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HOTELS

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Cavanaugh's Hospitality Corporation to Close Acquisition of Hotel in Washington's State Capital

SPOKANE, WA -- Cavanaugh's Hospitality Corporation (NYSE:CVH) today announced that it has waived contingencies on the purchase of the 177-room Olympia Holiday Inn Select, in Olympia, Washington from Olympic, L.L.C. Cavanaugh's has scheduled the closing of the acquisition for December 1, 1998. The property, which sits on 12.9 acres overlooking Capitol Lake, will be renamed Cavanaugh's at Capitol Lake, and will increase the number of Cavanaugh's Hotels to 19. This purchase allows Cavanaugh's to extend to the legislators, associations, and lobbyists of Washington's capital the offer it has already extended to the state capitals of Idaho, Utah and Montana: "You Make the Laws, We Make the Beds". Washington State begins a four month legislative season on January 13, 1999.

The Property is advantageously located with access from the Interstate 5-Highway 101 interchange. With over 17,000 square feet of meeting space, which can be broken down into 9 separate meeting rooms, and the largest encompassing 7,600 square feet, it is the largest hotel in Olympia in both number of rooms and meeting capacity. The 177 room hotel includes twenty suites (two with jacuzzis). Six standard rooms also include jacuzzis. Each of the rooms has electronic locks, data ports, hair dryers, and ironing boards. In the past two years, the hotel has undergone approximately \$2.5 million in renovations to rooms, meeting space, restaurant and lounge. Other amenities include a heated outdoor pool and spa, fitness center, volleyball court, guest laundry, and business center.

"The previous owner did a wonderful job in renovating this property," said John Taffin, VP of Hotel Operations for Cavanaugh's. "It has not yet begun to see the benefits of its renovation, and we look forward to introducing this new product to the markets with whom Cavanaugh's has established strong relationships." With the completion of this acquisition, Cavanaugh's Hospitality Corporation will serve the Northwest with 3,933 full service hotel rooms in 19 hotels, 47 restaurants and lounges and 196,900 square feet of meeting space. In addition, CVH provides entertainment services through G&B Select-a-Seat, a computerized ticket company with over 20 outlets, and G&B Presents, a Broadway and special event presenting company. CVH also manages 3.1 million square feet of third party property management, 2,200 residential units, and owns 590,000 square feet of office and retail space.

Statements in this release may be construed to be forward looking and are made pursuant to the Safe Harbor provisions of the Private Securities Litigation Reform Act of 1995. Investors are cautioned that all forward looking statements involve risks and uncertainties, including without limitation, risks relating to the operation and acquisition of hotels, the availability of capital to finance growth, and the historical cyclicity of the lodging industry, as well as the other matters disclosed in the documents filed by the Company with the Securities & Exchange Commission. SOURCE Cavanaugh's Hospitality Corporation.