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

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: **Chapter 11 Case No.**  
: **09-\_\_\_\_( )**  
: **(Joint Administration Requested)**  
: **Debtors.**  
: **Debtors.**  
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**DEBTORS' MOTION PURSUANT TO SECTIONS 105 AND 363(B)  
OF THE BANKRUPTCY CODE FOR AUTHORIZATION  
TO REIMBURSE HVM L.L.C. FOR CRITICAL OPERATING EXPENSES  
INCURRED ON DEBTORS' BEHALF PRIOR TO THE COMMENCEMENT DATE**

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"),<sup>1</sup> respectfully represent:

**Preliminary Statement**

1. As is described in more detail in the Declaration of Joseph Teichman filed concurrently herewith, 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)

<sup>1</sup> 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."



and two provinces in Canada. 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. However, Extended Stay's 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. Accordingly, HVM, among other things, employs the approximately 10,000 employees that are responsible for the services at the individual hotels, and enters into contacts with utility providers and other vendors that directly provide critical services to the hotels. Without the payments that HVM makes to its employees, service providers and vendors, the Extended Stay hotels face the prospect that the employees may walk away from their jobs and the lights at the hotels may be turned off. Given Extended Stay's struggle to remain competitive in a difficult service-related industry, it is vital that the Extended Stay portfolio of hotels remain open, fully operational and with uninterrupted services.

2. The Debtors and their estates cannot risk having any of their hotels close as a result of a lack of certain essential services, especially given that the customers of Extended Stay hotels rely on the quality previously provided by the Debtors and the reputation that Extended Stay hotels has developed over the years. Without the essential services of the hotel employees and the vendors, the Debtors' properties cannot operate. Even a brief disruption of services would result in irreparable harm to the Debtors' business.

3. As a result, by this Motion, the Debtors seek entry of an order authorizing the Debtors, in their discretion, to reimburse HVM the funds necessary for HVM to pay amounts due to critical service providers which were incurred on behalf of the Debtors prior to the Commencement Date. The Debtors seek authority to pay HVM for such amounts that become

due and payable by HVM between the Commencement Date and entry of a final order approving this Motion.

### **Background**

4. 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 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.

5. 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**

6. 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.

7. 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.

8. 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.

#### **Jurisdiction and Venue**

9. 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**

10. By this Motion, the Debtors request entry of an interim order (the "Proposed Order," ) substantially in the form of "Exhibit C" attached hereto, authorizing the Debtors, in their sole discretion and pursuant to sections 105 and 363(b) of the Bankruptcy Code and Bankruptcy Rules 6003 and 6004, to reimburse HVM for amounts due to pay operating expenses (the "Critical Operating Expenses") incurred on the Debtors' behalf prior to the Commencement Date. Specifically, the Debtors seek authority to pay, in their discretion, HVM the amounts that become due and payable by HVM between the Commencement Date and entry of a final order approving this Motion.

#### **Extended Stay's Critical Operating Expenses**

11. The ability of HVM to continue the operation of the Extended Stay portfolio of hotels going forward will depend upon uninterrupted, continued access to the

services provided by certain providers of essential services to the Debtors' properties. The Debtors are mindful of their fiduciary obligations to preserve and maximize the value of their estates. Accordingly, the Debtors have determined that it is critical that they continue to reimburse HVM, consistent with their prepetition practices as further set forth in the Cash Management Motion,<sup>2</sup> in order to effectuate the seamless transition to a business operating under chapter 11 and to continue to provide uninterrupted services to the Extended Stay customer. If HVM did not have the ability to continue making payments for the Critical Operating Expenses, the Debtors have determined that the loss of such particular services would cause immediate and irreparable harm to the Debtors' business.

12. HVM is responsible for making all payments to employees, as well as entering into contracts with the utility companies and the service providers that directly affect the over 680 hotels. Examples of the categories included in the Critical Operating Expenses include, but are not limited to (a) the salaries of approximately 10,000 employees, (b) utility payments, (c) repair and maintenance payments, (d) property taxes, (e) insurance payments, and (f) reservation and travel agent fees. The Debtors seek to continue to reimburse HVM for such Critical Operating Expenses throughout the pendency of the chapter 11 cases pursuant to the Cash Collateral Motion and the Budget (as defined in the Cash Collateral Motion) which is

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<sup>2</sup> Contemporaneously herewith, the Debtors have filed a 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").



attached hereto as “Exhibit B.”<sup>3</sup> HVM will not be making any payments (whether they relate to expenses incurred before or after the Commencement Date) that are not specified in the Budget. Without continued reimbursement of the Critical Operating Expenses, the Debtors risk significant interruption to the provision of essential services.

