

EXTENDED STAY LITIGATION TRUST

FINANCIAL STATEMENTS

**From October 8, 2010 (Date of Inception)
to December 31, 2010**

AND

INDEPENDENT ACCOUNTANTS' REVIEW REPORT



091376411083000000000001

EXTENDED STAY LITIGATION TRUST

CONTENTS

December 31, 2010

	Page
INDEPENDENT ACCOUNTANTS' REVIEW REPORT	1
FINANCIAL STATEMENTS	
Balance Sheet	2
Statements of Operations and Changes in Trust Corpus	3
Statement of Cash Flows	4
Notes to Financial Statements	5-6



ROSEN SEYMOUR SHAPSS MARTIN & COMPANY LLP
Certified Public Accountants & Profitability Consultants



INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Trustees
Extended Stay Litigation Trust:

We have reviewed the accompanying balance sheet of Extended Stay Litigation Trust as of December 31, 2010, and the related statements of operations and changes in trust corpus, and cash flows for the period from October 8, 2010 (date of inception) to December 31, 2010. A review includes primarily applying analytical procedures to management's financial data and making inquiries of the Trust's management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Rosen Seymour Shapss Martin & Company LLP

CERTIFIED PUBLIC ACCOUNTANTS

New York, New York
June 16, 2011

EXTENDED STAY LITIGATION TRUST

BALANCE SHEET

December 31, 2010

Assets

Cash and cash equivalents	\$ 4,902,745
Deposits	<u>1,000</u>
Total assets	<u>\$ 4,903,745</u>

Liabilities and Trust Equity

Liabilities:

Accrued expenses	\$ <u>129,150</u>
Total liabilities	<u>129,150</u>

Trust equity:

Trust corpus	<u>4,774,595</u>
Total trust equity	<u>4,774,595</u>
Total liabilities and trust equity	<u>\$ 4,903,745</u>

See independent accountants' review report and notes to financial statements.

EXTENDED STAY LITIGATION TRUST

STATEMENTS OF OPERATIONS AND CHANGES IN TRUST CORPUS

From October 8, 2010 (Date of Inception) to December 31, 2010

Revenue:

Interest income	\$ 2,802
-----------------	----------

Expenses:

Legal and professional fees	227,055
-----------------------------	---------

Storage fees	<u>1,152</u>
--------------	--------------

Total expenses	<u>228,207</u>
----------------	----------------

Loss	(225,405)
------	-----------

Trust corpus, beginning of period	-
-----------------------------------	---

Contribution	<u>5,000,000</u>
--------------	------------------

Trust corpus, end of period	<u>\$ 4,774,595</u>
-----------------------------	---------------------

See independent accountants' review report and notes to financial statements.

EXTENDED STAY LITIGATION TRUST

STATEMENT OF CASH FLOWS

From October 8, 2010 (Date of Inception) to December 31, 2010

Cash flows from operating activities:

Loss	\$ (225,405)
Adjustments to reconcile net loss to net cash used in operating activities:	
Changes in assets and liabilities:	
(Increase) decrease in:	
Deposits	(1,000)
Increase (decrease) in:	
Accrued expenses	<u>129,150</u>
Net cash used in operating activities	(97,255)

Cash flows from financing activities:

Contribution to trust corpus	<u>5,000,000</u>
Net increase in cash	4,902,745
Cash, at the beginning of the period	<u>-</u>
Cash, at the end of the period	<u>\$ 4,902,745</u>

See independent accountants' review report and notes to financial statements.

EXTENDED STAY LITIGATION TRUST

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

1. Summary of Significant Accounting Policies

Trust Organization

The Extended Stay Litigation Trust (the "Trust") was established on October 8, 2010 in accordance with the Fifth Amended Plan of Reorganization of Extended Stay, Inc., et al., debtors, Case Number 09-13764 (JMP) (SDNY) (the "Plan").

The Trust's primary purpose is to examine, and if appropriate, litigate any potential claims, causes of action, charges, suits or rights of recovery referenced in an Examiner's Report issued prior to the confirmation of the Plan. The Trust's assets include a cash litigation fund and the right to any proceeds of any potential claims, causes of action, charges, suits or right of recovery. The assets transferred to the Trust will be liquidated and the net proceeds distributed to the beneficiaries with no objective for the Trust to continue or engage in the conduct of a trade or business.

The Trust Agreement sets forth an initial time limit of five years for the disposition of the Trust's assets and distribution to the beneficiaries unless the Trustees determines that an extension is necessary to facilitate or complete the recovery and liquidation of the assets of the Litigation Trust.

Basis of Presentation

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles. The format is similar to a general business financial statement presentation because the Trustees believe this format more clearly presents the financial operations and position of the Trust.

The Trust is treated as a grantor trust for Federal income tax purposes and not a corporation. Accordingly, any income or loss of the Trust will not be taxable to the Trust but instead will be taxable to the holders of beneficial interests in the Trust, as if such holders had themselves realized the income or loss from their pro rata interest in the Trust assets.

Cash and Cash Equivalents

The Trust considers all short-term obligations with an original maturity of three months or less to be cash equivalents. Cash equivalents consist of highly liquid money market accounts.

Concentration of Risks

Financial instruments that potentially subject the Trust to credit risk consist of cash and cash equivalents.

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2010

Cash, which is placed with a high credit quality financial institution, at times may be in excess of federally insured limits. Excess cash, when available, is placed in money market funds that are not insured. As of December 31, 2010, amounts in excess of insured limits were approximately \$4,653,000, but the Trustees believe that the risk of loss is not material.

2. Contribution from Beneficiary

In October 2010, the Trust received a contribution in the amount of \$5,000,000. The Trust Agreement provides that this contribution is considered as a non-interest bearing, non-recourse loan, which is treated as equity under accounting principles generally accepted in the United States of America. The Trust is authorized to retain the first \$5 million in Trust proceeds, if any, as additional funding for the Trust (see Note 1 – Trust Organization). Distributions, if any, will be made first to repay the original contribution.

3. Subsequent Events

Extended Stay Litigation Trust has evaluated its subsequent events through June 16, 2011, the date the accompanying financial statements were available to be issued. On June 14 and 15, 2011, the Trustees filed four and one complaints, respectively, in Federal and New York State courts against participants in the 2007 leveraged buyout of the Extended Stay family of companies seeking compensatory and other damages in excess of \$2 billion, and punitive damages against some defendants on breach of fiduciary claims in excess of \$6 billion. At this time the actual amount of recoveries, if any, cannot be determined with any certainty. The Trust had no additional significant subsequent events requiring disclosure.