

**INVESTMENT AND STANDBY PURCHASE AGREEMENT**

**by and among  
Certain affiliates and subsidiaries of EXTENDED STAY INC. listed on Schedule 1  
and  
HVM MANAGER L.L.C.  
and  
HVM L.L.C.  
and  
CENTERBRIDGE PARTNERS, L.P.  
and  
PAULSON & CO. INC.  
each on behalf of certain accounts and funds managed by them  
as Investors.**

**Dated as of March [ ], 2010**

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This INVESTMENT AND STANDBY PURCHASE AGREEMENT (this “Agreement”), dated as of March [ ], 2010, is by and among certain affiliates and subsidiaries of Extended Stay Inc. listed on Schedule 1 hereto (the “Debtors”), HVM Manager L.L.C. (“HVM Manager”), HVM L.L.C. (“HVM”) and Centerbridge Partners, L.P. and Paulson & Co. Inc., each on behalf of various investment funds and accounts managed by them, or their designees and assigns (each an “Investor” and together, the “Investors”).

## **RECITALS**

WHEREAS, on June 15, 2009, Extended Stay Inc., and certain of its affiliates and subsidiaries commenced jointly administered cases (the “Chapter 11 Cases”) under chapter 11 of title 11 of the United States Code (the “Bankruptcy Code”) in the United States Bankruptcy Court for the Southern District of New York (the “Bankruptcy Court”);

WHEREAS, certain of the debtors and debtors in possession who commenced the above mentioned Chapter 11 Cases have proposed and submitted to the Bankruptcy Court for its approval of a restructuring plan (the “Plan”) for the Debtors, an amended draft of which is attached hereto as Exhibit A (the “Draft Plan”) (terms defined in the Draft Plan which are not otherwise defined herein shall be used herein as so defined and certain other terms are defined in Section 25 hereof);

WHEREAS, the Debtors have requested that the Investors participate in the Plan and the Investors are willing to participate in the Plan and commit to invest up to four-hundred fifty million dollars (\$450,000,000) in the reorganized Debtors, on the terms and subject to the conditions contained in this Agreement;

NOW THEREFORE, in consideration of the foregoing and the mutual covenants contained herein and for other good and valuable consideration, the parties hereto, intending to be legally bound hereby, agree as follows:

### **Section 1.    Investment.**

1.1.    Subject to the terms and conditions set forth in this Agreement and in reliance upon the representations, warranties and covenants set forth in this Agreement, on the Effective Date immediately subsequent to the making of the distributions pursuant to the Plan, the Investors shall purchase from a newly formed Delaware limited liability company (“NewCo”), and the Debtors shall cause NewCo to sell and issue to the Investors units of the NewCo common membership interests (the “NewCo Common Interests”) representing 38.22% (subject to adjustment as set forth in the Plan and Sections 1.3 and 3.4 hereof) of the NewCo Common Interests outstanding immediately after the Effective Date of the Plan, in the respective amounts set forth in Schedule 1.1 annexed hereto (the “Investment”). The Investors currently expect to effectuate the Investment through a newly formed Delaware limited liability company, or other type of entity that may be selected by the Investors, whose membership interests will be directly or indirectly held and controlled by the Investors (“InvestorCo”). InvestorCo shall purchase the NewCo Common Interests as provided in this Section 1.1. It is further agreed and understood among the Debtors and the Investors that the Investors may determine in their sole and absolute discretion that NewCo shall have an alternate corporate or organizational structure, form or

identity and the structure of the Rights Offering and Investment Transactions contemplated below shall be changed to the extent necessary to effectuate any such alternate structure, form or identity. Subject to the Investors' right to modify the corporate or organizational structure, form or identity of NewCo as provided in this Section 1.1, NewCo will be the parent company of the reorganized Debtors (and HVM and HVM Manager, only to the extent transferred to NewCo under the Plan) (NewCo, the Debtors, HVM Manager and HVM, collectively, the "Company") from and after the effective date of the Plan (the "Effective Date").

1.2. As consideration for the NewCo Common Interests to be issued pursuant to the Investment, InvestorCo shall (i) pay to NewCo two hundred twenty-five million dollars (\$225,000,000) and (ii) contribute to NewCo the Certificates (as such term is defined in Section 2.2 hereof) held by each of the Investors as set forth in Schedule 1.2a, which Certificates are currently contemplated to be contributed by the Investors to InvestorCo prior to the Expiration Date (as defined in Section 2.4(e)), subject to adjustment as set forth in Section 1.3 hereof (together with the payment specified in clause (i) above, which payment may be adjusted under Section 3.4 hereof, the "Investment Consideration"). Each Investor shall be responsible, on a several basis, to pay or to cause InvestorCo to pay its portion of the consideration set forth on Schedule 1.2. The Investors (or InvestorCo) shall pay the Investment Consideration to the Debtors (a) with respect to the cash portion of the Investment Consideration, by wire transfer of immediately available funds and (b) with respect to the Certificates, by physical delivery of the Certificates or any duly executed transfer documents that are necessary to effect the transfer of InvestorCo's interests under the Certificates to NewCo, in each case on the Effective Date.

1.3. InvestorCo may elect to deliver on the Effective Date more than, less than, or none of, the Certificates beneficially owned by the Investors and reflected on Schedule 1.2a, in which case the amount of NewCo Common Interests purchased by InvestorCo will be increased or reduced by an amount commensurate with the amount of NewCo Common Interests to be issued in respect of the Certificates added or not delivered, based upon the ratio of surrendered Certificates to purchased NewCo Common Interests set forth in Schedule 1.2a.

## **Section 2. Rights Offering.**

2.1. Except as otherwise provided for in the Plan, pursuant to and to be effectuated through the Plan, the Debtors shall effect a rights offering (the "Rights Offering"), pursuant to which the Debtors will offer and cause NewCo to sell NewCo Common Interests.

2.2. The Debtors shall distribute to each holder (each, an "Offering Participant") of certificates (the "Certificates") representing indirect interests in that certain mortgage loan (the "Mortgage Loan"), dated as of June 11, 2007 among Wachovia Bank, National Association, Bear Stearns Commercial Mortgage, Inc., as co-lenders, and the borrowers signatory thereto, in Certificate classes B through M, including, to the extent applicable, the Investors or InvestorCo (to the extent that the Investors have contributed their Certificates to InvestorCo), rights (each, a "Right") to purchase, in the aggregate, NewCo Common Interests representing up to 22.50% (subject to adjustment as set forth in the Plan) of the NewCo Common Interests to be issued on the Effective Date immediately subsequent to the making of the distributions pursuant to the Plan, at an aggregate purchase price of two-hundred twenty five million dollars (\$225,000,000).

2.3. The Rights Offering shall generate proceeds equal to two-hundred twenty five million dollars (\$225,000,000) (the “Rights Offering Proceeds,” and together with the Investment Consideration, the “Committed Proceeds”).

2.4. The Rights Offering shall be conducted as follows:

(a) Concurrently with the mailing of solicitation packages with respect to the Plan (the “Distribution Date”), the Debtors shall distribute the Rights as follows:

- (1) 94.22% of the Rights issued pursuant to the Rights Offering shall be allocated to holders of Certificates in classes B through G.
- (2) 5.78% of the Rights issued pursuant to the Rights Offering shall be allocated to holders of Certificates in classes H through M.
- (3) Holders of Certificates in classes B through G shall each receive a percentage of the Rights equal to the percentage of the NewCo Common Interests to be distributed to each class of Certificates under the Plan. Holders of Certificates in classes H through M shall each receive such percentage of the Rights as set forth in the Plan.
- (4) Each holder of a Certificate shall receive its pro rata share of Rights distributed to its class of Certificates based on its holdings of Certificates in that class, as compared to the aggregate holdings within the class.
- (5) Each holder of Certificates in classes B through G who elects to receive New Unsecured Notes in lieu of NewCo Common Interests shall have its entitlement to the Rights reduced in the manner to be set forth in the Plan.

(b) Each Right shall entitle the holder thereof to purchase one NewCo Common Interest at the Purchase Price.

(c) Each Offering Participant shall be (i) a “qualified institutional buyer” as such term is defined in Rule 144A under the Securities Act of 1933, as amended (the “Securities Act”), (ii) an “accredited investor” as such term is defined in Rule 501(a)(1), (2), (3) or (7) of Regulation D under the Securities Act, or (iii) a non-U.S. person purchasing under Regulation S under the Securities Act.

(d) The Debtors shall be responsible for arranging for the distribution of certificates representing the Rights (each, a “Rights Certificate”) by the Trustee and any related materials to each Offering Participant. The Rights Certificates shall provide a place whereby each Offering Participant may indicate its commitment to exercise all or a portion of its Rights.

(e) The Rights may be exercised during a period (the “Rights Exercise Period”) commencing on the Distribution Date and ending five (5) Business Dates after the voting deadline with respect to the Plan, unless such time is extended by the Debtors and the extension is agreed to by the Investors, such agreement not to be unreasonably withheld (as extended, the

“Expiration Date”), and any Rights not subscribed for by the Expiration Date shall constitute unsubscribed rights (the “Unsubscribed Rights”).

(f) Each Offering Participant who wishes to exercise all or a portion of its Rights shall (i) during the Rights Exercise Period, return a duly executed Rights Certificate to a subscription agent reasonably acceptable to the Debtors and the Investors (the “Subscription Agent”) electing to exercise all or a portion of the Rights held by such Offering Participant and (ii) pay an amount equal to the full Purchase Price for the number of NewCo Common Interests that the Offering Participant elects to purchase by wire transfer of immediately available funds on or prior to the Expiration Date, which funds shall be held in an escrow account established for the Rights Offering until the Effective Date.

(g) Each Offering Participant subscribing to the Rights Offering shall, pursuant to its exercise of the Rights, agree to support and not take any action to oppose or delay confirmation and implementation of the Plan.

(h) There shall be no over-subscription rights provided in connection with the Rights Offering.

(i) The Rights shall not be transferable.

(j) The Company may, with the written consent of the Investors, which consent shall not be unreasonably withheld, (a) waive irregularities in the manner of exercise of the Rights, and (b) waive conditions relating to the method (but not the timing) of the exercise of the Rights. Without limiting any other circumstances that could give rise to the Investors’ right to withhold consent to any waiver, the Company acknowledges and agrees that the Investors shall be free to withhold consent to any waiver under (a) or (b) that adversely affects the interests of the Investors.

(k) In the event that the Rights Offering is terminated or otherwise not effectuated pursuant to Section 4.2(b)(ii) of the Plan, all Rights and any exercise of any Right shall be canceled and be null and void and there shall be no obligation to honor any such purported exercise. In such event, the aggregate Purchase Price paid by any Offering Participant shall be refunded to such Offering Participant without payment of interest.

### **Section 3. Standby Purchase Commitment.**

3.1. Within one (1) Business Day of the Expiration Date (the “Notification Date”), the Debtors hereby agree and undertake to give each Investor and their counsel by .pdf format through electronic mail a certification by an executive officer of the Debtors of either (i) in the event that there are Unsubscribed Rights, (w) the number of NewCo Common Interests elected to be purchased by the Offering Participants pursuant to validly exercised Rights, (x) the aggregate Purchase Price thereof, (y) the number of Unsubscribed Rights, and (z) the number of NewCo Common Interests associated with the Unsubscribed Rights and the aggregate Purchase Price (the “Unsubscribed Rights Purchase Price”) thereof (a “Purchase Notice”) or (ii) in the absence of any Unsubscribed Rights, the fact that there are no Unsubscribed Rights and that the commitment set forth in Section 3.2 is terminated (a “Satisfaction Notice”).

3.2. Subject to the terms and conditions set forth in this Agreement and in reliance upon the representations, warranties and covenants set forth in this Agreement, each Investor (or InvestorCo), as to clause (a) below, is hereby given the exclusive right, severally and not jointly, to subscribe for and purchase, and as to clause (b) below, agrees, severally and not jointly, to subscribe for and purchase (or to cause InvestorCo to subscribe for and purchase), in each case, in the respective amounts set forth on Schedule 3.2 attached hereto, and the Debtors agree to cause NewCo to sell and issue:

(a) for the Purchase Price, the full amount of NewCo Common Interests each Investor may purchase pursuant to the exercise of the Rights distributed to such Investor under the Plan (the “Investors Rights”) on account of the Certificates held by each Investor as of the Distribution Date (or, to the extent that (i) Rights have been distributed to InvestorCo on account of the Investors’ Certificates contributed to InvestorCo prior to the Distribution Date or (ii) Investors Rights have been contributed to InvestorCo prior to the Expiration Date, for the Purchase Price, the full amount of NewCo Common Interests InvestorCo may purchase pursuant to the exercise of such Rights); and

(b) for the Purchase Price, the NewCo Common Interests associated with the Unsubscribed Rights as set forth in the Purchase Notice sent to such Investor (the “Standby Purchase Commitment,” and together with the Investment, the “Investment Transactions”).

3.3. The Investors (or InvestorCo) shall pay the Unsubscribed Rights Purchase Price and any unpaid portion of the Purchase Price of the Investors Rights to NewCo by wire transfer of immediately available funds on or before the Effective Date.

3.4. In the event the Rights Offering is terminated or otherwise not effectuated and becomes null and void pursuant to Section 4.2(b)(ii) of the Plan, the Investors’ and InvestorCo’s commitment to purchase the Unsubscribed Rights shall be null and void. In such event, the Investment Transactions shall be effectuated solely through the Investment and the Investors’ (or InvestorCo’s) direct purchase of NewCo Common Interests provided for in Section 1 hereof, such that the Debtors shall cause NewCo to sell and issue to InvestorCo NewCo Common Interests representing 100% of the NewCo Common Interests outstanding after the Effective Date of the Plan in exchange for the Investment Consideration consisting of InvestorCo’s (i) payment of three hundred twenty million dollars (\$320,000,000) and (ii) contribution of the Certificates held by each of the Investors as set forth in Schedule 1.2a (which Certificates are currently contemplated to be contributed to InvestorCo prior to the Expiration Date), which is subject to adjustment as set forth in Section 1.3. Each Investor shall be responsible, on a several basis, to pay or to cause InvestorCo to pay its portion of the consideration set forth on Schedule 1.2.

#### **Section 4. Issuance of the NewCo Common Interests.**

4.1. On the Effective Date immediately subsequent to the making of the distributions pursuant to the Plan, the Debtors shall issue or cause NewCo to issue:

(a) to the extent the Rights Offering is effectuated and implemented pursuant to the Plan, to each Offering Participant who validly exercised Rights and paid in full the Purchase Price for the NewCo Common Interests issued in connection with the exercised Rights, the number of NewCo Common Interests to which such Offering Participant is entitled based on the exercise of such Rights;

(b) to the extent the Rights Offering is effectuated and implemented pursuant to the Plan, to each Investor (or InvestorCo), the number of NewCo Common Interests to which each Investor (or InvestorCo) is entitled based on the exercise of the Rights and, to the extent applicable, the Standby Purchase Commitment; and

(c) to each Investor (or InvestorCo), the number of NewCo Common Interests it is entitled to receive based on the Investment.

4.2. All NewCo Common Interests shall be delivered with any and all issue, stamp, transfer, sales and use, or similar taxes or duties payable, if any, in connection with such delivery having been duly paid by the Company.

4.3. Investor Affiliates.

(a) Notwithstanding anything to the contrary in this Agreement, the Investors, in their sole discretion, may designate that some or all of the NewCo Common Interests to be issued to the Investors (or InvestorCo) under the Rights Offering and Investment be issued in the name of, and delivered to, one or more of their managed funds and/or respective affiliates, so long as such issuance and delivery is in compliance with federal and state securities laws and in accordance with Section 4.3(b) herein.

(b) Within 10 days after entry of the order confirming the Plan (the “Confirmation Order”), the Investors shall deliver to the Company a schedule detailing the designations, if any, of the kind described in Section 4.3(a), which designations shall not be assignments for the purposes of Section 19 of this Agreement.