13. The Debtors estimate that a portion of the reimbursement to HVM will encompass payments due and owing to certain employees and service providers incurred before the Commencement Date. Specifically, the Debtors believe that approximately \$7,300,000 will be due and owing to the employees of HVM (who service the Debtors’ hotels), approximately \$165,000 will be collectively owed to the officers of HVM,<sup>4</sup> approximately \$3,725,000 will be due and owing to utility companies, approximately \$8,625,000 will be due and owing for property operating payments, approximately \$2,850,000 will be due and owing for overhead expenses, approximately \$4,300,000 will be due and owing for essential capital expenditures, such as the maintenance and repair of necessary items needed for the operations of the hotels, approximately \$4,900,000 will be due and owing for occupancy tax deposits, approximately \$2,600,000 will be due and owing for property tax payments, and approximately \$12,500 will be due and owing for interest on a mortgage. As of Friday, June 12, 2009, HVM had approximately \$11.7 million to make payments, among others, to their employees, vendors and service providers for such Critical Operating Expenses incurred on the Debtors’ behalf, prior to the

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<sup>3</sup> Contemporaneously herewith, the Debtors filed their Motion for Order (A) (i) Authorizing Use of Cash Collateral, (ii) Granting Adequate Protection, and (iii) Modifying the Automatic Stay, and (B) Scheduling a Final Hearing Pursuant to Bankruptcy Rule 4001 (the “Cash Collateral Motion”).

<sup>4</sup> The overwhelming majority of the officers and employees of HVM are not owed amounts from HVM, a non-Debtor, relating to the period prior to the Commencement Date, exceeding \$10,950. Gary DeLapp (President and CEO) is owed approximately \$31,154 for the two week period preceding the Commencement Date, and Bob Micklash (Chief Operating Officer) is owed approximately \$15,385 and David Kim (Executive Vice President of Finance and Chief Investment Officer) is owed approximately \$12,050 for the same time period.

Commencement Date. As a result, the Debtors seek authority to reimburse HVM for approximately \$22.8 million, which HVM will need to pay Critical Operating Expenses during the 20 days following the Commencement Date.

**Reimbursement of HVM to Pay Critical  
Operating Expenses is in the Best Interest of the Debtors' Estates and Creditors**

**A. Authority Exists to Support Payment of the Critical Provider Claims Pursuant to Section 363(b) of the Bankruptcy Code**

14. Courts have authorized payment of prepetition obligations under section 363(b) of the Bankruptcy Code where a sound business purpose exists for doing so. See, e.g., In re Ionosphere Clubs, Inc., 98 B.R. 174, 175 (Bankr. S.D.N.Y. 1989) (finding that a sound business justification existed to justify payment of certain claims); see also Armstrong World Indus., Inc. v. James A. Phillips, Inc., (In re James A. Phillips, Inc.), 29 B.R. 391, 397 (S.D.N.Y. 1983) (relying on section 363 to allow contractor to pay prepetition claims); In re Tropical Sportswear Int'l Corp., 320 B.R. 15, 20 (Bankr. M.D. Fla. 2005) (“Bankruptcy courts recognize that section 363 is a source for authority to make critical vendor payments, and section 105 is used to fill in the blanks”).

15. The Debtors have determined, in the exercise of their sound business judgment, that reimbursement to HVM for the Critical Operating Expenses is not only essential to the Debtors' day-to-day operations, but also to ensure that the value of their business as a going concern is preserved through the pendency of these chapter 11 cases. If HVM cannot continue to make payments for the Critical Operating Expenses, and if the employees and the service providers ceased conducting business with HVM, the Debtors' ongoing operations will become immediately and irreparably harmed by the lack of customers and the devastating impact it will have on Extended Stay's reputation. It is vital that the Debtors' portfolio of hotels continue to receive uninterrupted and quality essential services. The continuity and viability of



the Debtors' business is dependent on the development and maintenance of the loyalty of their employees and their customers and, especially in light of any publicity surrounding the Debtors' chapter 11 cases, it is crucial for the Debtors to maintain a positive image. Extended Stay hotel customers have come to expect clean and safe hotels, as well as promotions to be offered in the ordinary course of business by the Debtors. The Debtors submit that the resulting benefit of continued loyalty and safety of their key constituencies during the pendency of these chapter 11 cases will far exceed any prepetition amounts relating to the Debtors reimbursement of HVM to pay the Critical Operating Expenses.

