

## HEI Hospitality Acquires 360-Room Park Hyatt Hotel in San Francisco, Calif.

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Company to Invest Approximately \$10 Million to Upgrade, Convert to Le Meridien Brand

HEI Hospitality, a rapidly growing hospitality investment and operating company, today announced that it has acquired the 360-room Park Hyatt hotel in San Francisco, Calif., from SHC Park San Francisco LLC, for an undisclosed amount. SHC Park San Francisco, LLC is a subsidiary of Strategic Hotel Capital, LLC, a private company whose principal shareholders are affiliates of Goldman, Sachs & Co. and investors advised by Prudential Real Estate Investors.

Beginning today, HEI has converted the hotel to the luxury Le Meridien San Francisco Hotel, a member of the Starwood family of hotel brands, and will undertake an approximate \$10 million renovation of the property to be started in late 2007. This will be the first acquisition by HEI's recently raised HEI Hospitality Fund II, a \$425 million discretionary equity investment vehicle. Merritt Hospitality, a wholly owned HEI subsidiary, will operate the hotel. It is the first Le Meridien to join Starwood's family of hotels since acquiring the brand in November 2005.

'HEI continues to seek hotels that can benefit from strategic investment and repositioning in markets with high barriers to entry,' said Gary Mendell, chairman and chief executive officer of HEI Hospitality. 'This hotel is an irreplaceable asset in the heart of the city's financial district. San Francisco hotels are in what is forecasted as the early phase of a substantial rebound and with the upgrades and re-branding we have planned, our goal is to generate new enthusiasm for the hotel within its competitive marketplace. We also are proud to welcome an outstanding employee base into our team of associates.'

The renovation will include a substantial refurbishment of the guest rooms, and all of the food and beverage outlets will be enhanced, beginning with the lobby lounge. The renovation will begin in 2007 and take place in phases over the next five years to minimize guest disruption.

'This is our fourth West Coast acquisition in the past 16 months, and we continue to view the region and San Francisco, specifically, as prime markets for further investment,' said Steve Mendell, HEI's executive vice president of acquisitions and development. 'We have an active pipeline of acquisition and development projects and remain on target to invest up to approximately \$1.5 billion in hospitality assets over the next three years.'

Located at 333 Battery Street in the heart of downtown San Francisco's Financial District, the 24-story property is within walking distance of the Embarcadero, Chinatown, Union Square, Moscone Convention Center and numerous attractions. The renovation will upgrade standard and deluxe rooms with a stylish and contemporary décor, comfortable furniture and soft furnishings, as well as smart business amenities. In addition to the hotel's strategic location, approximately one-third of the guest rooms feature panoramic water views of the San Francisco Bay.

Additional hotel amenities include more than 10,000 square feet of meeting space, state-of-the-art fitness center, complimentary business center, local guest transportation, full-service restaurant (locally regarded as the Financial District's premier power breakfast and lunch spot) and lobby lounge. The re-branding to Le Meridien will introduce a chic, contemporary, European-style to the hotel that will appeal to business and leisure travelers alike.

HEI Hospitality, headquartered in Norwalk, Conn., is an ownership/investment firm that owns and operates 28 first-class, full-service hotels throughout the United States under such well-known brand names as Marriott, Sheraton, Westin and Hilton. Merritt Hospitality is an independent hotel management company and a wholly-owned subsidiary of HEI Hospitality.

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