

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

-----X
In re : Chapter 11 Case No.
EXTENDED STAY INC., et al. : 09-13764 (JMP)
Debtors. : (Jointly Administered)
-----X

**SECOND 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 15, 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 first interim hearing having been held to consider the relief requested in the Motion on June 16, 2009 (the "First Interim Hearing"), and a second interim hearing having been held to consider the relief requested in the Motion on June 29, 2009 (the "Second Interim Hearing" and, together with the First Interim Hearing, the "Hearings"); and the appearances of all interested parties having been noted in the record of the Hearings; 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 Hearings, 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 Second 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 (the "Final Order"), 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, entered on the date hereof; and it is further

ORDERED that a hearing will be held on July 17, 2009 at 10 a.m. to consider the relief requested herein on a final basis (the “Final Hearing”) and, pending entry of the Final Order following the conclusion of the Final Hearing, the relief granted herein shall remain in effect on an interim basis; and any objections to entry of the Final Order shall be in writing, filed with the Court in accordance with General Order M-242, and served upon (i) counsel to the Debtors; and (ii) counsel to the Creditors’ Committee, in each case so as to be received no later than 4:00 p.m., prevailing Eastern Time on July 13, 2009; and it is further

ORDERED that this Order shall not be deemed to be a modification or amendment to that certain Loan Agreement, dated as of June 11, 2007 (as amended, restated, replaced, supplemented or otherwise modified from time to time) and the other documents executed in connection therewith (the “Mortgage Loan Documents”), or the financing extended under the Mortgage Loan Documents; 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 the Debtors shall serve this Order on or before June 30, 2009 in accordance with the procedures set forth in the order entered on June 16, 2009 governing case management and administrative procedures for these cases [Docket No. 43] on (i) the U.S.

Trustee; (ii) the attorneys for the Creditors' Committee; and (iii) all parties who have requested notice in these chapter 11 cases; 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 Second Interim Order.

Dated: New York, New York
June 29, 2009

s/ James M. Peck
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 & 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>

EXHIBIT 2

Budget

Extended Stay Hotels
 Cash Flow Forecast as of: Jun 25, 2009
 (\$\$ in 000s)