(c) In the event that the Investors make the designation pursuant to this Section 4.3, the funds managed by the Investors and/or the affiliates of the Investors that are so designated shall have the rights, entitlements and benefits that would otherwise inure to the Investors or InvestorCo in their capacity as a holder of the NewCo Common Interests as provided in the Plan.

**Section 5. Commitment Payment and Expenses.**

5.1. Subject to the terms and conditions set forth in this Agreement and in reliance upon the representations, warranties and covenants set forth in this Agreement, the Investors shall receive from the Company a non-refundable commitment payment equal to twenty-two million five hundred thousand dollars (\$22,500,000) (the “Commitment Payment”), that shall be fully earned upon entry of the Approval Order (as defined in Section 8.1) and is to be paid to the Investors in cash (or equity pursuant to Section 15.7) in the respective amounts set forth on Schedule 5.1; provided, that the Investors shall waive payment of the Commitment Payment upon and subject to the occurrence of the Effective Date and the closing of the Investment and the Rights Offering; provided, further, that the Commitment Payment shall not be payable in the

event this Agreement is terminated by the Company pursuant to Section 15.4(a) or Section 15.4(c), or in the event that the closing conditions set forth in Section 13.1(b), (i) or (p) (but with respect to the closing condition in Section 13.1(p), only if such condition would otherwise be satisfied if the failure of any representations and warranties set forth in Section 6.1(s) hereof to be true and correct was not taken into account) cannot be satisfied.

5.2. Upon entry of the Approval Order and every thirty (30) days thereafter, the Company shall reimburse or pay, as the case may be, all reasonable costs, fees, expenses, disbursements and other charges incurred by each Investor or its affiliates, including, without limitation, fees, costs, expenses, disbursements and other charges of counsel to each of the Investors or its affiliates, and fees, costs, expenses, disbursements and other charges of any other professionals retained by any of the Investors or their respective affiliates in connection with or relating to this Agreement, the Investment, the Rights Offering or the Plan, including, without limitation, in connection with the transactions contemplated hereby (including, without limitation, investigating, negotiating, documenting and completing such transactions and enforcing, attempting to enforce and preserving any rights or remedies contemplated hereunder and by the Chapter 11 Cases), judicial and regulatory proceedings related to such transactions and the Chapter 11 Cases, including, without limitation, the fees and expenses of Fried, Frank, Harris, Shriver & Jacobson LLP and Houlihan, Lokey, Howard & Zukin, Inc. pursuant to its engagement letter with the Investors and Gibson, Dunn & Crutcher LLP, counsel to Paulson & Co. Inc., on behalf of certain investment funds and accounts managed by them (collectively, the “Expenses,” and together with the Commitment Payment, the “Transaction Expenses”); provided, that the Expenses shall not be payable in the event this Agreement is terminated by the Company pursuant to Section 15.4(a) based on upon the Investors’ material breach of this Agreement as determined by a final order of the Bankruptcy Court; provided, further, that if the closing conditions set forth in Sections 13.1(b), (i) or (p) (but with respect to the closing condition in Section 13.1(p), only if such condition would otherwise be satisfied if the failure of any representations and warranties set forth in Section 6.1(s) hereof to be true and correct was not taken into account) cannot be satisfied, or in the event that this Agreement is terminated by the Company pursuant to Section 15.4(c), the maximum amount of the Expenses payable by the Company shall be six million dollars (\$6,000,000).

5.3. If the Investors do not waive the payment of the Commitment Payment as provided in Section 5.1, any Expenses exceeding five million dollars (\$5,000,000) paid by the Company shall be credited against the Commitment Payment until the Commitment Payment is reduced to zero and thereafter, the Company shall have no obligation to pay or reimburse any additional Expenses, provided, however, that for purposes of this Section 5.3 only, all fees and expenses incurred by the Investors and their advisors in connection with any litigation relating to this Agreement, the Investment, the Rights Offering, or the Plan shall be excluded from the calculation of Expenses and shall be paid or reimbursed by the Company at all times in accordance with Section 5.2 above.

5.4. The provision for the payment of the Transaction Expenses is an integral part of the transactions contemplated by this Agreement and without this provision the Investors would not have entered into this Agreement and such Transaction Expenses, subject to the entry of the Approval Order, shall constitute an allowed administrative expense of the Debtors under Section 503(b)(1) and 507(a)(2) of the Bankruptcy Code.

5.5. Except as provided in Section 24.4, the payment of the Transaction Expenses pursuant to Section 15.7 shall be the sole and exclusive remedy available to the Investors in the event that the Closing does not occur, provided, that this Section 5.5 shall not relieve the Company from any Liability arising from (a) other than the exercise of its rights under Section 15.4, any willful or intentional breach that has been the cause of or resulted in the failure of the Closing to occur; or (b) obligations of the Company arising under Section 16.

**Section 6. Representations and Warranties of the Debtors, HVM Manager and HVM.**

6.1. The Debtors hereby jointly and severally represent and warrant to, and agree with, each Investor (solely as to the Debtors), and HVM Manager hereby severally and not jointly represents and warrants to, and agrees (solely with respect to itself), and HVM hereby severally and not jointly represents and warrants to, and agrees (solely with respect to itself), with each Investor, that, except as set forth in the Disclosure Schedules:

(a) Organization and Qualification. Each Company is duly organized, validly existing and in good standing under the laws of its state of incorporation or organization and has all requisite corporate or other organizational power and authority to carry on its business as it is currently conducted or as currently contemplated to be conducted after consummation of the transactions contemplated hereunder and under the Plan and to own, lease and operate its properties where such properties are now owned, leased or operated. Each of HVM Manager and HVM is duly qualified or licensed to do business and is in good standing in each jurisdiction in which the conduct of its respective business makes such qualification necessary, except where the failure to be so qualified would not be reasonably likely to result in a Material Adverse Change.

(b) NewCo. NewCo will be a newly formed entity and, prior to the Effective Date, NewCo will not have engaged in any business and will not have owned or controlled any assets.

(c) Corporate Power and Authority.

(1) The Company has or, to the extent executed in the future, shall have when executed the requisite corporate or other organizational power and authority to enter into, execute and deliver this Agreement and each other agreement to which it shall be a party as contemplated by this Agreement or the Plan (together, the “Transaction Agreements”) and, subject to entry of the Confirmation Order and the expiration, or waiver by the Bankruptcy Court, of the 14-day period set forth in Rules 6004(h) and 3020(e) of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”), respectively, to perform its obligations hereunder and thereunder, including, without limitation, as to NewCo, the issuance of the Rights and the NewCo Common Interests. The Company has taken or shall take all necessary corporate or other organizational action required for the due authorization, execution, delivery and performance by it of the Transaction Agreements, including, without limitation, as to NewCo, the issuance of the Rights and the NewCo Common Interests.



- (2) Prior to the execution by the Debtors and filing with the Bankruptcy Court of the Plan, the Debtors shall have the requisite corporate or other organizational power and authority to execute the Plan and to file the Plan with the Bankruptcy Court and, subject to entry of the Confirmation Order and the expiration, or waiver by the Bankruptcy Court, of the 14-day period set forth in Bankruptcy Rule 3020(e), to perform its obligations thereunder, and shall have taken by the Effective Date all necessary corporate or other organizational actions required for the due authorization, execution, delivery and performance by it of the Plan.

(d) Execution and Delivery; Enforceability.

- (1) Each Transaction Agreement has been, or prior to its execution and delivery shall be, duly and validly executed and delivered by each Company to the extent a party thereto, and, upon the entry of the Confirmation Order and the expiration, or waiver by the Bankruptcy Court, of the 14-day period set forth in Bankruptcy Rule 6004(h), each such document shall constitute a valid and binding obligation of the Company, enforceable against the Company to the extent a party thereto in accordance with its terms.
- (2) The Plan shall be duly and validly filed with the Bankruptcy Court by the Debtors and, upon the entry of the Confirmation Order and the expiration, or waiver by the Bankruptcy Court, of the 14-day period set forth in Bankruptcy Rule 3020(e), shall constitute a valid and binding obligation of the Debtors, enforceable against the Debtors in accordance with its terms.
- (3) All of the NewCo Common Interests shall have been duly authorized for issuance prior to the Effective Date, and, when issued and distributed as set forth in the Plan and this Agreement, shall be validly issued, fully paid and non-assessable and free and clear of all taxes, liens, preemptive rights, rights of first refusal, subscription and similar rights; and none of the NewCo Common Interests shall have been issued in violation of the preemptive rights of any security holders of NewCo arising as a matter of law or under or pursuant to NewCo's Certificate of Formation, Operating Agreement or any other material agreement or instrument to which the Company or NewCo is a party or by which it is bound;

(e) No Conflict. Subject to the entry of the Confirmation Order and the expiration, or waiver by the Bankruptcy Court, of the 14-day period set forth in Bankruptcy Rules 6004(h) and 3020(e), as applicable, the distribution of the Rights, the sale, issuance and delivery of the NewCo Common Interests upon exercise of the Rights, the consummation of the Rights Offering by the Debtors, the sale, issuance and delivery of the NewCo Common Interests to the Investors (or InvestorCo) pursuant to the Investment and the execution and delivery (or, with respect to the Plan, the filing) by the Company of the Transaction Agreements and the Plan and compliance by the Company with all of the provisions hereof and thereof and the consummation of the

transactions contemplated herein and therein (including, without limitation, compliance by each Investor with its obligations hereunder and thereunder) (i) shall not conflict with, or result in a breach or violation of, any of the terms or provisions of, or constitute a default under (with or without notice or lapse of time, or both), or result, except to the extent to be specified in the Plan, in the acceleration of, or the creation of any lien under, any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which the Company is a party or by which the Company is bound or to which any of the property or assets of the Company is subject, (ii) shall not result in any violation of the provisions of the certificate of incorporation or bylaws or similar governance documents of the Company, and (iii) shall not result in any violation of, or any termination or impairment of any rights under, any statute or any license, authorization, injunction, judgment, order, decree, rule or regulation of any court or governmental agency or body having jurisdiction over the Company or any of its properties.

(f) Consents and Approvals. No consent, approval, authorization, order, registration or qualification of or with any court or governmental agency or body having jurisdiction over the Company or any of its properties is required for the distribution of the Rights, the sale, issuance and delivery of the NewCo Common Interests upon exercise of the Rights, the sale, issuance and delivery of the NewCo Common Interests to the Investors (or InvestorCo) pursuant to the Investment and the consummation of the Rights Offering and the Investment by the Company and the execution and delivery by the Company of the Transaction Agreements or the Plan and performance of and compliance by the Company with all of the provisions hereof and thereof and the consummation of the transactions contemplated herein and therein, except (i) the entry of the Approval Order and the Confirmation Order and the expiration, or waiver by the Bankruptcy Court, of the 14-day period set forth in Bankruptcy Rules 6004(h) and 3020(e), as applicable, (ii) the filing with the Secretary of State of the State of Delaware of the Certificate of Formation to be applicable to NewCo from and after the Effective Date and (iii) any notification or filing required under the HSR Act. No consent, approval or authorization of any Person (other than a court or governmental agency) is required in connection with the execution and delivery of the Transaction Agreements or the consummation by the Company of the transactions contemplated herein and therein.

(g) Arm's Length. The Company acknowledges and agrees that the Investors are acting solely in the capacity of an arm's length contractual counterparty to the Company with respect to the transactions contemplated hereby (including, without limitation, in connection with determining the terms of the Rights Offering, the Standby Purchase Commitment and the Investment) and not as a financial advisor or a fiduciary to, or an agent of, the Company or any other Person or entity, other than investment funds and accounts managed by them. Additionally, the Investors are not advising the Company or any other Person or entity as to any legal, tax, investment, accounting or regulatory matters in any jurisdiction. The Company shall consult with their own advisors concerning such matters and shall be responsible for making their own independent investigation and appraisal of the transactions contemplated hereby, and the Investors shall have no responsibility or Liability to the Company or its respective shareholders, directors, officers, employees, advisors or other representatives with respect thereto. Any review by the Investors of the Company, the transactions contemplated hereby or other matters relating to such transactions shall be performed solely for the benefit of the Investors and shall not be on behalf of the Company, its affiliates, or their respective shareholders, directors, officers, employees, advisors or other representatives and shall not affect

any of the representations or warranties contained herein or the remedies of the Investors with respect thereto.

(h) No Undisclosed Liabilities. Except for Liabilities incurred in the ordinary course of business as to HVM Manager, HVM or the Debtors, in each case since September 30, 2009, the Company does not have any material Liabilities, whether individually or in the aggregate, whether absolute, accrued, contingent or otherwise, of a type required to be disclosed on a balance sheet prepared in accordance with GAAP, or any material off balance sheet Liabilities, except as set forth in (i) the schedules of assets and liabilities and statements of financial affairs filed by the Debtors with the Bankruptcy Court on September 28, 2009, (ii) the Debtors' monthly operating report filed with the Bankruptcy Court on February 16, 2010, (iii) the Disclosure Statement (as defined and described in Section 8.2 hereof), (iv) the Financial Statements, (v) Schedule 6.1(h), or (vi) the HVM Financial Statements.

(i) Absence of Certain Changes. Except as set forth on Schedule 6.1(i), since September 30, 2009, except for actions to be taken pursuant to the Transaction Agreements and the Plan:

- (1) there has not been any material change in the capital stock or any material change in long-term debt of the Company or any material dividend or distribution of any kind declared, set aside for payment, paid or made by the Company on any class of capital stock;
- (2) no event, fact or circumstance has occurred which has had or would reasonably be expected to give rise to, individually or in the aggregate, a Material Adverse Change;
- (3) the Company has not entered into any contract, agreement or arrangement that will be in effect on the Effective Date and that (i) has, or that the Company reasonably expects to have, any future Liability or payments in excess of five million dollars (\$5,000,000), (ii) is not terminable by the Company by notice of not more than ninety (90) days for a cost of less than one hundred thousand dollars (\$100,000), and (iii) was not entered into in the ordinary course of business.
- (4) the Company has not made any material changes with respect to accounting policies or procedures, except as required by law or changes in GAAP;
- (5) the Company has not paid, discharged, waived, compromised, settled or otherwise satisfied any material legal proceeding, whether now pending or hereafter brought, (A) at a cost materially in excess of the amount accrued or reserved for it, (B) pursuant to terms that impose material adverse restrictions on the business of the Company as currently conducted or (C) on a basis that reveals a finding or an admission of a material violation of law by the Company;

- (6) other than in the ordinary course of business, the Company has not (A) made, changed or revoked any material tax election, (B) entered into any settlement or compromise of any material tax Liability, (C) except as otherwise provided in Schedule 6.1(i)(6)(C), filed any amended tax return with respect to any material tax, (D) changed any annual tax accounting period, (E) entered into any closing agreement relating to any material tax, (F) knowingly failed to claim a material tax refund for which it is entitled, or (G) made material changes to their tax accounting methods or principles;
- (7) the Company has not amended its organizational documents;
- (8) the Company has not waived any material right, claim or debt; and
- (9) the Company has not created any mortgage, pledge or lien with respect to any portion of its assets, other than in the ordinary course of business and relating to assets and obligations, in the aggregate, not in excess of ten million dollars (\$10,000,000).

(j) Investment Company Act. As of the date hereof, the Company is not and, after giving effect to the consummation of the Plan, including, without limitation, the offering and sale of the NewCo Common Interests upon exercise of Rights under the Plan and through the Investment, and the application of the proceeds thereof, shall not be required to register as an “investment company” or an entity “controlled” by an “investment company” within the meaning of the Investment Company Act of 1940, as amended, and the rules and regulations of the Securities and Exchange Commission thereunder.

(k) Material Contracts.