16. Courts in this district and other jurisdictions have recognized the importance of critical service vendors/providers to debtors and granted relief similar to the relief requested herein. See, e.g., In re General Growth Properties, Inc., et al., Case No. 09-11977 (ALG) (Bankr. S.D.N.Y. May 8, 2009) (court authorized debtors to pay up to \$13.3 million pursuant to interim and final orders); In re Lyondell Chemical Co., Case No. 09-10023 (REG) (Bankr. S.D.N.Y. Jan. 9, 2009) (court authorized debtors to pay up to \$30 million of critical vendor claims pursuant to interim and final orders); In re Calpine Corp., Case No. 05-60200 (BRL) (Bankr. S.D.N.Y. Dec. 21, 2005) (court authorized debtors to pay up to \$20 million of critical vendor claims pursuant to a final order); In re Delphi Corp., Case No. 05-44481 (RDD) (Bankr. S.D.N.Y. Oct. 13, 2005) (court authorized debtors to pay up to \$90 million of critical vendor/rescue claims pursuant to a final order); In re WorldCom, Inc., Case No. 02-13533 (AJG) (Bankr. S.D.N.Y. Jul. 22, 2002) (court authorized debtors to pay up to \$70 million of critical vendor claims pursuant to a final order).



**B. The Court May Also Grant the Motion Pursuant to its General Equitable Powers Under Section 105(a) of the Bankruptcy Code and the “Necessity of Payment” Doctrine**

17. The Court may also rely on its general equitable powers to grant the relief requested in the Motion as codified in section 105(a) of the Bankruptcy Code. Section 105 empowers the Court to “issue any order, process, or judgment that is necessary or appropriate to carry out the provisions of [the Bankruptcy Code].” 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.” Ionosphere Clubs, 98 B.R. at 175-76. Section 105(a) authorizes a court to “pay pre-petition claims where such payment is essential to the continued operation of the debtor.” Id. at 176; see also In re Just for Feet, Inc., 242 B.R. 821, 825 (Bankr. D. Del. 1999).

18. Application of section 105(a) in the context of the Motion also is appropriate because the relief requested herein is consistent with the rehabilitative policy of chapter 11 of the Bankruptcy Code. A debtor in possession is a fiduciary with a duty to protect and preserve the estate, including the value of the business as a going concern. In re CoServ, L.L.C., 273 B.R. 487, 497 (Bankr. N.D. Tex. 2002). Granting the relief requested in the Motion will enhance the likelihood of the Debtors’ successful rehabilitation, maximize the value of the estates’ assets and thus benefit the estates’ creditors.

19. In addition, numerous courts have used their section 105(a) powers under the “necessity of payment” doctrine to authorize payments of a debtor’s prepetition obligations where, as in the case here, such payment was necessary to effectuate the “paramount purpose” of chapter 11 reorganization -- to preserve the debtor’s ability for rehabilitation. Ionosphere Clubs, 98 B.R. at 176; see also In re Chateaugay Corp., 80 B.R. 279 (S.D.N.Y. 1987); 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' continue operations). The Debtors submit that without the ability to reimburse HVM for the Critical Operating Expenses immediately, the Debtors could not preserve, let alone increase, the value of their estates. The relief requested herein is targeted to ensure the Debtors maximize the value of their estates for the benefit of all parties in interest.

**C. Bankruptcy Rule 6003**

20. Pursuant to Bankruptcy Rule 6003, the Court may grant relief within twenty (20) days after the filing of the petition regarding a motion to pay all or a portion of a prepetition claim only if such relief is necessary to avoid immediate and irreparable harm. As described in detail above, if the Debtors do not reimburse HVM for the payment of the Critical Operating Expenses, the employees and service providers could disrupt services to the Extended Stay hotels and immediately cause irreparable damage to the bankruptcy estate. Accordingly, Bankruptcy Rule 6003 has been satisfied and the relief requested herein should be granted.

