

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

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In re : Chapter 11 Case No.
EXTENDED STAY INC., et al. : 09-13764 (JMP)
Debtors. : (Jointly Administered)
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**FINAL 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 an 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 due and proper notice of the Final Hearing (as defined below) and the Second Interim Order granting the Motion, dated June 29, 2009 [Docket No. 109] (the "Second Interim Order") having been provided 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;¹ (ii) the attorneys for the Creditors' Committee; and (iii) all parties who have requested notice in these chapter 11 cases, and the Court having determined 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"), a second interim hearing having been held to consider the relief requested in the Motion on June 29, 2009 (the "Second Interim Hearing"), and a final hearing having been held to consider the relief requested in the Motion on July 17, 2009 (the "Final Hearing" and, together with the First Interim Hearing and the Second 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 on a final basis; and it is further

¹ Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to them in the Motion.

ORDERED that, pursuant to this final order (the “Final 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, as set forth in the Budget attached hereto as Exhibit 2 and consistent with the Final Order (A) Authorizing Use of Cash Collateral, (B) Granting Adequate Protection, and (C) Modifying the Automatic Stay, entered on the date hereof; and it is further

ORDERED that this Final Order shall not be deemed to be a modification, amendment, waiver, or any similar action of or with respect to any term or provision of 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 Final Order shall be immediately effective and enforceable upon its entry; and it is further

ORDERED that notice of the Motion, as provided herein shall be deemed good and sufficient notice of such Motion and the requirements of Bankruptcy Rule 6004(a) are 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 Final Order.

Dated: New York, New York
July 20, 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 Jul 16, 2009
(\$\$ in 000's)