- (1) Except as otherwise provided herein and subject to the payment of any required cure costs as set forth on Schedule 6.1(k), on and as of the Effective Date, each Material Contract that shall survive the Chapter 11 Cases (i) shall be a legal, valid and binding obligation of the Company, to the extent a party thereto, and each other party thereto (subject to bankruptcy laws), (ii) to the knowledge of the Company, shall be in full force and effect and (iii) shall be enforceable against the Company, to the extent a party thereto, and each other party thereto (subject to bankruptcy laws) in accordance with its terms. Other than a breach or default that occurred as a result of the filing of the Chapter 11 Cases, with respect to each Material Contract, (x) the Company, to the extent a party thereto, is not in material default or breach of such Material Contract, and (y) there does not exist any event, condition or omission that would constitute such a default or breach, whether by lapse of time or notice or both. To the knowledge of the Company, no party to any Material Contract is in material breach or default of such Material Contract, has repudiated any material provision thereof or terminated any Material Contract.

- (2) Except as otherwise provided herein, the transfer of HVM to NewCo, the transfer of HVM Manager to NewCo or the appointment of NewCo Manager or its designee as successor manager of HVM shall not cause a breach, default, cancellation or termination of, or give rise to a right to cancel or terminate, any Material Contract to which HVM Manager or HVM is a party.

(l) Pending Litigations or Causes of Action. There is no action, suit, proceeding or investigation pending or, to the knowledge of the Company, threatened or affecting the Company or any of the properties, assets or businesses of the Company, which, individually or in the aggregate, would reasonably be expected to result in a Material Adverse Change or which questions the validity of the sale of the NewCo Common Interests in accordance with this Agreement or any other action taken or to be taken by the Company pursuant to or in connection with this Agreement, other than the investigation of Ralph R. Mabey, Esq., as duly appointed examiner in the Chapter 11 Cases.

(m) Labor Relations.

- (1) The Company is not party to, or bound by, any material collective bargaining agreement, contract or other agreement or understanding with a labor union or labor organization;
- (2) the Company is not the subject of any material proceeding asserting that it or any Subsidiary has committed an unfair labor practice or sex, age, race or other discrimination or seeking to compel it to bargain with any labor organization as to wages or conditions of employment;
- (3) there are no material current or, to the knowledge of the Company, threatened organizational activities or demands for recognition by a labor organization seeking to represent employees of the Company or any and no such activities have occurred during the past 12 months;
- (4) no material grievance, arbitration, litigation or complaint or, to the knowledge of the Company, investigations relating to labor or employment matters is pending or, to the knowledge of the Company, threatened against the Company;
- (5) the Company has complied and is in compliance in all material respects with all applicable laws (domestic and foreign), agreements, contracts, and policies relating to employment, employment practices, wages, hours, and terms and conditions of employment and is not engaged in any material unfair labor practice as determined by the National Labor Relations Board (or any foreign equivalent);
- (6) the Company has complied in all material respects with its payment obligations to all employees of the Company in respect of all wages, salaries, commissions, bonuses, benefits and other compensation due and

payable to such employees under any agreement, plan, program or any statute or other law; and

- (7) the Company has complied and is in compliance in all material respects with its obligations pursuant to the Worker Adjustment and Retraining Notification Act of 1988 (and any similar state or local law) to the extent applicable, and all material other employee notification and bargaining obligations arising under any collective bargaining agreement or statute.

(n) Title to Intellectual Property. The Company owns, or possesses valid and enforceable rights to use, all material Intellectual Property, including, without limitation, that which is set forth on Schedule 6.1(n), used in the conduct of their respective businesses as of the date of this Agreement (collectively, “Company Intellectual Property”). All applications to register and registrations of any Company Intellectual Property owned by the Company (i) are valid and in full force and effect; (ii) have not, except in accordance with the ordinary course practices of the Company lapsed, expired or been abandoned (subject to the vulnerability of a registration for trademarks to cancellation for lack of use); and (iii) are not the subject of any opposition or cancellation filed with the United States Patent and Trademark Office or any other applicable Intellectual Property registry. The consummation of the transactions contemplated hereby and by the Plan, including, without limitation, the transfer of the Company Intellectual Property to NewCo, shall not result in the loss or impairment of any rights to use such Company Intellectual Property or obligate the Company to pay any royalties or other amounts to any third party in excess of the amounts that would have been payable by the Company absent the consummation of the transactions contemplated hereby and by the Plan. The Company has taken reasonable security measures to protect the confidentiality and value of its trade secrets (or other Company Intellectual Property for which the value is dependent upon its confidentiality), and, to the knowledge of the Company, no such information has been misappropriated or is the subject of an unauthorized disclosure. The Company has not received any written notice in the past two (2) years that it is in default (or with the giving of notice or lapse of time or both, would be in default) under any contract relating to any Company Intellectual Property. To the knowledge of the Company, no Company Intellectual Property rights owned by the Company are being infringed by any other Person. To the knowledge of the Company, the conduct of the business of the Company as conducted does not infringe, misappropriate, or otherwise violate in any respect any Intellectual Property rights of others. The Company has not received any written notice of any claim of infringement, misappropriation, or violation with any such rights of others in the past thirty (30) months.

(o) Intellectual Property of BHAC and Homestead. To the knowledge of the Company, each of BHAC and Homestead individually or collectively owns, or possesses valid and enforceable rights to use, all material Intellectual Property, including, without limitation, that which is set forth on Schedule 6.1(n), used in the conduct of their respective businesses as of the date of this Agreement (the “BHAC/Homestead Intellectual Property”). To the knowledge of the Company, all applications to register and registrations of any BHAC/Homestead Intellectual Property owned by BHAC and/or Homestead are (i) valid and in full force and effect; (ii) have not, except in accordance with the ordinary course practices of BHAC and Homestead, collectively, lapsed, expired or been abandoned (subject to the vulnerability of a registration for trademarks to cancellation for lack of use); and (iii) are not the subject of any opposition or

cancellation filed with the United States Patent and Trademark Office or any other applicable Intellectual Property registry. To the knowledge of the Company, the consummation of the transactions contemplated hereby and by the Plan, including, without limitation, the transfer of the BHAC/Homestead Intellectual Property to NewCo, shall not result in the loss or impairment of any rights to use such BHAC/Homestead Intellectual Property or obligate either BHAC or Homestead to pay any royalties or other amounts to any third party in excess of the amounts that would have been payable by BHAC or Homestead absent the consummation of the transactions contemplated hereby and by the Plan. To the knowledge of the Company, BHAC and Homestead have taken reasonable security measures to protect the confidentiality and value of its and their trade secrets (or other BHAC/Homestead Intellectual Property for which the value is dependent upon its confidentiality), and, no such information has been misappropriated or is the subject of an unauthorized disclosure. To the knowledge of the Company, neither BHAC nor Homestead has received any written notice in the past two (2) years that they are in default (or with the giving of notice or lapse of time or both, would be in default) under any contract relating to any BHAC/Homestead Intellectual Property. To the knowledge of Company, no BHAC/Homestead Intellectual Property rights owned by BHAC and/or Homestead are being infringed by any other Person. To the knowledge of Company, the conduct of the businesses of BHAC and Homestead as conducted does not infringe, misappropriate, or otherwise violate in any material respect any Intellectual Property rights of others, and neither BHAC nor Homestead has received any written notice of any claim of infringement, misappropriation, or violation with any such rights of others in the past thirty (30) months.

(p) No Broker's Fees. Neither the Company nor any of its Subsidiaries is a party to any contract, agreement or understanding with any Person (other than this Agreement and the Company's agreement with Lazard Frères & Co. LLC, as approved by the Bankruptcy Court on July 23, 2009) that would give rise to a valid claim against the Company or any of its Subsidiaries or the Investors for a brokerage commission, finder's fee or like payment in connection with the Investment and Rights Offering.

(q) Title to Real and Personal Property. Schedule 6.1(q) contains a true, accurate and complete list of the addresses of all (i) real property owned by the Company as of the Effective Date (the "Owned Real Property"), and (ii) real property leased by the Company as of the Effective Date (the "Real Property Leases"). Except as provided on Schedule 6.1(q), the Company has good and marketable title to the Owned Real Property and good title to all other tangible and intangible properties owned by it, in each case, free and clear of all mortgages, pledges, liens, security interests, claims, restrictions or encumbrances of any kind, other than the Mortgage Loan and the Permitted Encumbrances (as such term is defined in the loan agreement evidencing the Mortgage Loan). All of the Real Property Leases are in full force and effect and enforceable by the Company in accordance with their terms and no material default exists under any of the Real Property Leases. The Company has not received any notice of any claim of any sort that has been asserted by anyone adverse to the rights of the Company under any of the Real Property Leases, or affecting or questioning the rights of the Company to the continued possession of the leased or subleased property by under any such lease or sublease. None of the buildings and structures situated on or forming part of the Owned Real Property or the operation or maintenance thereof, encroaches on any property owned by others, and the Owned Real Property and the current uses thereof by the Company complies in all respects with applicable laws. No taking has been commenced or, to the knowledge of the Company, is contemplated

with respect to all or any portion of, or for the relocation of roadways providing access to, any Owned Real Property or any real property subject to the Real Property Leases. The assets of the Company (including the Owned Real Property, the Real Property Leases and other tangible and intangible assets of the Company (other than Intellectual Property), include all of the properties, assets and rights (other than Intellectual Property) that are currently used in, or are material or necessary for, the conduct of the business of the Company as it is currently conducted (the “Business Assets”).

(r) Compliance with Environmental Laws. Except as provided on Schedule 6.1(r):

- (1) the Company is in compliance with all applicable Environmental Laws, except for such noncompliance as would not reasonably be expected to result in material liabilities under Environmental Laws;
- (2) except as would not reasonably be expected to result in the Company incurring material liabilities under Environmental Laws, the Company, has (a) received and is in compliance with all permits, licenses or other approvals required of it under applicable Environmental Laws to conduct its business, (b) is not subject to any action to revoke, terminate, cancel, limit, amend or appeal any such permits, licenses or approvals, and (c) has paid all fees, assessments or expenses due under any such permits, licenses or approvals;
- (3) except as would not reasonably be expected to result in the Company incurring material liabilities under Environmental Laws, there are no pending nor, to the best of the Company’s knowledge, threatened claims, notices, civil, criminal or administrative actions, suits, hearings, investigations, inquiries or proceedings with respect to the Facilities or the Company arising under any Environmental Law; and the Company has not received written notice from any governmental authority or any other third party of any actual or potential unresolved Liability for the investigation or remediation of any disposal or release of Hazardous Substances, or for any actual or alleged violation of Environmental Law;
- (4) except as would not reasonably be expected to result in the Company incurring material liabilities under Environmental Laws, there is no contamination of, and there have been no releases or threatened releases of Hazardous Substances, at, on, under or within the Facilities or, to the best of the Company’s knowledge, any real property formerly owned, leased or operated by the Company or, any predecessor of the Company’s predecessors;
- (5) to the best of the Company’s knowledge, there are no facts, circumstances or conditions related to the Facilities or the Company that would be reasonably expected to result in the Company incurring material liabilities under Environmental Laws;



- (6) except as would not reasonably be expected to result in the Company incurring material liabilities under Environmental Laws, the Company has not agreed to assume or accept responsibility for, by contract or otherwise, any Liability of any other Person under Environmental Laws;
  - (7) the Company is not currently required to incur material capital expenditures to reach or maintain compliance with existing Environmental Laws;
  - (8) neither the Company nor any of the Company's predecessors have manufactured, marketed, distributed, or sold asbestos or any products containing asbestos; nor is there any asbestos or asbestos-containing material at the Facilities requiring removal or abatement that would be reasonably likely to result in the Company incurring material liabilities under Environmental Laws; and
  - (9) for purposes of this Section 6.1(r), the following terms shall have the meanings set forth herein: "Environmental Laws" means any law, statute, rule, regulation, ordinance, or legally binding guidance document relating to pollution, contamination, protection of the environment, human health or safety related to exposure to Hazardous Substances or the occupational health or safety of employees, including any common law cause of action, and all applicable judicial and administrative decisions, orders, directives and decrees; "Facilities" means all real property owned, leased, or operated by the Company and any buildings, facilities, fixed structures or equipment located on such real property; "Hazardous Substances" means any substance, material or waste that is regulated, classified, defined or otherwise characterized under or pursuant to Environmental Law as "hazardous," "toxic," "pollutant," "contaminant," "radioactive" or words of similar meaning including petroleum or any by-products or fractions thereof, any form of natural gas, lead, asbestos and asbestos-containing materials, polychlorinated biphenyls ("PCBs") and PCB-containing equipment, toxic mold, radon and other radioactive elements, and urea formaldehyde foam insulation.
- (s) Compliance With ERISA.
- (1) Correct and complete copies of the following documents, with respect to all written material domestic and foreign benefit and compensation plans, programs, contracts, commitments, practices, policies and arrangements, that have been established, maintained or contributed to (or with respect to which an obligation to contribute has been undertaken) or with respect to which any potential Liability is borne by the Company or HVM, including, but not limited to, "employee benefit plans" within the meaning of Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and deferred compensation, stock option, stock purchase, restricted stock, stock appreciation rights, stock based, incentive

and bonus plans (the “Company Plans”), have been or shall be delivered or made available to the Investors by the Company and HVM, to the extent applicable: (i) all material Company Plan documents, together with all amendments and attachments thereto (including, in the case of any Company Plan not set forth in writing, a written description thereof); (ii) all material trust documents, declarations of trust and other documents establishing other funding arrangements, and all amendments thereto and the latest financial statements thereof; (iii) the annual reports on IRS Form 5500 for each of the past two years and all schedules thereto and the actuarial reports for each of the past two years; (iv) the most recent IRS determination letter; (v) summary plan descriptions and summaries of material modifications; and (vi) any notice to or from the IRS or any office of representative of the Department of Labor relating to compliance issues with respect to such Company Plans.

- (2) (A) Each Company Plan has been maintained, operated, and administered in compliance in all material respects with its own terms, ERISA, the Internal Revenue Code of 1986, as amended (the “Tax Code”), other applicable laws, and any applicable collective bargaining agreement; (B) each Company Plan that is intended to be a qualified plan under Section 401(a) of the Tax Code has received a favorable determination letter from the IRS covering all Tax law changes through and including the Economic Growth and Tax Relief Reconciliation Act of 2001 or has applied to the IRS for such favorable determination within the applicable remedial amendment period under Section 401(b) of the Tax Code, and the Company and HVM are not aware of any circumstances likely to result in the loss of the qualification of such Company Plan under Section 401(a) of the Tax Code; (C) no material Liability under Title IV of ERISA has been or is reasonably expected to be incurred by the Company or HVM with respect to any “single-employer plan,” within the meaning of Section 4001(a)(15) of ERISA (“Single-Employer Plan”) or “multiemployer plan” within the meaning of Section 3(37) of ERISA (“Multiemployer Plan”) currently or within the past six years maintained or contributed to (or with respect to which an obligation to contribute has been undertaken) by the Company or HVM or any entity which is considered one employer with the Company or HVM under Section 4001 of ERISA or Section 414 of the Tax Code (an “ERISA Affiliate”); (D) neither the Company nor HVM have incurred any withdrawal Liability (including, without limitation, any contingent or secondary withdrawal Liability) with respect to a Multiemployer Plan under Subtitle E of Title IV of ERISA (regardless of whether based on contributions of an ERISA Affiliate) that has not been satisfied in full and no condition or circumstance has existed that presents a risk of the occurrence of any withdrawal from or the partition, termination, reorganization or insolvency of any such Multiemployer Plan; (E) no “reportable event,” within the meaning of Section 4043 of ERISA, for which notice would be required to be filed with the Pension Benefit Guaranty Corporation, has occurred or is expected to occur for any

Company Plan or by any ERISA Affiliate; (F) all contributions required to be made under the terms of any Company Plan have been timely made or accrued for in accordance with GAAP in the financial statements of the Company and HVM as required under the terms of such Company Plan, applicable laws, and any applicable collective bargaining agreement; and (G) there has been no amendment to, announcement by the Company or HVM relating to, or change in employee participation or coverage under, any Company Plan which would materially increase the expense of maintaining such plan above the level of the expense incurred therefor for the most recent fiscal year.