**D. Request for Waiver of Stay**

21. The Debtors further seek a waiver of any stay of the effectiveness of the order approving this Motion. Pursuant to Bankruptcy Rule 6004(h), “[a]n order authorizing the use, sale, or lease of property other than cash collateral is stayed until the expiration of ten (10) days after entry of the order, unless the court orders otherwise.” FED. R. BANKR. P. 6004(h). As set forth above, reimbursement of HVM to pay the Critical Operating Expenses as proposed herein is essential to prevent potentially irreparable damage to the Debtors' operations, the value of their estates, and their ability to reorganize. Accordingly, the Debtors submit that ample cause exists to justify waiver of the ten (10) day stay imposed by Bankruptcy Rule 6004(h), and the notice requirements under Bankruptcy Rule 6004(a), if applicable.



Notice

22. 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 1" 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.

23. 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  
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Facsimile: (212) 310-8007

Proposed Attorneys for Debtors  
and Debtors in Possession

**EXHIBIT A**

<b>Debtor</b>	<b>Last Four Digits of Federal Tax I.D. Number</b>
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

<b>Debtor</b>	<b>Last Four Digits of Federal Tax I.D. Number</b>
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**

**Proposed Cash Collateral Budget**

Cash Collateral Budget

Extended Stay Hotels  
Cash Flow Forecast as of: Jun 14, 2009  
(\$s in 000s)

