

## **HEI Hotels and Resorts Acquires 365-Room Marriott Austin in Texas; Will Invest \$18 Million in Upgrades and Converts Hotel to Sheraton Flag**

NORWALK, Conn., January 30, 2007 — HEI Hotels and Resorts, a rapidly growing hospitality investment and operating company, today announced that it has acquired the 365-room Marriott Austin in Texas for an undisclosed amount. HEI will invest approximately \$18 million in upgrades to significantly enhance all areas of the hotel. The process will take place in two phases to minimize guest disruption. The first stage will encompass all guest rooms and the second will focus on the remainder of the hotel. Additionally, the hotel was converted to a Sheraton brand upon HEI's acquisition. This marks the tenth acquisition made under HEI's recently raised HEI Hospitality Fund II, a \$425 million discretionary equity investment vehicle. HEI also will manage the hotel.

“This renovation will go beyond mere branding standards to create a ‘like-new’ hotel,” said Jin Lee, HEI's senior vice president of acquisitions and development. “Following the completion of the renovation process and the implementation of our proprietary marketing and management systems, the hotel will regain its prominence as a market leader and establish itself as the premiere hotel for legislators, business executives, conventioners and UT visitors.”

“We continue to seek highly regarded, branded properties in markets with high barriers to new competition as part of our plan to acquire approximately \$2 billion in hotels over the next three years,” said Steve Mendell, HEI's executive vice president of acquisitions and development. “The Sheraton Austin will be the only Starwood property in the greater Austin marketplace, which we believe has significant upside.” Adding this additional Starwood property makes a total of 25 properties that HEI Hotels and Resorts owns and manages.

Located off I-35 at 701 East 11th Street, the 16-story hotel is within minutes of numerous corporate headquarters, such as Dell, Samsung and Freescale Semiconductor, as well as the Austin-Bergstrom International Airport. The property is within walking distance of the 6th Street entertainment corridor and a short distance to the Capitol and Convention Center. Guest rooms will be furnished with the Sheraton Sweet Sleeper Bed® and modern amenities such as a full-service restaurant, lobby bar, state-of-the-art fitness center, an indoor/outdoor pool, whirlpool and wired business center. Each room will be equipped with high-speed Internet access and a 32” flat-screen LCD HDTV. Sheraton's Club Lounge will provide guests with a pleasant place to enjoy a complimentary breakfast, WiFi and late afternoon relaxation with drinks and appetizers.

HEI Hospitality, headquartered in Norwalk, Conn., is an ownership/investment firm that owns and operates 25 first-class, full-service hotels throughout the United States under such well-known brand names as Marriott, Sheraton, Westin, Embassy Suites Hotels, and

Hilton. Merritt Hospitality is an independent hotel management company and a wholly-owned subsidiary of HEI Hospitality.