- (3) (A) Neither any Company Plan nor any Single-Employer or Multiemployer Plan of an ERISA Affiliate has an “accumulated funding deficiency” (whether or not waived) within the meaning of Section 412 of the Tax Code or Section 302 of ERISA and neither the Company nor HVM nor any ERISA Affiliate has applied for or obtained a funding waiver; (B) the Company and HVM expect that required minimum contributions to any Company Plan under Section 412 of the Tax Code shall not be materially increased by application of Section 412(l) of the Tax Code; (C) neither the Company nor HVM has provided, or is required to provide, security to any Company Plan or to any Single-Employer or Multiemployer Plan of a ERISA Affiliate pursuant to Section 401(a)(29) of the Tax Code; and (D) neither the execution of this Agreement nor the consummation of the transactions contemplated hereby shall limit or restrict the right of the Company or HVM to merge, amend or terminate any of the Company Plans, all of which can be amended or terminated at any time, without consent from any other party and without material Liability other than for benefits accrued as of the date of such amendment or termination (other than charges incurred as a result of such termination).
- (4) There are no legal proceedings pending or, to the knowledge of the Company or HVM, threatened, on behalf of or against any Company Plan, the assets of any trust under any Company Plan, or the plan sponsor, plan administrator or any fiduciary of any Company Plan. No event has occurred and there currently exists no condition or set of circumstances in connection with which the Company, HVM, or any of their respective Subsidiaries could be subject to any Liability (other than routine claims for benefits, ordinary administrative costs, funding for premiums, and other routine funding obligations) under the terms of any Company Plan, ERISA, the Tax Code or any other applicable law.
- (5) No fiduciary or party in interest of any Company Plan has participated in, engaged in or been a party to any transaction that is prohibited under Section 4975 of the Tax Code or Section 406 of ERISA and not exempt under Section 4975 of the Tax Code or Section 408 of ERISA, respectively, which could result in Liability to the Company. With respect

to any Company Plan, (i) neither the Company nor HVM nor any of their respective ERISA Affiliates has had asserted against it any claim for Taxes under Chapter 43 of Subtitle D of the Tax Code and Section 5000 of the Tax Code, or for penalties under ERISA Section 502(c), 502(i) or 502(l), nor, to the knowledge of the Company or HVM, is there a basis for any such claim, and (ii) no officer, director or employee of the Company, HVM or any of their respective Subsidiaries has committed a breach of any fiduciary responsibility or obligation imposed by Title I of ERISA.

- (6) No Company Plan that is a “welfare benefit plan” within the meaning of Section 3(1) of ERISA provides benefits to former employees of the Company, HVM, or their respective ERISA Affiliates, other than (i) pursuant to Section 4980B of the Code or any similar Law, (ii) continuation of coverage until the end of the calendar month in which retirement occurs, (iii) upon conversion to an individual policy at the retiree’s election and responsibility, or (iv) up to the credit balance as of the retirement date under a medical expense reimbursement account. The Company and HVM and their respective ERISA Affiliates have complied in all material respects with the provisions of Part 6 of Title I of ERISA and Sections 4980B, 9801, 9802, 9811 and 9812 of the Code.
- (7) Neither the execution or delivery of this Agreement nor the consummation of the transactions contemplated by this Agreement will, either alone or in conjunction with any other event, (i) result in any payment or benefit becoming due or payable, or required to be provided, to any director, employee or independent contractor of the Company, HVM, or any of their respective Subsidiaries, (ii) increase the amount or value of any benefit or compensation otherwise payable or required to be provided to any such director, employee or independent contractor, (iii) result in the acceleration of the time of payment, vesting or funding of any such benefit or compensation or (iv) result in any “excess parachute payment” within the meaning of Section 280G of the Tax Code. The Company and HVM have taken all necessary steps to ensure that the receipt of any compensation, benefit or amounts that may be deemed to result in an “excess parachute payment” (within the meaning of Section 280G(b) of the Tax Code) to each Person who is a “disqualified individual” with respect to the Company, within the meaning of Section 280G(c) of the Tax Code, has been approved by stockholders in accordance with Section 280G(b)(5)(A)(ii) of the Tax Code.
- (8) The Company has no obligation for the payment to any person with respect to any tax liability under Section 409A of the Tax Code.
- (9) The Company has provided to the Investors, by letter dated February 19, 2010 (the “Change in Control Letter”), the correct amount of severance payments that would be payable if payments were due on June 30, 2010 under each of the change in control agreements set forth in Schedule

6.1(s)(7) of the Disclosure Schedules (the “Change in Control Agreements”), and the employment agreement dated July 10, 2007 between HVM and Gary A. DeLapp (the “DeLapp Employment Agreement”), and any other severance policies applicable to those individuals with a Change in Control Agreement and/or employment agreement, in each case, subject to the assumptions set forth in such letter, and has also provided (A) base compensation, target bonus and, if applicable, member allocations, (B) estimated value of COBRA premiums for such individuals, and (C) any possible gross-up payment for Section 409A of the Tax Code. The Company has provided to the Investors an estimated calculation of the aggregate amount that would be payable under the revised HVM Incentive Plan, which was approved by the Bankruptcy Court by orders dated October 29, 2009 and November 12, 2009 (the “HVM Incentive Plan”), assuming that the Company performs at budget, and has also provided, based on and subject to the assumptions set forth therein, the individual amounts payable to each Senior Executive and President/CEO (as set forth in the Change in Control Letter) pursuant to the revised HVM Incentive Plan. No 280G gross-up payments will be due under any of the Change in Control Agreements, the DeLapp Employment Agreement, or in connection with any payments pursuant to the revised HVM Incentive Plan.

(t) Insurance. The Company has insurance covering its properties, operations, personnel and businesses, including, without limitation, business interruption insurance, which insurance is in amounts and insures against such losses and risks as are customary for companies whose businesses are similar to the Company’s. The Company (i) has not received written notice from any insurer or agent of such insurer that capital improvements or other expenditures are required or necessary to be made to continue such insurance or (ii) does not have any reason to believe that it shall not be able to renew its existing insurance coverage as and when such coverage expires or to obtain similar coverage at reasonable cost from similar insurers as may be necessary to continue its business.

(u) Alternate Transactions. As of the date hereof, the Company is not party to any binding commitment to pursue, implement or effectuate any Alternate Transaction.

(v) Affiliate Transactions. Except as among any of the debtors in the Chapter 11 Cases, among any of the Debtors and HVM, and as set forth on Schedule 6.1(v), there are no contracts or other transactions between the Company, on the one hand, and any officer, director or affiliate of the Company or any relative or spouse of such person, or any relative of such spouse, who has the same home as such person), on the other hand.

(w) Tax. Except as provided in Schedule 6.1(w), for U.S. federal income tax purposes, each of the Debtors is a disregarded entity that is deemed to be owned by either Extended Stay Inc. or DL-DW Holdings LLC, and each of Extended Stay, Inc. and DL-DW Holdings LLC is an entity that is not a foreign person within the meaning of Treasury Regulation 1.1445-2(b)(2)(i). None of the Debtors otherwise eligible to join Extended Stay Inc. in the filing of a consolidated return for federal income tax purposes has filed an Internal Revenue Service Form 1122 or

otherwise authorized or consented to joining Extended Stay Inc. in the filing of a consolidated return for federal income tax purposes pursuant to Treasury Regulation §1.1502-75(h).

**Section 7. Representations and Warranties of the Investors.**

7.1. Each Investor represents and warrants as to itself only, and agrees with the Company, severally and not jointly, as set forth below. Each such representation, warranty and agreement is made as of the date hereof and the Effective Date.

(a) Incorporation. Each Investor has been duly organized and, if applicable, is a validly existing as a corporation, limited partnership or limited liability company, in good standing under the laws of the jurisdiction of its incorporation or organization.

(b) Corporate Power and Authority. Each Investor has the requisite corporate, limited partnership or limited liability company power and authority to enter into, execute and deliver this Agreement and to perform its obligations hereunder and has taken all necessary corporate, limited partnership or limited liability company action required for the due authorization, execution, delivery and performance by it of this Agreement.

(c) Execution and Delivery. This Agreement has been duly and validly executed and delivered by the Investor and constitutes its valid and binding obligation, enforceable against it in accordance with its terms.

(d) Investment Intent. Each Investor is acquiring indirectly the NewCo Common Interests for investment for its own account or for the account of its investment funds and accounts managed by them, not as a nominee or agent, and not with the view to, or for resale in connection with, any distribution thereof not in compliance with applicable securities laws, and such Investor has no present intention of selling, granting any participation in, or otherwise distributing the same, except in compliance with applicable securities laws.

(e) Sophistication. Each Investor has such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risks of its investment in the NewCo Common Interests being acquired hereunder. Each Investor understands and is able to bear any economic risks associated with such investment (including, without limitation, the necessity of holding the NewCo Common Interests for an indefinite period of time).

(f) Financial Capability. Each Investor has, and each Investor (and InvestorCo to the extent applicable) at the Closing will have, sufficient internal funds available to pay its portion of the Committed Proceeds and any expenses incurred by it in connection with the transactions contemplated by this Agreement.

(g) Accredited Investor Status. Each Investor is (and InvestorCo, to the extent applicable will be) an “accredited investor” as such term is defined in Rule 501(a) of Regulation D under the Securities Act of 1933, as amended.

(h) No Conflict. The execution and delivery by the Investors of each of the Transaction Agreements to which it is a party and the compliance by the Investor with all of the provisions hereof and thereof and the consummation of the transactions contemplated herein and

therein by the Investors and InvestorCo (i) shall not conflict with, or result in a breach or violation of, any of the terms or provisions of, or constitute a default under (with or without notice or lapse of time, or both), or result, in the acceleration of, or the creation of any lien under, any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which the Investor is a party or by which any Investor or InvestorCo is bound or to which any of the property or assets of the Investor or any of its Subsidiaries or InvestorCo is subject, (ii) shall not result in any violation of the provisions of the certificate of incorporation or bylaws or similar governance documents of any Investor, and (iii) shall not result in any material violation of, or any termination or material impairment of any rights under, any statute or any license, authorization, injunction, judgment, order, decree, rule or regulation of any court or governmental agency or body having jurisdiction over any Investor or any of their properties, except in any such case described in subclause (i) for any conflict, breach, violation, default, acceleration or lien which has not and would not reasonably be expected, individually or in the aggregate, to prohibit, materially delay or materially and adversely impact the Investor's performance of its obligations under this Agreement.

(i) Consents and Approvals. No consent, approval, authorization, order, registration or qualification of or with any court or governmental agency or body having jurisdiction over the any Investor or InvestorCo or any of their properties, other than the Bankruptcy Court, is required to be obtained or made by the Investor or InvestorCo for the purchase of the NewCo Common Interests hereunder and the execution and delivery by the Investor of this Agreement or the Transaction Agreements to which it is a party and performance of and compliance by each Investor and InvestorCo with all of the provisions hereof and thereof and the consummation of the transactions contemplated herein and therein, except for any consent, approval, authorization, order, registration or qualification which, if not made or obtained, has not and would not reasonably be expected, individually or in the aggregate, to prohibit, materially delay or materially and adversely impact the Investor's performance of its obligations under this Agreement, except for any notification or other filing requirements under the HSR Act.

(j) Arm's Length. Each Investor acknowledges and agrees that the Company is acting solely in the capacity of an arm's length contractual counterparty to the Investor with respect to the transactions contemplated hereby (including, without limitation, in connection with determining the terms of the Rights Offering and the Investment). Additionally, the Investors are not relying on the Company for any legal, tax, investment, accounting or regulatory advice, except as specifically set forth in this Agreement. Each Investor shall consult with its own advisors concerning such matters and shall be responsible for making its own independent investigation and appraisal of the transactions contemplated hereby.

(k) No Violation or Default; Compliance with Laws. No Investor is in default, and no event has occurred that, with notice or lapse of time or both, would constitute such a default, in the due performance or observance of any term, covenant or condition contained in any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which an Investor is a party or by which an Investor is bound or to which any of the property or assets of an Investor is subject, individually or in the aggregate, that would prohibit, materially delay or materially and adversely impact the Investor's performance of its obligations under this Agreement.

(l) Certificate Ownership. Each of the Investors beneficially owns on the date of this Agreement, on behalf of certain of its investment funds or accounts managed by it, the Certificates as set forth on Schedule 1.2a.

## **Section 8. Covenants.**

From and after the date hereof, until the earlier of the Effective Date or the effective date of any termination pursuant to Section 15 hereof:

8.1. Approval Order. The Debtors shall seek the entry of the order authorizing the Debtors' execution of this Agreement and authorizing and approving the transactions contemplated herein (the "Approval Order"), which order authorizes, without limitation, the payment by the Company of all Transactions Expenses and all other consideration and fees contemplated under this Agreement including, without limitation, Expenses incurred by the Investors and their advisors related thereto, and the indemnification provisions set forth in this Agreement. The Approval Order shall be in form and substance reasonably acceptable to the Investors. The Debtors agree that they shall use best efforts to (i) obtain a waiver of Bankruptcy Rule 6004(h) and request that the Approval Order be effective immediately upon its entry by the Bankruptcy Court, which Approval Order shall not be materially revised, modified, or amended by the Confirmation Order for the Plan or any other further order of this Bankruptcy Court, (ii) fully support the motion seeking approval of the Approval Order, and any application seeking Bankruptcy Court approval and authorization to pay the Transaction Expenses as an administrative expense of the estate, including, but not limited to, filing supporting affidavits on behalf of the Company and/or its financial advisor and providing the testimony of the affiants if needed, (iii) obtain approval of the Approval Order as soon as practicable and (iv) cause the Approval Order to become a final order as soon as practicable.

8.2. Plan and Disclosure Statement. The Debtors shall authorize, execute, file with the Bankruptcy Court and seek confirmation of the Plan and a related disclosure statement (the "Disclosure Statement") (i) the terms of which are consistent in all respects with this Agreement and the Draft Plan and with such other terms that are reasonably satisfactory to the Investors; provided, however, that any changes, modifications or amendments to the Draft Plan must be reasonably acceptable to the Investors, (ii) that provide for the release and exculpation of each Investor, its affiliates, shareholders, partners, directors, officers, employees, attorneys and advisors from Liability for participation in the transactions contemplated by this Agreement and the Plan to the fullest extent permitted under applicable law, (iii) that have conditions to confirmation and the Effective Date (and terms governing to what extent such conditions can be waived and by whom) that are consistent with this Agreement and the Draft Plan and are reasonably satisfactory to the Investors, and (iv) the form and substance of which is reasonably acceptable to the Investors; provided, that the Investors hereby acknowledge that the Draft Plan is acceptable to the Investors. The Debtors shall file a Confirmation Order that is in form and substance reasonably acceptable to the Investors, which order shall provide, among other things, that except as otherwise expressly provided for in the Plan, the properties and assets transferred and dealt with by the Plan shall be free and clear of all claims and interests of any creditor or interest holder, including any claims arising or resulting from or relating to the transactions contemplated hereby and by the Plan and that NewCo and each of the Debtors shall not be a



successor to Extended Stay, Inc. by reason of any theory of law or equity, and shall not have any successor or transferee liability of any kind or character.

8.3. Rights Offering. The Company shall use its commercially reasonable efforts to effectuate the Rights Offering as provided herein, except if otherwise provided for pursuant to the Plan.

8.4. Hearing on Confirmation. The Company shall use its commercially reasonable efforts to have the hearing on confirmation of the Plan scheduled as soon as possible after the Bankruptcy Court enters the order approving the Disclosure Statement.