Week Ending:	Forecast													Forecast Total 13 Weeks
	6/19	6/26	7/3	7/10	7/17	7/24	7/31	8/7	8/14	8/21	8/28	9/4	9/11	
<b>Extended Stay Hotels</b>														
Financed Properties Revenues (665)	\$ 17,450	\$ 17,450	\$ 17,785	\$ 18,033	\$ 18,033	\$ 18,033	\$ 18,033	\$ 19,158	\$ 19,158	\$ 19,158	\$ 19,158	\$ 17,752	\$ 17,532	\$ 236,733
Mortgage Debt Service	(6,781)	(9,872)	(17,139)	(19,257)	(18,349)	(12,889)	(17,475)	(16,667)	(19,000)	(8,612)	(18,089)	(11,883)	(20,479)	(56,890)
HVM Disbursements	\$ 10,669	\$ 7,578	\$ 646	\$ (1,225)	\$ (17,823)	\$ 5,144	\$ 558	\$ 2,482	\$ (19,543)	\$ 10,546	\$ 1,069	\$ 5,869	\$ (22,628)	\$ (16,648)
Net Cash Flow	\$ 23,113	\$ 33,783	\$ 41,361	\$ 42,006	\$ 40,781	\$ 22,958	\$ 28,102	\$ 28,660	\$ 31,152	\$ 11,609	\$ 22,155	\$ 23,224	\$ 29,093	\$ 23,113
Beginning Cash Balance <sup>(a)</sup>	\$ 10,669	\$ 7,578	\$ 646	\$ (1,225)	\$ (17,823)	\$ 5,144	\$ 558	\$ 2,482	\$ (19,543)	\$ 10,546	\$ 1,069	\$ 5,869	\$ (22,628)	\$ (16,648)
Ending Cash Balance <sup>(a)</sup>	\$ 33,783	\$ 41,361	\$ 42,006	\$ 40,781	\$ 22,958	\$ 28,102	\$ 28,660	\$ 31,152	\$ 11,609	\$ 22,155	\$ 23,224	\$ 29,093	\$ 6,465	\$ 6,465
<b>HVM LLC</b>														
Nonfinanced & Other Property Revenues	\$ 587	\$ 587	\$ 587	\$ 555	\$ 555	\$ 555	\$ 555	\$ 555	\$ 616	\$ 616	\$ 616	\$ 616	\$ 612	\$ 7,626
<b>Disbursements</b>														
<b>Property Level</b>														
Payroll and Related	\$ 7,261	\$ 300	\$ 7,261	\$ 300	\$ 7,528	\$ 300	\$ 7,528	\$ 300	\$ 7,528	\$ 300	\$ 7,528	\$ 300	\$ 7,602	\$ 54,036
Utilities	1,213	1,213	1,310	1,375	1,375	1,375	1,617	1,617	1,617	1,617	1,617	1,381	1,322	18,406
Repairs & Maintenance	580	580	578	577	577	577	577	671	671	671	671	658	655	8,043
All Other Controllable Expenses	1,269	1,269	1,335	1,379	1,379	1,379	1,469	1,469	1,469	1,469	1,411	1,396	1,396	18,069
Non-Controllable Expenses	141	141	163	178	178	178	195	195	195	195	225	225	232	2,395
Total Property Level	\$ 10,462	\$ 3,502	\$ 10,647	\$ 3,809	\$ 11,038	\$ 3,809	\$ 4,251	\$ 11,479	\$ 4,251	\$ 11,479	\$ 4,251	\$ 3,975	\$ 11,208	\$ 100,948
<b>Other Property Level</b>														
Ground Rent	\$ -	\$ 105	\$ -	\$ -	\$ -	\$ -	\$ 114	\$ -	\$ -	\$ -	\$ 54	\$ -	\$ -	\$ 272
Property Taxes	146	234	2,220	1,133	68	311	259	2,587	1,313	508	477	868	3,593	12,848
Insurance Payments	868	-	-	-	-	-	868	-	-	-	-	-	-	2,603
Total Other Property Level	\$ 146	\$ 1,206	\$ 2,220	\$ 1,133	\$ 68	\$ 311	\$ 1,240	\$ 2,567	\$ 1,313	\$ 508	\$ 1,398	\$ -	\$ 3,593	\$ 15,723
<b>Corporate Overhead</b>														
Payroll and Related	\$ 1,319	\$ -	\$ 1,319	\$ -	\$ 1,319	\$ -	\$ 1,319	\$ -	\$ 1,319	\$ -	\$ 1,319	\$ -	\$ 1,319	\$ 9,235
Reservation & Travel Agent Fees	428	-	698	-	428	-	698	-	432	-	704	-	-	3,388
All Other Overhead	575	575	562	562	562	562	605	605	605	605	582	582	582	7,549
Total Corporate Overhead	\$ 2,322	\$ 575	\$ 2,585	\$ 562	\$ 2,309	\$ 562	\$ 2,579	\$ 605	\$ 2,356	\$ 605	\$ 2,629	\$ 582	\$ 1,901	\$ 20,172
<b>Capital Expenditures and Initiatives</b>														
Recurring Capex	\$ 1,355	\$ 955	\$ 750	\$ 750	\$ 750	\$ 750	\$ 750	\$ 750	\$ 750	\$ 750	\$ 750	\$ 750	\$ 750	\$ 9,809
ESA Welcome Package	66	66	66	66	66	66	66	66	66	66	66	66	66	331
Other Misc. Capex	60	60	60	60	60	60	60	60	60	60	60	60	60	299
IT Projects	400	400	400	400	400	400	400	400	400	400	400	400	400	1,350
Total Capital Expenditures and Initiatives	\$ 1,881	\$ 1,481	\$ 926	\$ 926	\$ 926	\$ 926	\$ 926	\$ 926	\$ 926	\$ 926	\$ 926	\$ 926	\$ 926	\$ 11,789
<b>Other Disbursements</b>														
Other Debt Service and Leases	\$ -	\$ -	\$ 1,332	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,334	\$ -	\$ 3,999
Professional Fees	1,214	3,678	-	2,380	1,547	2,856	957	2,557	1,649	3,045	381	1,951	2,073	14,020
Occupancy Tax	-	-	-	-	-	-	-	-	-	-	-	-	-	23,667
Windows Litigation	17	17	17	16	16	16	18	18	18	18	18	17	17	750
Office Building Expense	-	-	-	6,000	-	-	-	-	-	-	-	-	-	222
Utility Deposits	-	-	-	-	-	-	-	-	-	-	-	-	-	6,000
A/P Catchup	-	-	-	-	-	-	-	-	-	-	-	-	-	4,500
Capex Catchup	-	-	-	-	-	-	-	-	-	-	-	-	-	6,000
Litigation Reserve Funding	-	-	-	-	-	-	-	-	-	-	-	-	-	5,000
Total Other Disbursements	\$ 1,231	\$ 3,695	\$ 1,349	\$ 13,396	\$ 4,563	\$ 7,962	\$ 3,123	\$ 8,979	\$ 3,667	\$ 3,062	\$ 2,398	\$ 7,142	\$ 3,590	\$ 64,158
<b>Total Disbursements</b>	\$ 16,042	\$ 10,459	\$ 17,726	\$ 19,826	\$ 18,904	\$ 13,444	\$ 18,030	\$ 17,222	\$ 19,615	\$ 9,227	\$ 18,705	\$ 12,499	\$ 21,091	\$ 212,791
<b>Net Cash Flow</b>	\$ (15,455)	\$ (9,872)	\$ (17,139)	\$ (19,257)	\$ (18,349)	\$ (12,889)	\$ (17,475)	\$ (16,667)	\$ (19,000)	\$ (8,612)	\$ (18,089)	\$ (11,883)	\$ (20,479)	\$ (205,165)
Beginning Cash Balance	\$ 13,675	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 13,675
Net Cash Flow	(15,455)	(9,872)	(17,139)	(19,257)	(18,349)	(12,889)	(17,475)	(16,667)	(19,000)	(8,612)	(18,089)	(11,883)	(20,479)	(205,165)
Cash from ESH	6,781	9,872	17,139	19,257	18,349	12,889	17,475	16,667	19,000	8,612	18,089	11,883	20,479	198,491
<b>Ending Cash Balance <sup>(c)</sup></b>	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000

