

(c) The Warrants were acquired automatically and without any action on the part of the Plan;

(d) The Warrants were acquired by the Plan with the same terms and conditions as non-Plan shareholders;

(e) The Plan did not pay any fees or commissions in connection with the acquisition of the Warrants;

(f) Any decision to cancel the Warrants and accept a Cancellation Payment from Lodgian will be made by the participant in the case of active participants and terminated vested participants whose vested interests exceed \$5,000;

(g) The Warrants have been and will continue to be valued annually on the 31st of December by an independent, qualified, appraiser;

(h) With Respect to those Plan participants who cash out the Warrants, the value of the Warrants will be determined by using the highest value determined by an independent, qualified, appraiser between December 31, 2002 and the most recent valuation date prior to the date of the distribution;

(i) An independent fiduciary will monitor the Cancellation Payments, and confirm the valuation of the Warrants;

(j) Lodgian is required to purchase the Warrants upon request by a Plan participant provided that on the day of the request the price of the New Lodgian Stock is less than the exercise price of the Warrants; and

(k) If the Warrant is listed on an established trading market Lodgian is not required to purchase the Warrant from the Plan.

Effective Date: This exemption, if granted, will be effective as of December 3, 2002.

Summary of Facts and Representations

1. Lodgian is a Delaware corporation maintaining its principal place of

business in Atlanta, Georgia. Lodgian is a hotel ownership and management company, and currently operates approximately 97 hotels in the hospitality industry, nearly all of which are located in the United States. On December 20, 2001, Lodgian and 82 of its subsidiaries filed for Chapter 11 Bankruptcy protection. Reasons for the filing included excessive debt and substantial weaknesses in the hotel industry following the events of September 11, 2001. The First Amended Plan of Reorganization (POR) was filed on November 1, 2002 and confirmed by the United States Bankruptcy Court for the Southern District of New York on November 5, 2002. The POR became effective November 25, 2002.

2. As of the date of this filing, Lodgian employs approximately 7,000 employees who are eligible to participate in the Plan upon satisfying the Plan's age and service eligibility requirements. The Plan is a tax qualified defined contribution retirement plan that provides for employee pre-tax contributions under section 401(k) of the Code, and employer matching contributions under Code section 401(m). The Plan was adopted effective as of July 1, 1984 by Servico, Inc. Subsequently, Servico, Inc. and Impac Hotel Group, LLC combined their respective businesses through a series of corporate mergers that resulted in Servico and Impac becoming wholly-owned subsidiaries of Lodgian, Inc. effective as of December 11, 1998. Effective January 1, 1999, Lodgian assumed sponsorship of the Plan and changed the Plan's name to the Lodgian, Inc. 401(k) Plan and Trust Agreement. As of December 31, 2002, the Plan had total assets of approximately \$6,363,693 and 1,580 participants, including active and former employees.

The Plan permits participants to direct the investment of their Plan accounts into a variety of investment funds, including, until December 6, 2001, investment in old Lodgian stock (Old Lodgian Stock). Lodgian's matching contributions to the Plan previously were made in the form of shares of Old Lodgian Stock following the end of each plan year. The last contribution in the form of Old Lodgian Stock was made for the 2000 plan year. Matching contributions were required to remain invested in Old Lodgian Stock until December 6, 2001 when participants were permitted to direct that all or a part of the matching contributions be invested in another investment fund offered under the Plan. If a participant's own contributions were invested in Old Lodgian Stock, such investments were always permitted to be liquidated and invested in another Plan investment fund.

3. Daniel E. Ellis, Senior Vice President and General Counsel of Lodgian, also serves as the trustee of the Plan. The administrator of the Plan is Lodgian, which administers the Plan through its Administrative Committee. Lodgian, as the Plan sponsor, selects the investment funds available for participant-directed investments.

4. When the Old Lodgian Stock was cancelled in connection with the effectiveness of the POR on November 25, 2002, shareholders, including the Plan, received one share of the New Lodgian Stock for each 137 shares of Old Lodgian Stock, along with the Warrants to purchase a share of New Lodgian Stock. The New Lodgian Stock and Warrants were deposited into the Plan's trust on December 3, 2002. For each 1,000 shares of Old Lodgian Stock, a shareholder received the following Warrants:

Type of warrant	Number of warrants	Warrant exercise price per share of New Lodgian Stock	Expiration date of warrant
Class A	8	\$18.29	11/25/07
Class B	27	25.44	11/25/09

Under the POR, the Plan received 9,096.0370 Class A Warrants and 28,108.2435 Class B Warrants. The Warrants are not traded on an exchange, and there are no plans for such trading. A total of approximately 7,000,000 shares of New Lodgian Stock are available for issuance to shareholders of which approximately 6,600,000 shares have been issued to date. The Plan held 7,509.169 shares of New Lodgian Stock

as of December 31, 2002, which was approximately 0.11% of the approximately 7,000,000 shares of New Lodgian Stock expected to be issued. The Plan's 7,509.169 shares of New Lodgian Common Stock represent approximately 0.39% of the fair market value of the total assets of the Plan on December 31, 2002. As of that date, New Lodgian Stock was held in the individual accounts of 836 participants.

Accordingly, as of December 31, 2002, 836 participants have an interest in the Warrant Funds. Currently 754 participants have an interest in the Warrant Funds. Currently, the cash value of Warrants distributed this far to terminated vested participants totals \$389.41, ranging in amount from \$.02 to \$31.52 per participant.

5. Shares of Old Lodgian Stock were traded on the New York Stock Exchange