8.5. Notification.

(a) To the extent the Rights Offering is effectuated and implemented pursuant to the Plan, the Debtors shall notify, or cause the Subscription Agent to notify the Investors, on each Friday during the Rights Exercise Period and on each Business Day during the five Business Days prior to the Expiration Date (and any extensions thereto), or more frequently if requested by any of the Investors, of the aggregate number of Rights known by the Debtors or the Subscription Agent to have been exercised pursuant to the Rights Offering as of the close of business on the preceding Business Day or the most recent practicable time before such request, as the case may be.

(b) To the extent that, pursuant to the Plan, the holders of Certificates in classes B through G are entitled to make the New Unsecured Notes Election (as defined in the Plan), the Debtors shall notify, or cause the Subscription Agent to notify the Investors, on each Friday during the Election Period and on each Business Day during the five Business Days prior to the New Unsecured Notes Election Date (and any extensions thereto), or more frequently if requested by any of the Investors, of the aggregate amount of New Unsecured Notes to be issued pursuant to the New Unsecured Notes Election as of the close of business on the preceding Business Day or the most recent practicable time before such request, as the case may be.

8.6. Unsubscribed Rights. To the extent the Rights Offering is effectuated and implemented pursuant to the Plan, the Debtors shall determine the number of Unsubscribed Rights, if any, in good faith, and shall, pursuant to Section 3.1 of this Agreement, provide to the Investors a Purchase Notice or a Satisfaction Notice that accurately reflects the number of Unsubscribed Rights as so determined and shall provide to the Investors a certification by the Subscription Agent of the Unsubscribed Rights and written backup to the determination of the Unsubscribed Rights as any Investor may reasonably request.

8.7. Conduct of Business. During the period from the date of this Agreement to the Effective Date (except as otherwise expressly provided by the terms of this Agreement, the Plan or any other order of the Bankruptcy Court entered on or prior to the date hereof in the Chapter 11 Cases), the Company shall carry on their businesses in the ordinary course and, to the extent consistent therewith, use their commercially reasonable efforts to preserve intact their current business organizations, keep available the services of their current officers and employees and preserve their relationships with customers, suppliers, licensors, licensees, distributors and others having business dealings with the Company. Without limiting the generality of the foregoing,

and except as otherwise expressly provided or permitted by this Agreement, the Plan or any other order of the Bankruptcy Court entered as of the date hereof in these Chapter 11 Cases, prior to the Effective Date, the Company shall not take any of the following actions without the prior written consent of the Investors, which consent shall not be unreasonably withheld, conditioned or delayed:

- (a) amend or modify its organizational documents;
- (b) (I) declare, set aside or pay any dividends on, or make any other distributions in respect of, any of its capital stock, (II) split, combine or reclassify any of its capital stock or issue or authorize the issuance of any other securities in respect of, in lieu of or in substitution for shares of its capital stock or (III) purchase, redeem or otherwise acquire any shares of capital stock of the Debtors or any other securities thereof or any rights, warrants or options to acquire any such shares or other securities;
- (c) except for intercompany transactions and any financing activities which are consistent with the Company's existing financing, issue, deliver, grant, sell, pledge, dispose of or otherwise encumber any of its capital stock or any securities convertible into, or any rights, warrants or options to acquire, any such capital stock at less than fair market value;
- (d) acquire or agree to acquire by merging or consolidating with, or by purchasing a substantial portion of the stock, or other ownership interests in, or substantial portion of assets of, or by any other manner, any business or any corporation, partnership, association, joint venture, limited liability company or other entity or division thereof except in the ordinary course of business;
- (e) sell, lease, mortgage, pledge, grant a lien, mortgage, pledge, security interest, charge, claim or other encumbrance of any kind or nature on or otherwise encumber or dispose of any of its properties or assets, except in the ordinary course of business consistent with past practice;
- (f) incur any indebtedness for borrowed money or guarantee any such indebtedness of another individual or entity, issue or sell any debt securities or warrants or other rights to acquire any debt securities of the Debtors, guarantee any debt securities of another individual or entity, enter into any "keep well" or other agreement to maintain any financial statement condition of another Person;
- (g) enter into any contract, agreement or arrangement that will be in effect on the Effective Date and that (i) has, or that the Company reasonably expects to have, any future Liability or payments in excess of five million dollars (\$5,000,000), (ii) is not terminable by the Company by notice of not more than ninety (90) days for a cost of less than one hundred thousand dollars (\$100,000), and (iii) was not entered into in the ordinary course of business;
- (h) (i) enter into, adopt, amend or terminate any employee benefit plan, (ii) increase in any manner the compensation or fringe benefits of any director or officer of the Company, except as contemplated by existing agreements, (iii) enter into, renew, for more than six (6) months on existing terms, (other than contracts, agreements, commitments or arrangements that by their terms renew automatically without action by either party) or terminate any contract,

agreement, commitment or arrangement providing for the payment of compensation or benefits to any director or officer of the Company, or (iv) terminate the employment of or hire any officer (other than to fill vacancies, with the consent of the Investors not to be unreasonably withheld) or director of the Company (other than termination for cause);

(i) make any changes to existing accounting policies or adopt new accounting policies unless required by law or changes in GAAP;

(j) (i) make, change or revoke any material tax election, (ii) enter into any settlement or compromise of any material tax Liability, (iii) except as otherwise provided in Schedule 8.7(j)(iii) with respect to a material tax refund, file any amended tax return with respect to any material tax, (iv) change any annual tax accounting period, (v) enter into any closing agreement relating to any material tax, (vi) knowingly fail to claim a material tax refund for which it is entitled, or (vii) make material changes to their tax accounting methods or principles;

(k) sell, assign, exclusively license, abandon or otherwise dispose of: (i) any registered Company Intellectual Property; (ii) any material unregistered trademark, service mark, trade name or domain name that is Company Intellectual Property; or (iii) except in the ordinary course of business, any Company Intellectual Property other than that which is set forth in (i) or (ii) above;

(l) authorize any of, or commit or agree to take any of, the foregoing actions; and

(m) file an Internal Revenue Service Form 1122 or otherwise authorize or consent to joining Extended Stay Inc. in the filing of a consolidated return for federal income tax purposes pursuant to Treasury Regulation §1.1502-75(h).

8.8. Further Assurances. After the entry of the Confirmation Order, each party shall, at the request of any other party hereto and without further conditions or consideration, take such other actions as such other party may reasonably request in order to more effectively consummate the transactions contemplated hereby and in accordance with and subject to the terms and conditions of this Agreement and the Transaction Agreements, including, using commercially reasonable efforts to cause the satisfaction of all conditions to the Closing and the Effective Date to occur. Without limiting the generality of the foregoing, the Company shall, and shall cause its officers, employees, agents and representatives to, use commercially reasonable efforts to obtain any third party consents as shall be required to be obtained in connection with the consummation of the transactions contemplated hereby and by the Plan.

8.9. Access to Information. Subject to applicable law and existing confidentiality agreements between the parties, upon reasonable notice, the Company shall afford the Investors and their directors, officers, employees, investment bankers, attorneys, accountants and other advisors or representatives, reasonable access, throughout the period prior to the Effective Date, to its employees, properties, books, contracts and records and, during such period, the Company shall furnish promptly to the Investors all information concerning its business, properties and personnel as may be reasonably requested by any Investor. Unless otherwise agreed to by the Company and the Investors, any such examination shall be conducted during regular business

hours upon reasonable advance notice and under reasonable circumstances and shall be subject to restrictions under applicable Law.

8.10. Notice of Alternate Transactions. In the event that either the Company or its representatives receive a written proposal or offer with respect to any Alternate Transaction which the board of directors of the Debtors, in the exercise of its fiduciary duties, determines may result in a transaction superior to the transactions contemplated hereby, the Company shall provide the Investors with written notice thereof within two (2) Business Days and, to the extent not expressly prohibited, such notice shall include a summary of the material terms of such proposal or offer, including, without limitation, economic terms, and conditions to entering into a definitive agreement. If, in the exercise of its fiduciary duties, the board of directors of the Debtors determines to seek authorization from the Bankruptcy Court to enter into a binding commitment for an Alternate Transaction, no later than five (5) Business Days prior to filing with the Bankruptcy Court a motion seeking authorization to enter into any binding commitments with respect to any Alternate Transaction, the Company shall give notice to the Investors that such Alternate Transaction, if so committed to, would give rise to a Company termination option pursuant to Section 15.4(b) and thereafter negotiate with the Investors in good faith (to the extent that the Investors so desire) with respect to any changes proposed by the Investors to the terms of this Agreement.

8.11. Notices. Between the date hereof and the Closing, each party shall give prompt written notice to the other parties hereto of (i) the occurrence, or failure to occur, of any event of which such party is aware which occurrence or failure would be likely to cause (a) any representation or warranty of such party contained in this Agreement to be untrue or inaccurate in any material respect, (b) any covenant of such party contained in this Agreement not to be satisfied or (c) any condition precedent contained in the Plan or this Agreement not to occur or become impossible to satisfy, (ii) receipt of any notice or other communication from any third party alleging that the consent of such party is or may be required in connection with the transactions contemplated by this Agreement or the Transaction Agreements, (iii) any notice or other communication from any governmental entity in connection with the transactions contemplated by this Agreement or the Transaction Agreements, (iv) any action commenced, or, to the knowledge of such party, threatened, relating to or involving or otherwise affecting such party or the transactions contemplated by this Agreement or the Transaction Agreements, and (v) any failure of any such party to comply, in any material respect, with or satisfy any covenant, condition or agreement to be complied with or satisfied by it hereunder.

8.12. Regulatory Filings. If the Company or the Investors determine a filing is or may be required under applicable law in connection with the transactions contemplated hereunder, including, any filing or notification required under the HSR Act, the Company and the Investors shall use commercially reasonable efforts to promptly prepare and file all necessary documentation and to effect all applications that are necessary or advisable under applicable law with respect to the transactions contemplated hereunder so that any applicable waiting period shall have expired or been terminated as soon as practicable after the date hereof. The Investors shall use commercially reasonable efforts to cooperate with the Company in connection with any such filing. The Investors shall be responsible for payment of the applicable filing fee under the HSR Act, and each party shall be responsible for payment of its own respective costs and

expenses (including attorneys' fees and other legal fees and expenses) associated with the preparation of its portion of any antitrust filings.

8.13. Financial Information. For each month, beginning March 2010 until the Effective Date, the Company shall provide (i) upon written request of either of the Investors, to such Investor, an unaudited consolidated balance sheet and related unaudited consolidated statements of operations, consolidated statements of stockholders' equity and consolidated statements of cash flows for the month then ended within 30 days of the end of such month (the "Monthly Financial Statements") and (ii) to each Investor, a Revenue Report. The Monthly Financial Statements and Revenue Reports, except as indicated therein, shall be prepared in accordance with the Company's normal financial reporting practices. The Monthly Financial Statements shall fairly present in all material respects the financial position, results of operations and cash flows of the Company as of the dates indicated and for the periods specified.

8.14. Support by Investors. Each Investor agrees that it shall not consent to, or otherwise directly or indirectly support any restructuring or reorganization plan for the Debtors that is inconsistent with this Agreement or the Plan.

8.15. Change of Control Payments. From and after the Effective Date, each Investor agrees to cause HVM to pay any severance payments to the extent such payments are due and payable under the Change in Control Agreements in the amounts set forth in the Change in Control Letter; provided, that any such payments shall be made only to the extent that the applicable Change in Control Agreement is in effect and/or has not been superseded by any New Employment Agreement (as defined in Section 11.1) between the applicable employee and HVM, provided, further that if HVM Manager resigns and appoints NewCo Manager as successor manager of HVM, (i) NewCo Manager agrees to cause HVM to pay any severance payments to the extent such payments are due and payable under the Change in Control Agreements in the amounts set forth in the Change in Control Letter; provided, that any such payments shall be made only to the extent that the applicable Change in Control Agreement is in effect and/or has not been superseded by any New Employment Agreement (as defined in Section 11.1) between the applicable employee and HVM and (ii) the amounts paid by HVM under the Change in Control Agreements shall be reimbursed through the Management Agreements or the G&A Reimbursement Agreements (as each term is defined in the Plan).

## **Section 9. Operating Agreement and Registration Rights Agreement.**

9.1. Operating Agreement. All Persons or entities that receive NewCo Common Interests under the Plan, including, without limitation, as a result of the Investment and exercise of the Rights, shall, as a condition to their admission to NewCo, be deemed to have agreed and to be bound by an operating agreement (the "Operating Agreement") of NewCo reasonably acceptable to NewCo and the Investors, which Operating Agreement shall include provisions relating to restrictions on transfers, tag-along rights, drag-along rights and other provisions which are reasonably acceptable to the Investors.

9.2. Registration Rights Agreement. The Investors (or InvestorCo) shall be entitled to become party to a registration rights agreement with NewCo that shall provide for, among other things, demand and piggyback registration rights, subject to usual and customary exceptions and

limitations, and which shall be in form and substance reasonably acceptable to the Investors and NewCo (the “Registration Rights Agreement”).

#### **Section 10. NewCo Board of Managers.**

10.1. As of the Effective Date, NewCo’s board of managers (the “NewCo Board of Managers”) shall be a seven (7) member board and shall be comprised as follows: (A) the chief executive officer of NewCo, (B) four (4) individuals designated by the Investors and (C) two (2) independent managers, both of whom are reasonably acceptable to the Investors.

10.2. Except as otherwise provided in the Plan, from and after the Effective Date, members of the NewCo Board of Managers shall serve and be selected pursuant to the terms of the Operating Agreement, which shall provide, among other things, that so long as the Investors continue to hold, directly or indirectly, through InvestorCo or otherwise, collectively, at least 25.00% of the NewCo Common Interests, or 50.00% of the NewCo Common Interests issued directly or indirectly, through InvestorCo or otherwise, to the Investors on the Effective Date, InvestorCo shall continue to have the right to elect four (4) members of the NewCo Board of Managers.

#### **Section 11. Employment and Management Arrangements**

11.1. In connection with the implementation of the Plan and the restructuring transactions contemplated thereby, it is currently contemplated that HVM will be the management company for the reorganized Debtors’ properties through the taxable real estate investment trust subsidiaries (“TRS”) of NewCo from and after the Effective Date. The current management agreements with HVM will be assumed by, or assumed and assigned to, the TRS (or a newly formed TRS, wholly owned either directly or indirectly by NewCo, or designated by an existing Debtor that is a TRS) and modified on the Effective Date pursuant to Section 11.5 of the Plan. On the Effective Date, HVM will enter into new employment agreements and other compensation arrangements, which shall be reasonably acceptable to the Investors, with the executive officers and senior management for HVM, who shall be reasonably acceptable to the Investors, relating to, among other things, compensation, benefits, and supplemental retirement benefits, which agreements will be mutually agreed to by the Investors and current management (the “New Employment Agreements”).

11.2. On and after the Effective Date, NewCo shall implement an equity incentive plan, in form and substance reasonably acceptable to the Investors, with shares of NewCo Common Interests being available for issuance thereunder, through a combination of the award of restricted membership interests and granting of equity-based awards, including, without limitation, restricted membership interests, deferred membership interests and options (the “NewCo Management Incentive Plan”). The identity of recipients, amount of grants, and other terms, including, without limitation, vesting, will be determined by the NewCo Board of Managers. The NewCo Management Incentive Plan will be designed to provide additional compensation to the executive officers and senior management of HVM for their management services. Payments and distributions with respect to the NewCo Management Incentive Plan will be made to HVM through and pursuant to and in connection with the management agreements with HVM that are being assumed by, or assumed and assigned to, the TRS (or a newly formed

TRS, wholly owned either directly or indirectly by NewCo, or designated by an existing Debtor that is a TRS) and modified on the Effective Date pursuant to Section 11.5 of the Plan to provide for, among other things, such payments.

