,000.00
Flood - Extended Stay	Fidelity National Property & Casualty	97700599541	June 4, 2009 – June 4, 2010	\$2,636.00	\$5,000.00
Flood - Extended Stay	Fidelity National Property & Casualty	97700599534	June 4, 2009 – June 4, 2010	\$1,076.00	\$5,000.00
Flood - Extended Stay	Fidelity National Property & Casualty	97700599550	June 4, 2009 – June 4, 2010	\$1,007.00	\$5,000.00
Flood - Extended Stay	Fidelity National Property & Casualty	97700599545	June 4, 2009 – June 4, 2010	\$950.00	\$5,000.00
Flood - Extended Stay	Fidelity National Property & Casualty	97700599553	June 4, 2009 – June 4, 2010	\$1,076.00	\$5,000.00
Flood - Extended Stay	Fidelity National Property & Casualty	97700599557	June 4, 2009 – June 4, 2010	\$1,139.00	\$5,000.00
Flood - Extended Stay	Fidelity National Property & Casualty	47700599519	June 4, 2009 – June 4, 2010	\$1,007.00	\$5,000.00

Type of Coverage	Insurer	Policy Number(s)	Policy Term	Annual Premium	Deductible
Flood - Extended Stay	Fidelity National Property & Casualty	47700599529	June 4, 2009 – June 4, 2010	\$1,179.00	\$5,000.00
Flood - Extended Stay	Fidelity National Property & Casualty	177700599514	June 4, 2009 – June 4, 2010	\$1,007.00	\$5,000.00
Flood - Extended Stay	Fidelity National Property & Casualty	177700599511	June 4, 2009 – June 4, 2010	\$1,117.00	\$5,000.00
Flood - Extended Stay	Fidelity National Property & Casualty	177700599503	June 4, 2009 – June 4, 2010	\$1,117.00	\$5,000.00
Flood - Extended Stay	Fidelity National Property & Casualty	297700599493	June 4, 2009 – June 4, 2010	\$1,007.00	\$5,000.00
Flood - Studio Plus	Fidelity National Property & Casualty	377700599497	June 4, 2009 – June 4, 2010	\$1,179.00	\$5,000.00
Flood - Extended Stay	Fidelity National Property & Casualty	377700599590	June 8, 2009 – June 8, 2010	\$1,179.00	\$5,000.00
Flood - Homestead	Fidelity National Property & Casualty	40009598906	June 13, 2008 – June 13, 2009	\$658.00	\$500.00
Flood - Homestead	Fidelity National Property & Casualty	97700769093	July 22, 2008 – July 22, 2009	\$954.00	\$5,000.00
Flood - Extended Stay	Fidelity National Property & Casualty	317700769060	July 22, 2008 – July 22, 2009	\$1,179.00	\$5,000.00
Flood - Extended Stay	Fidelity National Property & Casualty	127700769058	July 22, 2008 – July 22, 2009	\$3,368.00	\$5,000.00
Flood - Homestead	Fidelity National Property & Casualty	97700769051	July 22, 2008 – July 22, 2009	\$1,076.00	\$5,000.00
Flood - Studio Plus	Fidelity National Property & Casualty	467700769084	July 22, 2008 – July 22, 2009	\$3,554.00	\$5,000.00
Flood - Homestead	Fidelity National Property & Casualty	047700513834	July 25, 2008 – July 25, 2009	\$539.00	\$500.00

Exhibit 2

<p>The Office of the United States Trustee for the Southern District of New York</p> <p>33 Whitehall Street, 21st Floor, New York New York 10004 Attn: Paul Schwartzburg, Esq.</p>	<p>Counsel to the Supporting Certificate Holders</p> <p>Fried Frank Harris Shriver & Jacobson LLP One New York Plaza, New York, New York 10004 Attn: Brad Eric Scheler, Esq. Jennifer Rodburg, Esq.</p>
<p>Counsel to the Ad Hoc Mezzanine Lender Group</p> <p>Cleary, Gottlieb, Steen & Hamilton One Liberty Plaza 37th Floor New York, NY 10006 Attn: Michael Weinberger, Esq.</p>	<p>- and-</p> <p>Counsel to Cerberus Capital Management, L.P.</p> <p>Schulte Roth & Zabel LLP 919 Third Avenue New York, NY 10022 Attn: Adam Harris, Esq.</p>
<p>Counsel to Wachovia Bank National Association, the Agent under the Mortgage Loan Agreement and the Mezzanine Loan Agreements</p> <p>Morrison & Foerster L.L.P. 1290 Avenue of the Americas New York, N.Y. 10104-0050 Attn: Jeffrey Temple, Esq.</p>	<p>Counsel to the Ad Hoc Mezzanine Lender Group</p> <p>Kaye Scholer LLP 425 Park Avenue, New York, New York 10022 Attn: Jeannie Bionda, Esq. and Louis Hait, Esq.</p>
<p>Trustee under the Trust and Servicing Agreement</p> <p>Wells Fargo Corporate Trust Services MAC N2702-011 9062 Old Annapolis Road Columbia, MD 21045 Attn: Elizabeth A. Brewster, Vice President</p>	<p>Counsel to Fortress Investment Group L.L.C.</p> <p>Sidley Austin L.L.P. 787 Seventh Avenue New York, New York 10019 Attn: Robert L. Golub, Esq.</p>
<p>Servicer under the Trust and Servicing Agreement</p> <p>Wachovia Securities 201 South College Street NC1075 Charlotte, NC 28288 Attn: Mike Benner</p>	<p>Counsel to the Servicer under the Trust and Servicing Agreement</p> <p>Seyfarth Shaw LLP 620 Eighth Avenue, New York, NY 10018 Attn: Mitchell Kaplan, Esq.</p>