Cash Collateral Budget													
Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	
7/17	7/24	7/31	8/7	8/14	8/21	8/28	9/4	9/11	9/18	9/25	10/2	10/9	
1	2	3	4	5	6	7	8	9	10	11	12	13	
Week Ending:												Total	
Week:												13 Weeks	
CMA & DIP													
666 Properties - Receipts	\$ 17,984	\$ 17,984	\$ 17,984	\$ 19,609	\$ 19,609	\$ 19,609	\$ 17,150	\$ 16,767	\$ 16,767	\$ 16,767	\$ 17,177	\$ 17,847	\$ 234,864
Mortgage Debt Service	(18,070)	-	-	(18,035)	-	-	-	(18,057)	-	-	-	-	(64,162)
Mortgage Servicer Fees	-	-	-	(132)	-	-	-	(432)	-	-	-	-	(265)
ES/HVM Rent, Taxes and Insurance Disbursements (a)	(6,485)	(4,358)	(1,984)	(227)	(4,703)	(2,421)	(4,033)	(495)	(8,092)	(819)	(2,606)	(4,184)	(40,728)
ES/HVM Operating Disbursements (a)	(17,131)	(11,259)	(21,360)	(6,038)	(13,520)	(21,221)	(5,438)	(14,734)	(9,132)	(20,100)	(10,009)	(13,381)	(67,283)
Net Cash Flow	(23,701)	2,667	(9,900)	13,345	(18,782)	9,610	(4,033)	(16,652)	3,540	(4,153)	4,363	272	(27,665)
Beginning Cash, CMA & DIP Balance	\$ 61,953	\$ 38,252	\$ 40,819	\$ 34,919	\$ 48,264	\$ 29,482	\$ 35,059	\$ 46,698	\$ 30,046	\$ 33,586	\$ 29,433	\$ 33,996	\$ 61,953
Ending Cash Balance	\$ 38,252	\$ 40,819	\$ 34,919	\$ 48,264	\$ 29,482	\$ 39,092	\$ 35,059	\$ 46,698	\$ 30,046	\$ 33,586	\$ 29,433	\$ 33,996	\$ 34,268
ES/HVM Disbursements													
Rent, Taxes and Insurance													
Ground Rent	\$ -	\$ -	\$ 98	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 37	\$ 148
Property Taxes	4,597	69	412	71	4,150	948	-	495	3,810	437	1,983	3,954	20,430
Occupancy Tax	1,888	4,289	565	155	553	1,473	-	-	4,282	382	566	230	19,282
Insurance Payments	-	-	-	-	-	-	-	-	-	-	-	-	859
Total Rent, Taxes and Insurance	6,485	4,358	1,934	227	4,703	2,421	13	495	8,092	819	2,606	4,184	40,728
Property Level													
Payroll and Related	\$ 7,230	\$ 289	\$ 7,184	\$ 289	\$ 7,201	\$ 289	\$ 289	\$ 7,180	\$ 289	\$ 7,180	\$ 289	\$ 6,966	\$ 51,868
Utilities	1,360	1,360	1,360	1,603	1,603	1,603	1,603	1,288	1,288	1,288	1,288	1,217	18,187
Repairs & Maintenance	569	569	680	680	680	680	680	639	639	639	634	627	8,167
All Other Controllable Expenses	1,365	1,365	1,365	1,461	1,461	1,461	1,362	1,362	1,362	1,362	1,341	1,309	18,057
Non-Controllable Expenses	140	140	140	154	154	154	154	192	192	192	189	189	2,171
Total Property Level	10,664	3,724	10,618	4,167	11,078	4,167	3,850	10,662	3,771	10,662	3,714	10,284	98,449
Corporate Overhead													
Payroll and Related	\$ 1,319	\$ -	\$ 1,319	\$ -	\$ 1,319	\$ -	\$ -	\$ 1,319	\$ -	\$ 1,319	\$ 4,500 (b)	\$ 1,319	\$ 13,735
Reservation & Travel Agent Fees	428	-	698	-	432	-	704	-	390	-	636	401	3,689
All Other Overhead	578	578	578	623	623	681	599	593	593	593	595	600	7,867
Total Corporate Overhead	2,325	578	2,595	623	2,374	623	2,705	2,502	593	2,548	5,095	2,320	25,281
Capital Expenditures and Initiatives													
Recurring Capex	\$ 633	\$ 633	\$ 633	\$ 693	\$ 693	\$ 693	\$ 668	\$ 662	\$ 662	\$ 662	\$ 662	\$ 662	\$ 8,651
ESA Welcome Package	66	-	-	-	-	-	-	-	-	-	-	-	66
Other Misc. Capex	60	-	-	-	-	-	-	-	-	-	-	-	60
IT Projects	88	-	88	106	106	106	95	92	92	92	94	98	1,250
Incremental Marketing Overhead	-	-	-	-	-	-	500 (b)	-	-	1,000 (b)	-	-	1,500
Total Capital Expenditures and Initiatives	847	721	721	800	800	800	763	753	753	1,753	756	760	11,527
Total Disbursements Before Other	20,321	9,381	15,868	5,816	18,955	17,504	5,224	14,212	13,209	15,782	12,171	17,558	175,984
Other Disbursements													
Capex "Catchup"	-	1,500	1,500	-	1,000 (b)	-	-	1,000 (b)	-	-	-	-	6,000
Windows Litigation	-	16	500	18	250	18	17	17	17	17	17	17	750
Office Building Expense	-	-	-	-	-	-	-	-	-	-	-	-	223
Utility Deposits	-	-	6,000	-	-	-	-	-	-	-	-	-	6,000
Other Deposits	-	150	-	-	-	-	-	-	-	-	-	-	150
A/P "Catchup"	5,157	-	-	-	-	-	-	-	-	-	-	-	5,157
Litigation Reserve (TBD)	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-Debtor Entities Operating Disbursements	-	-	-	430 (b)	-	-	269 (b)	-	-	-	427 (b)	-	1,126
Total Other Disbursements	5,173	1,666	8,016	448	1,268	18	1,018	1,017	17	17	444	17	19,406
Professional Fees	-	4,370	-	-	-	-	-	-	-	-	-	-	14,610
Total Disbursements	25,495	15,417	23,884	6,264	20,223	9,999	23,642	15,229	13,226	20,919	12,615	17,575	210,000
Beginning Cash Balance	\$ 6,879	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 6,879
Net Cash Flow	(25,495)	(15,417)	(23,884)	(6,264)	(20,223)	(9,999)	(23,642)	(15,229)	(13,226)	(20,919)	(12,615)	(17,575)	(210,000)
Cash from ESH	23,616	15,417	23,884	6,264	20,223	9,999	23,642	15,229	13,226	20,919	12,615	17,575	208,121
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

Note:
(a) Disbursements required to operate ESH hotel properties.
(b) Reflects payments not yet approved.