11.3. It is understood that the New Employment Agreements and the NewCo Management Incentive Plan will be structured to provide incentive compensation that aligns the interests of management with those of the holders of NewCo Common Interests, either by creating an incentive compensation structure tied to the returns on the NewCo Common Interests or through an alternate structure mutually agreeable to the Company, management and the Investors. It is further understood that compliance with or satisfaction of this Section 11 shall not be a condition to the consummation of the transactions contemplated hereby.

## **Section 12. Public Statements.**

12.1. Neither the Company nor the Investors shall issue any public announcement, statement or other disclosure with respect to this Agreement or the transactions contemplated herein without the prior consent of the other parties hereto, which consent shall not be unreasonably withheld or delayed, other than to the extent required by law, the Bankruptcy Code or Bankruptcy Rules, or as otherwise ordered by the Bankruptcy Court.

## **Section 13. Conditions to Closing.**

13.1. The obligations of the Investors hereunder to consummate the transactions contemplated hereby shall be subject to the satisfaction prior to the Effective Date of each of the following conditions:

(a) Organizational Documents. All organizational documents of NewCo shall be in form and substance reasonably acceptable to the Investors.

(b) Organizational Structure. The structure of the transactions contemplated by this Agreement and the structure and organization of the Company on and after the Effective Date (including the implementation of any alternate structure, form or identity of NewCo and the corresponding changes to the structure of the Rights Offering and Investment Transactions, determined by the Investors in accordance with Section 1.1 hereof, and the characterization for tax purposes of any entity as a partnership, a corporation or a real estate investment trust); the utilization or preservation of any tax attributes or benefits of the Company (including the tax basis at which the Company holds the Business Assets); and the resolution of any tax issues or potential Liability, shall be reasonably acceptable to the Investors. The treatment of any current, contingent or potential Liability in the Confirmation Order shall be acceptable to the Investors in their sole and absolute discretion.

(c) Business Operations. As of the Effective Date, (i) NewCo, through itself or its Subsidiaries, shall have all right, title and interest to any and all equity or other ownership interests in the Debtors, (ii) at the Investors' election to be made in their sole and absolute discretion, (y) NewCo, through itself or its Subsidiaries, shall have all right, title and interest to any and all equity or other ownership interests in HVM Manager and HVM or (z) HVM Manager shall have resigned as manager of HVM and shall have appointed NewCo Manager as

successor manager of HVM, (iii) NewCo, through itself or its Subsidiaries, shall have all right, title and interest to all Company Intellectual Property and BHAC/Homestead Intellectual Property, and (iv) NewCo, through itself or its Subsidiaries, shall have all right, title and interest to any and all of the Business Assets.

(d) Approval Order. The Approval Order shall have become a Final Approval Order.

(e) Approval of Plan. The Investors shall have approved, which approval shall not to be unreasonably withheld, prior to filing with the Bankruptcy Court: (i) the Plan and any related documents, agreements or arrangements (provided that the Investors hereby acknowledge that the Draft Plan is approved), (A) the terms of which are consistent in all material respects with this Agreement and the Draft Plan, (B) that provide for the release and exculpation of each Investor, its affiliates, shareholders, partners, directors, officers, employees, attorneys and advisors from any Liability for participation in the transactions contemplated by this Agreement and the Plan to the fullest extent permitted under applicable law and (C) that have conditions to confirmation and the Effective Date (and terms governing to what extent any such conditions can be waived and by whom) that are consistent with this Agreement; (ii) a Disclosure Statement that is consistent in all material respects with the Plan and this Agreement (provided that the Investors hereby acknowledge that the draft Disclosure Statement filed with the Bankruptcy Court on March 5, 2010 is approved); (iii) the order of the Bankruptcy Court authorizing and approving, among other things the Disclosure Statement and the solicitation of acceptances with respect to the Plan (the "Solicitation Order"); (iv) a Confirmation Order that is consistent in all material respects with the provisions of the Plan and this Agreement; and (v) any amendments or supplements to any of the foregoing, including, without limitation, the New Mortgage Loan (as referenced or defined in the Plan, and collectively, the "Plan Documents").

(f) Plan. The Company shall have complied in all material respects with the terms and conditions of the Plan that are to be performed by the Company prior to the Effective Date.

(g) Alternate Transaction. The Debtors shall not have entered into any binding commitments with respect to an Alternate Transaction.

(h) Change of Recommendation. There shall not have been a Change of Recommendation.

(i) Confirmation Order. The Confirmation Order approving the Plan (including, without limitation, all Plan Documents) shall be in form and substance approved by the Investors and shall provide among other things, that except as otherwise expressly provided for in the Plan, (i) all right, title and interest in and to any and all assets, property, unexpired leases and executory contracts of every kind and nature to be sold, assigned, transferred or otherwise disposed of under the Plan shall be sold, assigned, transferred and disposed of free and clear of any and all claims, liens and encumbrances of any entity (as such term is defined in section 101(15) of the Bankruptcy Code) including, without limitation, (a) any and all claims, liens, encumbrances and any and all right, title and interests related thereto of government entities with respect to tax Liabilities and (b) any and all claims, liens, encumbrances and any and all right, title and interests related thereto arising or resulting from or relating to the transactions contemplated hereby and by the Plan (including, without limitation, all Plan Documents), (ii)



NewCo shall not be a successor to any of the debtors in the Chapter 11 Cases by reason of any theory of law or equity, and (iii) NewCo and each of the Debtors shall not be a successor to Extended Stay, Inc. and shall not have any successor or transferee Liability of any kind, nature or character, including, without limitation, Liabilities arising or resulting from or relating to the transactions contemplated hereby and by the Plan (including all Plan Documents). The Confirmation Order shall be a Final Order (as such term is defined in the Plan).

(j) Payment of Transaction Expenses. All Transaction Expenses and other fees and expenses (including, without limitation, fees and expenses of counsel and the fees and expenses of financial advisors) required to be paid to the Investors under this Agreement and the Plan have been paid.

(k) Conditions to Effective Date. The conditions to the occurrence of the Effective Date of the Plan shall have been satisfied or waived by the Company and the Investors in accordance with the Plan.

(l) Rights Offering. Unless the Rights Offering is terminated or otherwise not effectuated pursuant to Section 4.2(b)(ii) of the Plan, the Rights Offering shall have been conducted in all material respects in accordance with this Agreement, the Disclosure Statement and the Plan and the Expiration Date shall have occurred.

(m) Purchase Notice or Satisfaction Notice. Unless the Rights Offering is terminated or otherwise not effectuated pursuant to Section 4.2(b)(ii) of the Plan, on the Notification Date, the Investors shall have received from the Company either (i) a Purchase Notice certifying as to the number of Unsubscribed Rights to be purchased or (ii) a Satisfaction Notice.

(n) Consents. All other material governmental and third party notifications, filings, consents, waivers and approvals required for the consummation of the transactions contemplated by this Agreement and the Plan shall have been made or received and remain in effect.

(o) No Legal Impediment to Issuance. No action shall have been taken and no statute, rule, regulation or order shall have been enacted, adopted or issued by any federal, state or foreign governmental or regulatory authority, and no judgment, injunction, decree or order of any federal, state or foreign court shall have been issued, that prohibits the implementation of the Plan, the Rights Offering, the Investment or the transactions contemplated by this Agreement or the Plan.

(p) Representations and Warranties. Except as provided in Sections 6.1(h) and (i) hereof, the representations and warranties of the Debtors, HVM Manager and HVM contained in Section 6 hereof shall be true and correct (without giving effect to any limitations as to materiality or Material Adverse Change set forth therein) as of the date hereof and at and as of the Effective Date with the same force and effect as if made at and as of such date (or, in the case of representations and warranties made as of a specific date, as of such date), except to the extent that any failure of such representations and warranties, individually or in the aggregate, to be true and correct has not caused, and would not reasonably be expected to cause, a Material Adverse Change. The representations and warranties contained in Sections 6.1(h) and (i) shall be true and correct as of the date hereof and at and as of the Effective Date with the same force and effect as

if made at and as of such date (or, in the case of representations and warranties made as of a specific date, as of such date).

(q) Covenants. The Company and each Investor shall have performed and complied with all of its covenants and agreements contained in this Agreement and in any other document delivered pursuant to this Agreement (including, without limitation, in any Transaction Agreement) in all material respects through the Effective Date.

(r) Company Liabilities. On and as of the Effective Date, the Company shall have no Liabilities, other than those incurred in the ordinary course of business not to exceed, individually or in the aggregate, forty million dollars (\$40,000,000), whether absolute, accrued, contingent or otherwise, except as contemplated by the Plan, set forth in the Disclosure Statement or set forth in the HVM Financial Statements.

(s) Management Compensation. To the extent such payments are due and payable, HVM shall pay any severance payments pursuant to the terms of the applicable Change in Control Agreements as in effect as of the date any such severance payments become due and payable, in the amounts set forth in the Change in Control Letter; provided, that any such payments shall be made only to the extent that the applicable Change in Control Agreement is in effect and/or has not been superseded by any New Employment Agreement between the applicable employee and HVM. NewCo or the Debtors shall have resolved any other claims of former executive officers of the Debtors, or executive officers that were employed by the Debtors after the Commencement Date and that have resigned from or been terminated by the Company prior to the Effective Date, on terms reasonably acceptable to the Investors or otherwise ordered by the Bankruptcy Court; provided, that, to the extent any claims under this section 13.1(s) are to be resolved by the Debtors, any such resolution may only be effectuated with the prior consent of the Investors, which consent is not to be unreasonably withheld.

(t) Operating Agreement. NewCo shall have executed the Operating Agreement.

(u) Regulatory Filing. Any filing required under applicable law in connection with the transactions contemplated hereunder and all necessary documentation or applications required in connection with any such filing shall have been filed by the Company and any applicable waiting period shall have expired or been terminated.

(v) Registration Rights Agreement. NewCo shall have entered into the Registration Rights Agreement.

(w) Other Plan Related Documents. All motions and other documents to be filed with the Bankruptcy Court in connection with this Agreement, the Plan, the Investment, the Standby Purchase Commitment, the Rights Offering, the offer and sale of the NewCo Common Interests, and payment of the fees contemplated hereunder and under the Plan, will be in form and substance reasonably acceptable to the Investors.

(x) BHAC/Homestead Intellectual Property. With respect to the BHAC/Homestead Intellectual Property that will be transferred to NewCo on the Effective Date, as of the Effective Date, (1) all material applications to register and registrations of the BHAC/Homestead Intellectual Property that were, prior to such transfer, owned by BHAC and/or Homestead are (i)

valid and in full force and effect, (ii) have not, except in accordance with the ordinary course practices of BHAC or Homestead, collectively, lapsed, expired or been abandoned (subject to the vulnerability of a registration for trademarks to cancellation for lack of use), and (iii) are not the subject of any opposition or cancellation filed with the United States Patent and Trademark Office or any other applicable Intellectual Property registry; (2) BHAC and Homestead have taken reasonable security measures to protect the confidentiality and value of its and their trade secrets (or other BHAC/Homestead Intellectual Property for which the value is dependent upon its confidentiality) and no such information has been misappropriated or is the subject of an unauthorized disclosure; (3) neither BHAC nor Homestead has received any written notice in the prior two (2) years that they are in material default (or with the giving of notice or lapse of time or both, would be in default) under any contract relating to the BHAC/Homestead Intellectual Property; (4) no BHAC/Homestead Intellectual Property rights that were, prior to such transfer, owned by BHAC and/or Homestead are being infringed by any other Person; and (5) neither BHAC nor Homestead has received any written notice of any claim of infringement, misappropriation, or violation with any such rights of others in the prior thirty (30) months. The consummation of the transactions contemplated hereby and by the Plan, including, without limitation, the transfer of any BHAC/Homestead Intellectual Property to NewCo, shall not result in the material loss or impairment of any rights to use the BHAC/Homestead Intellectual Property or obligate NewCo to pay any royalties or other amounts to any third party in excess of the amounts that would have been payable by BHAC or Homestead absent the consummation of the transactions contemplated hereby and by the Plan.

(y) Material Adverse Change. No Material Adverse Change shall have occurred from the date hereof to the Effective Date.

(z) Minimum Cash Balance.

- (1) In the event the Committed Proceeds equal four hundred fifty million dollars (\$450,000,000), as of the Effective Date, the Cash Balance of NewCo shall not be less than four hundred twenty million dollars (\$420,000,000) less the amount of any cash distributions to the holders of General Unsecured Claims (as referenced in the Plan).
- (2) In the event the Committed Proceeds equal three hundred twenty million dollars (\$320,000,000), as of the Effective Date, the Cash Balance of NewCo shall not be less than two hundred ninety million dollars (\$290,000,000) less the amount of any cash distributions to the holders of General Unsecured Claims (as referenced in the Plan).

(aa) New Alternate Mortgage Loan. The principal amount of the New Alternate Mortgage Loan (as referenced in and to be implemented pursuant to the Plan) shall not be in excess of three billion, two hundred million dollars (\$3,200,000,000) and the interest rate on the New Alternate Mortgage Loan (as referenced in and to be implemented pursuant to the Plan) shall be a fixed rate and shall not exceed 5.34%.

(bb) Compliance with FIRPTA. The Debtors shall have delivered to NewCo a non-foreign affidavit from their regarded owner, as applicable, (which for the avoidance of doubt is

either Extended Stay, Inc. or DL-DW Holdings LLC), dated as of Closing, sworn under penalty of perjury, in form and substance required under Treasury Regulations issued pursuant to Tax Code Section 1445, stating that, for U.S. federal income tax purposes, it is (i) not a disregarded entity; (ii) a transferor of Business Assets pursuant to the Plan; and (iii) not a “foreign person” as defined in Tax Code Section 1445. Each Debtor that is a Foreign Person Debtor shall have provided an affidavit dated as of Closing, sworn under penalties of perjury, that the interests, if any, transferred by the Foreign Person Debtor pursuant to the Plan are not U.S. real property interests within the meaning of Tax Code Section 897(c) and Treasury Regulation 1.897-1(c). For purposes of this Section, “Foreign Person Debtor” means any Debtor that is a “foreign person” within the meaning of Treasury Regulation Section 1.1445-2(b)(2)(i) and that is deemed for US tax purposes to be a transferor of property under the Plan.

13.2. All or any of the conditions set forth in this Section 13 may be waived in writing, in whole or in part by the Investors in their sole discretion.

#### **Section 14. Closing.**

14.1. The completion of the Rights Offering, if any, and Investment and the consummation of the Plan (the “Closing”) shall take place at the offices of Weil, Gotshal & Manges LLP, in New York, New York, on the Effective Date, provided that all of the conditions to the closing contained in Section 13 have been satisfied or waived by the Company or the Investors (as applicable) and provided that this Agreement has not been terminated in accordance with Section 15, or at such other location or such other date as may be mutually agreed by the Company and the Investors. The Closing shall be deemed to be effective as of 12:01 a.m. on the Effective Date and all documents and instruments shall be deemed to have been delivered simultaneously at such time.

14.2. At the Closing, the Company shall deliver to each of the Investors the following:

(a) A certificate or certificates representing the number of shares of NewCo Common Interests issued to each of the Investors (or InvestorCo) pursuant to Sections 1, 2 and 3 hereof; and

(b) A certificate of an officer of the Company to the effect that the condition set forth in Section 13(p) has been fulfilled and that the Company has complied with all of the covenants contained in this Agreement in all material respects.

14.3. At the Closing, each of the Investors (or InvestorCo) shall deliver to the Company the following:

(a) Payment of the Investment Consideration and the Unsubscribed Rights Purchase Price, if any; and

(b) A certificate of each Investor to the effect that the representations and warranties of such Investor contained in this Agreement are true and correct in all material respects on and as of the Effective Date, with the same effect as if made on the Effective Date.