Notes:

- (a) Pro forma cash balance for 6/15/2009 assuming payment of Mortgage Certificates interest
- (b) Ending cash balance does not include preferred equity reserve cash of \$5 mm, insurance LOC collateral cash of \$18 mm and litigation reserve cash of \$5 mm (beginning week ending 7/10/2009)
- (c) Assumes minimum cash balance of \$5 mm



**EXHIBIT C**

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

-----X  
**In re** : **Chapter 11 Case No.**  
: **09-\_\_\_\_( )**  
**EXTENDED STAY INC., et al.,** :  
: **(Joint Administration Requested)**  
**Debtors.** :  
:   
-----X

**INTERIM ORDER PURSUANT TO SECTIONS 105 AND 363(B) OF THE  
BANKRUPTCY CODE AUTHORIZING DEBTORS  
TO REIMBURSE HVM L.L.C. FOR CRITICAL OPERATING EXPENSES  
INCURRED ON DEBTORS' BEHALF PRIOR TO THE COMMENCEMENT DATE**

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 interim (the “Interim Order”) pursuant to sections 105 and 363(b) of chapter 11 of title 11 of the United States Code (the “Bankruptcy Code”) and Rules 6003 and 6004 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”), authorizing, but not obligating, the Debtors, in the Debtors’ sole discretion, to reimburse HVM LLC (“HVM”) for amounts due to pay certain operating expenses (the “Critical Operating Expenses”) incurred on the Debtors’ behalf prior to the Commencement Date; 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 1” attached hereto, and those creditors holding the five largest



unsecured claims against the Debtors' estates (on a consolidated basis), 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 "Hearing"); and the appearances of all interested parties having been noted in the record of the Hearing; and upon the Declaration of Joseph Teichman Pursuant to Local Bankruptcy Rule 1007-2 in Support of First-Day Motions and Applications, filed contemporaneously with the Motion, and upon the record of the 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; and it is further

ORDERED that, pursuant to this Interim Order, the Debtors are authorized, but not required, to reimburse HVM for amounts due for the Critical Operating Expenses incurred on the Debtors' behalf prior to the Commencement Date that become due and payable by HVM between the Commencement Date and entry of a final order approving this Motion, as set forth in the Budget attached hereto as Exhibit 2 and consistent with the Interim Order (A) Authorizing Use of Cash Collateral, (B) Granting Adequate Protection, (C) Modifying the Automatic Stay, and (D) Scheduling Final Hearing; ; and it is further

ORDERED that a hearing will be held on \_\_\_\_\_, 2009 at \_\_.m. to consider the relief requested herein on a final basis (the "Final Hearing") and, pending entry of an order following the conclusion of the Final Hearing, the relief granted herein shall remain in effect on an interim basis; and it is further

ORDERED that the requirements of Bankruptcy Rule 6003 are satisfied; and it is further

ORDERED that notwithstanding the possible applicability of Bankruptcy Rule 6004(h), the terms and conditions of this Interim Order shall be immediately effective and enforceable upon its entry; and it is further

ORDERED that the requirements of Bankruptcy Rule 6004(a) are hereby waived; and it is further

ORDERED that this Court shall retain jurisdiction with respect to all matters arising from or relating to the interpretation of implementation of this Interim Order.

Dated: June \_\_, 2009  
New York, New York

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UNITED STATES BANKRUPTCY JUDGE



**EXHIBIT 1**

<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 &amp; 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 &amp; 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 &amp; 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 &amp; 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>

**EXHIBIT 2**



**Extended Stay Hotels**

Cash Flow Forecast as of: Jun 14, 2009  
(\$s in 000s)

**Cash Collateral Budget**

Week Ending:	Forecast													Forecast Total 13 Weeks
	6/19	6/26	7/3	7/10	7/17	7/24	7/31	8/7	8/14	8/21	8/28	9/4	9/11	
<b>Extended Stay Hotels</b>														
Financed Properties Revenues (665)	\$ 17,450	\$ 17,450	\$ 17,785	\$ 18,033	\$ 18,033	\$ 18,033	\$ 18,033	\$ 19,158	\$ 19,158	\$ 19,158	\$ 19,158	\$ 17,752	\$ 17,532	\$ 236,733
Mortgage Debt Service	(6,781)	(9,872)	(17,139)	(19,257)	(18,349)	(12,889)	(17,475)	(16,667)	(19,000)	(8,612)	(18,089)	(11,883)	(19,682)	(56,890)
HVM Disbursements	\$ 10,669	\$ 7,578	\$ 646	\$ (1,225)	\$ (17,823)	\$ 5,144	\$ 558	\$ 2,492	\$ (19,543)	\$ 10,546	\$ 1,069	\$ 5,869	\$ (22,628)	\$ (16,648)
Net Cash Flow	\$ 23,113	\$ 33,783	\$ 41,361	\$ 42,006	\$ 40,781	\$ 22,958	\$ 28,102	\$ 28,660	\$ 31,152	\$ 11,609	\$ 22,155	\$ 23,224	\$ 29,093	\$ 23,113
Beginning Cash Balance <sup>(a)</sup>	\$ 10,669	\$ 7,578	\$ 646	\$ (1,225)	\$ (17,823)	\$ 5,144	\$ 558	\$ 2,492	\$ (19,543)	\$ 10,546	\$ 1,069	\$ 5,869	\$ (22,628)	\$ (16,648)
Ending Cash Balance <sup>(b)</sup>	\$ 33,783	\$ 41,361	\$ 42,006	\$ 40,781	\$ 22,958	\$ 28,102	\$ 28,660	\$ 31,152	\$ 11,609	\$ 22,155	\$ 23,224	\$ 29,093	\$ 6,465	\$ 6,465
<b>HVM LLC</b>														
Nonfinanced & Other Property Revenues	\$ 587	\$ 587	\$ 587	\$ 555	\$ 555	\$ 555	\$ 555	\$ 555	\$ 616	\$ 616	\$ 616	\$ 616	\$ 612	\$ 7,626
<b>Disbursements</b>														
<b>Property Level</b>														
Payroll and Related	\$ 7,261	\$ 300	\$ 7,261	\$ 300	\$ 7,528	\$ 300	\$ 7,528	\$ 300	\$ 7,528	\$ 300	\$ 7,528	\$ 300	\$ 7,602	\$ 54,036
Utilities	1,213	1,213	1,310	1,375	1,375	1,375	1,375	1,617	1,617	1,617	1,617	1,617	1,322	18,406
Repairs & Maintenance	580	580	578	577	577	577	577	671	671	671	671	658	655	8,043
All Other Controllable Expenses	1,269	1,269	1,335	1,379	1,379	1,379	1,379	1,469	1,469	1,469	1,469	1,411	1,396	18,069
Non-Controllable Expenses	141	141	163	178	178	178	178	195	195	195	195	225	232	2,395
Total Property Level	\$ 10,462	\$ 3,502	\$ 10,647	\$ 3,809	\$ 11,038	\$ 3,809	\$ 11,038	\$ 4,251	\$ 11,479	\$ 4,251	\$ 11,479	\$ 3,975	\$ 11,208	\$ 100,948
<b>Other Property Level</b>														
Ground Rent	\$ -	\$ 105	\$ -	\$ -	\$ -	\$ -	\$ 114	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 272
Property Taxes	146	234	2,220	1,133	68	311	259	2,587	1,313	508	477	868	3,593	12,848
Insurance Payments	868	-	-	-	-	-	868	-	-	-	-	-	-	2,603
Total Other Property Level	\$ 146	\$ 1,206	\$ 2,220	\$ 1,133	\$ 68	\$ 311	\$ 1,240	\$ 2,587	\$ 1,313	\$ 508	\$ 1,398	\$ -	\$ 3,593	\$ 15,723
<b>Corporate Overhead</b>														
Payroll and Related	\$ 1,319	\$ -	\$ 1,319	\$ -	\$ 1,319	\$ -	\$ 1,319	\$ -	\$ 1,319	\$ -	\$ 1,319	\$ -	\$ 1,319	\$ 9,235
Reservation & Travel Agent Fees	428	-	698	-	428	-	698	-	432	-	704	-	3,388	7,549
All Other Overhead	575	575	562	562	562	562	605	605	605	605	605	582	582	7,549
Total Corporate Overhead	\$ 2,322	\$ 575	\$ 2,585	\$ 562	\$ 2,309	\$ 562	\$ 2,579	\$ 605	\$ 2,356	\$ 605	\$ 2,629	\$ 582	\$ 1,901	\$ 20,172
<b>Capital Expenditures and Initiatives</b>														
Recurring Capex	\$ 1,355	\$ 955	\$ 750	\$ 750	\$ 750	\$ 750	\$ 750	\$ 750	\$ 750	\$ 750	\$ 750	\$ 750	\$ 750	\$ 9,809
ESA Welcome Package	66	66	66	66	66	66	66	66	66	66	66	66	66	331
Other Misc. Capex	400	400	50	50	50	50	50	50	50	50	50	50	50	299
IT Projects	400	400	50	50	50	50	50	50	50	50	50	50	50	1,350
Total Capital Expenditures and Initiatives	\$ 1,881	\$ 1,481	\$ 926	\$ 926	\$ 926	\$ 926	\$ 926	\$ 926	\$ 800	\$ 800	\$ 800	\$ 800	\$ 800	\$ 11,789
<b>Other Disbursements</b>														
Other Debt Service and Leases	\$ -	\$ -	\$ 1,332	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,334	\$ -
Professional Fees	1,214	3,678	-	2,380	1,547	2,856	357	2,537	1,649	3,045	381	1,951	2,073	14,020
Occupancy Tax	-	-	-	-	500	-	250	-	-	-	-	-	-	23,667
Windows Litigation	17	17	17	16	16	16	16	18	18	18	17	17	17	222
Office Building Expense	-	-	-	6,000	-	-	-	-	-	-	-	-	-	6,000
Utility Deposits	-	-	-	1,000	-	-	-	-	1,000	-	-	-	-	4,500
A/P "Catchup"	-	-	-	1,500	-	-	-	-	1,000	-	-	-	-	6,000
Capex "Catchup"	-	-	-	5,000	-	-	-	-	1,000	-	-	-	-	6,000
Litigation Reserve Funding	-	-	-	-	-	-	-	-	-	-	-	-	-	5,000
Total Other Disbursements	\$ 1,231	\$ 3,695	\$ 1,349	\$ 13,396	\$ 4,563	\$ 7,962	\$ 3,123	\$ 8,979	\$ 3,667	\$ 3,062	\$ 2,398	\$ 7,142	\$ 3,590	\$ 64,158
<b>Total Disbursements</b>	\$ 16,042	\$ 10,459	\$ 17,726	\$ 19,826	\$ 18,904	\$ 13,444	\$ 18,030	\$ 17,222	\$ 19,615	\$ 9,227	\$ 18,705	\$ 12,499	\$ 21,091	\$ 212,791
<b>Net Cash Flow</b>	\$ (15,455)	\$ (9,872)	\$ (17,139)	\$ (19,257)	\$ (18,349)	\$ (12,889)	\$ (17,475)	\$ (16,667)	\$ (19,000)	\$ (8,612)	\$ (18,089)	\$ (11,883)	\$ (20,479)	\$ (205,165)
Beginning Cash Balance	\$ 13,675	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 13,675
Net Cash Flow	(15,455)	(9,872)	(17,139)	(19,257)	(18,349)	(12,889)	(17,475)	(16,667)	(19,000)	(8,612)	(18,089)	(11,883)	(20,479)	(205,165)
Cash from ESH	6,781	9,872	17,139	19,257	18,349	12,889	17,475	16,667	19,000	8,612	18,089	11,883	20,479	196,491
Ending Cash Balance <sup>(c)</sup>	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000

**Notes:**

- (a) Pro forma cash balance for 6/15/2009 assuming payment of Mortgage Certificates interest
- (b) Ending cash balance does not include preferred equity reserve cash of \$5 mm, Insurance LOC collateral cash of \$18 mm and litigation reserve cash of \$5 mm (beginning week ending 7/10/2009)
- (c) Assumes minimum cash balance of \$5 mm