Week Ending:	Cash Collateral Budget														
	6/26	7/3	7/10	7/17	7/24	7/31	8/7	8/14	8/21	8/28	9/4	9/11	9/18	Forecast Total	
13 Weeks	1	2	3	4	5	6	7	8	9	10	11	12	13	13 Weeks	
Extended Stay Hotels															
Financed Properties Revenues (665)	\$ 17,450	\$ 17,785	\$ 18,033	\$ 18,033	\$ 18,033	\$ 18,033	\$ 19,158	\$ 19,158	\$ 19,158	\$ 19,158	\$ 17,221	\$ 16,918	\$ 16,918	\$ 235,055	
Mortgage Debt Service	(18,052)	(18,052)	(17,507)	(17,507)	(17,507)	(17,507)	(15,526)	(15,526)	(15,526)	(17,485)	(9,988)	(19,682)	(19,682)	(74,942)	
HVM Disbursements	(11,990)	(17,268)	(15,386)	(19,745)	(20,106)	(17,834)	(15,526)	(15,526)	(10,619)	(17,485)	(9,988)	(22,043)	(9,695)	(199,440)	
Net Cash Flow	\$ 5,561	\$ (17,535)	\$ 4,646	\$ (19,219)	\$ (2,073)	\$ 198	\$ 3,632	\$ (17,198)	\$ 8,539	\$ 1,673	\$ 7,232	\$ (22,006)	\$ 7,223	\$ (39,327)	
Beginning Cash Balance	\$ 57,608	\$ 63,169	\$ 45,633	\$ 50,279	\$ 31,060	\$ 28,987	\$ 29,185	\$ 32,818	\$ 15,620	\$ 24,159	\$ 25,832	\$ 11,058	\$ 11,058	\$ 57,608	
Net Cash Flow	5,561	(17,535)	4,646	(19,219)	(2,073)	198	3,632	(17,198)	8,539	1,673	7,232	(22,006)	7,223	(39,327)	
Ending Cash Balance*	\$ 63,169	\$ 45,633	\$ 50,279	\$ 31,060	\$ 28,987	\$ 29,185	\$ 32,818	\$ 15,620	\$ 24,159	\$ 25,832	\$ 33,064	\$ 11,058	\$ 18,281	\$ 18,281	
HVM LLC															
Nonfinanced & Other Property Revenues	\$ 587	\$ 587	\$ 569	\$ 555	\$ 555	\$ 555	\$ 555	\$ 616	\$ 616	\$ 616	\$ 616	\$ 612	\$ 590	\$ 7,629	
Disbursements															
Property Level															
Payroll and Related	\$ 300	\$ 7,261	\$ 300	\$ 7,528	\$ 300	\$ 7,528	\$ 300	\$ 7,528	\$ 300	\$ 7,528	\$ 300	\$ 7,682	\$ 300	\$ 47,155	
Utilities	1,213	1,310	1,375	1,375	1,375	1,375	1,617	1,617	1,617	1,617	1,392	1,336	1,336	18,553	
Repairs & Maintenance	580	578	577	577	577	577	671	671	671	671	663	662	662	8,137	
All Other Controllable Expenses	1,269	1,335	1,379	1,379	1,379	1,379	1,469	1,469	1,469	1,469	1,384	1,384	1,384	18,190	
Non-Controllable Expenses	141	163	178	178	178	178	195	195	195	228	237	237	237	2,499	
Total Property Level	\$ 3,502	\$ 10,647	\$ 3,809	\$ 11,038	\$ 3,809	\$ 11,038	\$ 4,251	\$ 11,479	\$ 4,251	\$ 11,479	\$ 3,992	\$ 11,309	\$ 3,928	\$ 94,532	
Other Property Level															
Ground Rent	\$ 105	\$ -	\$ -	\$ -	\$ -	\$ 114	\$ -	\$ -	\$ -	\$ -	\$ 54	\$ -	\$ -	\$ 272	
Property Taxes	300	2,200	2,400	100	500	300	3,800	3,800	900	350	3,800	350	350	14,650	
Insurance Payments	894	-	-	894	-	894	-	-	-	-	-	-	-	2,138	
Total Other Property Level	\$ 1,299	\$ 2,200	\$ 2,400	\$ 100	\$ 500	\$ 1,308	\$ 3,800	\$ 404	\$ 900	\$ 350	\$ 3,800	\$ 350	\$ 350	\$ 17,060	
Corporate Overhead															
Payroll and Related	\$ -	\$ 1,319	\$ -	\$ 1,319	\$ -	\$ 1,319	\$ -	\$ 1,319	\$ -	\$ 1,319	\$ -	\$ 1,319	\$ -	\$ 7,915	
Reservation & Travel Agent Fees	592	584	578	578	578	578	623	623	623	623	599	582	593	2,960	
All Other Overhead	592	2,601	578	2,325	578	2,395	623	2,374	623	2,647	599	1,901	593	7,754	
Total Corporate Overhead	\$ 592	\$ 2,601	\$ 578	\$ 2,325	\$ 578	\$ 2,395	\$ 623	\$ 2,374	\$ 623	\$ 2,647	\$ 599	\$ 1,901	\$ 593	\$ 18,630	
Capital Expenditures and Initiatives															
Recurring Capex	\$ 955	\$ 750	\$ 750	\$ 750	\$ 750	\$ 750	\$ 750	\$ 750	\$ 750	\$ 750	\$ 750	\$ 750	\$ 750	\$ 9,205	
ESA Welcome Package	66	66	66	66	66	66	66	66	66	66	66	66	66	265	
Other Misc. Capex	60	60	60	60	60	60	60	60	60	60	60	60	60	239	
IT Projects	400	50	50	50	50	50	50	50	50	50	50	50	50	1,000	
Total Capital Expenditures and Initiatives	\$ 1,481	\$ 926	\$ 926	\$ 926	\$ 926	\$ 926	\$ 926	\$ 926	\$ 926	\$ 926	\$ 926	\$ 926	\$ 926	\$ 10,709	
Other Disbursements															
Other Debt Service and Leases	\$ -	\$ 1,332	\$ -	\$ -	\$ -	\$ -	\$ 1,334	\$ -	\$ -	\$ -	\$ 1,334	\$ -	\$ -	\$ -	\$ 3,999
Professional Fees	3,678	132	226	2,895	4,868	633	5,090	600	4,642	754	22	528	4,598	14,020	
Windows Litigation	-	-	-	-	-	250	-	-	-	-	-	-	-	23,759	
Office Building Expense	17	17	16	16	16	16	18	18	18	17	17	17	17	750	
Utility Deposits	-	-	6,000	-	-	1,000	-	1,000	-	1,000	-	500	-	222	
Capex "Catchup"	-	-	-	1,500	-	1,500	-	1,000	-	1,000	-	1,000	-	6,000	
Litigation Reserve Funding	-	-	-	-	5,000	-	-	-	-	-	-	1,000	-	6,000	
Total Other Disbursements	\$ 3,695	\$ 1,481	\$ 6,242	\$ 5,911	\$ 14,974	\$ 3,399	\$ 6,606	\$ 2,617	\$ 4,660	\$ 2,771	\$ 18,101	\$ 10,604	\$ 2,045	\$ 64,229	
Total Disbursements	\$ 10,568	\$ 17,855	\$ 13,955	\$ 20,300	\$ 20,661	\$ 18,390	\$ 16,081	\$ 17,270	\$ 11,234	\$ 18,101	\$ 10,604	\$ 19,855	\$ 10,285	\$ 64,229	
Net Cash Flow	\$ (9,981)	\$ (17,268)	\$ (13,386)	\$ (19,745)	\$ (20,106)	\$ (17,834)	\$ (15,526)	\$ (16,655)	\$ (10,619)	\$ (17,485)	\$ (9,988)	\$ (19,243)	\$ (9,695)	\$ (197,532)	
Beginning Cash Balance	\$ 3,092	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 3,092	
Net Cash Flow	(9,981)	(17,268)	(13,386)	(19,745)	(20,106)	(17,834)	(15,526)	(16,655)	(10,619)	(17,485)	(9,988)	(19,243)	(9,695)	(197,532)	
Cash from FSH	11,890	17,268	13,386	19,745	20,106	17,834	15,526	16,655	10,619	17,485	9,988	19,243	9,695	199,440	
Ending Cash Balance*	\$ 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) Ending cash balance does not include litigation reserve cash of \$5mm (beginning week ending 7/24/2009)
 (b) Assumes minimum cash balance of \$5mm, which does not include HV(1)(2), DL-DW and BHAC cash of \$2mm, or Insurance LOC collateral cash of \$16mm held in escrow