## **Section 15. Termination.**

15.1. Automatic Termination. This Agreement shall automatically terminate if any court of competent jurisdiction or other competent governmental or regulatory authority issues a final nonappealable order making illegal or otherwise restricting, preventing, or prohibiting the transactions set forth in this Agreement or the Plan in a manner that cannot be reasonably remedied by the Debtors or the Investors.

15.2. Termination by Mutual Consent. This Agreement may be terminated at any time prior to the Effective Date upon the mutual written consent of the Company and the Investors.

15.3. Termination by the Investors. Prior to the Effective Date, the Investors may terminate this Agreement upon written notice to the Company of the occurrence of any of the following events, at which time the commitment of the Investors to cause InvestorCo to purchase the NewCo Common Interests as set forth in this Agreement shall terminate and all of the obligations of the Company (other than the obligations of the Company to pay the Expenses and the Commitment Payment and to satisfy their indemnification obligations set forth in this Agreement) shall be of no further force or effect:

- (a) [intentionally deleted];
- (b) [intentionally deleted];
- (c) [intentionally deleted];
- (d) [intentionally deleted];
- (e) the hearing on the Disclosure Statement does not occur prior to the earlier of (1) the first available date provided by the Bankruptcy Court or (2) April 8, 2010;
- (f) the Bankruptcy Court fails to enter an order approving the Disclosure Statement within three (3) Business Days following the hearing on the Disclosure Statement;
- (g) the hearing on confirmation of the Plan does not occur prior to the earlier of (1) the first available date provided by the Bankruptcy Court or (2) May 28, 2010;
- (h) the Confirmation Order, in form and substance acceptable to the Investors, has not been entered by the Bankruptcy Court within three (3) Business Day following the hearing on confirmation of the Plan;
- (i) the Effective Date does not occur on the fifteenth (15th) day following entry of the Confirmation Order by the Bankruptcy Court;
- (j) the withdrawal, amendment, modification of, or the filing of a pleading seeking to amend or modify, the Plan, the Disclosure Statement or any document related to the Plan or Disclosure Statement (including, without limitation, any motion, notice, exhibit, appendix or order) by the Company, which withdrawal, amendment, modification or filing is inconsistent with this Agreement or the Draft Plan, except as reasonably agreed in writing by the Investors;

(k) the filing by the Company of any motion or other request for relief seeking (i) to voluntarily dismiss any of the Chapter 11 Cases, (ii) conversion of any of the Chapter 11 Cases to chapter 7 of the Bankruptcy Code, or (iii) appointment of a trustee pursuant to Section 1104 of the Bankruptcy Code in any of the Chapter 11 Cases;

(l) the entry of an order by the Bankruptcy Court (a) dismissing any of the Chapter 11 Cases, (b) converting any of the Chapter 11 Cases to a case under chapter 7 of the Bankruptcy Code, (c) appointing a trustee pursuant to Section 1104 of the Bankruptcy Code in any of the Chapter 11 Cases; or (d) making a finding of fraud, dishonesty, or misconduct by any officer or director of the Company;

(m) a breach by the Company of any of its obligations under this Agreement that is not cured within three (3) Business Days after receipt of written notice thereof to the Investors;

(n) one or more of the conditions precedent to occurrence of the Effective Date or to the obligations of the Investors set forth in this Agreement becomes impossible to satisfy on or before the Effective Date; and

(o) at any time after the occurrence of a Material Adverse Change.

15.4. Termination by the Company. Prior to the Effective Date, the Company may terminate this Agreement upon written notice to the Investors of the occurrence of any of the following events, at which time the commitment of the Investors to cause InvestorCo to purchase the NewCo Common Interests as set forth in this Agreement shall terminate and all of the obligations of the Company shall be of no further force or effect, except as set forth in Section 15.5:

(a) at any time after a material breach of this Agreement by any Investor, which breach is not be cured within three (3) Business Days following the receipt by the Investors of notice of such breach; or

(b) if, in the exercise of its fiduciary duties the board of directors of the Debtors, the Debtors determine to pursue an Alternate Transaction and after complying with Section 8.10 hereof, the Debtors enter into a binding commitment with respect to an Alternate Transaction, provided, that if the Company so terminates pursuant to this Section 15.4(b), the Company's obligations to pay the Transaction Expenses shall remain in full force and effect;

(c) if, pursuant to Section 1.1, the Investors determine to change the corporate or organizational structure, form or identity of NewCo and such change would have a material adverse effect on the Debtors or their creditors (taken as a whole), as compared to the transactions currently contemplated in this Agreement and set forth in the Draft Plan, provided, that if the Company so terminates pursuant to this Section 15.4(c), the Company's obligations to pay the Expenses (but not the Commitment Payment) shall remain in full force and effect.

15.5. If the Agreement is terminated pursuant to the terms of Section 15, this Agreement shall forthwith become void and there shall be no further obligations on the part of the Company or the Investors, except for the obligations of the Company to pay the Transaction Expenses and to satisfy its indemnification obligations as set forth in this Agreement, which shall

survive termination of this Agreement and shall remain in full force and effect, provided, that the Company shall have no such obligation in the event that the Agreement is terminated pursuant to Section 15.4(a) (except for the obligations of the Company to satisfy its indemnification obligations provided in Section 16 hereof relating to any Proceedings (as defined in Section 16.1 hereof) asserted or commenced by a third party as a result of or arising out of or relating to this Agreement, the Investment, the Rights Offering or the Plan); provided, further that nothing in this Section 15.5 shall relieve any party from Liability for any willful breach of this Agreement.

15.6. Upon termination of this Agreement pursuant to this Section 15, other than the Commitment Payment, which shall be payable in accordance with Section 15.7, payment of all other amounts due under this Agreement shall be made no later than the close of business on the next Business Day following the date of such termination, except for amounts owing by the Company to the Investors for the reimbursement of Expenses for which the Investors have not then made a request, payment of which amounts shall be made not later than five (5) Business Days following the Investors' request.

15.7. The Commitment Payment shall be due and payable (a) in full, in cash within fifteen (15) days of the (i) Debtors' delivery of written notice to the Investors that the Debtors have determined to enter into an Alternate Transaction; provided, that with the consent of the Debtors, which consent shall not be unreasonably withheld, each of the Investors may severally elect to receive its portion of the Commitment Payment in equity of the reorganized Debtors or entity that emerges from the Chapter 11 Cases pursuant to and upon the effective date of the Alternative Transaction, provided, that such election must be made no later than the date that the Commitment Payment is due and payable, or (ii) Investors' delivery of written notice to the Debtors of the termination of this Agreement due to the Company's breach of its obligations hereunder or failure to perform or cause to occur any of the conditions precedent to closing as set forth in the Plan or this Agreement, or (b) if the conditions to the Plan or this Agreement cannot be satisfied despite commercially reasonable efforts to cause such conditions to be satisfied, or the Investors' commitment to purchase the NewCo Common Interests in the Investment or the Rights Offering is terminated pursuant to Section 15.3 of this Agreement based upon circumstances that arise (except in the event of a termination that is caused by the Investors' breach of their obligations under this Agreement or in the event that the closing condition set forth in Section 13.1(b) or 13.1(p) (but with respect to the closing condition in Section 13.1(p), only if such condition would otherwise be satisfied if the failure of any representations and warranties set forth in Section 6.1(s) hereof to be true and correct was not taken into account) cannot be satisfied, then the Commitment Payment shall be payable on the later of (x) fifteen (15) days from the Debtors' receipt of written notice from the Investors or (y) the date that the Debtors' Available Cash, after payment of the Commitment Payment, would be at least \$22.5 million (the "Cash Threshold"), but in any event no later than the Debtors' emergence from bankruptcy. The Cash Threshold shall be determined (the "Measurement Date") each month, commencing during the month after the notice of termination is provided, on the day following the day that the adequate protection payments are made to the Mortgage Debt Parties, in accordance with the Final Order (A) Authorizing the Use of Cash Collateral, (B) Granting Adequate Protection and (C) Modifying the Automatic Stay, entered on July 23, 2009 and amended on December 15, 2009 in the Chapter 11 Cases. For the avoidance of doubt, on each Measurement Date until payment in full of the Commitment Payment, the Debtors shall be

required to pay the Investors the amount of any Available Cash, until the Cash Threshold is reached.

## **Section 16. Indemnification.**

16.1. The Debtors (the “Indemnifying Party”) shall indemnify and hold harmless the Investors, InvestorCo and their respective partners, members, managers and equity holders, and the respective officers, employees, affiliates, advisors, agents, attorneys, financial advisors, accountants, consultants of each such entity (each an “Indemnified Person”) from and against any and all losses, claims, damages, liabilities and expenses, joint or several, which any such Person or entity may incur, have asserted against it or be involved in as a result of or arising out of or in any way related to this Agreement, the Investment, the Rights Offering or the Plan, the transactions contemplated thereby, the use of proceeds thereunder or any related transaction or any claim, litigation, investigation or proceeding (“Proceedings”) relating to any of the foregoing, regardless of whether any of such Indemnified Persons is a party thereto, and reimburse each of such Indemnified Persons within ten (10) days of demand for any legal or other expenses reasonably incurred in connection with any of the foregoing; provided, however, that the foregoing indemnity shall not, as to any Indemnified Person, apply to losses, claims, damages, liabilities or related expenses to the extent they have resulted from the bad faith, willful misconduct or gross negligence of such Indemnified Person. Notwithstanding any other provision of this Agreement, no Indemnifying Party shall be liable for any special, indirect, consequential or punitive damages in connection with its activities related to this Agreement, the Plan or the transactions contemplated hereby, it being understood and agreed that the Indemnifying Party shall be liable to an Indemnified Party for special, indirect, consequential or punitive damages that are incurred or suffered by a third party and that form a part of a claim by a third party against the Indemnified Party. The terms set forth in this paragraph survive termination of this Agreement.

16.2. Promptly after receipt by an Indemnified Person of notice of the commencement of any Proceedings with respect to which the Indemnified Person may be entitled to indemnification hereunder, such Indemnified Person shall, if a claim is to be made hereunder against the Indemnifying Party in respect thereof, notify the Indemnifying Party in writing of the commencement thereof; provided that (i) the omission so to notify the Indemnifying Party shall not relieve the Indemnifying Party from any Liability that it may have hereunder except to the extent it has been materially prejudiced by such failure and (ii) the omission so to notify the Indemnifying Party shall not relieve it from any Liability that it may have to an Indemnified Person otherwise than on account of this Section 16. In case any such Proceedings are brought against any Indemnified Person and it notifies the Indemnifying Party of the commencement thereof, the Indemnifying Party shall be entitled to participate therein, and, to the extent that it may elect by written notice delivered to such Indemnified Person, to assume the defense thereof, with counsel reasonably satisfactory to such Indemnified Person; provided, that if the defendants in any such Proceedings include both such Indemnified Person and the Indemnifying Party and such Indemnified Person shall have concluded that there may be legal defenses available to it that are different from or additional to those available to the Indemnifying Party, such Indemnified Person shall have the right to select separate counsel to assert such legal defenses and to otherwise participate in the defense of such Proceedings on behalf of such Indemnified Person. Upon receipt of notice from the Indemnifying Party to such Indemnified Person of its



election so to assume the defense of such Proceedings and approval by such Indemnified Person of counsel, the Indemnifying Party shall not be liable to such Indemnified Person for expenses incurred by such Indemnified Person in connection with the defense thereof (other than reasonable costs of investigation) unless (i) such Indemnified Person shall have employed separate counsel in connection with the assertion of different and/or additional legal defenses in accordance with the proviso to the next preceding sentence (it being understood, however, that the Indemnifying Party shall not be liable for the expenses of more than one separate counsel in any jurisdiction, approved by the Investors, representing the Indemnified Persons who are parties to such Proceedings), (ii) the Indemnifying Party shall not have employed counsel reasonably satisfactory to such Indemnified Person to represent such Indemnified Person within a reasonable time after notice of commencement of the Proceedings or (iii) the Indemnifying Party shall have authorized in writing the employment of counsel for such Indemnified Person.

16.3. The Indemnifying Party shall not, without the prior written consent of an Indemnified Person (which consent shall not be unreasonably withheld), effect any settlement of any pending or threatened Proceedings in respect of which indemnity has been sought hereunder by such Indemnified Person unless (i) such settlement relates solely to monetary damages for which the Indemnifying Party shall be responsible and includes an unconditional release of such Indemnified Person in form and substance reasonably satisfactory to such Indemnified Person from all Liability on the claims that are the subject matter of such Proceedings and (ii) such settlement does not include any statement as to or any admission of fault, culpability or a failure to act by or on behalf of any Indemnified Person.

#### **Section 17. No Survival.**

17.1. The representations and warranties of the Company and the Investors contained in this Agreement or in any certificate delivered hereunder shall not survive the Closing hereunder.

#### **Section 18. Notices.**

18.1. All notices, communications and deliveries required or permitted by this Agreement shall be made in writing signed by the party making the same, shall specify the Section of this Agreement pursuant to which it is given or being made and shall be deemed given or made (a) on the date delivered if delivered by telecopy or other standard form of written telecommunication (e.g. e-mail) and confirmed by receipt of electronic confirmation or other evidence of receipt, (b) on the date delivered, if delivered in person, (c) on the third (3rd) Business Day after it is mailed if mailed by registered or certified mail (return receipt requested) (with postage and other fees prepaid) or (d) on the day after it is delivered, prepaid, by an overnight express delivery service that confirms to the sender delivery on such day, as follows:

(1) if to the Investors, at:

Centerbridge Partners, L.P.  
375 Park Avenue, 12th floor  
New York, NY 10152  
Attn: Vivek Melwani  
William Rahm

Email: vmelwani@centerbridge.com  
wrahm@centerbridge.com

-and-

Paulson & Co. Inc.  
1251 Avenue of the Americas, 50th floor  
New York, NY 10020  
Attn: Daniel Kamensky  
Email: daniel.kamensky@paulsonco.com

with a copy to (which shall not constitute notice):

Fried, Frank, Harris, Shriver & Jacobson LLP  
One New York Plaza  
New York, NY 10004  
Attn: Jennifer Rodburg, Esq.  
Email: jennifer.rodburg@friedfrank.com

-and-

Gibson, Dunn & Crutcher LLP  
200 Park Avenue  
New York, NY 10166-0193  
Attn: David M. Feldman, Esq.  
Email: dfeldman@gibsondunn.com

(2) if to the Company, at:

c/o HVM L.L.C.  
100 Dunbar Street  
Spartanburg, SC 29306  
Attn: Kevin McDougall, Esq.  
Email: kmcdougall@extendedstay.com

with a copy to (which shall not constitute notice):

Weil, Gotshal & Manges LLP  
767 Fifth Avenue  
New York, NY 10153  
Attn: Jacqueline Marcus, Esq.  
Email: jacqueline.marcus@weil.com

**Section 19. Assignment.**

19.1. This Agreement shall be binding upon, and shall inure to the benefit of and be enforceable by, the parties hereto and their respective successors and assigns. This Agreement is

not assignable, in whole or in part; provided, however, that the Investors (or InvestorCo) may assign all or any portion of their obligations hereunder to one or more financial institutions reasonably acceptable to the Company; provided, that the Company's consent shall not be required for such an assignment to the other Investor or an affiliate of an Investor or InvestorCo. Upon any assignment, other than an assignment with the Company's consent, the obligations of the Investors (or InvestorCo) in respect of the portion of their obligations so assigned shall not terminate.

## **Section 20. Legends.**

20.1. An appropriate restrictive legend shall be placed on the certificate or certificates representing the NewCo Common Interests issued pursuant to this Agreement in a form substantially similar to the legend set forth below:

“THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “ACT”), OR THE SECURITIES LAWS OF ANY STATE AND MAY NOT BE SOLD OR TRANSFERRED IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT UNDER THE ACT AND SAID LAWS OR AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS THEREOF, AND EXCEPT IN ACCORDANCE WITH THE PROVISIONS OF AN OPERATING AGREEMENT WITH THE COMPANY, A COPY OF WHICH IS AVAILABLE FOR INSPECTION AT THE OFFICES OF THE COMPANY.

## **Section 21. Entire Agreement.**

21.1. Prior Negotiations; Entire Agreement. This Agreement, including, without limitation, the agreements and documents attached as exhibits to and the documents and instruments referred to in this Agreement, constitutes the entire agreement of the parties and supersedes all prior agreements, arrangements or understandings, whether written or oral, between the parties with respect to the subject matter of this Agreement, except that the parties hereto acknowledge that any confidentiality agreements heretofore executed among the parties shall continue in full force and effect.

## **Section 22. Governing Law, Venue.**

22.1. THIS AGREEMENT SHALL BE GOVERNED AND CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS OF THE STATE OF NEW YORK. THE INVESTORS HEREBY IRREVOCABLY SUBMIT TO THE *EXCLUSIVE* JURISDICTION OF, AND VENUE IN, THE UNITED STATES BANKRUPTCY COURT FOR THE SOUTHERN DISTRICT OF NEW YORK AND WAIVE ANY OBJECTION BASED ON *FORUM NON CONVENIENS*. EACH PARTY ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY WHICH MAY ARISE UNDER THIS AGREEMENT IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES, AND THEREFORE EACH SUCH PARTY HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT SUCH PARTY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT,

OR THE BREACH, TERMINATION OR VALIDITY OF THIS AGREEMENT, OR THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT.

**Section 23. Waivers and Amendments.**

23.1. This Agreement may be amended, modified, superseded, cancelled, renewed or extended, and the terms and conditions of this Agreement may be waived, only by a written instrument signed by all the parties or, in the case of a waiver, by the party waiving compliance, and subject, to the extent required, to the approval of the Bankruptcy Court. No delay on the part of any party in exercising any right, power or privilege pursuant to this Agreement shall operate as a waiver thereof, nor shall any waiver on the part of any party of any right, power or privilege pursuant to this Agreement, nor shall any single or partial exercise of any right, power or privilege pursuant to this Agreement, preclude any other or further exercise thereof or the exercise of any other right, power or privilege pursuant to this Agreement. The rights and remedies provided pursuant to this Agreement are cumulative and are not exclusive of any rights or remedies which any party otherwise may have at law or in equity. Notwithstanding anything to the contrary in this Agreement, no amendment that increases an Investors' obligations with respect to the Investment Transactions shall be effective against any Investor without such Investor's consent.

**Section 24. Miscellaneous.**

24.1. Counterparts. This Agreement may be executed in any number of counterparts, all of which shall be considered one and the same agreement and shall become effective when counterparts have been signed by each of the parties and delivered to the other party (including, without limitation, via facsimile or other electronic transmission), it being understood that each party need not sign the same counterpart.

24.2. Headings. The headings in this Agreement are for purposes of reference only and shall not limit or otherwise affect the meaning of this Agreement.

24.3. Severability. If any provision of this Agreement or the application thereof to any Person or circumstances is determined by a court of competent jurisdiction to be invalid, void or unenforceable, the remaining provisions hereof, or the application of such provision to Persons or circumstances other than those as to which it has been held invalid, void or unenforceable, shall remain in full force and effect and shall in no way be affected, impaired or invalidated thereby, so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner adverse to any party. Upon such determination, the parties shall negotiate in good faith in an effort to agree upon a suitable and equitable substitute provision to effect the original intent of the parties.

24.4. Specific Performance. The parties hereto agree that irreparable damage would occur if any provision of this Agreement were not performed in accordance with the terms hereof and that the parties shall be entitled to an injunction or injunctions without the necessity of posting bond to prevent breaches of this Agreement or to enforce specifically the performance of the terms and provisions hereof, in addition to any other remedy to which they are entitled at law or in equity. Unless otherwise expressly stated in this Agreement, no right or remedy described

or provided in this Agreement is intended to be exclusive or to preclude a party from pursuing other rights and remedies to the extent available under this Agreement, at law or in equity.

24.5. Several, Not Joint, Obligations.

(a) The agreements, representations, warranties, covenants and obligations of the Investors are several and not joint, the agreements, representations, warranties, covenants and obligations of the Debtors under this Agreement are, in all respects, joint and several as among the Debtors, the agreements, representations, warranties, covenants and obligations of HVM Manager under this Agreement are, in all respects, several and not joint, and the agreements, representations, warranties, covenants and obligations of HVM under this Agreement are, in all respects, several and not joint.

(b) As provided by Section 1.1, the Investors currently contemplate completing certain of the Investment Transaction through InvestorCo. If InvestorCo is not organized by the Investors or InvestorCo does not perform the Investors' obligations or its obligations in accordance with this Agreement, each Investor will be responsible for and shall perform its ratable portion of such obligations, as provided on Schedule 1.2 and Schedule 3.2, on a several, and not joint, basis.

24.6. Interpretation and Construction. This Agreement has been freely and fairly negotiated among the parties hereto. If an ambiguity or question of intent or interpretation arises, this Agreement will be construed as if drafted jointly by the parties hereto and no presumption or burden of proof will arise favoring or disfavoring any party because of the authorship of any provision of this Agreement. Unless the context requires otherwise, any agreements, documents, instruments or laws defined or referred to in this Agreement will be deemed to mean or refer to such agreements, documents, instruments or laws as from time to time amended, modified or supplemented, including, without limitation, (a) in the case of agreements, documents or instruments, by waiver or consent and (b) in the case of laws, by succession of comparable successor statutes. All references in this Agreement to any particular law will be deemed to refer also to any rules and regulations promulgated under that law. The words "include," "includes" and "including" will be deemed to be followed by "without limitation." The word "or" is used in the inclusive sense of "and/or" unless the context requires otherwise. References to a Person are also to its permitted successors and assigns. Pronouns in masculine, feminine and neuter genders will be construed to include any other gender, and words in the singular form will be construed to include the plural and vice versa, unless the context requires otherwise. When a reference in this Agreement is made to an Article, Section, Exhibit, Annex or Schedule, such reference is to an Article or Section of, or Exhibit, Annex or Schedule to, this Agreement unless otherwise indicated. The words "this Agreement," "herein," "hereof," "hereby," "hereunder" and words of similar import refer to this Agreement as a whole and not to any particular subdivision unless expressly so limited. For all purposes of this Agreement, "Debtors" shall include the reorganized Debtors.

## **Section 25. Definitions.**

“Alternate Transaction” means any solicitation, discussions or negotiations with respect to any plan, proposal, offer, financing or transaction with parties other than the Investors.

“Available Cash” shall have the meaning ascribed to such term in the Final Order (A) Authorizing the Use of Cash Collateral, (B) Granting Adequate Protection and (C) Modifying the Automatic Stay, entered on July 23, 2009 and amended on December 15, 2009, Docket Nos. 205 and 634, respectively.

“BHAC” means BHAC Capital IV LLC.

“Business Day” means each Monday, Tuesday, Wednesday, Thursday and Friday that is not a day on which banking institutions in New York City are generally authorized or obligated by law or executive order to close.

“Cash Balance” means the sum of (w) cash and cash equivalents of the Debtors, HVM and HVM Manager plus (x) the Committed Proceeds, less (y) the amount of all accrued and unpaid administrative or other expenses payable pursuant to the Plan; it being understood that there shall be no deduction for any payments made (i) in connection with the purchase of a controlling interest in HVM or HVM Manager, (ii) to employees and/or members of HVM as a result of any change of control triggered by the Plan, (iii) in connection with the replacement of the Existing Letters of Credit, or (iv) to the holders of General Unsecured Claims (as referenced in the Plan); provided, that, to the extent any such payments referred to in clauses (i) to (iv) hereof have actually been made prior to the Effective Date, such payments shall be added back for purposes of calculating the Cash Balance.

“Change of Recommendation” means, (i) the Company or its board of directors or any committee thereof shall have withheld, withdrawn, qualified or modified (or resolved or proposed to withhold, withdraw, qualify or modify), in a manner adverse to the Investors, its approval or recommendation of this Agreement or the Plan or the transactions contemplated hereby or thereby or (ii) the Company or its board of directors or other governing body or any committee thereof shall have approved or recommended, or proposed to approve or recommend (including, without limitation, by filing any pleading or document with the Bankruptcy Court), any Alternate Transaction.

“Disclosure Schedules” means all schedules to this Agreement, inclusive of Schedule 6.1(c) – Schedule 6.1(w).

“Final Approval Order” means an Approval Order of the Bankruptcy Court, which has not been reversed, stayed, modified or amended, and as to which the 14-day period set forth in Rules 6004(h) and 3020(e) of the Bankruptcy Rules, as applicable, has expired or been waived by the Bankruptcy Court, and (a) the time to appeal, seek certiorari or request reargument or further review or rehearing has expired and no appeal, petition for certiorari or request for reargument or further review or rehearing has been timely filed, or (b) any appeal that has been or may be taken or any petition for certiorari or request for reargument or further review or rehearing that has been or may be filed has been resolved by the highest court to which the order or judgment was appealed, from which certiorari was sought or to which the request was made and no further

appeal or petition for certiorari or request for reargument or further review or rehearing has been or can be taken or granted.

“Financial Statements” means, as they relate to the Company only, the consolidating balance sheet of DL-DW Holdings LLC and its Subsidiaries as of September 30, 2009 and the related consolidated statements of income and cash flows to the nine months then ended.

“FIRPTA” means the Foreign Investment in Real Property Tax Act of 1980.

“Homestead” means Homestead Village LLC.

“HSR Act” means the Hart-Scott-Rodino Antitrust Improvements Act of 1974, as amended.

“HVM Financial Statements” means the balance sheet and statement of operations of HVM as of September 30, 2009, as referenced in the Financial Statements.

“Intellectual Property” means, collectively, patents, trademarks, service marks, trade names, trademark registrations, service mark registrations, domain names, copyrights, licenses and know-how (including, without limitation, trade secrets and other unpatented and/or unpatentable proprietary or confidential information, systems or procedures), and any registrations or applications to register the foregoing.

“Liability” means any liability or obligation of whatever kind or nature (whether known or unknown, whether asserted or unasserted, whether absolute or contingent, whether accrued or unaccrued, whether liquidated or unliquidated, and whether due or to become due), including any liability for taxes, including, without limitation, taxes arising as a result of the transactions contemplated by this Agreement or the Plan.

“Material Adverse Change” means any one or more changes, events, occurrences or effects, which individually or together with any other changes, events, occurrences or effects, have or result in, or would reasonably be expected to have or result in, any material adverse change to or effect on the business, results of operations, liabilities, finances, properties, assets or condition (financial or otherwise) of the Company or the ability of the Company to perform its obligation set forth in this Agreement and the Plan, including, without limitation, the Company’s obligations under the New Mortgage Loan or New Alternate Mortgage Loan, as applicable, in each case except for any such change, event or effect (a) resulting from any changes in any applicable law, or in generally accepted accounting principles, which take effect after the date hereof; (b) resulting from the announcement or performance of this Agreement or the transactions contemplated hereby; (c) resulting from any act or omission of the Company taken at the written direction of the Investors; or (d) resulting from the filing of the Chapter 11 Cases.

“Material Contract” means those contracts, agreements or arrangements (i) which are material to the business, results of operations, liabilities, finances, properties, assets or condition (financial or otherwise) of the Company or the ability of the Company to perform its obligation set forth in this Agreement and the Plan, including, without limitation, the Company’s obligations under the New Mortgage Loan or New Alternate Mortgage Loan, as applicable, or (ii) the loss, termination, repudiation or breach of which would cause, or would reasonably be expected to

cause, a Material Adverse Change, including, without limitation, those contracts listed on Schedule 6.1(k) hereto.

“NewCo Manager” means a newly formed Delaware limited liability company owned and controlled by Persons affiliated with or designated by the Investors and, pursuant to that certain Membership Interest Purchase Agreement by and between David Lichtenstein, the Debtors, and the Investors, dated as of February 23, 2010, appointed by HVM Manager as the successor manager of HVM.

“Person” means an individual, partnership, corporation, limited liability company, association, joint stock company, trust, joint venture, unincorporated organization, any other business entity, or a government entity (or any department, agency, or political subdivision thereof).

“Purchase Price” means, with respect to each NewCo Common Interest, the price per interest to be determined by dividing two-hundred twenty five million dollars (\$225,000,000) by the aggregate number of NewCo Common Interests to be issued in connection with the Rights Offering (including any NewCo Common Interests issued pursuant to the Standby Purchase Commitment).

“Revenue Report” means a report delivered within ten (10) days after the last business day of every month comparing (a) the Company’s actual revenue for the just concluded month to the forecasted revenue for that month that is contained in the detail underlying the financial forecast set forth in the Disclosure Statement and (b) the Company’s actual revenue for the trailing three month period to the forecasted revenue for the trailing three month period that is contained in the detail underlying the financial forecast set forth in the Disclosure Statement.

“Subsidiary” of any Person means, with respect to such Person, any corporation, partnership, limited liability company, joint venture or other legal entity of which such Person (either alone or through or together with any other subsidiary), owns, directly or indirectly, more than 50.00% of the stock or other equity interests, has the power to elect a majority of the board of directors or similar governing body, or has the power to direct the business and policies.

***[Remainder of this page intentionally left blank.]***



IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed and delivered as of the date first above written.

CENTERBRIDGE PARTNERS, L.P.,  
on behalf of certain of its investment  
funds and accounts managed by it

By: \_\_\_\_\_  
Name:  
Title:

PAULSON & CO. INC., on behalf of  
certain of its investment funds and  
accounts managed by it

By: \_\_\_\_\_  
Name:  
Title:

ESA PROPERTIES LLC  
ESA 2005 PORTFOLIO LLC  
ESA 2005- SAN JOSE LLC  
ESA 2005- WALTHAM LLC  
ESA ACQUISITION PROPERTIES LLC  
ESA ALASKA LLC  
ESA CANADA PROPERTIES BORROWER LLC  
ESA FL PROPERTIES LLC  
ESA MD BORROWER LLC  
ESA MN PROPERTIES LLC  
ESA P PORTFOLIO LLC  
ESA P PORTFOLIO MD BORROWER LLC  
ESA P PORTFOLIO PA PROPERTIES LLC  
ESA P PORTFOLIO TXNC PROPERTIES LP  
ESA PA PROPERTIES LLC  
ESA TX PROPERTIES LP  
ESH/HOMESTEAD PORTFOLIO LLC  
ESH/HV PROPERTIES LLC  
ESH/MSTX PROPERTY LP  
ESH/TN PROPERTIES LLC  
ESH/TX PROPERTIES LP  
ESA MD BENEFICIARY LLC  
ESA MD PROPERTIES BUSINESS TRUST  
ESA P PORTFOLIO MD BENEFICIARY LLC  
ESA P PORTFOLIO MD TRUST  
ESA CANADA PROPERTIES TRUST  
ESA CANADA TRUSTEE INC.  
ESA CANADA BENEFICIARY INC.  
ESA UD PROPERTIES LLC  
ESA 2007 OPERATING LESSEE, INC.  
ESA 2005 OPERATING LESSEE INC.  
ESA OPERATING LESSEE INC.  
ESA P PORTFOLIO OPERATING LESSEE INC.  
ESA CANADA OPERATING LESSEE INC. [ONTARIO  
CORP.]  
ESA P PORTFOLIO TXNC GP L.L.C.  
ESA TXGP L.L.C.  
ESH/MSTX GP L.L.C.  
ESH/TXGP L.L.C.  
ESH/TN MEMBER INC.

By: \_\_\_\_\_  
Name: David Lichtenstein  
Title:

HVM MANAGER L.L.C.

By: \_\_\_\_\_  
Name: David Lichtenstein  
Title:

HVM L.L.C.

By: \_\_\_\_\_  
Name: David Lichtenstein  
Title: