

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)



ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2011

OR



TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission file number: **001-14236** (*FelCor Lodging Trust Incorporated*)

Commission file number: **333-39595-01** (*FelCor Lodging Limited Partnership*)

FelCor Lodging Trust Incorporated
FelCor Lodging Limited Partnership
(Exact Name of Registrant as Specified in Its Charter)

Maryland

(*FelCor Lodging Trust Incorporated*)

75-2541756

Delaware

(*FelCor Lodging Limited Partnership*)

75-2544994

(State or Other Jurisdiction of
Incorporation or Organization)

(I.R.S. Employer
Identification No.)

545 E. John Carpenter Freeway, Suite 1300, Irving, Texas

75062

(Address of Principal Executive Offices)

(Zip Code)

(972) 444-4900

(Registrant's Telephone Number, Including Area Code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
FelCor Lodging Trust Incorporated:	
Common Stock	New York Stock Exchange
\$1.95 Series A Cumulative Convertible Preferred Stock	New York Stock Exchange
Depositary Shares representing 8% Series C Cumulative Redeemable Preferred Stock	New York Stock Exchange
FelCor Lodging Limited Partnership:	
None	

Securities registered pursuant to Section 12(g) of the Act:

None

(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

FelCor Lodging Trust Incorporated Yes No

FelCor Lodging Limited Partnership Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

FelCor Lodging Trust Incorporated Yes No

FelCor Lodging Limited Partnership Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

FelCor Lodging Trust Incorporated Yes No

FelCor Lodging Limited Partnership Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

FelCor Lodging Trust Incorporated Yes No

FelCor Lodging Limited Partnership Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

FelCor Lodging Trust Incorporated:

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company

FelCor Lodging Limited Partnership:

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

FelCor Lodging Trust Incorporated Yes No

FelCor Lodging Limited Partnership Yes No

The aggregate market value of shares of common stock held by non-affiliates of FelCor Lodging Trust Incorporated as of June 30, 2011, computed by reference to the price at which its common stock was last sold at June 30, 2011, was approximately \$642 million.

As of February 27, 2012, the registrant had issued and outstanding 124,218,010 shares of common stock.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of FelCor Lodging Trust Incorporated's definitive Proxy Statement pertaining to its 2012 Annual Meeting of Stockholders (the "Proxy Statement"), filed or to be filed not later than 120 days after the end of the fiscal year pursuant to Regulation 14A, is incorporated herein by reference into Part III.

EXPLANATORY NOTE

This annual report on Form 10-K for the fiscal year ended December 31, 2011, combines the filings for FelCor Lodging Trust Incorporated, or FelCor, and FelCor Lodging Limited Partnership, or FelCor LP. Where it is important to distinguish between the two, we either refer specifically to FelCor or FelCor LP. Otherwise we use the terms "we" or "our" to refer to FelCor and FelCor LP, collectively (including their consolidated subsidiaries), unless the context indicates otherwise.

FelCor is a Maryland corporation operating as a real estate investment trust, or REIT, and is the sole general partner, and the owner of, a greater than 99% partnership interest in FelCor LP. Through FelCor LP, FelCor owns hotels and conducts business. As the sole general partner of FelCor LP, FelCor has exclusive and complete control of FelCor LP's day-to-day management.

We believe combining periodic reports for FelCor and FelCor LP into a single combined report results in the following benefits:

- presents our business as a whole (the same way management views and operates the business);
- eliminates duplicative disclosure and provides a more streamlined presentation (a substantial portion of our disclosure applies to both FelCor and FelCor LP); and
- saves time and cost by preparing combined reports instead of separate reports.

We operate the company as one enterprise. The employees of FelCor direct the management and operation of FelCor LP. With sole control of FelCor LP, FelCor consolidates FelCor LP for financial reporting purposes. FelCor has no assets other than its investment in FelCor LP and no liabilities separate from FelCor LP. Therefore, the reported assets and liabilities for FelCor and FelCor LP are substantially identical.

The substantive difference between the two entities is that FelCor is a REIT with publicly-traded equity, while FelCor LP is a partnership with no publicly-traded equity. This difference is reflected in the financial statements on the equity (or partners' capital) section of the consolidated balance sheets and in the consolidated statements of equity (or partners' capital). Apart from the different equity treatment, the consolidated financial statements for FelCor and FelCor LP are nearly identical, except the net income (loss) attributable to redeemable noncontrolling interests in FelCor LP is deducted from FelCor's net income (loss) in order to arrive at net income (loss) attributable to FelCor common stockholders. The noncontrolling interest is included in net income (loss) attributable to FelCor LP common unitholders. The holders of noncontrolling interests in FelCor LP are unaffiliated with FelCor, and in aggregate, hold less than 1% of the operating partnership units.

We present the sections in this report combined unless separate disclosure is required for clarity.

**FELCOR LODGING TRUST INCORPORATED and
FELCOR LODGING LIMITED PARTNERSHIP**

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This Annual Report contains registered trademarks and service marks owned or licensed by companies other than us, including (but not limited to) Crowne Plaza, Doubletree, Doubletree Guest Suites, Embassy Suites Hotels, Fairmont, Hilton, Holiday Inn, Marriott, Morgans, Priority Club, Renaissance, Royalton, Sheraton, Sheraton Suites, Walt Disney World and Westin.

Disclosure Regarding Forward Looking Statements

Our disclosure and analysis in this Annual Report and in FelCor's 2011 Annual Report to Stockholders may contain forward-looking statements that set forth anticipated results based on management's plans and assumptions. From time to time, we may also provide forward-looking statements in other materials we release to the public. Such statements give our current expectations or forecasts of future events; they do not relate strictly to historical or current facts. We have tried, wherever possible, to identify each such statements by using words such as "anticipate," "estimate," "expect," "project," "intend," "plan," "believe," "will," "target," "forecast," "continue" or similar expressions. In particular, these forward-looking statements may include those relating to future actions (including future acquisitions or dispositions and future capital expenditure plans) and future performance or expenses.

We cannot guarantee that any future results discussed in any forward-looking statements will be realized, although we believe that we have been prudent in our plans and assumptions. Achievement of future results is subject to risks, uncertainties and potentially inaccurate assumptions, including those discussed in Item 1A "Risk Factors." Should known or unknown risks or uncertainties materialize, or should underlying assumptions prove inaccurate, actual results could differ materially from past results and those results anticipated, estimated or projected. You should bear this in mind as you consider forward-looking statements.

We undertake no obligation to publicly update forward-looking statements, whether as a result of new information, future events or otherwise. You are advised, however, to consult any further disclosures we make or related subjects in our quarterly reports on Form 10-Q and Current Reports on Form 8-K that we file with the Securities and Exchange Commission ("SEC"). Also note that, in our risk factors, we provide a cautionary discussion of risks, uncertainties and possibly inaccurate assumptions relevant to our business. These are factors that, individually or in the aggregate, we believe could cause our actual results to differ materially from past results and those results anticipated, estimated or projected. We note these factors for investors as permitted by the Private Securities Litigation Reform Act of 1995. It is not possible to predict or identify all such risk factors. Consequently, you should not consider the risk factor discussion to be a complete discussion of all of the potential risks or uncertainties that could affect our business.

The prospective financial information related to anticipated operating performance included in this report has been prepared by, and is the responsibility of, our management. PricewaterhouseCoopers LLP, or PwC, has neither examined nor compiled the accompanying prospective financial information and, accordingly, PwC does not express an opinion or any other form of assurance with respect thereto. The PwC reports included in this report relate to our historical financial information. They do not extend to the prospective financial information and should not be read to do so.

PART I

Item 1. Business

About FelCor and FelCor LP

FelCor Lodging Trust Incorporated (NYSE:FCH), or FelCor, is a Maryland corporation operating as a real estate investment trust, or REIT. FelCor is the sole general partner of, and the owner of a greater than 99% partnership interest in, FelCor Lodging Limited Partnership, or FelCor LP, through which we held ownership interests in 76 hotels with 21,749 rooms at December 31, 2011. At December 31, 2011, we had an aggregate of 124,917,010 shares and units outstanding, consisting of 124,280,585 shares of FelCor common stock and 636,425 units of FelCor LP limited partnership interest not owned by FelCor.

Business Strategy

Strategic Plan and Objectives. We are committed to enhancing stockholder value and delivering superior returns on invested capital by assembling a diversified portfolio of high-quality hotels located in major markets and resort locations that have dynamic demand generators and high barriers to entry. At the same time, we seek to improve cash flow and real estate value through disciplined portfolio management, unique asset management and smart allocation of capital. In 2006, we developed a long-term strategic plan to achieve these objectives. This plan focuses on four critically important areas:

- Create a high-quality portfolio to improve future growth rates and return on investment;
- Create a sound and flexible balance sheet with lower leverage to withstand lodging cycles;
- Enhance organic growth through asset management and high return on investment redevelopment projects; and
- Selectively acquire hotels in our core markets that meet our strict underwriting criteria.

Recent Achievements. During 2011, we made significant progress toward achieving the objectives of our strategic plan.

- We sold nine hotels since December 2010 (out of 15 hotels initially brought to market in late 2010) for total gross proceeds of \$222 million (our *pro rata* share was \$180 million). We used \$80 million of those proceeds to repay indebtedness secured by four of those hotels and the remainder to repay other indebtedness and fund capital spending.
- We also completed several other balance sheet initiatives during 2011:
 - Established a \$225 million secured line of credit (we had no borrowings under the line at December 31, 2011, and the full \$225 million is available for general corporate purposes).
 - Issued \$525 million of 6.75% senior secured notes due 2019 and used the net proceeds to repay existing higher-cost debt (including the remaining \$46 million of outstanding 9.0% senior notes due 2011), repay the \$145 million balance on our line of credit and fund our \$140 million purchase of Royalton and Morgans.
 - Sold 27.6 million shares of common stock in an underwritten public offering and used the net proceeds to redeem \$144 million (of face value) of our 10% senior secured notes due 2014.
 - Extended a maturing mortgage loan for up to two years. The loan now bears an average interest rate of LIBOR plus 2.2% and is prepayable at any time, in whole or in part, with no penalty. At the same time, we repaid \$20 million of the principal balance, reducing the outstanding balance to \$158 million.
- In May 2011, we acquired two midtown Manhattan hotels, Royalton and Morgans.
- In December 2011, we acquired and commenced redevelopment of the four-plus star Knickerbocker Hotel in Times Square.

- Throughout 2011, we continued to reinvest in our portfolio, spending \$91.2 million (our *pro rata* portion), primarily to renovate eight hotels and redevelop the Fairmont Copley Plaza and one other hotel. We expect to complete work at the Fairmont Copley Plaza in 2012 that will reposition the hotel closer to its luxury competitors, including a complete renovation of rooms and corridors, upgrading 12 rooms to Fairmont Gold, adding a new rooftop fitness center and spa, and redeveloping the food and beverage and other public areas.
- In early 2012, we began marketing an additional 10 hotels for sale. As those hotels are sold, we expect to use a substantial amount of the net proceeds to repay outstanding debt and to pay accrued preferred dividends

Balance Sheet Strategy. A healthy balance sheet provides the necessary flexibility and capacity to withstand lodging cycles, and we are committed to strengthening our balance sheet by reducing leverage, lowering our cost of debt and extending debt maturities.

- As our cash flow increases from continued RevPAR growth and we sell non-strategic hotels, we expect to reduce our leverage materially. Our targeted leverage is 4.5 times (measured as total net debt to Adjusted EBITDA).
- We expect to reduce debt and restructure our balance sheet as we repay existing debt with proceeds from asset sales, or refinance debt on more favorable terms.
- We also expect to bring our accrued preferred dividends current using net proceeds from asset sales, which is necessary before we are able to resume paying a common stock dividend.
- During the last three years we successfully refinanced or repaid all of our near-term debt maturities, and we refinanced or resolved \$1.6 billion of consolidated debt and extended our weighted average debt maturity to mid-2016.
- We do not expect to acquire any further hotels in the near-term as we focus on reducing leverage.
- We have no near-term debt maturities.

Portfolio Management. Our portfolio composition (by segment, brand and location) continues to evolve as we sell non-strategic hotels, acquire superior hotels in our target markets and invest in our core portfolio. In the first phase of our asset disposition program, we disposed of 53 non-strategic hotels (primarily limited service and midscale hotels located in secondary and tertiary markets and markets with low barriers to entry). Today our portfolio consists primarily of upper-upscale hotels and resorts located in more than 30 major markets. Most are operated under well-recognized brands, such as Doubletree, Embassy Suites Hotels, Fairmont, Hilton, Holiday Inn, Marriott, Renaissance, Sheraton, and Westin. Royalton and Morgans, in midtown Manhattan, are operated independent of any brand because demand in their submarket more than offsets the potential net brand contribution. We sell and acquire hotels to improve our overall portfolio quality, enhance diversification and improve growth rates.

- *Hotel Sales.* Selling non-strategic hotels increases our long-term growth, reduces future capital expenditures and enables management to focus on “core” long-term investments. We regularly review each hotel in our portfolio in terms of projected performance, future capital expenditure requirements and market dynamics and concentration risk. We developed a plan to sell as many as 40 hotels (including the 15 hotels and 10 hotels we began marketing in late 2010 and early 2012, respectively). We intend to sell hotels through 2013, and expect to use the net proceeds to repay debt, pay our accrued preferred dividends and invest in high return on investment redevelopment opportunities at our core hotels. We will bring the remaining hotels to market at the appropriate time to maximize profit.
- *Hotel Acquisitions.* We only consider purchasing hotels that meet or exceed our strict investment criteria:
 - We only consider acquisition candidates that are accretive to long-term stockholder value, improve the overall quality of our portfolio, further diversify our portfolio by market, customer type and brand and improve future Hotel EBITDA growth.

- We limit our acquisitions to high-quality hotels in major urban and resort markets with high barriers to entry and high growth potential, as typified by the iconic Fairmont Copley Plaza, Royalton, Morgans, and (at stabilization) the Knickerbocker.
- We seek hotels that are priced at a significant discount to replacement cost with investment returns that exceed our weighted average cost of capital and can provide attractive long-term yields.
- We also consider hotels that offer redevelopment and/or revenue enhancement opportunities that can further enhance our return on investment.
- In December 2011, we acquired and commenced redevelopment of the four-plus star Knickerbocker Hotel in Times Square. We expect the Knickerbocker to be our last acquisition in this cycle, as we focus on strengthening our balance sheet through the sale of non-strategic hotels and reducing leverage.

Asset Management. We seek to maximize revenue, market share, hotel operating margins and cash flow at every hotel. FelCor's asset management uses an aggressive, hands-on approach. All of our asset managers have extensive hotel operating experience. They also have thorough knowledge of the markets and overall demand dynamics where our hotels operate. As a consequence, their interaction and credibility with our hotel managers is very effective. We encourage our hotel managers to implement best practices in expense and revenue management and we work closely with them to monitor and review hotel operations and align cost structures with current business. For example, we reduced departmental and overhead costs per room at the onset of the recession. We continue to benefit from these actions, which resulted in a \$25 million reduction in same-store expenses in 2011 compared to 2008, despite inflationary increases. Notably, most of these savings are permanent. With our strong brand relationships, we have significant influence over how their policies and procedures (most notably, brand strategy on marketing and revenue enhancement programs) affect us, as hotel owners. In addition to working with our hotel managers to maximize hotel operating performance, we consider value-added enhancements at our hotels, such as maximizing use of public areas, implementing new restaurant concepts and changing management of food and beverage operations.

Renovations and Redevelopment. We take a long-term approach to capital spending. Our plan involves efficiently maintaining our properties and limiting future fluctuations of expenditures while maximizing return on investment. We invested more than \$450 million in a multi-year, portfolio-wide renovation program (completed in 2008) that enhanced the competitive position and value of our hotels, as evidenced by market share gains during 2008-10. We anticipate renovating between six and eight core hotels each year. We regularly consider expansion or redevelopment opportunities at our properties that offer attractive returns. For example, after we redeveloped a former Crowne Plaza into the San Francisco Marriott Union Square, for 2011, the hotel was ranked twenty-third in guest satisfaction and third in fewest guest complaints out of 339 full-service Marriott hotels. From 2007 (prior to redevelopment) to 2011, revenue per available room (RevPAR) and EBITDA increased 35% to \$162 and 270% to \$5.4 million, respectively. In addition, we expect this hotel to continue to grow RevPAR significantly greater than the San Francisco market. With a similar mindset as discussed above, we are currently improving the Fairmont Copley Plaza, including a complete renovation of rooms and corridors, upgrading 12 rooms to Fairmont Gold, building a rooftop fitness center and spa and redeveloping the food and beverage and other public areas, all of which will reposition the hotel closer to its luxury competitors.

Brand Relationships. We benefit from well-established brand/manager relationships with Hilton Worldwide (Embassy Suites Hotels, Doubletree and Hilton), Starwood Hotels & Resorts Worldwide, Inc. (Sheraton and Westin), Marriott International, Inc. (Renaissance and Marriott), Fairmont Hotels & Resorts, InterContinental Hotels Group PLC (Holiday Inn) and Morgans Hotel Group (Morgans and Royalton). These relationships enable us to work effectively with our managers to maximize margins and operating cash flow from our hotels.

Portfolio Restructuring Program. As part of our long-term strategic plan to enhance stockholder value and achieve or exceed targeted returns on invested capital, we sell and selectively acquire hotels to improve our overall portfolio quality, enhance diversification and improve growth rates. On an ongoing basis, we review each hotel in our portfolio in terms of projected performance, future capital expenditure requirements and market dynamics and concentration risk. Based on this analysis, at the end of 2010, we announced our intention to sell our interests in as many as 40 hotels. We began marketing 15 hotels for sale in the last quarter of 2010 and 10 more hotels in early 2012. We have sold nine hotels since December 2010 for total gross proceeds of \$222 million (our *pro rata* share was \$180 million). We continue to monitor the transaction environment and will bring our remaining non-strategic hotels to market at the appropriate time.

The Lodging Industry

The United States lodging industry is diverse and fragmented. Hotels are owned by both public and private companies and partnerships, some of which also operate those hotels. Often, hotels are operated on behalf of their owners by independent management companies. Some hotels are operated and marketed under familiar brands, or “flags,” such as Hilton, Marriott, Sheraton, Embassy Suites, Holiday Inns, etc. Other hotels are operated independent of any brand, often because the addition of a brand would not enhance the hotel's performance, and in some cases because operating as an independent “boutique” hotel may actually enhance a hotel's appeal to a targeted segment of travelers. We do not operate our hotels. All of our hotels are operated on our behalf by independent managers, most of which are affiliated with national and international brands.

The industry caters to a diverse customer base, including transient customers (both leisure and corporate), groups (both leisure and corporate) and long-term, or contract, customers. Average rates charged by the hotels are dependent on the customer mix and supply and demand in the market.

Persistent momentum for the industry has increased operator confidence that the lodging recovery, which began in 2010, remains intact, despite slower overall US economic growth and ongoing worldwide economic uncertainty. Broadly, lodging demand continued to recover through 2011 and appears to be poised for continued growth.

For 2011, Smith Travel Research, or STR, a leading provider of hospitality industry data, reported that:

- RevPAR increased 8.2%, which was substantially above the long-term historical average;
- Occupancy increased 4.4% to 60.1%, as improving demand growth and moderating supply growth trends continued;
- Industry performance improved on a widespread basis, with all of the largest 25 markets (as defined by STR) enjoying increased RevPAR in 2011; and
- Average daily rate (ADR) increased 3.7%, as operators raised rates in the face of strong demand growth, led by increases in corporate travel, and re-mixed their business in favor of premium corporate guests.

Average occupancy for the industry, per STR, increased to 60.1%, close to 2008 (pre-recession) levels. While future demand trends remain difficult to discern, as businesses continue to conserve cash and gross domestic product (GDP) growth remains sluggish, the industry continues to experience strong demand growth. During the recent recession, lodging demand fell quicker than GDP, providing room for a more robust recovery in the lodging industry than the slower recovery for the overall US economy might indicate. Travel pundits expect continued growth and favorable operating dynamics in 2012, reflecting higher demand levels, improved pricing and below-historical-average supply growth, which remains constrained by limited development financing. STR reported that rooms under construction fell 75% to approximately 54,000 in December 2011, compared to 212,000 rooms in December 2007. PKF Hospitality Research, or PKF, another leading provider of hospitality industry data, projects that lodging fundamentals will continue to improve in 2012, with demand increasing 1.5% and supply growing only 0.7%. As a result, according to PKF, hotel occupancy in 2012 should increase 0.7%, compared to 2011. As occupancy increases, hotels should have the opportunity to improve ADR further by remixing their business in favor

of premium corporate guests, and ADR growth should be a more significant factor in RevPAR growth. PKF projects 2012 industry ADR will increase by 4.7%, contributing to a projected 5.4% RevPAR increase. PKF projects that pricing power will strengthen through 2013, as occupancies return to historical levels, contributing to a projected 7.3% gain in industry RevPAR in 2013.

Hotel Classifications. STR classifies hotel chains into seven distinct segments: luxury, upper-upscale, upscale, upper-midscale, midscale, economy and independent. We own luxury (Fairmont), upper-upscale (Doubletree, Embassy Suites, Hilton, Marriott, Renaissance, Sheraton and Westin), upper-midscale (Holiday Inn) and independent (Royalton and Morgans) hotels. We derived approximately 80% of our 2011 Hotel EBITDA from upper-upscale hotels. STR also categorizes hotels based upon their relative market positions, as measured by ADR, as luxury, upscale, midprice, economy and budget. The following table contains information with respect to average occupancy (determined by dividing occupied rooms by available rooms), ADR and RevPAR for 73 of our Consolidated Hotels (excluding Royalton and Morgans, since they were acquired in mid-2011), all upscale U.S. hotels, all midprice U.S. hotels and all U.S. hotels, as reported by STR, for the periods indicated:

	Year Ended December 31,				
	2011	2010	2009	2008	2007
Number of FelCor Hotels	73	80	83	85	83
Occupancy:					
FelCor hotels ^(a)	72.0%	70.5%	66.2%	70.9%	70.4%
All Upscale U.S. hotels ^(b)	61.4	58.9	56.4	62.0	64.8
All Midprice U.S. hotels ^(c)	56.3	53.8	51.9	57.6	60.4
All U.S. hotels	60.1	57.6	55.1	60.4	63.2
ADR:					
FelCor hotels ^(a)	\$ 128.68	\$ 121.47	\$ 123.23	\$ 136.32	\$ 134.21
All Upscale U.S. hotels ^(b)	109.52	106.44	106.66	115.96	113.56
All Midprice U.S. hotels ^(c)	81.00	78.33	78.12	84.21	82.18
All U.S. hotels	101.64	98.08	97.51	106.55	103.64
RevPAR:					
FelCor hotels ^(a)	\$ 92.68	\$ 85.58	\$ 81.62	\$ 96.67	\$ 94.48
All Upscale U.S. hotels ^(b)	67.22	62.71	60.12	71.83	73.61
All Midprice U.S. hotels ^(c)	45.57	42.16	40.58	48.48	49.68
All U.S. hotels	61.06	56.47	53.71	64.37	65.50

- (a) This information is based on historical presentations.
- (b) This category includes "upscale" hotels (hotels with ADRs in the 70th to 85th percentiles in their respective markets).
- (c) This category includes "midprice" hotels (hotels with ADRs in the 40th to 70th percentiles in their respective markets).

Competition

The lodging industry is highly competitive. Customers can choose from a variety of brands and products. The relationship between the supply of and demand for hotel rooms is cyclical and affects our industry significantly. Certain markets have low barriers to entry (e.g., inexpensive land, favorable zoning, etc.), making it easier to build new hotels and increase the supply of modern, high-quality hotel rooms. Lodging demand growth typically moves in tandem with the overall economy, in addition to local market factors that stimulate travel to specific destinations. Economic indicators, such as GDP, business investment and employment levels, are common indicators of lodging demand. Each of our hotels competes for guests, primarily, with other full service and limited service hotels in the immediate vicinity and, secondarily, with other hotel properties in its geographic market.

Location, brand recognition, hotel quality, service levels and prices are the principal competitive factors affecting our hotels.

Environmental Matters

Under various federal, state and local environmental laws, ordinances and regulations, a current or previous owner or operator of real property may be liable for the costs of removal or remediation of hazardous or toxic substances on, under or in a property. These laws may impose liability whether or not the owner or operator knew of, or was responsible for, the presence of such hazardous or toxic substances. In addition, certain environmental laws and common law principles could be used to impose liability for release of asbestos-containing materials, and third parties may seek recovery from owners or operators of real property for personal injury associated with exposure to related asbestos-containing materials. Environmental laws also may impose restrictions on the manner in which property may be used or businesses may be operated, and these restrictions may require corrective or other expenditures. In connection with our current or prior ownership or operation of hotels or other real estate, we may be potentially liable for various environmental costs or liabilities.

We customarily obtain a Phase I environmental survey from an independent environmental consultant before acquiring a hotel. The principal purpose of a Phase I survey is to identify indications of potential environmental contamination and, secondarily, to assess, to a limited extent, the potential for environmental regulatory compliance liabilities. The Phase I surveys of our hotels were designed to meet the requirements of the then current industry standards governing Phase I surveys, and consistent with those requirements, none of the surveys involved testing of groundwater, soil or air. Accordingly, they do not represent evaluations of conditions at the studied sites that would be revealed only through such testing. In addition, Phase I assessments of environmental regulatory compliance issues is general in scope and not a detailed determination of a hotel's environmental compliance. Similarly, Phase I reports do not involve comprehensive analysis of potential offsite liability. Our Phase I reports have not revealed any environmental liability that we believe would have a material adverse effect on our business, assets or results of operations, nor are we aware of any such liability. Nevertheless, it is possible that these reports do not reveal or accurately assess all material environmental conditions and that there are material environmental conditions of which we are unaware.

We believe that our hotels are in compliance, in all material respects, with all federal, state, local and foreign laws and regulations regarding hazardous substances and other environmental matters, to the extent violation of such laws and regulations have a material adverse effect on us. We have not been notified by any governmental authority or private party of any noncompliance, liability or claim relating to hazardous or toxic substances or other environmental matters in connection with any of our current or former properties that we believe would have a material adverse effect on our business, assets or results of operations. However, obligations for compliance with environmental laws that arise or are discovered in the future may adversely affect our financial condition.

Tax Status

FelCor LP is a partnership for federal income tax purposes, and is not subject to federal income tax. However under its partnership agreement, it is required to reimburse FelCor for any tax payments they are required to make. Accordingly, the tax information herein represents disclosures regarding FelCor and its taxable subsidiaries.

FelCor elected to be treated as a REIT under the federal income tax laws. As a REIT, FelCor generally is not subject to federal income taxation at the corporate level on taxable income that is distributed to its stockholders. FelCor may, however, be subject to certain state and local taxes on its income and property and to federal income and excise taxes on its undistributed taxable income. FelCor's taxable REIT subsidiaries, or TRSs, formed to lease its hotels are subject to federal, state and local income taxes. A REIT is subject to a number of organizational and operational requirements, including a requirement that it currently distribute at least 90% of its annual taxable

income to its stockholders. If FelCor fails to qualify as a REIT in any taxable year for which the statute of limitations remains open, it will be subject to federal income taxes at regular corporate rates (including any applicable alternative minimum tax) for such taxable year and may not qualify as a REIT for four subsequent years. In connection with FelCor's election to be treated as a REIT, its charter imposes restrictions on the ownership and transfer of shares of its common stock. FelCor LP expects to make distributions on its units sufficient to enable FelCor to meet its distribution obligations as a REIT. At December 31, 2011, FelCor had a federal income tax loss carryforward of \$336.7 million, and its TRSs had a federal income tax loss carryforward of \$340.7 million.

Employees

At December 31, 2011, we had 66 full-time employees, none of whom is involved in the day-to-day operation of our hotels.

Ownership of Our Hotels

Of the 76 hotels in which we had an ownership interest at December 31, 2011, we owned a 100% interest in 58 hotels, a 90% interest in entities owning three hotels, an 82% interest in an entity owning one hotel, a 60% interest in an entity owning one hotel and 50% interests in entities owning 13 hotels. We consolidate our real estate interests in the 63 hotels in which we held majority interests, and we record the real estate interests of the 13 hotels in which we held 50% interests using the equity method. We leased 75 of our 76 hotels to our taxable REIT subsidiaries, of which we own a controlling interest. One 50%-owned hotel was operated without a lease. Because we own controlling interests in these lessees, we consolidate our interests in these 75 hotels (which we refer to as our Consolidated Hotels) and reflect those hotels' operating revenues and expenses in our statements of operations. Our Consolidated Hotels are located in the United States (74 hotels in 22 states) and Canada (one hotel in Ontario), with concentrations in major markets and resort areas.

Segment Reporting

Our business is conducted in one operating segment because of the similar economic characteristics of our hotels. Additional segment information may be found in the footnotes to our consolidated financial statements elsewhere in this report.

Additional Information

Additional information relating to our hotels and our business, including the charters of our Executive Committee, Corporate Governance and Nominating Committee, Compensation Committee and Audit Committee; our corporate governance guidelines; and our code of business conduct and ethics can be found on our Web site at www.felcor.com. Information relating to our hotels and our business can also be found in the Notes to Consolidated Financial Statements located elsewhere in this report. Our annual, quarterly and current reports, and amendments to these reports, filed with the Securities and Exchange Commission, or SEC, under the Securities Exchange Act of 1934, or Exchange Act, are made available on our Web site, free of charge, under the "SEC Filings" tab on our "Investor Relations" page, as soon as practicable following their filing. The public may also read and copy any materials we file with the SEC at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains a Web site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC at www.sec.gov.

Item 1A. Risk Factors

The risk factors described in this section describe the major risks to our business and should be considered carefully. In addition, these statements constitute our cautionary statements under the Private Securities Litigation Reform Act of 1995.

We may be unable to sell non-strategic hotels when anticipated, or at all, or sell them for satisfactory pricing.

As part of our long-term strategic plan, we plan to sell non-strategic hotels and use the proceeds to reduce our leverage, pay accrued preferred dividends, invest in our portfolio and/or acquire hotels that fit our long-term strategy. The current hotel transaction market is at an early stage relative to the economic cycle. While a significant portion of the initial phase of our asset sales took place in a particularly robust transaction market and overall economy, the current and ongoing transaction market is not as robust, and we may be unable to sell hotels at acceptable prices, or at all. Our ability to sell hotels is at least partially dependent on potential buyers obtaining financing. If adequate financing is not available or is only available at undesirable terms, we may be unable to sell hotels or sell them for desired pricing. If we are unable to sell non-strategic hotels or sell them for desired pricing, it could affect our ability to repay and refinance debt and slow the execution of our strategic plan. If we sell a mortgaged hotel for less than its outstanding debt balance, we would be required to use cash to make up the shortfall or substitute an unencumbered hotel as collateral, which would restrict future flexibility when refinancing debt or restrict us from using cash for other purposes.

Compliance with, or failure to comply with, our financial covenants may adversely affect our financial position and results of operations.

The agreements governing our senior secured notes (our "Senior Notes") require that we satisfy total leverage, secured leverage and interest coverage tests in order, among other things, to: (i) incur additional indebtedness except to refinance maturing debt with replacement debt, as defined under our indentures; (ii) pay dividends other than to maintain our REIT status; (iii) repurchase capital stock; or (iv) merge. These restrictions may adversely affect our ability to finance our operations or engage in other business activities that may be in our best interest.

Various political, economic, social or business risks, uncertainties and events beyond our control could affect our ability to comply with these covenants and financial thresholds. Failure to comply with any of the covenants in our existing or future financing agreements could result in a default under those agreements and under other agreements containing cross-default provisions. A default could permit lenders to accelerate the maturity of obligations under these agreements and to foreclose upon any collateral securing those obligations. Under these circumstances, we might not have sufficient funds or other resources to satisfy all of our obligations. In addition, the limitations imposed by financing agreements on our ability to incur additional debt and to take other actions could significantly impair our ability to obtain other financing. We cannot assure you that we will be granted waivers or amendments to these agreements if for any reason we are unable to comply with these agreements or that we will be able to refinance our debt on terms acceptable to us, or at all.

Certain of our subsidiaries have been formed as special purpose entities, or SPEs. These SPEs have incurred mortgage debt secured by the assets of those SPEs, which debt is non-recourse to us, except in connection with certain customary recourse "carve-outs," including fraud, misapplication of funds, etc., in which case, this debt could become fully recourse to us.

Our ability to pay dividends may be limited or prohibited by the terms of our indebtedness or preferred stock.

We currently are party to agreements and instruments that can restrict or prevent the payment of dividends on our common and preferred stock (except as necessary to retain REIT status). Under the agreements governing our Senior Notes, dividend payments are permitted only to the extent that, at the time of the distribution, we can satisfy certain financial thresholds (concerning leverage and fixed charges) and meet other requirements. Under the terms of our outstanding preferred stock, we are not permitted to pay dividends on our common stock unless all accrued preferred dividends then payable have been paid. At December 31, 2011, we had \$76.3 million of unpaid accrued preferred dividends. Until we pay accrued but unpaid preferred dividends, or if we fail to pay future dividends on our preferred stock for any reason, including to comply with the terms of our Senior Notes, our preferred dividends will continue to accrue, and we will be prohibited from paying any common dividends until all such accrued but unpaid preferred dividends have been paid.

While we intend to pay all accrued preferred dividends with net proceeds from non-strategic hotel sales; if we are unable to sell non-strategic hotels when anticipated or at all, or for satisfactory pricing, we may be unable to pay accrued preferred dividends as anticipated, or at all.

We have substantial financial leverage.

At December 31, 2011, our consolidated debt (\$1.6 billion) represented approximately 66% of our total enterprise value. If our revenues and cash flow should decline it may adversely affect our public debt ratings and may limit our access to additional debt. Historically, we have incurred debt for acquisitions and to fund our renovation, redevelopment and rebranding programs. If our access to additional debt financing is limited, that could adversely affect our ability to fund these programs or acquire hotels in the future.

Our financial leverage could have important consequences. For example, it could:

- limit our ability to obtain additional financing for working capital, renovation, redevelopment and rebranding plans, acquisitions, debt service requirements and other purposes;
- limit our ability to refinance existing debt;
- limit our ability to pay dividends, invest in unconsolidated joint ventures, etc.;
- require us to agree to additional restrictions and limitations on our business operations and capital structure to obtain financing;
- increase our vulnerability to adverse economic and industry conditions, and to interest rate fluctuations;
- require us to dedicate a substantial portion of our cash flow from operations to payments on our debt, thereby reducing funds available for capital expenditures, future business opportunities, paying dividends or other purposes;
- limit our flexibility to make, or react to, changes in our business and our industry; and
- place us at a competitive disadvantage, compared to our competitors that have less debt.

Our debt agreements will allow us to incur additional debt that, if incurred, could exacerbate the other risks described herein.

We may be able to incur substantial debt in the future. Although the instruments governing our indebtedness contain restrictions on the incurrence of additional debt, these restrictions are subject to a number of qualifications and exceptions and, under certain circumstances, debt incurred in compliance with these restrictions could be substantial. If we add incremental debt, the leverage-related risks described above would intensify.

We have variable rate debt.

At December 31, 2011, approximately 27% of our consolidated outstanding debt had variable interest rates. If variable interest rates were to increase significantly, the added expense could have a material adverse impact on our earnings and financial condition.

We depend on external sources of capital for future growth and we may be unable to access capital when necessary.

As a REIT, our ability to reduce our debt and finance our growth must largely be funded by external sources of capital because we are required to distribute to our stockholders at least 90% of our taxable income (other than net capital gains) including, in some cases, taxable income we recognize for federal income tax purposes but with regard to which we do not receive corresponding cash. Our ability to obtain the external capital we require could be limited by a number of factors, many of which are outside our control, including general market conditions, unfavorable market perception of our future prospects, lower current and/or estimated future earnings, excessive cash distributions or a lower market price for our common stock.

Our ability to access additional capital also may be limited by the terms of our existing indebtedness, which, under certain circumstances, restrict our incurrence of debt and the payment of distributions. Any of these factors, individually or in combination, could prevent us from being able to obtain the external capital we require on terms that are acceptable to us, or at all. Failing to obtain necessary external capital could have a material adverse effect on our ability to finance our future growth.

Our revenues, expenses and the value of our hotels are subject to conditions affecting both the real estate and the lodging industries.

Real estate investments are subject to numerous risks. Our investment in hotels is subject to numerous risks generally associated with owning real estate, including among others:

- General economic conditions, including, among others, unemployment, major bank failures, unsettled capital markets and sovereign debt uncertainty;
- changes in international, national, regional and local economic climate or real estate market conditions;
- changes in zoning laws;
- changes in traffic patterns and neighborhood characteristics;
- increases in assessed property taxes from changes in valuation or real estate tax rates;
- increases in the cost of property insurance;
- potential for uninsured or underinsured property losses;
- costly governmental regulations and fiscal policies;
- changes in tax laws; and
- other circumstances beyond our control.

Moreover, real estate investments are substantially illiquid, and we may not be able to adjust our portfolio in a timely manner to respond to changes in economic and other conditions.

Compliance with environmental laws may adversely affect our financial condition. Owners of real estate are subject to numerous federal, state, local and foreign environmental laws and regulations. Under these laws and regulations, a current or former owner of real estate may be liable for the costs of remediating hazardous substances found on its property, whether or not they were responsible for its presence. In addition, if an owner of real property arranges for the disposal of hazardous substances at another site, it may also be liable for the costs of remediating the disposal site, even if it did not own or operate the disposal site. Such liability may be imposed without regard to fault or the legality of a party's conduct and may, in certain circumstances, be joint and several. A property owner may also be liable to third parties for personal injuries or property damage sustained as

a result of its release of hazardous or toxic substances, including asbestos-containing materials, into the environment. Environmental laws and regulations may require us to incur substantial expenses and limit the use of our properties. We could have substantial liability for a failure to comply with applicable environmental laws and regulations, which may be enforced by the government or, in certain instances, by private parties. The existence of hazardous substances on a property can also adversely affect the value of, and the owner's ability to use, sell or borrow against the property.

We cannot provide assurances that future or amended laws or regulations, or more stringent interpretations or enforcement of existing environmental requirements, will not impose any material environmental liability, or that the environmental condition or liability relating to our hotels will not be affected by new information or changed circumstances, by the condition of properties in the vicinity of such hotels, such as the presence of leaking underground storage tanks, or by the actions of unrelated third parties.

Compliance with the Americans with Disabilities Act may adversely affect our financial condition. Under the Americans with Disabilities Act of 1990 (the "ADA"), all public accommodations, including hotels, are required to meet certain federal requirements for access and use by disabled persons. Various state and local jurisdictions have also adopted requirements relating to the accessibility of buildings to disabled persons. We make every reasonable effort to ensure that our hotels substantially comply with the requirements of the ADA and other applicable laws. However, we could be liable for both governmental fines and payments to private parties if it were determined that our hotels are not in compliance with these laws. If we were required to make unanticipated major modifications to our hotels to comply with the requirements of the ADA and similar laws, it could materially adversely affect our ability to make distributions to our stockholders and to satisfy our other obligations.

We face reduced insurance coverages and increasing premiums. Our property insurance has a \$100,000 "all-risk" deductible, as well as a 5% deductible (insured value) for named windstorm and California earthquake coverage. Substantial uninsured or not fully-insured losses would have a material adverse impact on our operating results, cash flows and financial condition. Catastrophic losses, such as the losses caused by hurricanes in 2005, could make the cost of insuring against these types of losses prohibitively expensive or difficult to find. In an effort to limit the cost of insurance, we purchase catastrophic insurance coverage based on probable maximum losses based on 250-year events and have only purchased terrorism insurance to the extent required by our lenders or franchisors. We have established a self-insured retention of \$250,000 per occurrence for general liability insurance with regard to 50 of our hotels. The remainder of our hotels participate in general liability programs sponsored by our managers, with no deductible.

We could have property losses not covered by insurance. Our property policies provide that all of the claims from each of our properties resulting from a particular insurable event must be combined together for purposes of evaluating whether the aggregate limits and sub-limits contained in our policies have been exceeded. Therefore, if an insurable event occurs that affects more than one of our hotels, the claims from each affected hotel will be added together to determine whether the aggregate limit or sub-limits, depending on the type of claim, have been reached, and each affected hotel may only receive a proportional share of the amount of insurance proceeds provided for under the policy if the total value of the loss exceeds the aggregate limits available. We may incur losses in excess of insured limits, and as a result, we may be even less likely to receive sufficient coverage for risks that affect multiple properties such as earthquakes or catastrophic terrorist acts. Risks such as war, catastrophic terrorist acts, nuclear, biological, chemical, or radiological attacks, and some environmental hazards may be deemed to fall completely outside the general coverage limits of our policies or may be uninsurable or may be too expensive to justify insuring against.

We may also encounter disputes concerning whether an insurance provider will pay a particular claim that we believe is covered under our policy. Should a loss in excess of insured limits or an uninsured loss occur or should we be unsuccessful in obtaining coverage from an insurance carrier, we could lose all, or a portion of, the capital we have invested in a property, as well as the anticipated future revenue from the hotel. In that event, we might nevertheless remain obligated for any mortgage debt or other financial obligations related to the property.

We obtain terrorism insurance to the extent required by lenders or franchisors as a part of our all-risk property insurance program, as well as our general liability and directors' and officers' policies. However, our all-risk policies have limitations, such as per occurrence limits and sub-limits, that might have to be shared proportionally across participating hotels under certain loss scenarios. Also, all-risk insurers only have to provide terrorism coverage to the extent mandated by the Terrorism Risk Insurance Act, or TRIA, for "certified" acts of terrorism - namely those that are committed on behalf of non-United States persons or interests. Furthermore, we do not have full replacement coverage at all of our hotels for acts of terrorism committed on behalf of United States persons or interests ("non-certified" events) as our coverage for such incidents is subject to sub-limits and/or annual aggregate limits. In addition, property damage related to war and to nuclear, biological and chemical incidents is excluded under our policies. While TRIA will reimburse insurers for losses resulting from nuclear, biological and chemical perils, TRIA does not require insurers to offer coverage for these perils and, to date, insurers are not willing to provide this coverage, even with government reinsurance. Additionally, there is a possibility that Congress will not renew TRIA in the future, which would eliminate the federal subsidy for terrorism losses. As a result of the above, there remains uncertainty regarding the extent and adequacy of terrorism coverage that will be available to protect our interests in the event of future terrorist attacks that impact our properties.

We have geographic concentrations that may create risks from regional or local economic, seismic or weather conditions. At December 31, 2011, approximately 48% of our hotel rooms were located in, and 48% of our 2011 Hotel EBITDA was generated from, three states: California (23% of our hotel rooms and 25% of our Hotel EBITDA), Florida (14% of our hotel rooms and 13% of our Hotel EBITDA) and Texas (11% of our hotel rooms and 10% of our Hotel EBITDA). Additionally, at December 31, 2011, we had concentrations in five major metropolitan areas which together represented approximately 35% of our Hotel EBITDA for the year ended December 31, 2011 (the San Francisco Bay area (10%), Los Angeles area (7%), South Florida (7%), Boston (6%) and Atlanta (5%)). Therefore, adverse economic, seismic or weather conditions in these states or metropolitan areas may have a greater adverse effect on us than on the industry as a whole.

Investing in hotel assets involves special risks. We have invested in hotel-related assets, and our hotels are subject to all the risks common to the hotel industry. These risks could adversely affect hotel occupancy and rates that can be charged for hotel rooms, and generally include:

- changes in business and leisure travel patterns;
- decreases in demand for hotel rooms;
- increases in lodging supply or competition, which may adversely affect demand at our hotels;
- the effect of geopolitical disturbances, including terrorist attacks and terror alerts, that reduce business and leisure travel;
- the attractiveness of our hotels to consumers relative to competing hotels;
- fluctuations in our revenue caused by the seasonal nature of the hotel industry;
- a downturn in the hotel industry;
- the threat or outbreak of a pandemic disease affecting the travel industry;
- increasing fuel costs and other travel expenses resulting in reductions of travel; and
- increased transportation security precautions affecting the travel industry.

We could face increased competition. Each of our hotels competes with other hotels in its geographic area. A number of additional hotel rooms have been, or may be, built in a number of the geographic areas in which our hotels are located, which could adversely affect both occupancy and rates in those markets. A significant increase in the supply of upscale and upper upscale hotel rooms, if demand fails to increase at least proportionately, could have a material adverse effect on our business, financial condition and results of operations.

Transfers and/or termination of franchise licenses and management agreements may be prohibited or restricted. Hotel managers and franchise licensors may have the right to terminate their agreements or suspend their services in the event of default under such agreements or other third party agreements such as ground leases and mortgages, upon the loss of liquor licenses, or in the event of the sale or transfer of the hotel. Franchise licenses may expire by their terms, and we may not be able to obtain replacement franchise license agreements.

If a management agreement or franchise license were terminated, under certain circumstances (such as the sale of a hotel), we could be liable for liquidated damages (which may be guaranteed by us or certain of our subsidiaries). In addition, we may need to obtain a different franchise and/or engage a different manager, and the costs and disruption associated with those changes could be significant (and materially adverse to the value of the affected hotel) because of the loss of associated name recognition, marketing support and centralized reservation systems provided by the franchise licensor or operations management provided by the manager. Additionally, most of our management agreements restrict our ability to encumber our interests in the applicable hotels under certain circumstances without the managers' consent, which can make it more difficult to obtain secured financing on acceptable terms.

We are subject to possible adverse effects of management, franchise and license agreement requirements. All of our hotels are operated under existing management, franchise or license agreements with nationally recognized hotel companies. Each agreement requires that the licensed hotel be maintained and operated in accordance with specific standards and restrictions in order to maintain uniformity within the brand. Compliance with these standards, and changes in these standards, could require us to incur significant expenses or capital expenditures, which could adversely affect our results of operations and ability to pay dividends to our stockholders and service on our indebtedness.

We are subject to the risks of brand concentration. We are subject to the potential risks associated with the concentration of our hotels under a limited number of brands. A negative public image or other adverse event that becomes associated with the brand could adversely affect hotels operated under that brand.

At December 31, 2011, approximately 75% of our 2011 Hotel EBITDA was derived from two brands (56% from Embassy Suites and 19% from Holiday Inn). If any brands under which we operate hotels suffer a significant decline in appeal to the traveling public, the revenues and profitability of our branded hotels could be adversely affected.

The lodging business is seasonal in nature. Generally, hotel revenues for our hotel portfolio are greater in the second and third calendar quarters than in the first and fourth calendar quarters, although this may not be true for hotels in major tourist destinations. Revenues for hotels in tourist areas are generally substantially greater during tourist season than other times of the year. We expect that seasonal variations in revenue at our hotels will cause quarterly fluctuations in our revenues.

We are subject to risks inherent to hotel operations. We have ownership interest in the operating lessees of our hotels; consequently, we are subject to the risk of fluctuating hotel operating expenses at our hotels, including but not limited to:

- increases in operating expenses due to inflation;
- wage and benefit costs, including hotels that employ unionized labor;
- repair and maintenance expenses;
- gas and electricity costs;
- insurance costs including health, general liability and workers compensation; and
- other operating expenses.

In addition, we are subject to the risks of a decline in Hotel EBITDA margins, which occur when hotel operating expenses increase disproportionately to revenues or fail to shrink at least as fast as revenues decline. These operating expenses and Hotel EBITDA margins are controlled by our independent managers over whom we have limited control.

The increasing use of Internet travel intermediaries by consumers may adversely affect our profitability.

Some of our hotel rooms may be booked through Internet travel intermediaries. As these Internet bookings increase, these intermediaries may be able to obtain higher commissions, reduced room rates or other significant contract concessions from us and our management companies. Moreover, some of these Internet travel intermediaries are attempting to offer hotel rooms as a commodity, by increasing the importance of price and general indicators of quality (such as “three-star downtown hotel”) at the expense of brand identification. These agencies hope that consumers will eventually develop brand loyalties to their reservations system rather than to the brands under which our hotels are franchised. If the amount of sales made through Internet intermediaries increases significantly, room revenues may flatten or decrease and our profitability may be adversely affected.

Future terrorist activities and political instability may adversely affect, and create uncertainty in, our business.

Terrorism in the United States or elsewhere could have an adverse effect on our business, although the degree of impact will depend on a number of factors, including the U.S. and global economies and global financial markets. Previous terrorist attacks in the United States and subsequent terrorism alerts have adversely affected the travel and hospitality industries in the past. Such attacks, or the threat of such attacks, could have a material adverse effect on our business, our ability to finance our business, our ability to insure our properties, and/or our results of operations and financial condition, as a whole.

If we (or our managers) fail to comply with applicable privacy laws and regulations, we could be subject to payment of fines, damages or face restrictions on our use of guest data.

Our managers collect information relating to our guests for various business purposes, including marketing and promotional purposes. Collecting and using of personal data is governed by U.S. and other privacy laws and regulations. Privacy regulations continue to evolve and may be inconsistent from one jurisdiction to another. Compliance with applicable privacy regulations may increase our operating costs and/or adversely impact our manager's ability to market our products, properties and services to our guests. In addition, non-compliance (or in some circumstances non-compliance by third parties engaged by us (including our managers)), or a breach of security on systems storing privacy data, may result in fines, payment of damages or restrictions on our (or our managers') use or transfer of data.

As a REIT, we are subject to specific tax laws and regulations, the violation of which could subject us to significant tax liabilities.

The federal income tax laws governing REITs are complex. We have operated, and intend to continue to operate, in a manner that is intended to enable us to qualify as a REIT under the federal income tax laws. The REIT qualification requirements are extremely complicated, and interpretations of the federal income tax laws governing qualification as a REIT are limited. Accordingly, we cannot be certain that we have been, or will continue to be, successful in operating so as to qualify as a REIT.

The federal income tax laws governing REITs are subject to change. At any time, the federal income tax laws governing REITs or the administrative interpretations of those laws may be amended. These new laws, interpretations, or court decisions may change the federal income tax laws relating to, or the federal income tax consequences of, qualification as a REIT. Any of these new laws or interpretations may take effect retroactively and could adversely affect us, or you as a stockholder.

Failure to make required distributions would subject us to tax. Each year, a REIT must pay out to its stockholders at least 90% of its taxable income, other than any net capital gain. To the extent that we satisfy the 90% distribution requirement, but distribute less than 100% of our taxable income, we will be subject to federal corporate income tax on our undistributed taxable income. In addition, we will be subject to a 4% nondeductible tax if the actual amount we pay out to our stockholders in a calendar year is less than the minimum amount specified under federal tax laws. Our only source of funds to make such distributions comes from distributions from FeiCor LP. Accordingly, we may be required to borrow money or sell assets to enable us to pay out enough of our taxable income to satisfy the distribution requirements and to avoid corporate income tax and the 4% tax in a particular year.

Failure to qualify as a REIT would subject us to federal income tax. If we fail to qualify as a REIT in any taxable year for which the statute of limitations remains open we would be subject to federal income tax at regular corporate rates (including any applicable alternative minimum tax) for such taxable year and may not qualify as a REIT for four subsequent years. We might need to borrow money or sell hotels in order to obtain the funds necessary to pay any such tax. If we cease to be a REIT, we no longer would be required to distribute most of our taxable income to our stockholders. Unless our failure to qualify as a REIT was excused under federal income tax laws, we could not re-elect REIT status until the fifth calendar year following the year in which we failed to qualify.

We lack control over the management and operations of our hotels. Because federal income tax laws restrict REITs and their subsidiaries from operating hotels, we do not manage our hotels. Instead, we are dependent on the ability of independent third-party managers to operate our hotels pursuant to management agreements. As a result, we are unable to directly implement strategic business decisions for the operation and marketing of our hotels, such as decisions with respect to the setting of room rates, the salary and benefits provided to hotel employees, the conduct of food and beverage operations and similar matters. While our taxable REIT subsidiaries monitor the third-party manager's performance, we have limited specific recourse under our management agreements if we believe the third-party managers are not performing adequately. Failure by our third-party managers to fully perform the duties agreed to in our management agreements could adversely affect our results of operations. In addition, our third-party managers or their affiliates manage hotels that compete with our hotels, which may result in conflicts of interest. As a result, our third-party managers may have in the past made, and may in the future make, decisions regarding competing lodging facilities that are not or would not be in our best interests.

Complying with REIT requirements may cause us to forgo attractive opportunities that could otherwise generate strong risk-adjusted returns and instead pursue less attractive opportunities, or none at all.

To continue to qualify as a REIT for federal income tax purposes, we must continually satisfy tests concerning, among other things, the sources of our income, the nature and diversification of our assets, the amounts we distribute to our stockholders and the ownership of our stock. Thus, compliance with the REIT requirements may hinder our ability to operate solely on the basis of generating strong risk-adjusted returns on invested capital for our stockholders.

Complying with REIT requirements may force us to liquidate otherwise attractive investments, which could result in an overall loss on our investments.

To continue to qualify as a REIT, we must also ensure that at the end of each calendar quarter at least 75% of the value of our assets consists of cash, cash items, government securities and qualified REIT real estate assets. The remainder of our investment in securities (other than government securities and qualified real estate assets) generally cannot include more than 10% of the outstanding voting securities of any one issuer or more than 10% of the total value of the outstanding securities of any one issuer. In addition, in general, no more than 5% of the value of our assets (other than government securities and qualified real estate assets) can consist of the securities of any one issuer, and no more than 25% of the value of our total securities can be represented by securities of one or more TRSs. If we fail to comply with these requirements at the end of any calendar quarter, we must correct such failure within 30 days after the end of the calendar quarter to avoid losing our REIT status and suffering adverse tax consequences. If we fail to comply with these requirements at the end of any calendar quarter, we may be able to preserve our REIT status by benefiting from certain statutory relief provisions. Except with respect to a de minimis failure of the 5% asset test or the 10% vote or value test, we can maintain our REIT status only if the failure was due to reasonable cause and not to willful neglect. In that case, we will be required to dispose of the assets causing the failure within six months after the last day of the quarter in which we identified the failure, and we will be required to pay an additional tax of the greater of \$50,000 or the product of the highest applicable tax rate (currently 35%) multiplied by the net income generated on those assets. As a result, we may be required to liquidate otherwise attractive investments.

We own, and may acquire, interests in hotel joint ventures with third parties that expose us to some risk of additional liabilities or capital requirements.

We own, through our subsidiaries, interests in several real estate joint ventures with third parties. Joint ventures that are not consolidated into our financial statements owned real estate interests in a total of 13 hotels, in which we had a \$70 million aggregate investment at December 31, 2011. The lessee operations of 12 of these 13 hotels are included in our consolidated results of operations due to our majority ownership of those lessees. Our joint venture partners are affiliates of Hilton with respect to 11 hotels, and private entities or individuals (all of whom are unaffiliated with us) with respect to two hotels. The ventures and hotels were subject to \$150 million of non-recourse mortgage loans at December 31, 2011.

The personal liability of our subsidiaries under existing non-recourse loans secured by the hotels owned by our joint ventures is generally limited to the guaranty of the borrowing ventures' personal obligations to pay for the lender's losses caused by misconduct, fraud or misappropriation of funds by the ventures and other typical exceptions from the non-recourse covenants in the mortgages, such as those relating to environmental liability. We may invest in other ventures in the future that own hotels and have recourse or non-recourse debt financing. If a venture defaults under its mortgage loan, the lender may accelerate the loan and demand payment in full before taking action to foreclose on the hotel. As a partner or member in any of these ventures, our subsidiary may be exposed to liability for claims asserted against the venture, and the venture may not have sufficient assets or insurance to discharge the liability.

Our subsidiaries may be contractually or legally unable to control decisions unilaterally regarding these ventures and their hotels. In addition, the hotels in a joint venture may perform at levels below expectations, resulting in potential insolvency unless the joint venturers provide additional funds. In some ventures, the joint venturers may elect not to make additional capital contributions. We may be faced with the choice of losing our investment in a venture or investing additional capital in it with no guaranty of receiving a return on that investment.

Our directors may have interests that may conflict with our interests.

A director who has a conflict of interest with respect to an issue presented to our board will have no inherent legal obligation to abstain from voting upon that issue. We do not have provisions in our bylaws or charter that require an interested director to abstain from voting upon an issue, and we do not expect to add provisions in our charter and bylaws to this effect. Although each director has a duty of loyalty to us, there is a risk that, should an interested director vote upon an issue in which a director or one of his or her affiliates has an interest, his or her vote may reflect a bias that could be contrary to our best interests. In addition, even if an interested director abstains from voting, that director's participation in the meeting and discussion of an issue in which they have, or companies with which he or she is associated have, an interest could influence the votes of other directors regarding the issue.

Departure of key personnel would deprive us of the institutional knowledge, expertise and leadership they provide.

Our executive management team includes our President and Chief Executive Officer and four Executive Vice Presidents. In addition, we have several other long-tenured senior officers. These executives and officers generally possess institutional knowledge about our organization and the hospitality or real estate industries, have significant expertise in their fields, and possess leadership skills that are important to our operations. The loss of any of our executives or other long-serving officers could adversely affect our ability to execute our business strategy.

Our charter contains limitations on ownership and transfer of shares of our stock that could adversely affect attempted transfers of our capital stock.

To maintain our status as a REIT, no more than 50% in value of our outstanding stock may be owned, actually or constructively, under the applicable tax rules, by five or fewer persons during the last half of any taxable year. Our charter prohibits, subject to some exceptions, any person from owning more than 9.9%, as determined in accordance with the Internal Revenue Code and the Securities Exchange Act of 1934, of the number of outstanding shares of any class of our stock. Our charter also prohibits any transfer of our stock that would result in a violation of the 9.9% ownership limit, reduce the number of stockholders below 100 or otherwise result in our failure to qualify as a REIT. Any attempted transfer of shares in violation of the charter prohibitions will be void, and the intended transferee will not acquire any right in those shares. We have the right to take any lawful action that we believe is necessary or advisable to ensure compliance with these ownership and transfer restrictions and to preserve our status as a REIT, including refusing to recognize any transfer of stock in violation of our charter.

Some provisions in our charter and bylaws and Maryland law make a takeover more difficult.

Ownership Limit. The ownership and transfer restrictions of our charter may have the effect of discouraging or preventing a third party from attempting to gain control of us without the approval of our board of directors. Accordingly, it is less likely that a change in control, even if beneficial to stockholders, could be effected without the approval of our board.

Staggered Board. Our board of directors is divided into three classes. Directors in each class are elected for terms of three years. As a result, the ability of stockholders to effect a change in control of us through the election of new directors is limited by the inability of stockholders to elect a majority of our board at any particular meeting.

Authority to Issue Additional Shares. Under our charter, our board of directors may issue up to an aggregate of 20 million shares of preferred stock without stockholder action. The preferred stock may be issued, in one or more series, with the preferences and other terms designated by our board that may delay or prevent a change in control of us, even if the change is in the best interests of stockholders. At December 31, 2011, we had outstanding 12,880,475 shares of our Series A preferred stock and 67,980 shares, represented by 6,798,000 depositary shares, of our Series C preferred stock.

Maryland Takeover Statutes. As a Maryland corporation, we are subject to various provisions under the Maryland General Corporation Law, including the Maryland Business Combination Act, that may have the effect of delaying or preventing a transaction or a change in control that might involve a premium price for the stock or otherwise be in the best interests of stockholders. Under the Maryland business combination statute, some “business combinations,” including some issuances of equity securities, between a Maryland corporation and an “interested stockholder,” which is any person who beneficially owns 10% or more of the voting power of the corporation’s shares, or an affiliate of that stockholder, are prohibited for five years after the most recent date on which the interested stockholder becomes an interested stockholder. Any of these business combinations must be approved by a stockholder vote meeting two separate super majority requirements, unless, among other conditions, the corporation’s common stockholders receive a minimum price, as defined in the statute, for their shares and the consideration is received in cash or in the same form as previously paid by the interested stockholder for its common shares. Our charter currently provides that the Maryland Control Share Acquisition Act will not apply to any of our existing or future stock. That statute may deny voting rights to shares involved in an acquisition of one-tenth or more of the voting stock of a Maryland corporation. To the extent these or other laws are applicable to us, they may have the effect of delaying or preventing a change in control of us even though beneficial to our stockholders.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

We own a diversified portfolio of hotels managed by Hilton, Starwood, Marriott, Fairmont, Morgans and IHG. Our hotels are high-quality lodging properties with respect to desirability of location, size, facilities, physical condition, quality and variety of services offered in the markets in which they are located. Our hotels are designed to appeal to a broad range of hotel customers, including frequent business travelers, groups and conventions, as well as leisure travelers. They generally feature comfortable, modern guest rooms, meeting and convention facilities and full-service restaurant and catering facilities. At December 31, 2011, our Consolidated Hotels were located in the United States (74 hotels in 22 states) and Canada (one hotel in Ontario), with concentrations in major markets and resort areas. The following table illustrates the distribution of our 75 Consolidated Hotels at December 31, 2011.

Brand	Hotels	Rooms	% of Total Rooms	2011 Hotel EBITDA^(a) (in thousands)
Embassy Suites Hotels	21	5,742	27	\$ 79,965
Holiday Inn	9	3,119	14	32,530
Doubletree and Hilton	5	1,206	6	15,345
Sheraton and Westin	4	1,605	7	15,196
Renaissance and Marriott	3	1,321	6	11,352
Fairmont	1	383	2	5,698
Morgans/Royalton	2	282	1	—
Total core hotels	45	13,658	63	160,086
Non-strategic hotels	30	7,920	37	65,406
Total	75	21,578	100	\$ 225,492
Market				
San Francisco area	4	1,637	8	\$ 16,806
Boston	3	915	4	14,025
Los Angeles area	3	677	3	13,725
South Florida	3	923	4	13,111
Philadelphia	2	729	3	8,804
Atlanta	3	952	4	8,417
Myrtle Beach	2	640	3	7,859
Dallas	2	784	4	7,150
San Diego	1	600	3	6,141
Orlando	2	473	2	5,808
Other markets	20	5,328	25	58,240
Total core hotels	45	13,658	63	160,086
Non-strategic hotels	30	7,920	37	65,406
Total	75	21,578	100	\$ 225,492
Location				
Urban	16	4,931	23	\$ 60,988
Airport	10	3,267	15	35,564
Resort	10	2,927	14	35,189
Suburban	9	2,533	11	28,345
Total core hotels	45	13,658	63	160,086
Non-strategic hotels	30	7,920	37	65,406
Total	75	21,578	100	\$ 225,492

- (a) Hotel EBITDA is a non-GAAP financial measure. A detailed reconciliation and further discussion of Hotel EBITDA is contained in the “Non-GAAP Financial Measures” section of Management’s Discussion and Analysis of Financial Condition and Results of Operations in Item 7 of this Annual Report. We consider Hotel EBITDA as a same-store metric and current year acquisitions (Morgans/Royalton) are excluded from this metric.

We are committed to maintaining high standards at our hotels. Our hotels average 286 rooms, with six hotels having 400 or more rooms. In 2008, we completed the last phase of a multi-year, portfolio-wide renovation program costing more than \$450 million. The program was designed to upgrade, modernize and renovate all of our hotels to enhance or maintain their competitive position. For 2011, our *pro rata* share of capital expenditures spent on consolidated and unconsolidated hotels, including renovations and redevelopment projects, was \$91.2 million. We also spent 5.3% of our consolidated hotel revenue on maintenance and repair expense.

Hotel Brands

Our hotels are operated under some of the most recognized and respected hotel brands, such as Doubletree, Embassy Suites, Fairmont, Hilton, Holiday Inn, Marriott, Renaissance, Sheraton, Westin and premium independent hotels (Morgans, Royalton).

Hotel Operating Statistics

The following tables set forth average historical occupancy (occupied rooms), ADR and RevPAR for the years ended December 31, 2011 and 2010, and the percentage changes therein for the periods presented for 73 same-store Consolidated Hotels (excludes Royalton and Morgans, which were acquired in May 2011).

Operating Statistics by Brand

	Occupancy (%)		
	Year Ended December 31,		%Variance
	2011	2010	
Embassy Suites Hotels	75.8	75.0	1.1
Holiday Inn	75.0	73.9	1.5
Doubletree and Hilton	67.9	69.8	(2.7)
Sheraton and Westin	65.7	66.4	(1.1)
Renaissance and Marriott	67.3	63.9	5.3
Fairmont	70.2	72.3	(2.9)
Same-store core hotels (43)	72.7	72.1	0.9
Non-strategic hotels (30)	70.9	69.0	2.7
Total same-store hotels (73)	72.0	70.9	1.5

	ADR (\$)		
	Year Ended December 31,		%Variance
	2011	2010	
Embassy Suites Hotels	137.61	134.33	2.4
Holiday Inn	131.27	123.38	6.4
Doubletree and Hilton	130.20	123.31	5.6
Sheraton and Westin	111.81	106.62	4.9
Renaissance and Marriott	177.04	165.95	6.7
Fairmont	248.97	233.32	6.7
Same-store core hotels (43)	139.34	133.29	4.5
Non-strategic hotels (30)	110.23	108.26	1.8
Total same-store hotels (73)	128.68	124.23	3.6

	RevPAR (\$)		
	Year Ended December 31,		%Variance
	2011	2010	
Embassy Suites Hotels	104.35	100.77	3.6
Holiday Inn	98.39	91.15	7.9
Doubletree and Hilton	88.42	86.05	2.8
Sheraton and Westin	73.47	70.82	3.7
Renaissance and Marriott	119.12	106.00	12.4
Fairmont	174.85	168.73	3.6
Same-store core hotels (43)	101.29	96.07	5.4
Non-strategic hotels (30)	78.13	74.71	4.6
Total same-store hotels (73)	92.68	88.12	5.2

Operating Statistics for our Top Markets

	Occupancy (%)		
	Year Ended December 31,		%Variance
	2011	2010	
San Francisco area	79.9	77.1	3.7
Boston	77.1	77.5	(0.5)
Los Angeles area	77.3	74.1	4.2
South Florida	78.0	77.7	0.4
Philadelphia	69.4	70.9	(2.2)
Atlanta	73.3	75.0	(2.2)
Myrtle Beach	59.7	61.0	(2.0)
Dallas	64.1	61.5	4.1
San Diego	78.5	75.8	3.6
Orlando	83.5	82.9	0.7
Other markets	69.6	69.4	0.4
Same-store core hotels (43)	72.7	72.1	0.9
Non-strategic hotels (30)	70.9	69.0	2.7
Total same-store hotels (73)	72.0	70.9	1.5

	ADR (\$)		
	Year Ended December 31,		%Variance
	2011	2010	
San Francisco area	152.75	136.30	12.1
Boston	187.14	175.59	6.6
Los Angeles area	149.47	144.93	3.1
South Florida	141.29	141.81	(0.4)
Philadelphia	135.80	125.56	8.2
Atlanta	104.83	104.55	0.3
Myrtle Beach	140.62	135.78	3.6
Dallas	108.32	107.11	1.1
San Diego	119.70	120.13	(0.4)
Orlando	127.53	124.23	2.7
Other markets	138.46	133.28	3.9
Same-store core hotels (43)	139.34	133.29	4.5
Non-strategic hotels (30)	110.23	108.26	1.8
Total same-store hotels (73)	128.68	124.23	3.6

	RevPAR (\$)		
	Year Ended December 31,		%Variance
	2011	2010	
San Francisco area	122.05	105.04	16.2
Boston	144.25	136.06	6.0
Los Angeles area	115.49	107.43	7.5
South Florida	110.20	110.21	—
Philadelphia	94.21	89.03	5.8
Atlanta	76.83	78.38	(2.0)
Myrtle Beach	84.01	82.81	1.4
Dallas	69.38	65.92	5.3
San Diego	94.00	91.10	3.2
Orlando	106.46	102.93	3.4
Other markets	96.40	92.46	4.3
Same-store core hotels (43)	101.29	96.07	5.4
Non-strategic hotels (30)	78.13	74.71	4.6
Total same-store hotels (73)	92.68	88.12	5.2

Hotel Portfolio

The following table sets forth certain descriptive information regarding the 76 hotels in which we held ownership interests at December 31, 2011.

<u>Same-store Hotels</u>	<u>Brand</u>	<u>State</u>	<u>Rooms</u>	<u>% Owned</u> ^(a)
Birmingham	Embassy Suites Hotel	AL	242	
Phoenix – Biltmore	Embassy Suites Hotel	AZ	232	
Phoenix– Crescent ^(b)	Sheraton	AZ	342	
Anaheim – North ^(b)	Embassy Suites Hotel	CA	222	
Dana Point – Doheny Beach	Doubletree Guest Suites	CA	196	
Indian Wells – Esmeralda Resort & Spa	Renaissance Resort	CA	560	
Los Angeles – International Airport/South	Embassy Suites Hotel	CA	349	
Milpitas – Silicon Valley	Embassy Suites Hotel	CA	266	
Napa Valley	Embassy Suites Hotel	CA	205	
Oxnard – Mandalay Beach – Hotel & Resort	Embassy Suites Hotel	CA	248	
San Diego – On the Bay	Holiday Inn	CA	600	
San Francisco – Airport/Waterfront	Embassy Suites Hotel	CA	340	
San Francisco – Airport/South San Francisco	Embassy Suites Hotel	CA	312	
San Francisco – Fisherman’s Wharf	Holiday Inn	CA	585	
San Francisco – Union Square	Marriott	CA	400	
San Rafael – Marin County	Embassy Suites Hotel	CA	235	50%
Santa Barbara – Goleta	Holiday Inn	CA	160	
Santa Monica Beach – at the Pier	Holiday Inn	CA	132	
Wilmington ^(b)	Doubletree	DE	244	90%
Boca Raton ^(b)	Embassy Suites Hotel	FL	263	
Deerfield Beach – Resort & Spa	Embassy Suites Hotel	FL	244	
Ft. Lauderdale – 17th Street	Embassy Suites Hotel	FL	361	
Ft. Lauderdale – Cypress Creek ^(b)	Sheraton Suites	FL	253	
Jacksonville – Baymeadows ^(b)	Embassy Suites Hotel	FL	277	
Miami – International Airport	Embassy Suites Hotel	FL	318	
Orlando – International Airport ^(b)	Holiday Inn	FL	288	
Orlando – International Drive South/Convention	Embassy Suites Hotel	FL	244	
Orlando – Walt Disney World Resort	Doubletree Guest Suites	FL	229	
St. Petersburg – Vinoy Resort & Golf Club	Renaissance Resort	FL	361	
Tampa – Tampa Bay ^(b)	Doubletree Guest Suites	FL	203	
Atlanta – Airport ^(b)	Embassy Suites Hotel	GA	232	
Atlanta – Buckhead	Embassy Suites Hotel	GA	316	
Atlanta – Galleria ^(b)	Sheraton Suites	GA	278	
Atlanta – Gateway – Atlanta Airport	Sheraton	GA	395	
Atlanta – Perimeter Center	Embassy Suites Hotel	GA	241	50%
Chicago – Lombard/Oak Brook	Embassy Suites Hotel	IL	262	50%
Indianapolis – North	Embassy Suites Hotel	IN	221	82%
Kansas City – Overland Park	Embassy Suites Hotel	KS	199	50%
Baton Rouge	Embassy Suites Hotel	LA	223	
New Orleans – Convention Center ^(b)	Embassy Suites Hotel	LA	370	
New Orleans – French Quarter	Holiday Inn	LA	374	
Boston – at Beacon Hill	Holiday Inn	MA	303	
Boston – Copley Plaza	Fairmont	MA	383	

Hotel Portfolio Listing (continued)

<u>Same-store Hotels</u>	<u>Brand</u>	<u>State</u>	<u>Rooms</u>	<u>% Owned</u> ^(a)
Boston – Marlborough	Embassy Suites Hotel	MA	229	
Baltimore – at BWI Airport	Embassy Suites Hotel	MD	251	90%
Bloomington	Embassy Suites Hotel	MN	218	
Minneapolis – Airport	Embassy Suites Hotel	MN	310	
St. Paul – Downtown ^(b)	Embassy Suites Hotel	MN	208	
Kansas City – Plaza	Embassy Suites Hotel	MO	266	50%
Charlotte	Embassy Suites Hotel	NC	274	50%
Charlotte – SouthPark	Doubletree Guest Suites	NC	208	
Raleigh/Durham ^(b)	Doubletree Guest Suites	NC	203	
Raleigh – Crabtree	Embassy Suites Hotel	NC	225	50%
Parsippany	Embassy Suites Hotel	NJ	274	50%
Secaucus – Meadowlands	Embassy Suites Hotel	NJ	261	50%
Toronto – Airport ^(b)	Holiday Inn	Ontario	446	
Philadelphia – Historic District	Holiday Inn	PA	364	
Philadelphia – Society Hill	Sheraton	PA	365	
Pittsburgh – at University Center (Oakland)	Holiday Inn	PA	251	
Charleston – The Mills House Hotel	Holiday Inn	SC	214	
Myrtle Beach – Oceanfront Resort	Embassy Suites Hotel	SC	255	
Myrtle Beach Resort	Hilton	SC	385	
Nashville – Airport – Opryland Area ^(b)	Embassy Suites Hotel	TN	296	
Nashville – Opryland – Airport (Briley Parkway)	Holiday Inn	TN	383	
Austin	Doubletree Guest Suites	TX	188	90%
Austin – Central	Embassy Suites Hotel	TX	260	50%
Dallas – Love Field	Embassy Suites Hotel	TX	248	
Dallas – Park Central	Westin	TX	536	60%
Houston – Medical Center	Holiday Inn	TX	287	
San Antonio – International Airport	Embassy Suites Hotel	TX	261	50%
San Antonio – International Airport ^(b)	Holiday Inn	TX	397	
San Antonio – NW I-10	Embassy Suites Hotel	TX	216	50%
Burlington Hotel & Conference Center	Sheraton	VT	309	
<u>Hotels Acquired in 2011</u>				
Morgans	Independent	NY	114	
Royalton	Independent	NY	168	
<u>Unconsolidated Hotel</u>				
New Orleans – French Quarter (Chateau LeMoyne)	Holiday Inn	LA	171	50%

(a) We own 100% of the real estate interests unless otherwise noted.

(b) We are currently marketing these hotels for sale.

Management Agreements

At December 31, 2011, of our 75 Consolidated Hotels, (i) Hilton subsidiaries managed 47 hotels, (ii) IHG subsidiaries managed 14 hotels, (iii) Starwood subsidiaries managed seven hotels, (iv) Marriott subsidiaries managed three hotels, (v) a Fairmont subsidiary managed one hotel, (vi) a subsidiary of Morgans Hotel Group Corporation managed two hotels, and (vi) an independent management company managed one hotel.

The management agreements relating to 35 Consolidated Hotels contain the right and license to operate the hotels under specified brands. No separate franchise agreements exist, and no separate franchise fee is required, for these hotels. These hotels are managed by (i) IHG, under the Holiday Inn brand, (ii) Starwood, under the Sheraton and Westin brands, (iii) Hilton, under the Doubletree and Hilton brands, (iv) Marriott, under the Renaissance and Marriott brands, (v) Fairmont, under the Fairmont brand, and (vi) Morgans.

Management Fees. Minimum base management fees generally range from 1 – 3% of total revenue, with the exception of our IHG-managed hotels, where base management fees are 2% of total revenue plus 5% of room revenue. Most of our management agreements also allow for incentive management fees that are subordinated to our return on investment. Incentive management fees are generally capped at 2 to 3% of total revenue (except for incentive management fees payable to Marriott, which are not limited).

We paid the following management fees (in thousands) with respect to our Consolidated Hotels during each of the past three years:

	Year Ended December 31,		
	2011	2010	2009
Base fees	\$ 26,508	\$ 24,666	\$ 24,188
Incentive fees	1,818	1,136	769
Total management fees	<u>\$ 28,326</u>	<u>\$ 25,802</u>	<u>\$ 24,957</u>

Term and Termination. The management agreements with IHG terminate in 2018 for one hotel and 2025 for 13 hotels. The management agreements with Marriott terminate in 2025 for our Renaissance hotels and 2029 for our Marriott hotel, and these agreements may be extended to 2055 and 2039, respectively, at Marriott's option. The management agreement with Fairmont terminates in 2030 and may be extended to 2040 and 2050 at Fairmont's option. The management agreements with Morgans terminate in 2026 and may be extended to 2036 at Morgans's option. The management agreements with our other managers generally have initial terms of between 5 and 20 years, and these agreements are generally renewable beyond the initial term only upon the mutual written agreement of the parties. The management agreements covering our hotels expire after 2013, subject to any renewal rights, as follows:

Manager	Number of Management Agreements Expiring		
	2014	2015	Thereafter
Hilton	5	5	37
IHG	—	—	14
Starwood	—	—	7
Marriott	—	—	3
Morgans	—	—	2
Fairmont	—	—	1
Other	—	1	—
Total	<u>5</u>	<u>6</u>	<u>64</u>

Management agreements are generally terminable upon the occurrence of standard events of default or if the hotel subject to the agreement fails to meet certain financial hurdles. Upon termination for any reason, we are generally required to pay all amounts due and owing under the management agreement through the effective date of termination. If an agreement is terminated as a result of our default we may also be liable for damages suffered by the manager. If we sell a hotel managed by IHG, we may be required to pay IHG a monthly replacement management fee equal to the existing fee structure for up to one year and, thereafter, liquidated damages, or alternatively, reinvest the sale proceeds into another hotel to be branded under an IHG brand and managed by IHG. In addition, if we breach an IHG management agreement, resulting in termination, or otherwise cause or suffer IHG's termination for any reason other than an event of default by IHG, we may be liable for liquidated damages under the terms of that management agreement.

Assignment. Generally, neither party to a management agreement has the right to sell, assign or transfer the agreement to an unaffiliated third party without the prior written consent of the other party to the agreement, which consent shall not be unreasonably withheld. A change in control of FelCor will generally require each manager's consent.

Franchise Agreements

Forty of our Consolidated Hotels operate under franchise or license agreements with Embassy Suites that are separate from our management agreements.

Our Embassy Suites franchise agreements grant us the right to the use of the Embassy Suites Hotels name, system and marks with respect to specified hotels and establish various management, operational, record-keeping, accounting, reporting and marketing standards and procedures with which the licensed hotel must comply. In addition, the franchisor establishes requirements for the quality and condition of the hotel and its furnishings, furniture and equipment, and we are obligated to expend such funds as may be required to maintain the hotel in compliance with those requirements. Typically, our Embassy Suites franchise agreements provide for a license fee, or royalty, of 4% to 5% of room revenues. In addition, we pay approximately 3.5% to 4% of room revenues as marketing and reservation system contributions for the systemwide benefit of Embassy Suites Hotels. We incurred marketing and reservation systems fees of \$13.0 million, \$12.7 million and \$11.6 million for the years ended December 31, 2011, 2010, and 2009, respectively. We incurred license fees with respect to our Consolidated Hotels operated as Embassy Suites of \$14.8 million, \$14.4 million and \$13.7 million for the years ended December 31, 2011, 2010 and 2009, respectively.

Our typical Embassy Suites franchise agreement provides for a term of 10 to 20 years. The agreements provide no renewal or extension rights and are not assignable. If we breach one of these agreements, in addition to losing the right to use the Embassy Suites name for the applicable hotel, we may be liable, under certain circumstances, for liquidated damages equal to the fees paid to the franchisor with respect to that hotel during the three immediately preceding years. Franchise agreements covering four of our hotels expire in 2014, four expire in 2015, and the remaining agreements expire thereafter.

Item 3. Legal Proceedings

At December 31, 2011, no litigation was pending or known to be threatened against us or affecting any of our hotels, other than claims arising in the ordinary course of business or that otherwise are not considered to be material. Furthermore, most of these ordinary course of business claims are substantially covered by insurance. We do not believe that any claims known to us, individually or in the aggregate, will have a material adverse effect on us.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our common stock is traded on the New York Stock Exchange under the symbol "FCH." The following table sets forth for the indicated periods the high and low sale prices for our common stock, as traded on that exchange and dividends declared per share.

	<u>High</u>	<u>Low</u>	<u>Dividends Declared Per Share</u>
<u>2011</u>			
First quarter	\$ 8.31	\$ 5.76	\$ —
Second quarter	6.68	5.08	—
Third quarter	6.06	2.01	—
Fourth quarter	3.49	1.91	—
<u>2010</u>			
First quarter	\$ 6.42	\$ 3.49	\$ —
Second quarter	8.99	4.95	—
Third quarter	6.16	3.91	—
Fourth quarter	7.48	4.53	—

Stockholder Information

At February 27, 2012, we had approximately 200 record holders of our common stock and 30 record holders of our Series A preferred stock (which is convertible into common stock). However, because many of the shares of our common stock and Series A preferred stock are held by brokers and other institutions on behalf of stockholders, we believe there are substantially more beneficial holders of our common stock and Series A preferred stock than record holders. At February 27, 2012, there were 26 holders (other than FelCor) of FelCor LP units. FelCor LP units are redeemable for cash, or, at our election, for shares of FelCor common stock.

IN ORDER TO COMPLY WITH CERTAIN REQUIREMENTS RELATED TO OUR QUALIFICATION AS A REIT, OUR CHARTER LIMITS, SUBJECT TO CERTAIN EXCEPTIONS, THE NUMBER OF SHARES OF ANY CLASS OR SERIES OF OUR CAPITAL STOCK THAT MAY BE OWNED BY ANY SINGLE PERSON OR AFFILIATED GROUP TO 9.9% OF THE OUTSTANDING SHARES OF THAT CLASS OR SERIES.

Distribution Information

In order to maintain our qualification as a REIT, we must make annual distributions to our stockholders of at least 90% of our taxable income (other than net capital gains). We had no taxable income and made no common distributions for the years ended December 31, 2011 and 2010. Under certain circumstances, we may be required to make distributions in excess of cash available for distribution in order to meet REIT distribution requirements. In that event, we expect to borrow funds or sell assets for cash to the extent necessary to obtain cash sufficient to make the distributions required to retain our qualification as a REIT for federal income tax purposes.

Under terms of our senior notes indenture our ability to pay dividends and make other payments is limited based on our ability to satisfy certain financial requirements (except as necessary to retain REIT status). Under the terms of our outstanding preferred stock, we are not permitted to pay dividends on our common stock unless all accrued, preferred dividends then payable have been paid. At December 31, 2011 and 2010, we had \$76.3 million of unpaid preferred dividends (including \$8.5 million pertaining to the current quarter). Further discussion of these limitations is contained in the “Liquidity and Capital Resources” section of Management’s Discussion and Analysis of Financial Condition and Results of Operations in Item 7 and the Risk Factors in Item 1A.

Equity Compensation Plan Information

The following table sets forth as of December 31, 2011, information concerning our equity compensation plan, including the number of shares issuable and available for issuances under our plan, options, warrants and rights; weighted average exercise price of outstanding options, warrants and rights; and the number of securities remaining available for future issuance.

Equity Compensation Plan Information

Plan category	Number of shares to be issued upon exercise of outstanding options, warrants and rights	Weighted average exercise price of outstanding options, warrants and rights	Number of shares remaining available for future issuance
Equity compensation plan approved by security holders	657,754	\$ —	3,287,856

Item 6. Selected Financial Data

The following tables set forth selected financial data for us that have been derived from our audited consolidated financial statements and the notes thereto. This data should be read in conjunction with Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, and our audited consolidated financial statements and notes thereto, appearing elsewhere in this report.

SELECTED FINANCIAL DATA (in millions, except per share/unit data)

	Year Ended December 31,				
	2011	2010	2009	2008	2007
Statement of Operations Data: ^(a)					
Total revenues	\$ 946	\$ 863	\$ 812	\$ 981	\$ 868
Income (loss) from continuing operations ^(b)	(134)	(173)	(96)	(44)	50
Diluted earnings per share/unit:					
FelCor - Income (loss) from continuing operations	\$ (1.46)	\$ (2.61)	\$ (2.12)	\$ (1.35)	\$ 0.19
FelCor LP - Income (loss) from continuing operations	(1.46)	(2.61)	(2.12)	(1.34)	0.19
Other Data:					
Cash distributions declared per common share/unit ^(c)	\$ —	\$ —	\$ —	\$ 0.85	\$ 1.20
Adjusted FFO per share/unit ^(d)	\$ 0.14	\$ (0.09)	\$ 0.39	\$ 1.99	\$ 2.17
Adjusted EBITDA ^(d)	203	188	179	276	285
Cash flows provided by operating activities	46	59	73	153	137
Balance Sheet Data (at end of period):					
Total assets	\$ 2,403	\$ 2,359	\$ 2,626	\$ 2,512	\$ 2,684
Total debt, net of discount	1,596	1,548	1,773	1,552	1,476
FelCor's redeemable noncontrolling interests in FelCor LP at redemption value	3	2	1	1	21

(a) All years presented have been adjusted to reflect hotels no longer owned as discontinued operations.

(b) Included in income (loss) from continuing operations are the following amounts (in millions):

	Year Ended December 31,				
	2011	2010	2009	2008	2007
Impairment loss	\$ (7)	\$ (106)	\$ —	\$ (38)	\$ —
Impairment loss on unconsolidated hotels	—	—	(2)	(13)	—
Debt extinguishment	(24)	44	(2)	—	—
Gain on sale of condominiums	—	—	—	—	19

- (c) FelCor suspended payment of its common dividend in December 2008 and its preferred dividends in March 2009 in light of the deepening recession and dysfunctional capital markets, and the attendant impact on our industry and us. In January 2011, FelCor reinstated our current quarterly preferred dividends and paid current quarterly preferred dividends for each quarter in 2011. Funds used by FelCor to pay common or preferred dividends are provided through distributions from FelCor LP. FelCor's Board of Directors will determine the amount of future common and preferred dividends for each quarter, if any, based upon various factors including operating results, economic conditions, other operating trends, our financial condition and capital requirements, as well as the minimum REIT distribution requirements. Unpaid preferred dividends must be paid in full prior to payment of any common dividends.

- (d) A more detailed description and computation of Adjusted FFO per share and Adjusted EBITDA is contained in the “Non-GAAP Financial Measures” section of Management’s Discussion and Analysis of Financial Condition and Results of Operations in Item 7.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Business and leisure travel increased in 2011, while new hotel construction remained at historic low levels. The lodging industry gained momentum to rebound to levels more consistent with long-term trends following the recent recession, with improvement in both occupancy and average daily rate, or ADR.

Our hotels continued to grow occupancy in 2011, but the strong demand enabled most of our growth in revenue per available room, or RevPAR, to come from improvement in average daily rate, or ADR. In 2011, our RevPAR improved 5.2%, compared to the prior year, through a 3.6% increase in ADR and a 1.5% improvement in occupancy. The sustained growth in ADR allowed our hotels to improve their Hotel EBITDA margin by 116 basis points, compared to the prior year.

In 2011, we undertook several critical steps making significant progress toward achieving the objective of our long-term strategic plan:

- We sold nine hotels since December 2010 (out of 15 hotels initially brought to market in late 2010) for total gross proceeds of \$222 million (our *pro rata* share was \$180 million). We used \$80 million of those proceeds to repay indebtedness secured by four of those hotels and the remainder to repay other indebtedness.
- We also completed several other balance sheet initiatives during 2011:
 - Established a \$225 million secured line of credit (we had no borrowings under the line at December 31, 2011, and the full \$225 million is available for general corporate purposes).
 - Issued \$525 million of 6.75% senior secured notes due 2019 and used the net proceeds to repay existing higher-cost debt (including the remaining \$46 million of outstanding 9.0% senior notes due 2011), repay the \$145 million balance on our line of credit and fund our \$140 million purchase of Royalton and Morgans.
 - Sold 27.6 million shares of common stock in an underwritten public offering and used the net proceeds to redeem \$144 million (of face value) of our 10% senior secured notes due 2014.
 - Extended a maturing mortgage loan for up to two years. The loan now bears an average interest rate of LIBOR plus 2.2% and is prepayable at any time, in whole or in part, with no penalty. At the same time, we repaid \$20 million of the principal balance, reducing the outstanding balance to \$158 million.
- In May 2011, we acquired two midtown Manhattan hotels, Royalton and Morgans.
- In December 2011, we acquired and commenced redevelopment of the four-plus star Knickerbocker Hotel in Times Square.

In January 2011, FelCor reinstated its current quarterly preferred dividend and paid current quarterly preferred dividends each quarter of 2011. FelCor cannot pay any common dividends unless and until all accrued and current preferred dividends are paid. Funds used by FelCor to pay common or preferred dividends are provided through distributions from FelCor LP. FelCor's Board of Directors will determine whether and when to declare future dividends (including the accrued but unpaid preferred dividends) based upon various factors, including operating results, economic conditions, other operating trends, our financial condition and capital requirements, as well as minimum REIT distribution requirements.

Financial Comparison (loss from continuing operations in millions)

	Year Ended December 31,				
	2011	2010	% Change 2011-10	2009	% Change 2010-09
RevPAR	\$ 92.68	\$ 88.12	5.2%	\$ 84.50	4.3 %
Hotel EBITDA ^(a)	225	206	9.2%	197	4.6 %
Hotel EBITDA margin ^(a)	24.4%	23.3%	5.0%	23.3%	— %
Loss from continuing operations ^(b)	(134)	(173)	22.5%	(96)	(80.2)%

(a) Hotel EBITDA and Hotel EBITDA margin are non-GAAP financial measures. A discussion of the use, limitations and importance of these non-GAAP financial measures and detailed reconciliations to the most comparable GAAP measure are found elsewhere in Management’s Discussion and Analysis of Financial Condition and Results of Operations under the section “Non-GAAP Financial Measures.”

(b) The following amounts are included in loss from continuing operations (in millions):

	Year Ended December 31,		
	2011	2010	2009
Impairment loss	\$ (7)	\$ (106)	\$ —
Impairment loss on unconsolidated hotels	—	—	(2)
Debt extinguishment	(24)	44	(2)

Results of Operations

Comparison of the Years Ended December 31, 2011 and 2010

For the year ended December 31, 2011, we recorded a \$130.9 million net loss compared to a \$225.8 million loss in 2010. Our 2011 loss included \$13.2 million of impairment charges (\$7.0 million in continuing operations and \$6.2 million in discontinued operations) and \$24.4 million of losses from extinguishment of debt (\$24.2 million in continuing operations and \$200,000 in discontinued operations), partially offset by \$4.7 million of gains from hotel dispositions (in discontinued operations). Our 2010 loss included \$173.7 million of impairment charges (\$106.4 million in continuing operations and \$67.3 million in discontinued operations) partially offset by \$59.5 million of gains from extinguishment of debt (\$44.3 million in continuing operations and \$15.2 million in discontinued operations), and a \$20.5 million gain related to the sale of our equity interest in an unconsolidated joint venture (included in equity in income from unconsolidated entities).

In 2011:

- *Total revenue* was \$946.0 million, a 9.6% increase compared to 2010. The increase principally reflects a 5.2% increase in same-store RevPAR (5.4% at our core hotels and 4.6% at our non-strategic hotels), which was driven by a 3.6% increase in ADR and a 1.5% increase in occupancy, as well as \$45.9 million in incremental revenue from our recently-acquired hotels (the Fairmont Copley Plaza, acquired in August 2010, and Royalton and Morgans, acquired in May 2011).
- *Hotel departmental expenses* increased \$33.9 million, compared to 2010, reflecting improved occupancy and \$23.4 million of incremental hotel departmental expense from our recently acquired hotels. As a percentage of total revenue, hotel departmental expenses increased from 36.1% to 36.5% compared to 2010. This change is primarily due to the mix and nature of the business at the Fairmont Copley Plaza, which has significant food and beverage revenue. Food and beverage expenses are generally much higher as a percent of revenue than room expenses.
- *Other property related costs* increased \$21.7 million, due to a combination of improved occupancy and \$12.5 million of incremental other property-related costs from our recently-acquired hotels. As a percentage of total revenue, other property related costs remained essentially unchanged, compared to 2010.
- *Management and franchise fees* increased \$3.0 million, compared to 2010, due to higher revenues (which serve as the basis for determining such fees) and \$766,000 in fees with respect of our recently-acquired hotels. As a percent of total revenue, management and franchise fees remained essentially unchanged, compared to 2010.
- *Taxes, insurance and lease expenses* increased \$2.7 million compared to 2010. As a percentage of total revenue, taxes, insurance and lease expense improved from 10.2% in 2010 to 9.6% in 2011. This trend reflects favorable property tax settlements and improved liability claims experience, and was partially offset by \$3.4 million of incremental expenses at our recently-acquired hotels.
- *Corporate expenses* decreased \$1.7 million and decreased as a percentage of total revenue from 3.6% to 3.1%. This decrease is primarily attributed to the decrease in corporate bonus expense.

- *Depreciation and amortization expense* decreased \$274,000 compared to the same period in 2010. Our asset values, the basis from which we calculate depreciation, declined between 2010 and 2011 as result of hotel sales and impairment charges. Our same-store depreciation expense declined from 2010 to 2011, but this decline was offset by \$3.6 million of depreciation expense related to our recently-acquired hotels. As a percent of total revenue, depreciation and amortization expense decreased to 14.1% in 2011 compared to 15.5% for the same period in 2010.
- *Impairment charges.* From 2010-11, we identified 30 hotels (included in our consolidated investment in hotels) as non-strategic. We recorded \$7.0 million of incremental impairment charges in 2011 relating to two of these non-strategic hotels that we are currently marketing for sale. The charges were based on revised estimated fair values obtained through the marketing process that were lower than the net book values for these hotels. We recorded \$106.4 million of impairment charges from continuing operations in 2010, relating to 11 of the non-strategic hotels (22 of the 30 hotels identified as non-strategic remain in continuing operations).
- *Net interest expense* decreased \$4.6 million compared to the same period in 2010, primarily reflecting our lower average debt.
- *Extinguishment of debt.* During 2011, we redeemed \$144 million of our 10% senior notes due in October 2014 and recognized a \$27.4 million debt extinguishment charge related to prepayment premium and the write-off of a *pro rata* portion of the debt discount and deferred loan costs, all of which was partially offset by a \$3.7 million extinguishment gain when we refinanced a separate mortgage loan. In June 2010, we repaid \$177 million of debt, secured by two hotels, for \$130 million, and recorded a related \$46.1 million gain on extinguishment of debt.
- *Equity in income of unconsolidated entities* was a loss of \$2.1 million compared to \$16.9 million of income in 2010. In 2010, we had a \$20.5 million gain from the sale of our interest in an unconsolidated entity (which owned the Sheraton Premiere hotel in Tysons Corner, Virginia).
- *Discontinued operations* consists of eight hotels sold in 2011, one hotel sold in 2010, and two hotels transferred to a lender in satisfaction of debt in 2010. In 2011, we recorded \$4.7 million of gains from the sale of hotels and \$6.2 million of impairment charges. In 2010, we recorded impairment charges on discontinued hotels of: (i) \$46.2 million related to our 2010 decision to sell 29 hotels included in our consolidated investment in hotels (8 of these hotels are in discontinued operations, 5 of which were impaired in 2010) and (ii) \$21.1 million related to our 2010 decision to return two hotels to their respective lenders in full satisfaction of the related debt. These charges were partially offset by a \$15.2 million gain from debt extinguishment related to the two hotels transferred to lenders in satisfaction of debt.

Comparison of the Years Ended December 31, 2010 and 2009

For the year ended December 31, 2010, we recorded a \$225.8 million net loss compared to a \$109.1 million loss in 2009. Our 2010 loss included \$173.7 million of impairment charges (\$106.4 million in continuing operations and \$67.3 million in discontinued operations), partially offset by \$59.5 million of gains from extinguishment of debt (\$44.3 million in continuing operations and \$15.2 million in discontinued operations), and a \$20.5 million gain related to the sale of our equity interest in an unconsolidated joint venture (included in equity in income from unconsolidated entities). Our 2009 loss included a \$3.4 million impairment charge and a \$910,000 gain from disposition (both in discontinued operations), as well as a \$1.7 million loss from debt extinguishment in continuing operations.

In 2010:

- *Total revenue* was \$863.0 million, a 6.3% increase compared to 2009. The increase principally reflects a 4.3% increase in same-store RevPAR, which was driven by a 5.9% increase in occupancy partially offset by a 1.5% decrease in ADR. The Fairmont Copley Plaza, which we acquired in August 2010, contributed \$16.8 million.
- *Hotel departmental expenses* increased \$21.2 million (7.3%) compared to 2009, reflecting improved occupancy and \$7.8 million of expenses at the Fairmont Copley Plaza. As a percentage of total revenue, hotel departmental expenses increased from 35.8% to 36.1% compared to 2009. This change is primarily due to the mix and nature of the business at the Fairmont Copley Plaza, which has significant food and beverage revenue. Food and beverage expenses are generally much higher as a percent of revenue than room expenses.
- *Other property related costs* increased \$14.8 million, reflecting improved occupancy and \$3.9 million of costs from the Fairmont Copley Plaza. As a percentage of total revenue, other property related costs remained essentially unchanged, compared to 2009.
- *Management and franchise fees* increased \$1.5 million, compared to 2009, due to higher revenues (which serve as the basis for determining such fees) and \$505,000 in fees with respect of the Fairmont Copley Plaza. As a percent of total revenue, management and franchise fees remained essentially unchanged, compared to 2009.
- *Taxes, insurance and lease expenses* increased \$3.7 million compared to 2009. The Fairmont Copley Plaza added \$1.2 million of taxes, insurance and lease expense in 2010. As a percentage of total revenue, taxes, insurance and lease expense decreased from 10.4% in 2009 to 10.2% in 2010, reflecting improved property insurance costs and changes in franchise tax filing status.
- *Corporate expenses* increased \$6.5 million and increased as a percentage of total revenue from 3.0% to 3.6%. This increase primarily reflects a temporary change in our long-term compensation program and increased corporate bonus accruals. Because of the impact of the recession on the trading price of our common stock, our Board of Directors determined that issuing restricted stock at exceptionally low trading prices would be unduly dilutive to our stockholders. In lieu of issuing restricted stock, restricted cash with which grantees could (and did) purchase stock, was granted. Because those grants were subject to payroll tax withholding, amounts withheld were recognized as an expense in the first quarter of 2010, rather than expensed over the normal three-year vesting period. The increase in bonus expense is attributed to a higher bonus earned, based on the actual performance and the structure of our incentive compensation plan, compared to 2009.
- *Depreciation and amortization expense* increased \$1.8 million, compared to 2009, primarily attributable to depreciation on \$38.9 million and \$75.9 million of consolidated hotel capital assets placed in service in 2010 and 2009, respectively.
- *Impairment charge.* During 2010, we identified 29 hotels (included in our consolidated investment in hotels) as non-strategic. Related to this decision, we recorded \$106.4 million of impairment charges from continuing operations in 2010, relating to 11 of these hotels (21 of the 29 hotels identified as non-strategic in 2010 remain in continuing operations).

- *Net interest expense* increased \$39.9 million compared to 2009, largely attributable to our Senior Notes, which were issued in October 2009. These notes bear interest at a higher rate than the notes they refinanced.
- *Debt extinguishment.* We repaid \$177 million of secured debt for \$130 million and recorded a corresponding \$46.1 million gain on extinguishment of debt. This gain was partially offset by losses from retirement of \$40.3 million of our senior notes due June 2011. In 2009, we retired \$428 million of senior notes maturing in 2011 and terminated our line of credit. We incurred a \$1.7 million charge associated with these transactions.
- *Equity in income of unconsolidated entities* was \$16.9 million compared to a \$4.8 million loss in 2009. In 2010, we had a \$20.5 million gain from the sale of our interest in an unconsolidated entity (which owned the Sheraton Premiere hotel in Tysons Corner, Virginia).
- *Discontinued operations* primarily reflects a \$67.3 million impairment charge and \$15.2 million gain from debt extinguishment related to five sold hotels and two hotels transferred to lenders in full satisfaction of the related debt in 2010. Discontinued operations in 2009 primarily consisted of: (i) a \$1.8 million adjustment to gains on sale (resulting from a change in the federal tax law that allowed recovery of previously paid alternative minimum taxes on gains from hotel sales in 2006 and 2007); (ii) the following items related to two hotels sold in December 2009: a \$3.4 million impairment loss and a \$911,000 loss on sale (primarily related to selling costs); and (iii) \$10.2 million of 2009 operating losses and interest expense related to hotels placed in discontinued operations in 2011, 2010 and 2009.

Non-GAAP Financial Measures

We refer in this Annual Report to certain “non-GAAP financial measures.” These measures, including FFO, Adjusted FFO, EBITDA, Adjusted EBITDA, Hotel EBITDA and Hotel EBITDA margin, are measures of our financial performance that are not calculated and presented in accordance with generally accepted accounting principles, or GAAP. The following tables reconcile these non-GAAP measures to FelCor’s most comparable GAAP financial measure. Immediately following the reconciliations, we include a discussion of why we believe these measures are useful supplemental measures of our performance and of the limitations upon such measures.

The following tables detail our computation of FFO and Adjusted FFO (in thousands, except for per share data):

Reconciliation of Net Loss to FFO and Adjusted FFO
(in thousands, except per share data)

	Year Ended December 31,								
	2011			2010			2009		
	Dollars	Shares	Per Share Amount	Dollars	Shares	Per Share Amount	Dollars	Shares	Per Share Amount
Net loss	\$(130,895)			\$(225,837)			\$(109,091)		
Noncontrolling interests	1,041			2,796			969		
Preferred dividends	(38,713)			(38,713)			(38,713)		
Numerator for basic and diluted loss attributable to common stockholders	(168,567)	117,068	\$ (1.44)	(261,754)	80,611	\$ (3.25)	(146,835)	63,114	\$ (2.33)
Depreciation and amortization	133,119	—	1.14	133,393	—	1.65	131,555	—	2.08
Depreciation, discontinued operations and unconsolidated entities	18,249	—	0.16	28,833	—	0.35	33,094	—	0.52
Gain on involuntary conversion	(280)	—	—	—	—	—	—	—	—
Impairment loss	7,003	—	0.06	106,421	—	1.32	—	—	—
Impairment loss, discontinued operations and unconsolidated entities	6,247	—	0.05	66,555	—	0.83	5,516	—	0.09
Gain on sale of hotels	(4,714)	—	(0.04)	—	—	—	(910)	—	(0.01)
Gain on sale of unconsolidated entities	—	—	—	(21,103)	—	(0.26)	—	—	—
Noncontrolling interests in FelCor LP	(689)	499	(0.01)	(881)	294	(0.01)	(672)	296	(0.01)
Unvested restricted stock	—	—	—	—	505	—	—	331	—
FFO	(9,632)	117,567	(0.08)	51,464	81,410	0.63	21,748	63,741	0.34
Acquisition costs	1,479	—	0.01	449	—	0.01	—	—	—
Extinguishment of debt	24,381	—	0.21	(59,465)	—	(0.73)	1,721	—	0.02
Conversion costs	—	—	—	—	—	—	447	—	0.01
Severance costs	—	—	—	—	—	—	612	—	0.01
Lease termination costs	—	—	—	—	—	—	469	—	0.01
Unvested restricted stock	—	175	—	—	(505)	—	—	—	—
Adjusted FFO	\$ 16,228	117,742	\$ 0.14	\$ (7,552)	80,905	\$ (0.09)	\$ 24,997	63,741	\$ 0.39

Reconciliation of Net Income (Loss) to FFO and Adjusted FFO
(in thousands, except per share data)

	Year Ended December 31,					
	2008			2007		
	Dollars	Shares	Per Share Amount	Dollars	Shares	Per Share Amount
Net income (loss)	\$ (120,487)			\$ 89,824		
Noncontrolling interests	1,242			(785)		
Preferred dividends	(38,713)			(38,713)		
Net income (loss) attributable to FelCor common stockholders	(157,958)			50,326		
Less: Dividends declared on unvested restricted stock	(1,041)			(1,011)		
Numerator for basic and diluted loss attributable to common stockholders	(158,999)	61,979	\$ (2.57)	49,315	61,600	\$ 0.80
Depreciation and amortization	122,007	—	1.97	93,479	—	1.52
Depreciation, discontinued operations and unconsolidated entities	33,824	—	0.55	29,343	—	0.48
Gain on involuntary conversion	(3,095)	—	(0.05)	—	—	—
Impairment loss	38,455	—	0.62	—	—	—
Impairment loss, discontinued operations and unconsolidated entities	82,204	—	1.33	—	—	—
Gain on sale of hotels	(1,193)	—	(0.02)	(27,330)	—	(0.44)
Gain on sale of unconsolidated entities	—	—	—	(10,993)	—	(0.18)
Noncontrolling interests in FelCor LP	(2,433)	1,199	(0.08)	1,094	1,354	(0.04)
Dividends declared on unvested restricted stock	1,041	—	0.02	1,011	—	0.02
Unvested restricted stock	—	98	—	—	297	(0.01)
FFO	111,811	63,276	1.77	135,919	63,251	2.15
Extinguishment of debt	—	—	—	811	—	0.01
Hurricane loss	934	—	0.02	—	—	—
Hurricane loss, discontinued operations and unconsolidated entities	785	—	0.01	—	—	—
Conversion costs	507	—	0.01	491	—	0.01
Severance costs	850	—	0.01	—	—	—
Liquidated damages, discontinued operations	11,060	—	0.17	—	—	—
Abandoned projects	—	—	—	22	—	—
Adjusted FFO	<u>\$ 125,947</u>	<u>63,276</u>	<u>\$ 1.99</u>	<u>\$ 137,243</u>	<u>63,251</u>	<u>\$ 2.17</u>

The following table details our computation of EBITDA and Adjusted EBITDA (in thousands):

Reconciliation of Net Income (Loss) to EBITDA and Adjusted EBITDA
(in thousands)

	Year Ended December 31,				
	2011	2010	2009	2008	2007
Net income (loss)	\$ (130,895)	\$ (225,837)	\$ (109,091)	\$ (120,487)	\$ 89,824
Depreciation and amortization	133,119	133,393	131,555	122,007	93,479
Depreciation, discontinued operations and unconsolidated entities	18,249	28,833	33,094	33,824	29,343
Interest expense	135,141	139,853	100,260	92,746	89,654
Interest expense, discontinued operations and unconsolidated entities	5,409	9,656	9,801	13,902	15,262
Amortization of stock compensation	7,170	7,445	5,165	4,451	4,255
Noncontrolling interests in other partnerships	352	1,915	297	(1,191)	309
EBITDA	<u>168,545</u>	<u>95,258</u>	<u>171,081</u>	<u>145,252</u>	<u>322,126</u>
Impairment loss	7,003	106,421	—	38,455	—
Impairment loss, discontinued operations and unconsolidated entities	6,247	66,555	5,516	82,204	—
Hurricane loss	—	—	—	934	—
Hurricane loss, discontinued operations and unconsolidated entities	—	—	—	785	—
Extinguishment of debt	24,381	(59,465)	1,721	—	811
Conversion costs	—	—	447	507	491
Acquisition costs	1,479	449	—	—	—
Severance costs	—	—	612	850	—
Liquidated damages, discontinued operations	—	—	—	11,060	—
Lease termination costs	—	—	469	—	—
Abandoned projects	—	—	—	—	22
Gain on sale of hotels	(4,714)	—	(910)	(1,193)	(27,330)
Gain on involuntary conversion	(280)	—	—	(3,095)	—
Gain on sale of unconsolidated entities	—	(21,103)	—	—	(10,993)
Adjusted EBITDA	<u>\$ 202,661</u>	<u>\$ 188,115</u>	<u>\$ 178,936</u>	<u>\$ 275,759</u>	<u>\$ 285,127</u>

The following tables detail our computation of Hotel EBITDA, Hotel EBITDA margin, same-store operating revenue and expenses, and includes the reconciliation of same-store operating revenue and same-store operating expense to total revenue, total operating expense and operating loss at the dates presented.

Hotel EBITDA and Hotel EBITDA Margin
(dollars in thousands)

	Year Ended December 31,		
	2011	2010	2009
Same-store operating revenue:			
Room	\$ 720,251	\$ 684,852	\$ 656,700
Food and beverage	149,150	143,428	137,579
Other operating departments	53,239	54,664	54,143
Same-store operating revenue	922,640	882,944	848,422
Same-store operating expense:			
Room	170,060	163,150	154,060
Food and beverage	141,111	136,340	130,956
Other operating departments	24,876	25,044	24,981
Other property related costs	260,550	251,275	240,189
Management and franchise fees	43,154	40,787	39,756
Taxes, insurance and lease expense	57,397	60,823	61,008
Same-store operating expense	697,148	677,419	650,950
Hotel EBITDA	\$ 225,492	\$ 205,525	\$ 197,472
Hotel EBITDA Margin	24.4%	23.3%	23.3%

Reconciliation of Same-store Operating Revenue and Same-store Operating Expense to Total Revenue, Total Operating Expense and Operating Income (Loss)
(dollars in thousands)

	Year Ended December 31,		
	2011	2010	2009
Same-store operating revenue ^(a)	\$ 922,640	\$ 882,944	\$ 848,422
Other revenue	2,949	3,174	2,843
Revenue from acquired hotels	20,403	(23,109)	(39,267)
Total revenue	945,992	863,009	811,998
Same-store operating expense ^(a)	697,148	677,419	650,950
Consolidated hotel lease expense ^(b)	38,759	36,327	34,187
Unconsolidated taxes, insurance and lease expense	(6,987)	(6,630)	(7,092)
Corporate expenses	29,080	30,747	24,216
Depreciation and amortization	133,119	133,393	131,555
Impairment loss	7,003	106,421	—
Acquired hotel expenses	16,748	(22,790)	(34,903)
Other expenses	4,017	3,280	4,007
Total operating expenses	918,887	958,167	802,920
Operating income (loss)	\$ 27,105	\$ (95,158)	\$ 9,078

- (a) For same-store metrics, we have included the hotel acquired in August 2010 and excluded the two hotels acquired in May 2011 for all periods presented.
- (b) Consolidated hotel lease expense represents the percentage lease expense of our 51% owned operating lessees. The offsetting percentage lease revenue is included in equity in income from unconsolidated entities.

Substantially all of our non-current assets consist of real estate. Historical cost accounting for real estate assets implicitly assumes that the value of real estate assets diminishes predictably over time. Since real estate values instead have historically risen or fallen with market conditions, most industry investors consider supplemental measures of performance, which are not measures of operating performance under GAAP, to be helpful in evaluating a real estate company's operations. These supplemental measures are not measures of operating performance under GAAP. However, we consider these non-GAAP measures to be supplemental measures of a hotel REIT's performance and should be considered along with, but not as an alternative to, net income (loss) attributable to FelCor as a measure of our operating performance.

FFO and EBITDA

The National Association of Real Estate Investment Trusts ("NAREIT") defines FFO as net income or loss attributable to parent (computed in accordance with GAAP), excluding gains or losses from sales of property, plus depreciation, amortization and impairment losses. FFO for unconsolidated partnerships and joint ventures are calculated on the same basis. We compute FFO in accordance with standards established by NAREIT. This may not be comparable to FFO reported by other REITs that do not define the term in accordance with the current NAREIT definition or that interpret the current NAREIT definition differently than we do.

EBITDA is a commonly used measure of performance in many industries. We define EBITDA as net income or loss attributable to parent (computed in accordance with GAAP) plus interest expenses, income taxes, depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures. Adjustments for unconsolidated partnerships and joint ventures are calculated to reflect EBITDA on the same basis.

Adjustments to FFO and EBITDA

We adjust FFO and EBITDA when evaluating our performance because management believes that the exclusion of certain additional items, including but not limited to those described below, provides useful supplemental information to investors regarding our ongoing operating performance and that the presentation of Adjusted FFO, and Adjusted EBITDA when combined with GAAP net income attributable to FelCor, EBITDA and FFO, is beneficial to an investor's better understanding of our operating performance.

- *Gains and losses related to extinguishment of debt and interest rate swaps* - We exclude gains and losses related to extinguishment of debt and interest rate swaps from FFO and EBITDA because we believe that it is not indicative of ongoing operating performance of our hotel assets. This also represents an acceleration of interest expense or a reduction of interest expense, and interest expense is excluded from EBITDA.
- *Cumulative effect of a change in accounting principle* - Infrequently, the Financial Accounting Standards Board promulgates new accounting standards that require the consolidated statements of operations to reflect the cumulative effect of a change in accounting principle. We exclude these one-time adjustments in computing Adjusted FFO and Adjusted EBITDA because they do not reflect our actual performance for that period.

In addition, to derive Adjusted EBITDA we exclude gains or losses on the sale of depreciable assets and impairment losses because we believe that including them in EBITDA is not consistent with reflecting the ongoing performance of our remaining assets. Additionally, the gain or loss on sale of depreciable assets and impairment losses represents either accelerated depreciation or excess depreciation in previous periods, and depreciation is excluded from EBITDA.

Hotel EBITDA and Hotel EBITDA Margin

Hotel EBITDA and Hotel EBITDA margin are commonly used measures of performance in the hotel industry and give investors a more complete understanding of the operating results over which our individual hotels and brand/managers have direct control. We believe that Hotel EBITDA and Hotel EBITDA margin are useful to investors by providing greater transparency with respect to two significant measures that we use in our financial and operational decision-making. Additionally, using these measures facilitates comparisons with other hotel REITs and hotel owners. We present Hotel EBITDA and Hotel EBITDA margin by eliminating all revenues and expenses from continuing operations not directly associated with hotel operations, including corporate-level expenses, depreciation and amortization, and expenses related to our capital structure. We eliminate corporate-level costs and expenses because we believe property-level results provide investors with supplemental information into the ongoing operational performance of our hotels and the effectiveness of management on a property-level basis. We eliminate depreciation and amortization because, even though depreciation and amortization are property-level expenses, we do not believe that these non-cash expenses, which are based on historical cost accounting for real estate assets, and implicitly assume that the value of real estate assets diminishes predictably over time, accurately reflect an adjustment in the value of our assets. We also eliminate consolidated percentage rent paid to unconsolidated entities, which is effectively eliminated by noncontrolling interests and equity in income from unconsolidated subsidiaries, and include the cost of unconsolidated taxes, insurance and lease expense, to reflect the entire operating costs applicable to our Consolidated Hotels. Hotel EBITDA and Hotel EBITDA margins are presented on a same-store basis and exclude the historical results of operations from the Fairmont Copley Plaza acquired in August 2010.

Use and Limitations of Non-GAAP Measures

Our management and Board of Directors use FFO, Adjusted FFO, EBITDA, Adjusted EBITDA, Hotel EBITDA and Hotel EBITDA margin to evaluate the performance of our hotels and to facilitate comparisons between us and other lodging REITs, hotel owners who are not REITs and other capital intensive companies. We use Hotel EBITDA and Hotel EBITDA margin in evaluating hotel-level performance and the operating efficiency of our hotel managers.

The use of these non-GAAP financial measures has certain limitations. These non-GAAP financial measures as presented by us, may not be comparable to non-GAAP financial measures as calculated by other real estate companies. These measures do not reflect certain expenses or expenditures that we incurred and will incur, such as depreciation, interest and capital expenditures. Management compensates for these limitations by separately considering the impact of these excluded items to the extent they are material to operating decisions or assessments of our operating performance. Our reconciliations to the most comparable GAAP financial measures, and our consolidated statements of operations and cash flows, include interest expense, capital expenditures, and other excluded items, all of which should be considered when evaluating our performance, as well as the usefulness of our non-GAAP financial measures.

These non-GAAP financial measures are used in addition to and in conjunction with results presented in accordance with GAAP. They should not be considered as alternatives to operating profit, cash flow from operations, or any other operating performance measure prescribed by GAAP. These non-GAAP financial measures reflect additional ways of viewing our operations that we believe, when viewed with our GAAP results and the reconciliations to the corresponding GAAP financial measures, provide a more complete understanding of factors and trends affecting our business than could be obtained absent this disclosure. Management strongly encourages investors to review our financial information in its entirety and not to rely on a single financial measure.

Liquidity and Capital Resources

Operating Activities

During the year ended December 31, 2011, we generated \$45.9 million of cash provided by operating activities (primarily from hotel operations), a \$12.9 million decline compared to 2010. This decline primarily reflects payment of \$8.5 million of liquidated damages in 2011 in respect of our 2009 sale of two hotels and the 2011 payment of bonuses earned in 2010. At December 31, 2011, we had \$93.8 million of cash, including approximately \$41.5 million held under management agreements to meet working capital needs.

The combination of increased lodging demand and very limited new hotel construction provided momentum to maintain occupancy growth and boost ADR in 2011. While we saw growth in occupancy in 2011, most of our growth came from improved ADR. We expect continued growth in ADR and RevPAR in 2012. We expect our 2012 RevPAR will increase from 4 to 6% compared to 2011, which assumes continued occupancy and ADR growth. We expect \$81 million to \$91 million of 2012 cash from operating activities.

We are subject to increases in hotel operating expenses, including wage and benefit costs, repair and maintenance expenses, utilities and insurance expenses that can fluctuate disproportionately to revenues. Some of these operating expenses are difficult to predict and control, which lends volatility to our operating results. We have implemented extensive cost containment initiatives at our hotels, including reducing headcount and improving productivity and energy efficiency. If RevPAR decreases, or fails to grow in line with or better than occupancy, and/or Hotel EBITDA margins shrink, our operations, earnings and/or cash flow could be materially adversely affected.

Investing Activities

During 2011, cash used in investing activities increased \$93.0 million compared to 2010, due primarily to our acquisition of Royalton, Morgans and the Knickerbocker, partially offset by proceeds from hotel sales. In 2011, we completed approximately \$89.0 million of capital improvements at our Consolidated Hotels (primarily for renovations at eight hotels and redevelopment at two hotels). As part of our long-term capital plan, we anticipate renovating between six and eight core hotels each year. In 2012, we expect to start renovations at three hotels. We expect to spend approximately \$85 million for renovation and redevelopment capital in 2012 which payments will be funded from operating cash flow, cash on hand and borrowings under our line of credit. In addition, we expect to spend approximately \$60 million at the Knickerbocker, which will be funded primarily by restricted cash.

Financing Activities

For 2011, cash provided by financing activities increased by \$61.7 million compared to 2010, due primarily to issuance of our 6.75% senior notes, which was partially offset by retirement of \$432.6 million of debt in 2011 and payment of current quarterly preferred dividends. We expect to pay approximately \$25 million in normally occurring principal payments, and \$39 million in current quarterly preferred dividends in 2012, which payments will be funded from operating cash flow and cash on hand.

In January 2011, FelCor reinstated its current quarterly preferred dividend and paid current quarterly preferred dividends in each quarter of 2011. FelCor cannot pay any common dividends unless and until all accrued and current preferred dividends are paid. Funds used by FelCor to pay common or preferred dividends are provided through distributions from FelCor LP. FelCor's Board of Directors will determine whether and when to declare future dividends (including the accrued but unpaid preferred dividends) based upon various factors, including operating results, economic conditions, other operating trends, our financial condition and capital requirements, as well as minimum REIT distribution requirements. We had \$76.3 million of aggregate accrued dividends payable to holders of our Series A and Series C preferred stock at December 31, 2011 (including \$8.5 million pertaining to the current quarter).

Common Stock Offering. In April 2011, FelCor sold 27.6 million shares of its common stock in an underwritten public offering. The net proceeds from the offering, after underwriting discounts, were approximately \$158 million and were contributed to FelCor LP in exchange for a like number of units. We used these proceeds to repay \$144 million (by face value) of our 10% senior secured notes due 2014.

Line of Credit. In March 2011, we established a \$225.0 million secured line of credit. At the same time, we repaid a \$198.3 million secured loan and a \$28.8 million secured loan, with a combination of \$52.1 million of cash on hand and funds drawn under the new line of credit (all of which has been subsequently been repaid). The repaid loans would have matured in 2013 and 2012 (including extensions), respectively, and were secured by mortgages on 11 hotels. Those same hotels secure repayment of amounts outstanding under the line of credit. The credit facility bears interest at LIBOR, plus 4.5%, with no LIBOR floor.

Secured Debt. At December 31, 2011, we had a total of \$1.6 billion of consolidated secured debt with 58 encumbered consolidated hotels with a \$1.8 billion aggregate net book value.

In May 2011, we repaid \$45.3 million in secured loans when we sold the mortgaged hotels.

In June 2011, we repaid (at maturity) a \$7.3 million loan that was secured by one hotel.

In June 2011, we obtained a \$24.0 million loan to refinance a loan secured by one hotel. The old loan balance was \$27.8 million and by the terms of the old loan, upon refinancing, \$3.8 million of the old loan was forgiven. We recognized a \$3.7 million net gain from extinguishment of debt in connection with the refinancing. In July 2011, we repaid the new loan in full and recognized a \$187,000 charge from extinguishment at that time.

In July 2011, we repaid \$35.2 million in secured loans when we sold the mortgaged hotels.

In October 2011, we modified the term of a CMBS mortgage loan scheduled to mature in November 2011, extending its maturity for up to two years. The loan now bears an average interest rate at LIBOR plus 2.20% and is prepayable at any time, in whole or in part, with no penalty. In conjunction with the modification, we repaid \$20 million of the principal balance, reducing the outstanding balance to \$158 million at that time.

Except in the case of our Senior Notes, our mortgage debt is generally recourse solely to the specific hotels securing the debt (except in case of fraud, misapplication of funds and certain other limited recourse carve-out provisions, which could extend recourse to us). Much of our secured debt allows us to substitute collateral under certain conditions and is prepayable, subject (in some instances) to various prepayment, yield maintenance or defeasance obligations.

Much of our secured debt (other than our senior notes) includes lock-box arrangements under certain circumstances. We are permitted to spend an amount required to cover our budgeted hotel operating expenses, taxes, debt service, insurance and capital expenditure reserves even if revenues are flowing through a lock-box in cases where a specified debt service coverage ratio is not met. With the exception of loans secured by two hotels, all of our consolidated loans subject to lock-box provisions currently exceed the applicable minimum debt service coverage ratios.

Senior Notes. We previously issued \$636 million of our 10% senior secured notes due 2014, of which \$459.9 million were outstanding at December 31, 2011. In addition, in May 2011, we issued \$525 million of 6.75% senior secured notes due 2019 and used the net proceeds to repay existing higher-cost debt (including the remaining \$46 million of our outstanding senior notes due 2011) and fund our purchase of Royalton and Morgans. Our senior notes require that we satisfy total leverage, secured leverage and interest coverage thresholds in order to: (i) incur additional indebtedness except to refinance maturing debt with replacement debt, as defined under our indentures; (ii) pay dividends in excess of the minimum distributions required to meet the REIT qualification test; (iii) repurchase capital stock; or (iv) merge. We currently exceed all minimum thresholds, other than for certain “restricted” payments. (Under the terms of our preferred stock, we are also prohibited from paying common

dividends or repurchasing shares of common stock until our accrued preferred dividends are paid in full.) These notes are guaranteed by us, and payment of our 10% notes is secured by a pledge of the limited partner interests in FelCor LP owned by FelCor. In addition, our senior notes are secured by first lien mortgages and related security interests and/or negative pledges on up to 17 hotels (11 for our 10% senior notes and six for our 6.75% senior notes), and pledges of equity interests in certain subsidiaries of FelCor LP.

We repaid the remaining outstanding \$46.4 million of our senior notes when they matured in June 2011.

In June 2011, we redeemed \$144 million in aggregate principal of our 10% senior notes using \$158 million of net proceeds of our recent equity offering. Under the terms of the indenture governing the redeemed notes, the redemption price was 110% of the principal amount of the redeemed notes, together with accrued and unpaid interest thereon to the redemption date. We recognized a \$27.4 million debt extinguishment charge related to the prepayment premium and the write-off of a *pro rata* portion of the related debt discount and deferred loan costs.

Interest Rate Caps. To fulfill requirements under certain loans, we entered into interest rate cap agreements with aggregate notional amounts of \$212.0 million and \$639.2 million at December 31, 2011 and 2010, respectively. These interest rate caps were not designated as hedges and had insignificant fair values at both December 31, 2011 and 2010, resulting in no significant net earnings impact.

Consolidated debt consisted of the following (in thousands):

	Encumbered Hotels	Interest Rate (%)	Maturity Date	December 31,	
				2011	2010
Line of credit ^(a)	11	L + 4.50	August 2014 ^(b)	\$ —	\$ —
Hotel mortgage debt					
Mortgage debt	8	L + 5.10 ^(c)	April 2015	202,982	212,000
Mortgage debt	9	L + 2.20	May 2013 ^(d)	156,398	250,000
Mortgage debt	7	9.02	April 2014	109,044	113,220
Mortgage debt	5 ^(e)	6.66	June - August 2014	67,375	69,206
Mortgage debt	1	5.81	July 2016	10,876	11,321
Senior notes					
Senior secured notes	6	6.75	June 2019	525,000	—
Senior secured notes ^(f)	11	10.00	October 2014	459,931	582,821
Other ^(g)	—	L + 1.50	December 2012	64,860	—
Retired debt	—	—	—	—	309,741
Total	58			\$ 1,596,466	\$ 1,548,309

(a) We currently have full availability under our \$225 million line of credit.

(b) The line of credit can be extended for one year (to 2015), subject to satisfying certain conditions.

(c) LIBOR (for this loan) is subject to a 3% floor. We purchased an interest rate cap (\$212 million notional amount) that caps LIBOR at 5.0% and expires May 2012.

(d) This loan can be extended for six months, subject to satisfying certain conditions.

(e) The hotels securing this debt are subject to separate loan agreements and are not cross-collateralized.

(f) These notes have \$492 million in aggregate principal outstanding (\$144 million in aggregate principal amount was redeemed in June 2011) and were initially sold at a discount that provided an effective yield of 12.875% before transaction costs.

(g) This loan is related to our Knickerbocker development project and is fully secured by restricted cash and a mortgage. Because we were able to assume an existing loan when we purchased this hotel, we were not required to pay any local mortgage recording tax. When that loan is transferred to a new lender and made part of our construction loan, we expect to only pay such tax to the extent of the incremental principal amount of the construction loan.

Contractual Obligations

We have obligations and commitments to make certain future payments under debt agreements and various contracts. The following schedule details these obligations at December 31, 2011 (in thousands):

	Total	Less Than 1 Year	1 – 3 Years	4 – 5 Years	After 5 Years
Debt ^(a)	\$ 2,122,755	\$ 215,110	\$ 1,010,316	\$ 286,688	\$ 610,641
Operating leases	321,152	27,549	11,514	11,566	270,523
Purchase obligations	61,945	61,945	—	—	—
Accrued obligations on sold hotels	5,434	5,434	—	—	—
Total contractual obligations	<u>\$ 2,511,286</u>	<u>\$ 310,038</u>	<u>\$ 1,021,830</u>	<u>\$ 298,254</u>	<u>\$ 881,164</u>

- (a) Our long-term debt consists of both secured and unsecured debt and includes both principal and interest. Interest expense for variable rate debt was calculated using the interest rate at December 31, 2011.

Off-Balance Sheet Arrangements

At December 31, 2011, we had unconsolidated 50% investments in ventures that own an aggregate of 13 hotels (referred to as hotel joint ventures). We own more than 50% of the operating lessees operating 12 of these hotels and one hotel is operated without a lease. We also owned a 50% interest in entities that provide condominium management services and develop condominiums in Myrtle Beach, South Carolina. None of our directors, officers or employees owns any interest in any of these joint ventures or entities. The hotel joint ventures had \$150.4 million of non-recourse mortgage debt relating to these 13 hotels, of which our *pro rata* portion was \$75.2 million, none of which is reflected as a liability on our consolidated balance sheet. Our liabilities with regard to non-recourse debt and the liabilities of our subsidiaries that are members or partners in joint ventures are generally limited to guarantees of the borrowing entity's obligations to pay for the lender's losses caused by misconduct, fraud or misappropriation of funds by the venture and other typical exceptions from the non-recourse provisions in the mortgages, such as for environmental liabilities.

We have recorded equity in income (loss) from unconsolidated entities of \$(2.1) million, \$16.9 million (including \$21.1 million of gains from sale), and \$(4.8) million for 2011, 2010 and 2009, respectively. We received distributions of \$3.8 million (of which \$2.3 million came from operations), \$48.3 million (of which \$2.2 million came from operations), and \$9.0 million (of which \$2.8 million came from operations) for 2011, 2010 and 2009, respectively. The principal source of income for our hotel joint ventures is percentage lease revenue from their operating lessees.

Capital expenditures at the hotels owned by our hotel joint ventures are generally funded from the income from operations of these ventures. However, if a venture has insufficient cash flow to meet operating expenses or make necessary capital improvements, the venture may make a capital call upon the venture members or partners to fund such necessary improvements. In the event of a capital call, the other joint venture member or partner may be unwilling or unable to make the necessary capital contributions. Under such circumstances, we may elect to make the other party's contribution as a loan to the venture or as an additional capital contribution by us. Under certain circumstances, a capital contribution by us may increase our equity investment to greater than 50% and may require that we consolidate the venture, including all of its assets and liabilities, into our consolidated financial statements.

With respect to joint ventures that are partnerships, the hotels owned by them could perform below expectations and result in insolvency of the partnership and acceleration of their debts, unless the members or partners provide additional capital. In some ventures, the members or partners may be required to make additional capital contributions or have their interest in the venture be reduced or offset for the benefit of any party making the required investment on their behalf. We may be faced with the choice of losing our investment in a venture or investing additional capital under circumstances that do not assure a return on that investment.

Inflation

Operators of hotels, in general, possess the ability to adjust room rates daily to reflect the effects of inflation. Competitive pressures may, however, require us to reduce room rates in the near term and may limit our ability to raise room rates in the future. We are also subject to the risk that inflation will cause increases in hotel operating expenses disproportionately to revenues.

Seasonality

The lodging business is seasonal in nature. Generally, hotel revenues are greater in the second and third calendar quarters than in the first and fourth calendar quarters, although this may not be true for hotels in major tourist destinations. Revenues for hotels in tourist areas generally are substantially greater during tourist season than other times of the year. Seasonal variations in revenue at our hotels can be expected to cause quarterly fluctuations in our revenues. Quarterly earnings also may be adversely affected by events beyond our control, such as extreme weather conditions, economic factors and other considerations affecting travel. To the extent that cash flow from operations is insufficient during any quarter, due to temporary or seasonal fluctuations in revenues, we may utilize cash on hand or borrowings to satisfy our obligations.

Critical Accounting Policies and Estimates

Our discussion and analysis of our financial condition and results of operations is based upon our consolidated financial statements, which have been prepared in accordance with GAAP. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities.

On an on-going basis, we evaluate our estimates, including those related to bad debts, the carrying value of investments in hotels, litigation, and other contingencies. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

We believe the following critical accounting policies affect the most significant judgments and estimates used in the preparation of our consolidated financial statements.

- We record an impairment charge when we believe that an investment in one or more of our hotels held for investment has been impaired, such that future undiscounted cash flows would not recover the book basis, or net book value, of the investment. We test for impairment when certain events occur, including one or more of the following: projected cash flows are significantly less than recent historical cash flows; significant changes in legal factors or actions by a regulator that could affect the value of our hotels; events that could cause changes or uncertainty in travel patterns; and a current expectation that, more likely than not, a hotel will be sold or otherwise disposed of significantly before the end of its previously estimated useful life. In the evaluation of impairment of our hotels, and in establishing impairment charges, we make many assumptions and estimates on a hotel by hotel basis, which include the following:
 - Annual cash flow growth rates for revenues and expenses;
 - Holding periods;

- Expected remaining useful lives of assets;
 - Estimates in fair values taking into consideration future cash flows, capitalization rates, discount rates and comparable selling prices; and
 - Future capital expenditures.
- We record an impairment charge when one or more of our investments in unconsolidated subsidiaries experiences an other-than-temporary decline in fair value. Any decline in fair value that is not expected to be recovered in the next 12 months is considered other-than-temporary. We record an impairment in our equity-based investments as a reduction in the carrying value of the investment. Our estimates of fair values are based on future cash flow estimates, capitalization rates, discount rates and comparable selling prices.

Changes in these estimates, future adverse changes in market conditions or poor operating results of underlying hotels could result in an inability to recover the carrying value of our hotels or investments in unconsolidated entities, thereby requiring future impairment charges.

- We capitalize interest and certain other costs, such as property taxes, land leases, property insurance and employee costs related to hotels undergoing major renovations and redevelopments. In 2011, 2010 and 2009, we capitalized \$7.4 million, \$5.8 million and \$5.9 million, respectively, of such costs. We make estimates with regard to when components of the renovated asset or redevelopment project are taken out of service or placed in service when determining the appropriate amount and time to capitalize these costs. If these estimates are inaccurate, we could capitalize too much or too little with regard to a particular project.
- Depreciation expense is based on the estimated useful life of our assets, and amortization expense for leasehold improvements is the shorter of the lease term or the estimated useful life of the related assets. The lives of the assets are based on a number of assumptions including cost and timing of capital expenditures to maintain and refurbish the assets, as well as specific market and economic conditions. While we believe our estimates are reasonable, a change in the estimated lives could affect depreciation and amortization expense and net income (loss) or the gain or loss on the sale of any of our hotels.
- Investments in hotel properties are based on purchase price and allocated to land, property and equipment, identifiable intangible assets and assumed debt and other liabilities at fair value. Any remaining unallocated purchase price, if any, is treated as goodwill. Property and equipment are recorded at fair value based on current replacement cost for similar capacity and allocated to buildings, improvements, furniture, fixtures and equipment using appraisals and valuations prepared by management and/or independent third parties. Identifiable intangible assets (typically contracts including ground and retail leases and management and franchise agreements) are recorded at fair value, although no value is generally allocated to contracts which are at market terms. Above-market and below-market contract values are based on the present value of the difference between contractual amounts to be paid pursuant to the contracts acquired and our estimate of the fair value of contract rates for corresponding contracts measured over the period equal to the remaining non-cancelable term of the contract. Intangible assets are amortized using the straight-line method over the remaining non-cancelable term of the related agreements. In making estimates of fair values for purposes of allocating purchase price, we may utilize a number of sources such as those obtained in connection with the acquisition or financing of a property and other market data, including third-party appraisals and valuations.

- We make estimates with respect to contingent liabilities for losses covered by insurance. We record liabilities for self-insured losses under our insurance programs when it becomes probable that an asset has been impaired or a liability has been incurred at the date of our financial statements and the amount of the loss can be reasonably estimated. We are self-insured for the first \$250,000, per occurrence, of our general liability claims with regard to 50 of our hotels. We review the adequacy of our reserves for our self-insured claims on a regular basis. Our reserves are intended to cover the estimated ultimate uninsured liability for losses with respect to reported and unreported claims incurred at the end of each accounting period. These reserves represent estimates at a given date, generally utilizing projections based on claims, historical settlement of claims and estimates of future costs to settle claims. Estimates are also required since there may be delays in reporting. Because establishment of insurance reserves is an inherently uncertain process involving estimates, currently established reserves may not be sufficient. If our insurance reserves of \$2.7 million, at December 31, 2011, for general liability losses are insufficient, we will record an additional expense in future periods. Property and catastrophic losses are event-driven losses and, as such, until a loss occurs and the amount of loss can be reasonably estimated, no liability is recorded. We recorded no contingent liabilities with regard to property or catastrophic losses at December 31, 2011.
- Our Taxable REIT Subsidiaries, or TRSs, have cumulative potential future tax deductions totaling \$351.4 million. The deferred income tax asset associated with these potential future tax deductions was \$133.5 million. We recorded a 100% valuation allowance related to our TRSs net deferred tax asset, because of the uncertainty of realizing the asset's benefit. The objectives of accounting for income taxes are to recognize the amount of taxes payable or refundable for the current year and deferred tax liabilities and assets for the future tax consequences of events that have been recognized in an entity's financial statements or tax returns. We have considered future taxable income and ongoing prudent and feasible tax planning strategies in assessing the need for a valuation allowance. In the event we were to determine that we would be able to realize all or a portion of our deferred tax assets in the future, an adjustment to the deferred tax asset would increase operating income in the period such determination was made.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

At December 31, 2011, approximately 73% of our consolidated debt had fixed interest rates. In some cases, market rates of interest are below the rates we are obligated to pay on our fixed-rate debt.

The following tables provide information about our financial instruments that are sensitive to changes in interest rates. For debt obligations, the tables present scheduled maturities (before extension options) and weighted average interest rates, by maturity dates. The fair value of our fixed rate debt indicates the estimated principal amount of debt having the same debt service requirements that could have been borrowed at the date presented, at then current market interest rates.

December 31, 2011								
	Expected Maturity Date						Total	Fair Value
	2012	2013	2014	2015	2016	Thereafter		
Liabilities								
(dollars in thousands)								
Fixed rate:								
Debt	\$ 4,600	\$ 4,981	\$ 660,338	\$ 564	\$ 8,813	\$ 525,000	\$ 1,204,296	\$ 1,253,180
Average interest rate	7.69%	7.71%	9.52%	5.81%	5.81%	6.75%	8.27%	
Floating rate:								
Debt	89,370	133,588	1,021	200,260	—	—	424,239	436,816
Average interest rate ^(a)	2.39%	2.99%	8.10%	8.10%	—	—	5.29%	
Total debt	\$ 93,970	\$ 138,569	\$ 661,359	\$ 200,824	\$ 8,813	\$ 525,000	\$ 1,628,535	
Average interest rate	2.65%	3.16%	9.52%	8.09%	5.81%	6.75%	7.49%	
Net discount							(32,069)	
Total debt							<u>\$ 1,596,466</u>	

(a) The average floating rate represents the implied forward rates in the yield curve at December 31, 2011.

December 31, 2010								
	Expected Maturity Date						Total	Fair Value
	2011	2012	2013	2014	2015	Thereafter		
Liabilities								
(dollars in thousands)								
Fixed rate:								
Debt	\$ 60,191	\$ 4,561	\$ 32,708	\$ 804,842	\$ 563	\$ 8,813	\$ 911,678	\$ 1,001,102
Average interest rate	8.54%	7.68%	8.61%	9.61%	5.81%	5.81%	9.45%	
Floating rate:								
Debt	478,966	1,832	1,986	2,153	204,887	—	689,824	676,725
Average interest rate ^(a)	3.36%	8.10%	8.10%	8.16%	8.16%	—	4.83%	
Total debt	\$ 539,157	\$ 6,393	\$ 34,694	\$ 806,995	\$ 205,450	\$ 8,813	\$ 1,601,502	
Average interest rate	3.94%	7.80%	8.58%	9.60%	8.16%	5.81%	7.46%	
Net discount							(53,193)	
Total debt							<u>\$ 1,548,309</u>	

(a) The average floating rate represents the implied forward rates in the yield curve at December 31, 2010.

We had no interest rate swap agreements at December 31, 2011 or 2010.

Item 8. Financial Statements and Supplementary Data

**FELCOR LODGING TRUST INCORPORATED and
FELCOR LODGING LIMITED PARTNERSHIP**

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of
FelCor Lodging Trust Incorporated

March 6, 2012

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, of comprehensive loss, of equity, and of cash flows present fairly, in all material respects, the financial position of FelCor Lodging Trust Incorporated and its subsidiaries at December 31, 2011 and 2010, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2011 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the accompanying index presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2011, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on these financial statements, on the financial statement schedule, and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial

PricewaterhouseCoopers LLP, 2001 Ross Avenue, Suite 1800, Dallas, Texas 75201-2997
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statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP

Dallas, Texas
March 6, 2012

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of

FelCor Lodging Trust Incorporated

March 6, 2012

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, of comprehensive loss, of partners' capital, and of cash flows present fairly, in all material respects, the financial position of FelCor Lodging Limited Partnership and its subsidiaries at December 31, 2011 and 2010, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2011 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the accompanying index presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2011, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on these financial statements, on the financial statement schedule, and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

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statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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/s/ PricewaterhouseCoopers LLP

Dallas, Texas
March 6, 2012

FELCOR LODGING TRUST INCORPORATED

CONSOLIDATED BALANCE SHEETS

December 31, 2011 and 2010

(in thousands)

	<u>2011</u>	<u>2010</u>
Assets		
Investment in hotels, net of accumulated depreciation of \$987,895 and \$982,564 at December 31, 2011 and 2010, respectively	\$ 1,953,795	\$ 1,985,779
Hotel development	120,163	—
Investment in unconsolidated entities	70,002	75,920
Cash and cash equivalents	93,758	200,972
Restricted cash	84,240	16,702
Accounts receivable, net of allowance for doubtful accounts of \$333 and \$696 at December 31, 2011 and 2010, respectively	27,135	27,851
Deferred expenses, net of accumulated amortization of \$13,119 and \$17,892 at December 31, 2011 and 2010, respectively	29,772	19,940
Other assets	24,363	32,271
Total assets	<u>\$ 2,403,228</u>	<u>\$ 2,359,435</u>
Liabilities and Equity		
Debt, net of discount of \$32,069 and \$53,193 at December 31, 2011 and 2010, respectively	\$ 1,596,466	\$ 1,548,309
Distributions payable	76,293	76,293
Accrued expenses and other liabilities	140,548	144,451
Total liabilities	<u>1,813,307</u>	<u>1,769,053</u>
Commitments and contingencies		
Redeemable noncontrolling interests in FelCor LP, 636 and 285 units issued and outstanding at December 31, 2011 and 2010, respectively	<u>3,026</u>	<u>2,004</u>
Equity:		
Preferred stock, \$0.01 par value, 20,000 shares authorized:		
Series A Cumulative Convertible Preferred Stock, 12,880 shares, liquidation value of \$322,011, issued and outstanding at December 31, 2011 and 2010	309,362	309,362
Series C Cumulative Redeemable Preferred Stock, 68 shares, liquidation value of \$169,950, issued and outstanding at December 31, 2011 and 2010	169,412	169,412
Common stock, \$0.01 par value, 200,000 shares authorized and 124,281 shares issued and outstanding at December 31, 2011, and 101,038 shares issued and outstanding (including shares in treasury) at December 31, 2010	1,243	1,010
Additional paid-in capital	2,353,251	2,190,308
Accumulated other comprehensive income	25,738	26,457
Accumulated deficit	(2,297,468)	(2,054,625)
Less: Common stock in treasury, at cost, of 4,156 shares at December 31, 2010	—	(73,341)
Total FelCor stockholders' equity	<u>561,538</u>	<u>568,583</u>
Noncontrolling interests in other partnerships	25,357	19,795
Total equity	<u>586,895</u>	<u>588,378</u>
Total liabilities and equity	<u>\$ 2,403,228</u>	<u>\$ 2,359,435</u>

The accompanying notes are an integral part of these consolidated financial statements.

FELCOR LODGING TRUST INCORPORATED
CONSOLIDATED STATEMENTS OF OPERATIONS
For the Years Ended December 31, 2011, 2010 and 2009
(in thousands, except per share data)

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Revenues:			
Hotel operating revenue	\$ 943,043	\$ 859,835	\$ 809,155
Other revenue	2,949	3,174	2,843
Total revenues	<u>945,992</u>	<u>863,009</u>	<u>811,998</u>
Expenses:			
Hotel departmental expenses	345,707	311,785	290,558
Other property-related costs	265,794	244,060	229,278
Management and franchise fees	43,155	40,154	38,673
Taxes, insurance and lease expense	91,012	88,327	84,633
Corporate expenses	29,080	30,747	24,216
Depreciation and amortization	133,119	133,393	131,555
Impairment loss	7,003	106,421	—
Other expenses	4,017	3,280	4,007
Total operating expenses	<u>918,887</u>	<u>958,167</u>	<u>802,920</u>
Operating income (loss)	27,105	(95,158)	9,078
Interest expense, net	(134,901)	(139,493)	(99,574)
Debt extinguishment	(24,182)	44,313	(1,721)
Gain on involuntary conversion, net	280	—	—
Gain on sale of assets	—	—	723
Loss before equity in income (loss) from unconsolidated entities	<u>(131,698)</u>	<u>(190,338)</u>	<u>(91,494)</u>
Equity in income (loss) from unconsolidated entities	(2,068)	16,916	(4,814)
Loss from continuing operations	<u>(133,766)</u>	<u>(173,422)</u>	<u>(96,308)</u>
Discontinued operations	2,871	(52,415)	(12,783)
Net loss	<u>(130,895)</u>	<u>(225,837)</u>	<u>(109,091)</u>
Net loss attributable to noncontrolling interests in other partnerships	352	1,915	297
Net loss attributable to redeemable noncontrolling interests in FelCor LP	689	881	672
Net loss attributable to FelCor	<u>(129,854)</u>	<u>(223,041)</u>	<u>(108,122)</u>
Preferred dividends	(38,713)	(38,713)	(38,713)
Net loss attributable to FelCor common stockholders	<u>\$ (168,567)</u>	<u>\$ (261,754)</u>	<u>\$ (146,835)</u>
Basic and diluted per common share data:			
Loss from continuing operations	\$ (1.46)	\$ (2.61)	\$ (2.12)
Net loss	<u>\$ (1.44)</u>	<u>\$ (3.25)</u>	<u>\$ (2.33)</u>
Basic and diluted weighted average common shares outstanding	<u>117,068</u>	<u>80,611</u>	<u>63,114</u>

The accompanying notes are an integral part of these consolidated financial statements.

FELCOR LODGING TRUST INCORPORATED

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

For the Years Ended December 31, 2011, 2010 and 2009

(in thousands)

	2011	2010	2009
Net loss	\$ (130,895)	\$ (225,837)	\$ (109,091)
Foreign currency translation adjustment	(726)	2,937	8,219
Comprehensive loss	(131,621)	(222,900)	(100,872)
Comprehensive loss attributable to noncontrolling interests in other partnerships	352	1,915	297
Comprehensive loss attributable to redeemable noncontrolling interests in FelCor LP	696	873	634
Comprehensive loss attributable to FelCor	<u>\$ (130,573)</u>	<u>\$ (220,112)</u>	<u>\$ (99,941)</u>

The accompanying notes are an integral part of these consolidated financial statements.

FELCOR LODGING TRUST INCORPORATED

CONSOLIDATED STATEMENTS OF EQUITY
For the Years Ended December 31, 2011, 2010 and 2009
(in thousands)

	Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Treasury Stock	Noncontrolling Interests in Other Partnerships	Comprehensive Income (Loss)	Total Equity
	Number of Shares	Amount	Number of Shares	Amount							
Balance at December 31, 2008	12,948	\$ 478,774	69,413	\$ 694	\$ 2,045,482	\$ 15,347	\$ (1,645,947)	\$ (99,245)	\$ 23,784		\$ 818,889
Issuance of stock awards	—	—	—	—	(27,510)	—	—	27,526	—		16
Amortization of stock awards	—	—	—	—	5,139	—	—	—	—		5,139
Forfeiture of stock awards	—	—	—	—	63	—	—	(193)	—		(130)
Conversion of operating partnership units into common shares	—	—	—	—	(17)	—	—	17	—		—
Allocation to redeemable noncontrolling interests	—	—	—	—	(1,152)	—	—	—	—		(1,152)
Contribution from noncontrolling interests	—	—	—	—	—	—	—	—	534		534
Distribution to noncontrolling interests	—	—	—	—	—	—	—	—	(1,606)		(1,606)
Other	—	—	—	—	(168)	—	(40)	—	168		(40)
Preferred dividends:											
\$1.95 per Series A preferred share	—	—	—	—	—	—	(25,117)	—	—		(25,117)
\$2.00 per Series C depository preferred share	—	—	—	—	—	—	(13,596)	—	—		(13,596)
Comprehensive loss:											
Foreign exchange translation	—	—	—	—	—	8,181	—	—	—	\$ 8,181	
Net loss	—	—	—	—	—	—	(108,122)	—	(297)	(108,419)	
Comprehensive loss										\$ (100,238)	(100,238)
Balance at December 31, 2009	<u>12,948</u>	<u>\$ 478,774</u>	<u>69,413</u>	<u>\$ 694</u>	<u>\$ 2,021,837</u>	<u>\$ 23,528</u>	<u>\$ (1,792,822)</u>	<u>\$ (71,895)</u>	<u>\$ 22,583</u>		<u>\$ 682,699</u>

The accompanying notes are an integral part of these consolidated financial statements.

FELCOR LODGING TRUST INCORPORATED

CONSOLIDATED STATEMENTS OF EQUITY – (continued)
For the Years Ended December 31, 2011, 2010 and 2009
(in thousands)

	Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Treasury Stock	Noncontrolling Interests in Other Partnerships	Comprehensive Income (Loss)	Total Equity
	Number of Shares	Amount	Number of Shares	Amount							
Balance at December 31, 2009	12,948	\$ 478,774	69,413	\$ 694	\$ 2,021,837	\$ 23,528	\$ (1,792,822)	\$ (71,895)	\$ 22,583		\$ 682,699
Issuance of common stock	—	—	31,625	316	166,011	—	—	—	—		166,327
Issuance of stock awards	—	—	—	—	(229)	—	—	297	—		68
Amortization of stock awards	—	—	—	—	5,400	—	—	—	—		5,400
Forfeiture of stock awards	—	—	—	—	405	—	—	(1,928)	—		(1,523)
Conversion of operating partnership units into common shares	—	—	—	—	(185)	—	—	185	—		—
Allocation to redeemable noncontrolling interests	—	—	—	—	(1,815)	—	—	—	—		(1,815)
Contribution from noncontrolling interests	—	—	—	—	—	—	—	—	1,394		1,394
Distribution to noncontrolling interests	—	—	—	—	—	—	—	—	(2,383)		(2,383)
Other	—	—	—	—	(1,116)	—	(49)	—	116		(1,049)
Preferred dividends:											
\$1.95 per Series A preferred share	—	—	—	—	—	—	(25,117)	—	—		(25,117)
\$2.00 per Series C depositary preferred share	—	—	—	—	—	—	(13,596)	—	—		(13,596)
Comprehensive loss:											
Foreign exchange translation	—	—	—	—	—	2,929	—	—	—	\$ 2,929	
Net loss	—	—	—	—	—	—	(223,041)	—	(1,915)	(224,956)	
Comprehensive loss										\$ (222,027)	(222,027)
Balance at December 31, 2010	<u>12,948</u>	<u>\$ 478,774</u>	<u>101,038</u>	<u>\$ 1,010</u>	<u>\$ 2,190,308</u>	<u>\$ 26,457</u>	<u>\$ (2,054,625)</u>	<u>\$ (73,341)</u>	<u>\$ 19,795</u>		<u>\$ 588,378</u>

The accompanying notes are an integral part of these consolidated financial statements.

FELCOR LODGING TRUST INCORPORATED

CONSOLIDATED STATEMENTS OF EQUITY – (continued)
For the Years Ended December 31, 2011, 2010 and 2009
(in thousands)

	Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Treasury Stock	Noncontrolling Interests in Other Partnerships	Comprehensive Income (Loss)	Total Equity
	Number of Shares	Amount	Number of Shares	Amount							
Balance at December 31, 2010	12,948	\$ 478,774	101,038	\$ 1,010	\$ 2,190,308	\$ 26,457	\$ (2,054,625)	\$ (73,341)	\$ 19,795		\$ 588,378
Issuance of common stock	—	—	27,600	276	158,200	—	—	—	—		158,476
Retirement of treasury stock	—	—	(4,156)	(41)	—	—	(73,300)	73,341	—		—
Issuance of stock awards	—	—	95	1	554	—	—	—	—		555
Amortization of stock awards	—	—	—	—	3,475	—	—	—	—		3,475
Forfeiture of stock awards	—	—	(312)	(3)	—	—	(958)	—	—		(961)
Conversion of operating partnership units into common shares	—	—	16	—	97	—	—	—	—		97
Allocation to redeemable noncontrolling interests	—	—	—	—	685	—	—	—	—		685
Contribution from noncontrolling interests	—	—	—	—	—	—	—	—	6,967		6,967
Distribution to noncontrolling interests	—	—	—	—	—	—	—	—	(1,053)		(1,053)
Other	—	—	—	—	(68)	—	(18)	—	—		(86)
Preferred dividends:											
\$1.95 per Series A preferred share	—	—	—	—	—	—	(25,117)	—	—		(25,117)
\$2.00 per Series C depositary preferred share	—	—	—	—	—	—	(13,596)	—	—		(13,596)
Comprehensive loss:											
Foreign exchange translation	—	—	—	—	—	(719)	—	—	—	\$ (719)	
Net loss	—	—	—	—	—	—	(129,854)	—	(352)	(130,206)	
Comprehensive loss										\$ (130,925)	(130,925)
Balance at December 31, 2011	<u>12,948</u>	<u>\$ 478,774</u>	<u>124,281</u>	<u>\$ 1,243</u>	<u>\$ 2,353,251</u>	<u>\$ 25,738</u>	<u>\$ (2,297,468)</u>	<u>\$ —</u>	<u>\$ 25,357</u>		<u>\$ 586,895</u>

The accompanying notes are an integral part of these consolidated financial statements.

FELCOR LODGING TRUST INCORPORATED

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2011, 2010 and 2009
(in thousands)

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:			
Net loss	\$ (130,895)	\$ (225,837)	\$ (109,091)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation and amortization	138,892	147,663	150,088
Gain on sale of hotels, net	(4,714)	—	(1,633)
Gain on involuntary conversion, net	(280)	—	—
Amortization of deferred financing fees and debt discount	17,496	17,849	7,120
Amortization of unearned officers' and directors' compensation	7,170	7,445	5,165
Equity in (income) loss from unconsolidated entities	2,068	(16,916)	4,814
Distributions of income from unconsolidated entities	2,261	2,190	2,789
Debt extinguishment	24,380	(59,464)	1,721
Impairment loss	13,250	173,713	3,448
Changes in assets and liabilities:			
Accounts receivable	(344)	(746)	5,369
Restricted cash—operations	—	3,986	345
Other assets	(6,101)	(2,809)	(1,520)
Accrued expenses and other liabilities	(17,318)	11,738	4,292
Net cash flow provided by operating activities	<u>45,865</u>	<u>58,812</u>	<u>72,907</u>
Cash flows from investing activities:			
Acquisition of hotels	(137,985)	(97,513)	—
Improvements and additions to hotels	(89,042)	(38,936)	(75,949)
Hotel development	(119,611)	—	—
Additions to condominium project	(359)	(274)	(154)
Proceeds from asset dispositions	132,774	—	25,038
Change in restricted cash – investing	(176)	(4,143)	(3,373)
Insurance proceeds	391	492	—
Redemption of investment securities	—	—	1,719
Distributions from unconsolidated entities	1,588	46,084	6,200
Contributions to unconsolidated entities	—	(25,172)	(444)
Net cash flow used in investing activities	<u>(212,420)</u>	<u>(119,462)</u>	<u>(46,963)</u>
Cash flows from financing activities:			
Proceeds from borrowings	1,087,285	241,171	988,486
Repayment of borrowings	(1,135,822)	(400,968)	(772,375)
Payment of deferred financing fees	(20,233)	(7,848)	(19,532)
Change in restricted cash – financing	—	1,016	—
Acquisition of noncontrolling interest	—	(1,000)	—
Distributions paid to noncontrolling interests	(1,053)	(2,383)	(1,606)
Contribution from noncontrolling interests	6,967	1,394	534
Distributions paid to preferred stockholders	(38,713)	—	(9,679)
Net proceeds from common stock issuance	158,476	166,327	—
Proceeds from FelCor LP unit issuance	2,500	—	—
Net cash flow provided by (used in) financing activities	<u>59,407</u>	<u>(2,291)</u>	<u>185,828</u>
Effect of exchange rate changes on cash	(66)	382	1,572
Net change in cash and cash equivalents	<u>(107,214)</u>	<u>(62,559)</u>	<u>213,344</u>
Cash and cash equivalents at beginning of periods	200,972	263,531	50,187
Cash and cash equivalents at end of periods	<u>\$ 93,758</u>	<u>\$ 200,972</u>	<u>\$ 263,531</u>
Supplemental cash flow information — interest paid	<u>\$ 119,732</u>	<u>\$ 127,793</u>	<u>\$ 85,587</u>

The accompanying notes are an integral part of these consolidated financial statements.

FELCOR LODGING LIMITED PARTNERSHIP

CONSOLIDATED BALANCE SHEETS
December 31, 2011 and 2010
(in thousands)

	2011	2010
Assets		
Investment in hotels, net of accumulated depreciation of \$987,895 and \$982,564 at December 31, 2011 and 2010, respectively	\$ 1,953,795	\$ 1,985,779
Hotel development	120,163	—
Investment in unconsolidated entities	70,002	75,920
Cash and cash equivalents	93,758	200,972
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Total assets	\$ 2,403,228	\$ 2,359,435
Liabilities and Partners' Capital		
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Distributions payable	76,293	76,293
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Capital:		
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Series C Cumulative Redeemable Preferred Units, 68 units issued and outstanding at December 31, 2011 and 2010	169,412	169,412
Common units, 124,281 and 101,038 units issued at December 31, 2011 and 2010, respectively	56,916	63,235
Accumulated other comprehensive income	25,848	26,574
Total FelCor LP partners' capital	561,538	568,583
Noncontrolling interests	25,357	19,795
Total partners' capital	586,895	588,378
Total liabilities and partners' capital	\$ 2,403,228	\$ 2,359,435

The accompanying notes are an integral part of these consolidated financial statements.

FELCOR LODGING LIMITED PARTNERSHIP

CONSOLIDATED STATEMENTS OF OPERATIONS

For the Years Ended December 31, 2011, 2010 and 2009

(in thousands, except for per unit data)

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Revenues:			
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Other revenue	2,949	3,174	2,843
Total revenues	<u>945,992</u>	<u>863,009</u>	<u>811,998</u>
Expenses:			
Hotel departmental expenses	345,707	311,785	290,558
Other property-related costs	265,794	244,060	229,278
Management and franchise fees	43,155	40,154	38,673
Taxes, insurance and lease expense	91,012	88,327	84,633
Corporate expenses	29,080	30,747	24,216
Depreciation and amortization	133,119	133,393	131,555
Impairment loss	7,003	106,421	—
Other expenses	4,017	3,280	4,007
Total operating expenses	<u>918,887</u>	<u>958,167</u>	<u>802,920</u>
Operating income (loss)	<u>27,105</u>	<u>(95,158)</u>	<u>9,078</u>
Interest expense, net	(134,901)	(139,493)	(99,574)
Debt extinguishment	(24,182)	44,313	(1,721)
Gain on involuntary conversion, net	280	—	—
Gain on sale of assets	—	—	723
Loss before equity in income (loss) from unconsolidated entities	<u>(131,698)</u>	<u>(190,338)</u>	<u>(91,494)</u>
Equity in income (loss) from unconsolidated entities	(2,068)	16,916	(4,814)
Loss from continuing operations	<u>(133,766)</u>	<u>(173,422)</u>	<u>(96,308)</u>
Discontinued operations	2,871	(52,415)	(12,783)
Net loss	<u>(130,895)</u>	<u>(225,837)</u>	<u>(109,091)</u>
Net loss attributable to noncontrolling interests	352	1,915	297
Net loss attributable to FelCor LP	(130,543)	(223,922)	(108,794)
Preferred distributions	(38,713)	(38,713)	(38,713)
Net loss attributable to FelCor LP common unitholders	<u>\$ (169,256)</u>	<u>\$ (262,635)</u>	<u>\$ (147,507)</u>
Basic and diluted per common unit data:			
Loss from continuing operations	\$ (1.46)	\$ (2.61)	\$ (2.12)
Net loss	<u>\$ (1.44)</u>	<u>\$ (3.25)</u>	<u>\$ (2.33)</u>
Basic and diluted weighted average common units outstanding	<u>117,567</u>	<u>80,905</u>	<u>63,410</u>

The accompanying notes are an integral part of these consolidated financial statements.

FELCOR LODGING LIMITED PARTNERSHIP

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

For the Years Ended December 31, 2011, 2010 and 2009

(in thousands)

	2011	2010	2009
Net loss	\$ (130,895)	\$ (225,837)	\$ (109,091)
Foreign currency translation adjustment	(726)	2,937	8,219
Comprehensive loss	(131,621)	(222,900)	(100,872)
Comprehensive loss attributable to noncontrolling interests	352	1,915	297
Comprehensive loss attributable to FelCor LP	<u>\$ (131,269)</u>	<u>\$ (220,985)</u>	<u>\$ (100,575)</u>

The accompanying notes are an integral part of these consolidated financial statements.

FELCOR LODGING LIMITED PARTNERSHIP
CONSOLIDATED STATEMENTS OF PARTNERS' CAPITAL
For the Years Ended December 31, 2011, 2010 and 2009
(in thousands)

	Preferred Units	Common Units	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests	Comprehensive Income (Loss)	Total Partners' Capital
Balance at December 31, 2008	\$ 478,774	\$ 300,913	\$ 15,418	\$ 23,784		\$ 818,889
FelCor restricted stock compensation	—	5,024	—	—		5,024
Contributions	—	—	—	534		534
Distributions	—	(38,713)	—	(1,606)		(40,319)
Allocation to redeemable units	—	(517)	—	—		(517)
Other	—	(208)	—	168		(40)
Comprehensive income (loss):						
Foreign exchange translation			8,219		\$ 8,219	
Net loss		(108,794)		(297)	(109,091)	
Comprehensive loss					\$ (100,872)	(100,872)
Balance at December 31, 2009	478,774	157,705	23,637	22,583		682,699
Issuance of common units	—	166,327	—	—		166,327
FelCor restricted stock compensation	—	3,945	—	—		3,945
Contributions	—	—	—	1,394		1,394
Distributions	—	(38,713)	—	(2,383)		(41,096)
Allocation to redeemable units	—	(942)	—	—		(942)
Other	—	(1,165)	—	116		(1,049)
Comprehensive income (loss):						
Foreign exchange translation			2,937		\$ 2,937	
Net loss		(223,922)		(1,915)	(225,837)	
Comprehensive loss					\$ (222,900)	(222,900)
Balance at December 31, 2010	\$ 478,774	\$ 63,235	\$ 26,574	\$ 19,795		\$ 588,378
Issuance of common units	—	158,476	—	—		158,476
FelCor restricted stock compensation	—	3,069	—	—		3,069
Contributions	—	—	—	6,967		6,967
Distributions	—	(38,713)	—	(1,053)		(39,766)
Allocation to redeemable units	—	1,478	—	—		1,478
Other	—	(86)	—	—		(86)
Comprehensive income (loss):						
Foreign exchange translation			(726)		\$ (726)	
Net loss		(130,543)		(352)	(130,895)	
Comprehensive loss					\$ (131,621)	(131,621)
Balance at December 31, 2011	\$ 478,774	\$ 56,916	\$ 25,848	\$ 25,357		\$ 586,895

The accompanying notes are an integral part of these consolidated financial statements.

FELCOR LODGING LIMITED PARTNERSHIP
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2011, 2010 and 2009
(in thousands)

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:			
Net loss	\$ (130,895)	\$ (225,837)	(109,091)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation and amortization	138,892	147,663	150,088
Gain on sale of hotels, net	(4,714)	—	(1,633)
Gain on involuntary conversion, net	(280)	—	—
Amortization of deferred financing fees and debt discount	17,496	17,849	7,120
Amortization of unearned officers' and directors' compensation	7,170	7,445	5,165
Equity in (income) loss from unconsolidated entities	2,068	(16,916)	4,814
Distributions of income from unconsolidated entities	2,261	2,190	2,789
Debt extinguishment	24,380	(59,464)	1,721
Impairment loss	13,250	173,713	3,448
Changes in assets and liabilities:			
Accounts receivable	(344)	(746)	5,369
Restricted cash – operations	—	3,986	345
Other assets	(6,101)	(2,809)	(1,520)
Accrued expenses and other liabilities	(17,318)	11,738	4,292
Net cash flow provided by operating activities	<u>45,865</u>	<u>58,812</u>	<u>72,907</u>
Cash flows from investing activities:			
Acquisition of hotels	(137,985)	(97,513)	—
Improvements and additions to hotels	(89,042)	(38,936)	(75,949)
Hotel development	(119,611)	—	—
Additions to condominium project	(359)	(274)	(154)
Proceeds from asset dispositions	132,774	—	25,038
Change in restricted cash – investing	(176)	(4,143)	(3,373)
Insurance proceeds	391	492	—
Redemption of investment securities	—	—	1,719
Distributions from unconsolidated entities	1,588	46,084	6,200
Contributions to unconsolidated entities	—	(25,172)	(444)
Net cash flow used in investing activities	<u>(212,420)</u>	<u>(119,462)</u>	<u>(46,963)</u>
Cash flows from financing activities:			
Proceeds from borrowings	1,087,285	241,171	988,486
Repayment of borrowings	(1,135,822)	(400,968)	(772,375)
Payment of deferred financing fees	(20,233)	(7,848)	(19,532)
Change in restricted cash – financing	—	1,016	—
Acquisition of noncontrolling interest	—	(1,000)	—
Distributions paid to noncontrolling interests	(1,053)	(2,383)	(1,606)
Contributions from noncontrolling interests	6,967	1,394	534
Distributions paid to preferred unitholders	(38,713)	—	(9,679)
Net proceeds from common unit issuance	158,476	166,327	—
Proceeds from redeemable unit issuance	2,500	—	—
Net cash flow provided by (used in) financing activities	<u>59,407</u>	<u>(2,291)</u>	<u>185,828</u>
Effect of exchange rate changes on cash	(66)	382	1,572
Net change in cash and cash equivalents	<u>(107,214)</u>	<u>(62,559)</u>	<u>213,344</u>
Cash and cash equivalents at beginning of periods	200,972	263,531	50,187
Cash and cash equivalents at end of periods	<u>\$ 93,758</u>	<u>\$ 200,972</u>	<u>\$ 263,531</u>
Supplemental cash flow information – interest paid	<u>\$ 119,732</u>	<u>\$ 127,793</u>	<u>\$ 85,587</u>

The accompanying notes are an integral part of these consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Organization

FelCor Lodging Trust Incorporated (NYSE:FCH), or FelCor, is a Maryland corporation operating as a real estate investment trust, or REIT. We are the sole general partner of, and the owner of a greater than 99% partnership interest in, FelCor Lodging Limited Partnership, or FelCor LP, through which we held ownership interests in 76 hotels in continuing operations with approximately 22,000 rooms at December 31, 2011. At December 31, 2011, we had an aggregate of 124,917,010 shares and units outstanding, consisting of 124,280,585 shares of FelCor common stock and 636,425 units of FelCor LP units not owned by FelCor.

Of the 76 hotels in which we had an ownership interest at December 31, 2011, we owned a 100% interest in 58 hotels, a 90% interest in entities owning three hotels, an 82% interest in an entity owning one hotel, a 60% interest in an entity owning one hotel and 50% interests in entities owning 13 hotels. We consolidate our real estate interests in the 63 hotels in which we held majority interests, and we record the real estate interests of the 13 hotels in which we held 50% interests using the equity method. We leased 75 of our 76 hotels to our taxable REIT subsidiaries, of which we own a controlling interest. One 50% owned hotel was operated without a lease. Because we own controlling interests in these lessees, we consolidate our interests in these 75 hotels (which we refer to as our Consolidated Hotels) and reflect those hotels' operating revenues and expenses on our statements of operations. Of our Consolidated Hotels, we owned 50% of the real estate interests in 12 hotels (we accounted for the ownership in our real estate interests of these hotels by the equity method) and majority real estate interests in the remaining 63 hotels (we consolidate our real estate interest in these hotels).

The following table illustrates the distribution of our 75 Consolidated Hotels at December 31, 2011:

Brand	Hotels	Rooms
Embassy Suites Hotels	40	10,474
Holiday Inn	14	4,784
Sheraton and Westin	7	2,478
Doubletree and Hilton	8	1,856
Marriott and Renaissance	3	1,321
Fairmont	1	383
Independent (Morgans/Royalton)	2	282
Total	75	21,578

At December 31, 2011, our Consolidated Hotels were located in the United States (74 hotels in 22 states) and Canada (one hotel in Ontario), with concentrations in California (15 hotels), Florida (11 hotels) and Texas (8 hotels). In 2011, approximately 49% of our revenue was generated from hotels in these three states.

At December 31, 2011, of our 75 Consolidated Hotels (i) subsidiaries of Hilton Hotels Corporation, or Hilton, managed 47 hotels, (ii) subsidiaries of InterContinental Hotels Group, or IHG, managed 14 hotels, (iii) subsidiaries of Starwood Hotels & Resorts Worldwide Inc., or Starwood, managed seven hotels, (iv) subsidiaries of Marriott International Inc., or Marriott, managed three hotels, (v) a subsidiary of Fairmont Hotels & Resorts, or Fairmont, managed one hotel, (vi) a subsidiary of Morgans Hotel Group Corporation managed two hotels, and (vii) an independent management company managed one hotel.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Organization – (continued)

Our hotels managed by Marriott are accounted for on a fiscal year comprised of 52 or 53 weeks ending on the Friday closest to December 31. Their 2011, 2010 and 2009 fiscal years ended on December 30, 2011, December 31, 2010, and January 1, 2010, respectively.

2. Summary of Significant Accounting Policies

Principles of Consolidation — Our consolidated financial statements include the assets, liabilities, revenues and expenses of all majority-owned subsidiaries. Intercompany transactions and balances are eliminated in consolidation. Investments in unconsolidated entities (consisting entirely of 50% owned ventures) are accounted for by the equity method. None of our less than wholly owned subsidiaries are considered variable interest entities. We follow the voting interest model and consolidate entities in which we have greater than 50% ownership interest and report entities in which we have 50% or less ownership interest under the equity method.

Use of Estimates — The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America, requires that management make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Investment in Hotels — Our hotels are stated at cost and are depreciated using the straight-line method over estimated useful lives of 40 years for buildings, 15 to 30 years for improvements and three to ten years for furniture, fixtures, and equipment.

On January 1, 2011, we reclassified certain inventory (such as, china, glass, silver, and linen) aggregating \$10.3 million to investment in hotels from other assets. We believe this classification to be preferable to its prior classification because we receive long-term benefits (approximately three years) from these inventories, similar to other long-term physical assets, which are classified as investment in hotels. This change was considered a change in accounting estimate inseparable from a change in accounting policy and resulted in changes to our depreciation expense prospectively. As a result, existing inventories will be amortized over a three-year period. Prospectively, significant additions in conjunction with major renovations, expansions or changes in brands or brand standards for these inventories will be capitalized at acquisition, and depreciated over a three year estimated useful life. Minor replacement or replenishment of inventory will be expensed when purchased.

We periodically review the carrying value of each of our hotels to determine if circumstances exist indicating an impairment in the carrying value of the investment in the hotel or modification of depreciation periods. If facts or circumstances support the possibility of impairment of a hotel, we prepare a projection of the undiscounted future cash flows, without interest charges, over the shorter of the hotel's estimated useful life or the expected hold period, and determine if the investment in such hotel is recoverable based on the undiscounted future cash flows. If impairment is indicated, we make an adjustment to reduce the carrying value of the hotel to its then fair value. We use recent operating results and current market information to arrive at our estimates of fair value.

Maintenance and repairs are expensed, and major renewals and improvements are capitalized. Upon the sale or disposition of a fixed asset, the asset and related accumulated depreciation are removed from our accounts and the related gain or loss is included in operations.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies — (continued)

Acquisition of Hotels — Investments in hotels are based on purchase price and allocated to land, property and equipment, identifiable intangible assets and assumed debt and other liabilities at fair value. Any remaining unallocated purchase price, if any, is treated as goodwill. Property and equipment are recorded at fair value based on current replacement cost for similar capacity and allocated to buildings, improvements, furniture, fixtures and equipment using appraisals and valuations prepared by management and/or independent third parties. Identifiable intangible assets (typically contracts including ground and retail leases and management and franchise agreements) are recorded at fair value, although no value is generally allocated to contracts which are at market terms. Above-market and below-market contract values are based on the present value of the difference between contractual amounts to be paid pursuant to the contracts acquired and our estimate of the fair value of contract rates for corresponding contracts measured over the period equal to the remaining non-cancelable term of the contract. Intangible assets are amortized using the straight-line method over the remaining non-cancelable term of the related agreements. In making estimates of fair values for purposes of allocating purchase price, we may utilize a number of sources such as those obtained in connection with the acquisition or financing of a property and other market data, including third-party appraisals and valuations.

Investment in Unconsolidated Entities — We own a 50% interest in various real estate ventures in which the partners or members jointly make all material decisions concerning the business affairs and operations. Because we do not control these entities, we carry our investment in unconsolidated entities at cost, plus our equity in net earnings or losses, less distributions received since the date of acquisition and any adjustment for impairment. Our equity in net earnings or losses is adjusted for the straight-line depreciation, over the lower of 40 years or the remaining life of the venture, of the difference between our cost and our proportionate share of the underlying net assets at the date of acquisition. We periodically review our investment in unconsolidated entities for other-than-temporary declines in fair value. Any decline that is not expected to be recovered in the next 12 months is considered other-than-temporary and an impairment is recorded as a reduction in the carrying value of the investment. Estimated fair values are based on our projections of cash flows, market capitalization rates and sales prices of comparable assets.

We track inception-to-date contributions, distributions and earnings for each of our unconsolidated investments. We determine the character of cash distributions from our unconsolidated investments for purposes of our consolidated statements of cash flows as follows:

- Cash distributions up to the aggregate historical earnings of the unconsolidated entity are recorded as an operating activity (*i.e.*, a distribution of earnings); and
- Cash distributions in excess of aggregate historical earnings are recorded as an investing activity (*i.e.*, a distribution of contributed capital).

Hotels Held for Sale — We consider each individual hotel to be an identifiable component of our business. We do not consider hotels held for sale until it is probable that the sale will be completed within one year. We had no hotels held for sale at December 31, 2011 or 2010.

We consider a sale to be probable within the next twelve months (for purposes of determining whether a hotel is held for sale) in the period the buyer completes its due diligence review of the asset, we have an executed contract for sale, and we have received a substantial non-refundable deposit. We test hotels held for sale for impairment each reporting period and record them at the lower of their carrying amounts or fair value less costs to sell. Once we designate a hotel as held for sale it is not depreciated.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies — (continued)

Cash and Cash Equivalents — All highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents.

We place cash deposits at major banks. Our bank account balances may exceed the Federal Depository Insurance Limits; however, management believes the credit risk related to these deposits is minimal.

Restricted Cash — Restricted cash includes reserves for capital expenditures, real estate taxes, and insurance, as well as cash collateral deposits for mortgage debt agreement provisions.

Deferred Expenses — Deferred expenses, consisting primarily of loan costs, are recorded at cost. Amortization is computed using a method that approximates the effective interest method over the maturity of the related debt.

Other Assets — Other assets consist primarily of hotel operating inventories, prepaid expenses and deposits.

Revenue Recognition — Nearly 100% of our revenue is comprised of hotel operating revenues, such as room revenue, food and beverage revenue, and revenue from other hotel operating departments (such as telephone, parking and business centers). These revenues are recorded net of any sales or occupancy taxes collected from our guests as earned. All rebates or discounts are recorded, when allowed, as a reduction in revenue, and there are no material contingent obligations with respect to rebates or discounts offered by us. All revenues are recorded on an accrual basis, as earned. Appropriate allowances are made for doubtful accounts and are recorded as a bad debt expense. The remainder of our revenue is from condominium management fee income and other sources.

We do not have any time-share arrangements and do not sponsor any frequent guest programs for which we would have any contingent liability. We participate in frequent guest programs sponsored by the brand owners of our hotels, and we expense the charges associated with those programs (typically consisting of a percentage of the total guest charges incurred by a participating guest) as incurred. When a guest redeems accumulated frequent guest points at one of our hotels, the hotel bills the sponsor for the services provided in redemption of such points and records revenue in the amount of the charges billed to the sponsor. We have no loss contingencies or ongoing obligation associated with frequent guest programs beyond what is paid to the brand owner following a guest's stay.

Foreign Currency Translation — Results of operations for our Canadian hotels are maintained in Canadian dollars and translated using the weighted average exchange rates during the period. Assets and liabilities are translated to U.S. dollars using the exchange rate in effect at the balance sheet date. Resulting translation adjustments are reflected in accumulated other comprehensive income and were \$25.7 million and \$26.5 million as of December 31, 2011 and 2010, respectively.

Capitalized Costs — We capitalize interest and certain other costs, such as property taxes, land leases, property insurance and employee costs relating to hotels undergoing major renovations and redevelopments. We cease capitalizing these costs to projects when construction is substantially complete. Such costs capitalized in 2011, 2010 and 2009, were \$7.4 million, \$5.8 million and \$5.9 million, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies — (continued)

Net Income (Loss) per Common Share/Unit — We treat unvested share (unit)-based payment awards containing non-forfeitable rights to dividends (distributions) or dividend equivalents (whether paid or unpaid) as participating securities for computation of earnings per share (unit) (pursuant to the two-class method, in accordance with the Accounting Standards Codification, or ASC, 260-10-45-59A through 45-70).

We compute basic earnings per share (unit) by dividing net income (loss) attributable to common stockholders (or unitholders) less dividends (distributions) declared on FelCor's unvested restricted stock (adjusted for forfeiture assumptions) by the weighted average number of common shares (unit) outstanding. We compute diluted earnings per share (unit) by dividing net income (loss) attributable to common stockholders less dividends (distributions) declared on FelCor's unvested restricted stock (adjusted for forfeiture assumptions) by the weighted average number of common shares (units) and equivalents outstanding. Common stock (unit) equivalents represent shares issuable upon exercise of stock options.

For all years presented, our Series A cumulative preferred stock (units), or Series A preferred stock (units), if converted to common shares (units), would be antidilutive; accordingly, we do not assume conversion of the Series A preferred stock (units) in the computation of diluted earnings per share (unit).

FelCor's Stock Compensation — We apply a fair-value-based measurement method in accounting for share-based payment transactions with employees.

Derivatives — We recognize derivatives as either assets or liabilities on the balance sheet and measure those instruments at fair value. Additionally, the fair value adjustments will affect either equity or net income, depending on whether the derivative instrument qualifies as a hedge for accounting purposes and the nature of the hedging activity.

Segment Information — We have determined that our business is conducted in one reportable segment.

Distributions and Dividends — In January 2011, FelCor reinstated its current quarterly preferred dividends and paid current quarterly preferred dividends for each quarter in 2011. We cannot pay any common dividends unless and until all accrued and current preferred dividends are paid. Funds used by FelCor to pay common or preferred dividends are provided through distributions from FelCor LP. At December 31, 2011, we had unpaid accrued preferred dividends (or distributions) aggregating \$76.3 million (including \$8.5 million pertaining to the current quarter). FelCor's Board of Directors will determine the amount of future dividends (including the accrued but unpaid accrued preferred dividends) based upon various factors including operating results, economic conditions, other operating trends, our financial condition and capital requirements, as well as minimum REIT distribution requirements.

Reacquired Stock — Effective January 1, 2011, we changed the accounting presentation for FelCor's reacquired capital stock to be consistent with Maryland law (Maryland is FelCor's domicile), which does not contemplate treasury stock. FelCor removed previously reacquired capital stock, shown as treasury stock, from its balance sheet and recorded the related amounts as a reduction of common stock (at \$0.01 par value per share) and an increase in accumulated deficit. Prior to 2011, FelCor's accounting records included treasury stock. This change in accounting policy was recorded for book purposes as a retirement of treasury stock. Any capital stock reacquired in the future for any purpose will be recorded as a reduction of common stock (at \$0.01 par value per share) and an increase in accumulated deficit.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies — (continued)

Noncontrolling Interests — Noncontrolling interests in other partnerships represent the proportionate share of the equity in other partnerships not owned by us. Noncontrolling interests in FelCor LP represents FelCor LP units not owned by FelCor. We allocate income and loss to noncontrolling interests in FelCor LP and other partnerships based on the weighted average percentage ownership throughout the year. FelCor characterizes minority interest in FelCor LP as noncontrolling interests, but because of the redemption feature of these units, FelCor includes in the mezzanine section (between liabilities and equity) on its consolidated balance sheets. These units are redeemable at the option of the holders for a like number of shares of FelCor's common stock or, at our option, the cash equivalent thereof. We adjust redeemable noncontrolling interests in FelCor LP (or redeemable units) each period to reflect the greater of its carrying value based on the accumulation of historical cost or its redemption value.

Income Taxes — FelCor has elected to be treated as a REIT under Sections 856 to 860 of the Internal Revenue Code and, as such, is not subject to federal income tax, provided that it distributes all of its taxable income annually to its stockholders and complies with certain other requirements. FelCor LP is treated as a partnership for federal income tax purposes and, as such, is not subject to federal income taxes. However, both FelCor and FelCor LP may be subject to state, local and foreign income and franchise taxes in certain jurisdictions. We generally lease our hotels to wholly-owned taxable REIT subsidiaries, or TRSs, that are subject to federal, state and foreign income taxes. Through these lessees we record room revenue, food and beverage revenue and other revenue related to the operations of our hotels. We account for income taxes using the asset and liability method under which deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. A valuation allowance is recorded for net deferred tax assets that are not expected to be realized.

We determine whether it is “more-likely-than-not” that a tax position will be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. Once it is determined that a position meets the more-likely-than-not recognition threshold, the position is measured to determine the amount of benefit to recognize in the financial statements. We apply this policy to all tax positions related to income taxes.

3. Investment in Hotels

Investment in hotels consisted of the following (in thousands):

	December 31,	
	2011	2010
Building and improvements	\$ 2,104,522	\$ 2,179,926
Furniture, fixtures and equipment	516,690	525,448
Land	273,000	249,647
Construction in progress	47,478	13,322
	<u>2,941,690</u>	<u>2,968,343</u>
Accumulated depreciation	(987,895)	(982,564)
	<u>\$ 1,953,795</u>	<u>\$ 1,985,779</u>

In 2011, we wrote off fully depreciated furniture, fixtures and equipment aggregating approximately \$29.4 million.

We invested \$89.0 million and \$38.9 million in additions and improvements to our consolidated hotels during the years ended December 31, 2011 and 2010, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4. Hotel Acquisitions

Royalton/Morgans

In May 2011, we acquired two midtown Manhattan hotels, Royalton and Morgans, with a total of 282 guest rooms. The fair values of the assets acquired and liabilities assumed at the date of acquisition were consistent with the purchase price and were allocated based on third-party appraisals. We expensed acquisition costs (such as, broker, legal and accounting fees) of \$1.3 million that are not included in the fair value estimates of the net assets acquired. The following table summarizes the fair values of assets acquired and liabilities assumed in our acquisition (in thousands):

Assets

Investment in hotels ^(a)	\$	136,035
Restricted cash		2,500
Accounts receivable		635
Other assets		322
Total assets acquired		<u>139,492</u>

Liabilities

Accrued expenses and other liabilities		1,507
Net assets acquired	\$	<u>137,985</u>

- (a) Investment in hotels was allocated to land (\$48.7 million), building and improvements (\$78.3 million) and furniture, fixtures and equipment (\$9.0 million).

The following consolidated unaudited pro forma results of operations for the years ended December 31, 2011, and 2010 assume these hotels were acquired on January 1, 2010. The pro forma information includes revenues, operating expenses, depreciation and amortization. The unaudited pro forma consolidated results of operations are not necessarily indicative of the results of operations if the acquisition had been completed on the assumed date. The consolidated unaudited pro forma results of operations are as follows (in thousands, except per share/unit data):

	Year Ended December 31, (unaudited)	
	2011	2010
Total revenues	\$ 957,338	\$ 895,149
Net loss	\$ (132,087)	\$ (225,876)
Earnings per share/unit - basic and diluted	\$ (1.45)	\$ (3.25)

For the year ended December 31, 2011, our consolidated statements of operations included \$ 20.4 million of revenues and \$1.9 million of net income related to the operations of these hotels.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4. Hotel Acquisitions — (continued)

Fairmont Copley Plaza

In August 2010, we acquired the 383-room Fairmont Copley Plaza in Boston, Massachusetts. The fair values of the assets acquired and liabilities assumed at the date of acquisition were consistent with the purchase price and were allocated based on appraisals and valuation studies performed by management. We expensed acquisition costs of \$400,000 that are not included in the fair value estimates of the net assets acquired. The following table summarizes the fair values of assets acquired and liabilities assumed in our acquisition (in thousands):

Assets

Investment in hotels ^(a)	\$ 98,500
Accounts receivable	1,349
Other assets	898
Total assets acquired	<u>100,747</u>

Liabilities

Accrued expenses and other liabilities	3,234
Net assets acquired	<u>\$ 97,513</u>

- (a) Investment in hotels was allocated to land (\$27.6 million), building and improvements (\$62.5 million) and furniture, fixtures and equipment (\$8.4 million).

The following consolidated unaudited pro forma results of operations for the years ended December 31, 2010 and 2009 assume this acquisition had occurred on January 1, 2009. The pro forma information includes revenues, operating expenses, depreciation and amortization. The unaudited pro forma results of operations are not necessarily indicative of the results of operations if the acquisition had been completed on the assumed date. The consolidated unaudited pro forma results of operations are as follows (in thousands, except per share/unit data):

	Year Ended December 31, (unaudited)	
	<u>2010</u>	<u>2009</u>
Total revenues	\$ 886,118	\$ 851,264
Net loss	\$ (227,360)	\$ (107,490)
Earnings per share/unit - basic and diluted	\$ (3.27)	\$ (2.30)

For the year ended December 31, 2010, our consolidated statements of operations include \$16.8 million of revenues and \$2.5 million of net income related to the operations of this hotel.

5. Hotel Development

In December 2011, we acquired a 95% interest in a consolidated joint venture, which acquired the Knickerbocker Hotel in midtown Manhattan, New York, for \$115 million. This is a non-operating property that we plan to develop into a hotel with 330 rooms that will open late 2013. In addition to the purchase price, the December 31, 2011 book value includes all capitalized acquisition and development costs incurred through the end of 2011.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6. Impairment Charges

Our hotels are comprised of operations and cash flows that can clearly be distinguished, operationally and for financial reporting purposes, from the remainder of our operations. Accordingly, we consider our hotels to be components for purposes of determining impairment charges and reporting discontinued operations.

We test for impairment whenever changes in circumstances indicate a hotel's carrying value may not be recoverable. We conduct the test using undiscounted cash flows for the shorter of the hotel's estimated hold period or its remaining useful life. When testing for recoverability of hotels held for investment, we use projected cash flows over its expected hold period. Those hotels held for investment that fail the impairment test are written down to their then current estimated fair value, before any selling expense, and we continue to depreciate the hotel over its remaining useful life.

As part of our long-term strategic plan to enhance stockholder value and achieve or exceed targeted returns on invested capital, we sell and acquire hotels to improve our overall portfolio quality, enhance diversification and improve growth rates. In that regard, we regularly review each hotel in our portfolio in terms of projected performances, future capital expenditure requirements and market dynamics and concentration risk. Based on this analysis, we developed a plan to sell our interests in 38 hotels (30 of which we consolidate the real estate interest and eight of which are owned by unconsolidated joint ventures) that no longer meet our investment criteria. As a consequence, we shortened our estimated hold periods for these hotels, and we tested the consolidated hotels for impairment when they were approved to be marketed for sale. We designated 35 of these 38 hotels as non-strategic in 2010, and early 2011. As result, we recorded 2010 impairment charges of \$152.6 million related to 16 of our consolidated non-strategic hotels (\$106.4 million related to 11 hotels in continuing operations and \$46.2 million related to five hotels included in discontinued operations). In 2011, we designated three additional hotels as non-strategic, which did not result in any impairment charges. When the eight hotels owned by joint ventures are designated by those ventures as non-strategic, the joint ventures will test for impairment based on the reduced estimated hold periods.

For our 2010 impairment charges, we estimated each hotel's fair value by using estimated future cash flows, terminal values based on the projected cash flows and capitalization rates in the range of what is reported in industry publications for operationally similar assets and other available market information. We discounted the cash flows used for determining the fair values using market-based discounts generally used for operationally and geographically similar assets. The inputs used to determine the fair values of these hotels are classified as Level 3 under the authoritative guidance for fair value measurements.

In 2011, we recorded impairment charges of \$13.2 million related to consolidated non-strategic hotels (\$7.0 million related to two hotels included in continuing operations and \$6.2 million related to three hotels included in discontinued operations). The impairment charge related to these hotels was based on revised estimated fair market values obtained through the marketing process or purchaser's contract price less estimated selling costs (for hotels held for sale), which were lower than our net book values. The inputs used to determine the fair values of these hotels are classified as Level 2 under authoritative guidance for fair value measurements.

In 2011, we sold eight consolidated non-strategic hotels.

Two of our loans (totaling \$32 million) matured in May 2010. The cash flows for the hotels that secured these loans did not cover debt service, and we stopped funding the shortfalls in December 2009. We were unable to negotiate an acceptable debt modification or reduction that favored our stockholders, and we recorded a \$21.1 million impairment charge (recorded in discontinued operations). We transferred these hotels to the lenders in full satisfaction of the related debt, and recorded a \$15.2 million gain on extinguishment of debt in 2010.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6. Impairment Charges— (continued)

In 2009, we recorded a \$3.4 million impairment charge (included in discontinued operations) on two sale candidates because they failed updated impairment tests. The valuations used in the 2009 impairment charges were based on third-party offers to purchase (a Level 2 input) at a price less than our previously estimated fair value. These two hotels were sold in December 2009 for gross proceeds of \$26 million.

We may record additional impairment charges if operating results of individual hotels are materially different from our forecasts, the economy and lodging industry weakens, or we shorten our contemplated holding period for additional hotels.

7. Discontinued Operations

Discontinued operations include results of operations for eight hotels sold in 2011, three hotels disposed in 2010 and two hotels sold in 2009.

Results of operations for the hotels included in discontinued operations are as follows:

	Year Ended December 31,		
	2011	2010	2009
Hotel operating revenue	\$ 42,148	\$ 98,008	\$ 116,888
Operating expenses ^(a)	(42,975)	(160,978)	(124,517)
Operating loss from discontinued operations	(827)	(62,970)	(7,629)
Interest expense, net	(817)	(4,596)	(6,064)
Debt extinguishment	(199)	15,151	—
Gain on sale, net of tax	4,714	—	910
Income (loss) from discontinued operations	<u>\$ 2,871</u>	<u>\$ (52,415)</u>	<u>\$ (12,783)</u>

(a) Includes impairment charges of \$6.2 million, \$67.3 million and \$3.4 million for the years ended December 31, 2011, 2010 and 2009, respectively.

In 2009, we recorded a \$1.8 million adjustment to gains on sale resulting from a change in the federal tax law that allowed for the recovery of previously paid alternative minimum taxes on gains from hotel sales in 2006 and 2007. This adjustment was offset by net losses of \$911,000 (primarily related to selling costs) recorded on the sale of two hotels.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8. Investment in Unconsolidated Entities

We owned 50% interests in joint ventures that owned 13 hotels at December 31, 2011 and December 31, 2010. We also owned a 50% interest in entities that own real estate in Myrtle Beach, South Carolina, and provide condominium management services. We account for our investments in these unconsolidated entities under the equity method. We do not have any majority-owned subsidiaries that are not consolidated in our financial statements. We make adjustments to our equity in income from unconsolidated entities related to the difference between our basis in investment in unconsolidated entities compared to the historical basis of the assets recorded by the joint ventures.

The following table summarizes combined financial information for our unconsolidated entities (in thousands):

	December 31,	
	2011	2010
Balance sheet information:		
Investment in hotels, net of accumulated depreciation	\$ 173,310	\$ 192,584
Total assets	\$ 199,063	\$ 209,742
Debt	\$ 150,388	\$ 154,590
Total liabilities	\$ 156,607	\$ 159,170
Equity	\$ 42,456	\$ 50,572

Our unconsolidated entities' debt at December 31, 2011, consisted entirely of non-recourse mortgage debt.

In April 2010, we contributed \$23 million to an unconsolidated joint venture that owned the Sheraton Premier at Tysons Corner. That contribution, along with a \$23 million contribution from our joint venture partner, was used to repay the joint venture's maturing \$46 million mortgage. In December 2010, we sold our interest in this joint venture and recorded a \$20.5 million gain.

The following table sets forth summarized combined statement of operations information for our unconsolidated entities and a reconciliation of the net loss attributable to FelCor and our equity in income (loss) from unconsolidated entities (in thousands):

	Year Ended December 31,		
	2011	2010	2009
Total revenues	\$ 62,782	\$ 64,500	\$ 66,261
Net loss	\$ (416)	\$ (5,302)	\$ (4,988) ^(a)
Net loss attributable to FelCor	\$ (208)	\$ (2,327)	\$ (2,494)
Impairment loss	—	—	(476) ^(b)
Gain on joint venture dispositions	—	21,103 ^(c)	—
Depreciation of cost in excess of book value	(1,860)	(1,860)	(1,844)
Equity in income (loss) from unconsolidated entities	<u>\$ (2,068)</u>	<u>\$ 16,916</u>	<u>\$ (4,814)</u>

- (a) Net loss included impairment charges of \$3.2 million for 2009. These impairments were based on sales contracts (a Level 2 input) for a hotel owned by one of our joint ventures.
- (b) As a result of an impairment charge recorded by one of our joint ventures, the net book value of the joint venture's assets no longer supported the recovery of our investment. Therefore, we recorded an additional impairment charge to reduce our investment in this joint venture to zero.
- (c) Includes a \$20.5 million gain from the sale of our interest in an unconsolidated joint venture and \$559,000 in net proceeds in the final liquidation of a joint venture.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8. Investment in Unconsolidated Entities — (continued)

The following table summarizes the components of our investment in unconsolidated entities (in thousands):

	December 31,	
	2011	2010
Hotel-related investments	\$ 12,400	\$ 15,736
Cost in excess of joint venture book value	48,774	50,634
Land and condominium investments	8,828	9,550
	<u>\$ 70,002</u>	<u>\$ 75,920</u>

The following table summarizes the components of our equity in income (loss) from unconsolidated entities (in thousands):

	Year Ended December 31,		
	2011	2010	2009
Hotel investments	\$ (1,348)	\$ 17,509	\$ (4,291)
Other investments	(720)	(593)	(523)
Equity in income (loss) from unconsolidated entities	<u>\$ (2,068)</u>	<u>\$ 16,916</u>	<u>\$ (4,814)</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9. Debt

Consolidated debt consisted of the following (in thousands):

Line of credit ^(a)	Encumbered Hotels	Interest Rate (%)	Maturity Date	December 31,	
				2011	2010
	11	L + 4.50	August 2014 ^(b)	\$ —	\$ —
Hotel mortgage debt					
Mortgage debt	8	L + 5.10 ^(c)	April 2015	202,982	212,000
Mortgage debt	9	L + 2.20	May 2013 ^(d)	156,398	250,000
Mortgage debt	7	9.02	April 2014	109,044	113,220
Mortgage debt	5 ^(e)	6.66	June - August 2014	67,375	69,206
Mortgage debt	1	5.81	July 2016	10,876	11,321
Senior notes					
Senior secured notes	6	6.75	June 2019	525,000	—
Senior secured notes ^(f)	11	10.00	October 2014	459,931	582,821
Other^(g)	—	L + 1.50	December 2012	64,860	—
Retired debt	—	—	—	—	309,741
Total	58			\$ 1,596,466	\$ 1,548,309

- (a) We currently have full availability under our \$225 million line of credit.
- (b) The line of credit can be extended for one year (to 2015), subject to satisfying certain conditions.
- (c) LIBOR (for this loan) is subject to a 3% floor. We purchased an interest rate cap (\$212 million notional amount) that caps LIBOR at 5.0% and expires May 2012.
- (d) This loan can be extended for six months, subject to satisfying certain conditions.
- (e) The hotels securing this debt are subject to separate loan agreements and are not cross-collateralized.
- (f) These notes have \$492 million in aggregate principal outstanding (\$144 million in aggregate principal amount was redeemed in June 2011) and were initially sold at a discount that provided an effective yield of 12.875% before transaction costs.
- (g) This loan is related to our Knickerbocker development project and is fully secured by restricted cash and a mortgage. Because we were able to assume an existing loan when we purchased this hotel, we were not required to pay any local mortgage recording tax. When that loan is transferred to a new lender and made part of our construction loan, we expect to only pay such tax to the extent of the incremental principal amount of the construction loan.

In March 2011, we established a \$225 million secured line of credit with a group of seven banks. At the same time, we repaid a \$198.3 million secured loan and a \$28.8 million secured loan with a combination of \$52.1 million of cash on hand and funds drawn under our new line of credit (all of which has subsequently been repaid). The repaid loans would have matured in 2013 and 2012 (including extensions), respectively, and were secured by mortgages on 11 hotels. Those same hotels secure repayment of amounts outstanding under the line of credit. The credit facility bears interest at LIBOR, plus 4.5%, with no LIBOR floor.

In May 2011, we issued \$525.0 million in aggregate principal amount of 6.75% senior secured notes due 2019 and used the proceeds to repay existing higher-cost debt (including the remaining \$46 million of our outstanding senior notes due 2011) and fund our purchase of Royalton and Morgans for \$140.0 million.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9. Debt — (continued)

In May 2011, we repaid \$45.3 million in secured loans when we sold the mortgaged hotels.

In June 2011, we repaid (at maturity) a \$7.3 million loan that was secured by one hotel.

In June 2011, we obtained a \$24.0 million loan to refinance a loan secured by one hotel. The old loan balance was \$27.8 million and by the terms of the old loan, upon refinancing, \$3.8 million of the old loan was forgiven. We recognized a \$3.7 million net gain from extinguishment of debt in connection with the refinancing. In July 2011, we repaid the new loan in full and recognized a \$187,000 charge from extinguishment at that time.

In June 2011, we repaid the remaining outstanding \$46.4 million of our senior notes when they matured.

In June 2011, we redeemed \$144 million in aggregate principal amount of our 10% senior notes using \$158 million of net proceeds of our recent equity offering. Under the terms of the indenture governing the redeemed notes, the redemption price was 110% of the principal amount of the redeemed notes, together with accrued and unpaid interest thereon to the redemption date. We recognized a \$27.4 million debt extinguishment charge related to the prepayment premium and the write-off of a *pro rata* portion of the related debt discount and deferred loan costs.

In July 2011, we repaid \$35.2 million in secured loans when we sold the mortgaged hotels.

In October 2011, we modified the term of a CMBS mortgage loan scheduled to mature in November 2011, extending its maturity for up to two years. The loan now bears an average interest rate at LIBOR plus 2.20% and is prepayable at any time, in whole or in part, with no penalty. In conjunction with the modification, we repaid \$20 million of the principal balance, reducing the outstanding balance to \$158 million at that time.

In 2010, we retired \$40.3 million of our senior notes due 2011 for \$1.6 million in excess of par.

Two loans (totaling \$32 million) matured in May 2010. The cash flows for the hotels that secured those loans did not cover debt service, and we stopped funding the shortfalls in December 2009. In 2010 we were unable to negotiate an acceptable debt modification or reduction that favored our stockholders, and we recorded a \$21.1 million impairment charge in discontinued operations. We transferred these hotels to the lenders in full satisfaction of the related debt, and recorded a \$15.2 million gain on extinguishment of debt in 2010.

In May 2010, we obtained a new \$212 million loan, secured by nine hotels, that matures in 2015. This loan bears interest at LIBOR (subject to a 3.0% floor) plus 5.1%. The proceeds were used to repay \$210 million in loans that were secured by 11 hotels and scheduled to mature in May 2010. The terms and interest rate of this financing are significantly more favorable than the refinanced debt, and we unencumbered two previously mortgaged hotels in the process.

In June 2010, we repaid \$177 million of secured debt scheduled to mature in 2012 for \$130 million, plus accrued interest, representing a 27% discount to the principal balance. This reduced our leverage substantially and unencumbered two hotels.

In November 2010, we incurred \$29 million of new debt secured by two hotels. This loan was repaid in 2011.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9. Debt — (continued)

Our senior notes require that we satisfy total leverage, secured leverage and interest coverage thresholds in order to: (i) incur additional indebtedness except to refinance maturing debt with replacement debt, as defined under our indentures; (ii) pay dividends in excess of the minimum distributions required to meet the REIT qualification test; (iii) repurchase capital stock; or (iv) merge. We currently exceed all minimum thresholds, other than for certain “restricted” payments. (Under the terms of our preferred stock, we are also prohibited from paying common dividends or repurchasing shares of common stock until our accrued preferred dividends are paid in full.) These notes are guaranteed by us, and payment of our 10% notes are secured by a pledge of the limited partner interests in FelCor LP owned by FelCor. In addition, our senior notes are secured by a combination of first lien mortgages and related security interests and/or negative pledges on up to 17 hotels, and pledges of equity interests in certain subsidiaries of FelCor LP.

At December 31, 2011, we had consolidated secured debt totaling \$1.6 billion, encumbering 58 of our consolidated hotels with a \$1.8 billion aggregate net book value. Except in the case of our Senior Notes, our mortgage debt is generally recourse solely to the specific assets securing the debt. However, a violation of any of the recourse carve-out provisions, including fraud, misapplication of funds and other customary recourse carve-out provisions, could cause this debt to become fully recourse to us. Much of our hotel mortgage debt allows us to substitute collateral under certain conditions and is prepayable subject (in some instances) to various prepayment, yield maintenance or defeasance obligations.

Much of our secured debt (other than our senior notes) includes lock-box arrangements under certain circumstances. We are permitted to spend an amount required to cover our budgeted hotel operating expenses, taxes, debt service, insurance and capital expenditure reserves even if revenues are flowing through a lock-box in cases where a specified debt service coverage ratio is not met. With the exception of loans secured by two hotels, all of our consolidated hotels subject to lock-box provisions currently exceed the applicable minimum debt service coverage ratios.

To fulfill requirements under certain loans, we owned interest rate caps with aggregate notional amounts of \$212.0 million and \$639.2 million as of December 31, 2011 and 2010, respectively. These interest rate caps were not designated as hedges and had insignificant fair values at both December 31, 2011 and 2010, resulting in no significant net earnings impact.

We reported interest income of \$240,000, \$360,000 and \$687,000 for the years ended December 31, 2011, 2010 and 2009, respectively, which is included in net interest expense. We capitalized interest of \$2.2 million, \$638,000 and \$767,000, for the years ended December 31, 2011, 2010 and 2009, respectively.

The early retirement of certain indebtedness in 2009 resulted in net charges related to debt extinguishment of \$1.7 million.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9. Debt — (continued)

Future scheduled principal payments on debt obligations at December 31, 2011, are as follows (in thousands):

<u>Year</u>	
2012	\$ 93,970
2013	138,569
2014	661,359
2015	200,824
2016	8,813
Thereafter	525,000
	<u>1,628,535</u>
Discount accretion over term	(32,069)
	<u>\$ 1,596,466</u>

10. Fair Value of Financial Instruments

Our estimates of the fair value of (i) accounts receivable, accounts payable and accrued expenses approximate carrying value due to the relatively short maturity of these instruments; and (ii) our publicly traded debt is based on observable market data, and our debt that is not traded publicly is based on estimated effective borrowing rates for debt with similar terms, loan to estimated fair value and remaining maturities. The estimated fair value of our debt was \$1.7 billion at December 31, 2011 and 2010 (with a carrying value of \$1.6 billion and \$1.5 billion at December 31, 2011 and 2010, respectively).

Disclosures about fair value of financial instruments are based on pertinent information available to management as of December 31, 2011. Considerable judgment is necessary to interpret market data and develop estimated fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts that we could realize on disposition of the financial instruments. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

11. Income Taxes

FelCor LP is a partnership for federal income tax purposes, and is not subject to federal income tax. However, under its partnership agreement, it is required to reimburse FelCor for any tax payments they are required to make. Accordingly, the tax information herein represents disclosures regarding FelCor and its taxable subsidiaries.

FelCor elected to be treated as a REIT under the federal income tax laws. As a REIT, FelCor generally is not subject to federal income taxation at the corporate level on taxable income that is distributed to its stockholders. FelCor may, however, be subject to certain state and local taxes on its income and property and to federal income and excise taxes on its undistributed taxable income. FelCor's taxable REIT subsidiaries, or TRSs, formed to lease its hotels are subject to federal, state and local income taxes. A REIT is subject to a number of organizational and operational requirements, including a requirement that it currently distribute at least 90% of its annual taxable income to its stockholders. If FelCor fails to qualify as a REIT in any taxable year for which the statute of limitations remains open, it will be subject to federal income taxes at regular corporate rates (including any applicable alternative minimum tax) for such taxable year and may not qualify as

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11. Income Taxes — (continued)

a REIT for four subsequent years. In connection with FelCor's election to be treated as a REIT, its charter imposes restrictions on the ownership and transfer of shares of its common stock. FelCor LP expects to make distributions on its units sufficient to enable FelCor to meet its distribution obligations as a REIT.

We account for income taxes using the asset and liability method, under which deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases.

The following table reconciles our TRS's GAAP net income (loss) to taxable income (loss) (in thousands):

	Year Ended December 31,		
	2011	2010	2009
GAAP consolidated net loss attributable to FelCor LP	\$ (130,543)	\$ (223,922)	\$ (108,794)
Loss allocated to FelCor LP unitholders	689	881	672
GAAP consolidated net loss attributable to FelCor	(129,854)	(223,041)	(108,122)
GAAP net loss from REIT operations	127,709	172,495	66,977
GAAP net loss of taxable subsidiaries	(2,145)	(50,546)	(41,145)
Impairment loss not deductible for tax	946	8,852	—
Tax gain (loss) in excess of book gains on sale of hotels	(7,841)	—	(1,821)
Depreciation and amortization ^(a)	1,389	(106)	(269)
Employee benefits not deductible for tax	(1,578)	3,534	(4,205)
Management fee recognition	(1,717)	916	4,828
Tax adjustment to lease expense ^(b)	—	40,572	11,769
Other book/tax differences	(552)	5,251	7,799
Tax income (loss) of taxable subsidiaries before utilization of net operating losses	(11,498)	8,473	(23,044)
Utilization of net operating loss	—	(8,473)	—
Net tax income (loss) of taxable subsidiaries	<u>\$ (11,498)</u>	<u>\$ —</u>	<u>\$ (23,044)</u>

- (a) The changes in book/tax differences in depreciation and amortization principally result from book and tax basis differences, differences in depreciable lives and accelerated depreciation methods.
- (b) In 2009 and 2010, we recorded a reduction in intercompany rent between our REIT entities and TRS entities for tax purposes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11. Income Taxes — (continued)

Our TRS had a deferred tax asset, on which we had a 100% valuation allowance, primarily comprised of the following (in thousands):

	December 31,	
	2011	2010
Accumulated net operating losses of our TRS	\$ 129,455	\$ 125,085
Tax property basis in excess of book	929	2,822
Accrued employee benefits not deductible for tax	760	984
Management fee recognition	1,415	2,093
Other	970	997
Gross deferred tax asset	133,529	131,981
Valuation allowance	(133,529)	(131,981)
Deferred tax asset after valuation allowance	\$ —	\$ —

We have provided a valuation allowance against our deferred tax asset at December 31, 2011 and 2010, that results in no net deferred tax asset at December 31, 2011 and 2010 due to the uncertainty of realization (because of historical operating losses). Accordingly, no provision or benefit for income taxes is reflected in the accompanying Consolidated Statements of Operations. At December 31, 2011, our TRS had net operating loss carryforwards for federal income tax purposes of \$340.7 million, which are available to offset future taxable income, if any, and do not begin to expire until 2022.

The following table reconciles REIT GAAP net income (loss) to taxable income (in thousands):

	Year Ended December 31,		
	2011	2010	2009
GAAP net loss from REIT operations	\$ (127,709)	\$ (172,495)	\$ (66,977)
Book/tax differences, net:			
Depreciation and amortization ^(a)	6,183	(17,645)	(11,608)
Noncontrolling interests	4,149	(882)	(222)
Equity in loss from unconsolidated entities	—	(35,386)	2,068
Tax gain (loss) on dispositions in excess of book	(30,502)	34,729	(26,922)
Impairment loss not deductible for tax	12,303	156,773	3,448
Liquidated damages	—	—	(1,000)
Tax adjustment to lease revenue ^(b)	—	(35,634)	(11,769)
Other	(1,974)	(6,452)	6,431
Taxable income (loss) subject to distribution requirement ^(c)	\$ (137,550)	\$ (76,992)	\$ (106,551)

- (a) Book/tax differences in depreciation and amortization principally result from differences in depreciable lives and accelerated depreciation methods.
- (b) For tax purposes, we recorded a reduction in intercompany rent between our REIT entities and TRS entities.
- (c) The dividend distribution requirement is 90% of taxable income.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11. Income Taxes — (continued)

At December 31, 2011, FelCor had net operating loss carryforwards for federal income tax purposes of \$336.7 million, which it expects to use to offset future distribution requirements.

For income tax purposes, dividends paid consist of ordinary income, capital gains, return of capital or a combination thereof. Dividends paid per share were characterized as follows (there were no distributions in 2010):

	2011		2010		2009	
	Amount	%	Amount	%	Amount	%
Preferred Stock – Series A						
Dividend income	\$ —	—	\$ —	—	\$ —	—
Return of capital	1.9500	100.00	—	—	0.4875	100.00
	<u>\$ 1.9500</u>	<u>100.00</u>	<u>\$ —</u>	<u>—</u>	<u>\$ 0.4875</u>	<u>100.00</u>
Preferred Stock – Series C						
Dividend income	\$ —	—	\$ —	—	\$ —	—
Return of capital	2.00	100.00	—	—	0.50	100.00
	<u>\$ 2.00</u>	<u>100.00</u>	<u>\$ —</u>	<u>—</u>	<u>\$ 0.50</u>	<u>100.00</u>

- (a) Fourth quarter 2008 preferred distributions were paid January 31, 2009, and were treated as 2009 distributions for tax purposes.
- (b) Fourth quarter 2010 preferred distributions were paid January 31, 2011, and were treated as 2011 distributions for tax purposes.

12. FelCor Capital Stock/FelCor LP Partners' Capital

FelCor, as FelCor LP's general partner, is obligated to contribute the net proceeds from any issuance of its equity securities to FelCor LP in exchange for units, corresponding in number and terms to the equity securities issued.

Preferred Stock/Units

FelCor's Board of Directors is authorized to provide for the issuance of up to 20 million shares of preferred stock in one or more series, to establish the number of shares in each series, to fix the designation, powers, preferences and rights of each such series, and the qualifications, limitations or restrictions thereof.

Our Series A preferred stock (or units) bears an annual cumulative dividend (or distribution) payable in arrears equal to the greater of \$1.95 per share (or unit) or the cash distributions declared or paid for the corresponding period on the number of shares of common stock (or units) into which the Series A preferred stock (or units) is then convertible. Each share (or unit) of the Series A preferred stock (or units) is convertible at the holder's option to 0.7752 shares of common stock (or units), subject to certain adjustments.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

12. FelCor Capital Stock/FelCor LP Partners' Capital — (continued)

Our 8% Series C Cumulative Redeemable preferred stock (or units), or Series C preferred stock (or units), bears an annual cumulative dividend (or distribution) of 8% of the liquidation preference (equivalent to \$2.00 per depositary share (or unit)). We may call the Series C preferred stock (or units) and the corresponding depositary shares (or units) at \$25 per depositary share (or unit). These shares (or units) have no stated maturity, sinking fund or mandatory redemption, and are not convertible into any of our other securities. The Series C preferred stock (or units) has a liquidation preference of \$2,500 per share (or unit) (equivalent to \$25 per depositary share, or unit).

Dividends/Distributions

In January 2011, FelCor reinstated its current quarterly preferred dividend and paid current quarterly preferred dividends in January, May, August and October 2011. Funds used by FelCor to pay common or preferred dividends are provided through distributions from FelCor LP. We are restricted from paying any common dividends unless and until all accrued and current preferred dividends are paid. FelCor's Board of Directors will determine whether and when to declare future dividends (including the accrued but unpaid preferred dividends) based upon various factors, including operating results, economic conditions, other operation trends, our financial condition and capital requirements, as well as minimum REIT distribution requirements. We had \$76.3 million of aggregate accrued dividends payable to holders of our Series A and Series C preferred stock at December 31, 2011 and 2010.

FelCor Common Stock Offerings

In April 2011, FelCor sold 27.6 million shares of its common stock at \$6.00 per share in a public offering. The net proceeds from the offering were \$158 million and were contributed to FelCor LP in exchange for a like number of common units. Net proceeds from this offering (after underwriting discounts and commissions) were used to redeem \$144 million of our 10% senior notes.

In June 2010, FelCor completed a public offering of 31.6 million shares of its common stock at \$5.50 per share. The net proceeds from the offering were \$166.3 million and were contributed to FelCor LP in exchange for a like number of common units. These proceeds together with cash on hand were used to repay \$177 million of secured debt for \$130 million (a 27% discount to par) and fund our acquisition of the Fairmont Copley Plaza in Boston.

13. Redeemable Noncontrolling Interests in FelCor LP / Redeemable Units

FelCor LP may issue limited partnership units to third parties in exchange for cash or property. We record these redeemable noncontrolling interests in FelCor LP, in the case of FelCor, and redeemable units, in the case of FelCor LP, in the mezzanine section (between liabilities and equity or partners' capital) of our consolidated balance sheets because of the redemption feature of these units. Additionally, FelCor's consolidated statements of operations separately present earnings attributable to redeemable noncontrolling interests. We adjust redeemable noncontrolling interests in FelCor LP (or redeemable units) each period to reflect the greater of its carrying value based on the accumulation of historical cost or its redemption value. The historical cost is based on the proportionate relationship between the carrying value of equity associated with FelCor's common stockholders relative to that of FelCor LP's unitholders. Redemption value is based on the closing price of FelCor's common stock at period end. FelCor allocates net income (loss) to FelCor LP's noncontrolling partners based on their weighted average ownership percentage during the period.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

13. Redeemable Noncontrolling Interests in FelCor LP / Redeemable Units – (continued)

In May 2011, FelCor LP issued 367,647 limited partner interest units at \$6.80 per unit. At December 31, 2011, we carried these units at \$2.2 million, which is the issue price less the holders' share of allocated losses for the period the units were outstanding. We carried the remaining 268,778 outstanding units of limited partner interest at \$820,000, based on the closing price of FelCor's common stock at December 31, 2011 (\$3.05/share).

Changes in redeemable noncontrolling interests (or redeemable units) are shown below (in thousands):

	Year Ended December 31,	
	2011	2010
Balance at beginning of period	\$ 2,004	\$ 1,062
Issuance of units	2,500	—
Conversion of units	(97)	—
Redemption value allocation	(685)	1,815
Comprehensive loss:		
Foreign exchange translation	(7)	8
Net loss	(689)	(881)
Balance at end of period	<u>\$ 3,026</u>	<u>\$ 2,004</u>

14. Hotel Operating Revenue, Departmental Expenses and Other Property Operating Costs

Hotel operating revenue from continuing operations was comprised of the following (in thousands):

	Year Ended December 31,		
	2011	2010	2009
Room revenue	\$ 737,298	\$ 670,939	\$ 634,068
Food and beverage revenue	151,799	134,893	122,265
Other operating departments	53,946	54,003	52,822
Total hotel operating revenue	<u>\$ 943,043</u>	<u>\$ 859,835</u>	<u>\$ 809,155</u>

Nearly 100% of our revenue in all periods presented was comprised of hotel operating revenues, which includes room revenue, food and beverage revenue, and revenue from other operating departments (such as telephone, parking and business centers). These revenues are recorded net of any sales or occupancy taxes collected from our guests. All rebates or discounts are recorded, when allowed, as a reduction in revenue, and there are no material contingent obligations with respect to rebates or discounts offered by us. All revenues are recorded on an accrual basis, as earned. Appropriate allowances are made for doubtful accounts and are recorded as a bad debt expense. The remainder of our revenue was from condominium management fee income and other sources.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

14. **Hotel Operating Revenue, Departmental Expenses and Other Property Operating Costs — (continued)**

Hotel departmental expenses from continuing operations were comprised of the following (in thousands):

	Year Ended December 31,		
	2011	2010	2009
Room	\$ 199,464	\$ 180,644	\$ 167,598
Food and beverage	121,151	106,653	98,769
Other operating departments	25,092	24,488	24,191
Total hotel departmental expenses	<u>\$ 345,707</u>	<u>\$ 311,785</u>	<u>\$ 290,558</u>

Other property operating costs from continuing operations were comprised of the following (in thousands):

	Year Ended December 31,		
	2011	2010	2009
Hotel general and administrative expense	\$ 87,908	\$ 79,545	\$ 73,572
Marketing	80,367	73,058	67,034
Repair and maintenance	50,396	46,559	44,188
Utilities	47,123	44,898	44,484
Total other property operating costs	<u>\$ 265,794</u>	<u>\$ 244,060</u>	<u>\$ 229,278</u>

Hotel departmental expenses and other property operating costs include hotel compensation and benefit expenses of \$303.3 million, \$272.8 million, and \$254.7 million for the year ended December 31, 2011, 2010 and 2009, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

15. Taxes, Insurance and Lease Expenses

Taxes, insurance and lease expenses from continuing operations were comprised of the following (in thousands):

	Year Ended December 31,		
	2011	2010	2009
Hotel lease expense ^(a)	\$ 38,759	\$ 36,327	\$ 34,187
Land lease expense ^(b)	10,762	10,210	9,507
Real estate and other taxes	31,930	30,170	29,515
Property insurance, general liability insurance and other	9,561	11,620	11,424
Total taxes, insurance and lease expense	\$ 91,012	\$ 88,327	\$ 84,633

- (a) Hotel lease expense is recorded by the consolidated operating lessees of 12 hotels owned by unconsolidated entities, and is partially (generally 49%) offset through noncontrolling interests in other partnerships. Our 50% share of the corresponding lease income is recorded through equity in income from unconsolidated entities. Hotel lease expense includes percentage rent of \$17.3 million, \$15.0 million and \$13.0 million for the year ended December 31, 2011, 2010, and 2009, respectively.
- (b) Land lease expense includes percentage rent of \$4.7 million, \$4.2 million and \$3.6 million for the year ended December 31, 2011, 2010, and 2009, respectively.

16. Land Leases and Hotel Rent

We lease land occupied by certain hotels from third parties under various operating leases that expire through 2101. Certain land leases contain contingent rent features based on gross revenue at the respective hotels. In addition, we recognize rent expense for 12 hotels that are owned by unconsolidated entities and are leased to our consolidated lessees. These leases expire in 2012 and require the payment of base rents and contingent rent based on revenues at the respective hotels. Future minimum lease payments under our land lease obligations and hotel leases at December 31, 2011, were as follows (in thousands):

Year	
2012	\$ 27,549
2013	5,753
2014	5,761
2015	5,789
2016	5,777
2017 and thereafter	270,523
	\$ 321,152

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

17. Loss Per Share/Unit

The following tables set forth the computation of basic and diluted income (loss) per share/unit (in thousands, except per share/unit data):

FelCor Loss Per Share

	Year Ended December 31,		
	2011	2010	2009
Numerator:			
Net loss attributable to FelCor	\$ (129,854)	\$ (223,041)	\$ (108,122)
Discontinued operations attributable to FelCor	(2,877)	51,303	12,725
Loss from continuing operations attributable to FelCor	(132,731)	(171,738)	(95,397)
Less: Preferred dividends	(38,713)	(38,713)	(38,713)
Loss from continuing operations attributable to FelCor common stockholders	(171,444)	(210,451)	(134,110)
Discontinued operations attributable to FelCor	2,877	(51,303)	(12,725)
Numerator for basic and diluted loss attributable to FelCor common stockholders	<u>\$ (168,567)</u>	<u>\$ (261,754)</u>	<u>\$ (146,835)</u>
Denominator:			
Denominator for basic and diluted loss per share	<u>117,068</u>	<u>80,611</u>	<u>63,114</u>
Basic and diluted loss per share data:			
Loss from continuing operations	<u>\$ (1.46)</u>	<u>\$ (2.61)</u>	<u>\$ (2.12)</u>
Discontinued operations	<u>\$ 0.02</u>	<u>\$ (0.64)</u>	<u>\$ (0.20)</u>
Net loss	<u>\$ (1.44)</u>	<u>\$ (3.25)</u>	<u>\$ (2.33)</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

17. Loss Per Share/Unit — (continued)

FelCor LP Loss Per Unit

The following table sets forth the computation of basic and diluted earnings (loss) per unit (in thousands, except per unit data):

	Year Ended December 31,		
	2011	2010	2009
Numerator:			
Net loss attributable to FelCor LP	\$ (130,543)	\$ (223,922)	\$ (108,794)
Discontinued operations attributable to FelCor LP	(2,884)	51,498	12,783
Loss from continuing operations attributable to FelCor LP	(133,427)	(172,424)	(96,011)
Less: Preferred distributions	(38,713)	(38,713)	(38,713)
Loss from continuing operations attributable to FelCor LP common unitholders	(172,140)	(211,137)	(134,724)
Discontinued operations attributable to FelCor LP	2,884	(51,498)	(12,783)
Numerator for basic and diluted loss attributable to FelCor LP common unitholders	<u>\$ (169,256)</u>	<u>\$ (262,635)</u>	<u>\$ (147,507)</u>
Denominator:			
Denominator for basic and diluted loss per unit	<u>117,567</u>	<u>80,905</u>	<u>63,410</u>
Basic and diluted loss per unit data:			
Loss from continuing operations	<u>\$ (1.46)</u>	<u>\$ (2.61)</u>	<u>\$ (2.12)</u>
Discontinued operations	<u>\$ 0.02</u>	<u>\$ (0.64)</u>	<u>\$ (0.20)</u>
Net loss	<u>\$ (1.44)</u>	<u>\$ (3.25)</u>	<u>\$ (2.33)</u>

Securities that could potentially dilute basic loss per share/unit in the future that were not included in computation of diluted loss per share/unit, because they would have been antidilutive for the periods presented, are as follows (unaudited, in thousands):

	2011	2010	2009
Series A convertible preferred shares/units	<u>9,985</u>	<u>9,985</u>	<u>9,985</u>

Series A preferred dividends (or distributions) that would be excluded from net income (loss) available to FelCor common stockholders (or FelCor LP common unitholders), if the Series A preferred shares/units were dilutive, were \$25.1 million for all periods presented.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

18. Commitments, Contingencies and Related Party Transactions

Until mid-2010 we shared the executive offices and certain employees with TCOR Holdings, LLC (controlled by Thomas J. Corcoran, Jr., Chairman of our Board of Directors), and TCOR Holdings, LLC paid its share of the costs thereof, including an allocated portion of the rent, compensation of certain personnel, office supplies, telephones, and depreciation of office furniture, fixtures, and equipment. All allocations of shared expenses were approved by a majority of our independent directors. TCOR Holdings, LLC paid approximately \$19,000 and \$42,000 for shared office costs in 2010 and 2009, respectively. We do not currently share any costs with TCOR Holdings, LLC.

Our property insurance has a \$100,000 "all-risk" deductible, a 5% deductible (insured value) for named windstorm coverage and for California earthquake coverage. Substantial uninsured or not fully-insured losses would have a material adverse impact on our operating results, cash flows and financial condition. Catastrophic losses, such as the losses caused by hurricanes in 2005, could make the cost of insuring against these types of losses prohibitively expensive or difficult to find. In an effort to limit the cost of insurance, we purchase catastrophic insurance coverage based on probable maximum losses based on 250-year events and have only purchased terrorism insurance to the extent required by our lenders. We have established a self-insured retention of \$250,000 per occurrence for general liability insurance with regard to 50 of our hotels. The remainder of our hotels participate in general liability programs sponsored by our managers, with no deductible.

There is no litigation pending or known to be threatened against us or affecting any of our hotels, other than claims arising in the ordinary course of business or which are not considered to be material. Furthermore, most of these claims are substantially covered by insurance. We do not believe that any claims known to us, individually or in the aggregate, will have a material adverse effect on us.

Our hotels are operated under various management agreements that call for minimum base management fees, which generally range from 1 – 3% of total revenue, with the exception of our IHG-managed hotels, whose base management fees are 2% of total revenue plus 5% of room revenue. Most of our management agreements also allow for incentive management fees that are subordinated to our return on investment and are generally capped at 2 – 3% of total revenue. In addition, the management agreements generally require us to invest approximately 3 – 5% of revenues for capital expenditures. The management agreements have terms from 5 to 20 years and generally have renewal options.

The management agreements governing the operations of 35 of our Consolidated Hotels contain the right and license to operate the hotel under the specified brands. The remaining 40 Consolidated Hotels operate under franchise or license agreements that are separate from our management agreements. Typically, our franchise or license agreements provide for a license fee or royalty of 4% to 5% of room revenues. In the event we breach one of these agreements, in addition to losing the right to use the brand name for the operation of the applicable hotel, we may be liable, under certain circumstances, for liquidated damages equal to the fees paid to the franchisor with respect to that hotel during the three preceding years.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

19. Supplemental Cash Flow Disclosure

In 2011 and 2010, we allocated \$97,000 and \$185,000, respectively, of noncontrolling interests to additional paid-in capital with regard to the exchange of 15,947 and 10,235 Units, respectively, for common stock.

Depreciation and amortization expense is comprised of the following (in thousands):

	Year Ended December 31,		
	2011	2010	2009
Depreciation and amortization from continuing operations	\$ 133,119	\$ 133,393	\$ 131,555
Depreciation and amortization from discontinued operations	5,773	14,270	18,533
Total depreciation and amortization expense	\$ 138,892	\$ 147,663	\$ 150,088

In the fourth quarter of 2011, we assumed a \$64.9 million loan related to our Knickerbocker development project, which is fully secured by restricted cash. We recorded this transaction as an increase in debt and a corresponding increase in restricted cash. By assuming the existing loan when we purchased the building, we were not required to pay any local mortgage recording tax. When that loan is transferred to a new lender and made part of our construction loan, we expect to only pay such tax to the extent of the incremental principal amount of the construction loan.

For the year ended December 31, 2011, our repayment of borrowings consisted of debt retirement of \$983.4 million, payments on our line of credit of \$145 million and normal recurring principal payments of \$7.4 million.

For the year ended December 31, 2010, our repayment of borrowings consisted of debt retirement of \$387.8 million and normal recurring principal payments of \$13.2 million.

20. FelCor Stock Based Compensation Plans

FelCor sponsors one restricted stock and stock option plan, or the Plan. FelCor is authorized to issue up to 6,000,000 shares of common stock under the Plan pursuant to awards granted in the form of incentive stock options, non-qualified stock options, and restricted stock. Stock grants vest either over three to five years in equal annual installments or over a four year schedule, subject to time-based and performance-based vesting. There were 3,287,856 shares available for grant under the Plan at December 31, 2011.

FelCor Stock Options

A summary of the status of FelCor's non-qualified stock options granted as of December 31, 2011, 2010 and 2009, and the changes during these years, is presented in the following table:

	2011		2010		2009	
	Shares of Underlying Options	Weighted Average Exercise Prices	Shares of Underlying Options	Weighted Average Exercise Prices	Shares of Underlying Options	Weighted Average Exercise Prices
Outstanding at beginning of the year	15,000	\$ 15.62	40,000	\$ 18.05	40,000	\$ 18.05
Forfeited or expired	(15,000)	\$ 15.62	(25,000)	\$ 19.50	—	\$ —
Outstanding at end of year	—	\$ —	15,000	\$ 15.62	40,000	\$ 18.05
Exercisable at end of year	—	\$ —	15,000	\$ 15.62	40,000	\$ 18.05

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

20. FelCor Stock Based Compensation Plans — (continued)

FelCor Restricted Stock

A summary of the status of FelCor's restricted stock grants as of December 31, 2011, 2010 and 2009, and the changes during these years is presented below:

	2011		2010		2009	
	Shares	Weighted Average Fair Market Value at Grant	Shares	Weighted Average Fair Market Value at Grant	Shares	Weighted Average Fair Market Value at Grant
Outstanding at beginning of the year	4,200,089	\$ 10.69	4,255,187	\$ 10.90	2,829,330	\$ 15.20
Granted:						
With immediate vesting ^(a)	95,000	\$ 5.85	16,166	\$ 4.21	16,000	\$ 1.01
With 3-year <i>pro rata</i> vesting	—	\$ —	—	\$ —	1,444,810	\$ 2.64
Forfeited	(4,771)	\$ 12.20	(71,264)	\$ 21.71	(34,953)	\$ 12.52
Outstanding at end of year	4,290,318	\$ 10.58	4,200,089	\$ 10.69	4,255,187	\$ 10.90
Vested at end of year	(3,632,564)	\$ 11.54	(2,645,272)	\$ 13.00	(1,774,839)	\$ 14.06
Unvested at end of year	657,754	\$ 5.30	1,554,817	\$ 6.76	2,480,348	\$ 8.65

(a) Shares awarded to directors.

The unearned compensation cost of FelCor's granted but unvested restricted stock as of December 31, 2011 was \$1.7 million. The weighted average period over which this cost is to be amortized is approximately one year.

21. Employee Benefits

FelCor offers a 401(k) retirement savings plan and health insurance benefits to its employees. FelCor's matching contribution to its 401(k) plan totaled \$1.0 million during 2011, \$1.0 million during 2010 and \$900,000 for 2009. Health insurance benefits cost \$1.1 million during 2011, \$900,000 during 2010 and \$800,000 during 2009.

FelCor LP has no employees, and FelCor, as FelCor LP's sole general partner, performs FelCor LP's management functions.

The employees at our hotels are employees of the respective management companies. Under the management agreements, we reimburse the management companies for the compensation and benefits related to the employees who work at our hotels. We are not, however, the sponsors of their employee benefit plans and have no obligation to fund these plans.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

22. Segment Information

We have determined that our business is conducted in one operating segment because of the similar economic characteristics of our hotels.

The following table sets forth revenues from continuing operations and investment in hotel assets represented by the following geographical areas (in thousands):

	Revenue For the Year Ended December 31,			Investment in Hotel Assets as of December 31,		
	2011	2010	2009	2011	2010	2009
California	\$ 239,528	\$ 224,155	\$ 211,124	\$ 496,426	\$ 505,753	\$ 527,345
Florida	142,039	136,506	138,709	318,430	348,823	405,479
Texas	82,075	79,469	77,632	128,749	175,483	203,841
Georgia	50,439	51,734	48,930	105,526	109,677	126,118
Other states	416,311	356,412	323,023	886,127	795,596	859,852
Canada	15,600	14,733	12,580	18,537	50,447	57,759
Total	<u>\$ 945,992</u>	<u>\$ 863,009</u>	<u>\$ 811,998</u>	<u>\$ 1,953,795</u>	<u>\$ 1,985,779</u>	<u>\$ 2,180,394</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

23. Quarterly Operating Results (unaudited)

Our unaudited consolidated quarterly operating data for the years ended December 31, 2011 and 2010 follows (in thousands, except per share/unit data). In the opinion of management, all adjustments (consisting of normal recurring accruals) necessary for a fair presentation of quarterly results have been reflected in the data. It is also management's opinion, however, that quarterly operating data for hotel enterprises are not indicative of results to be achieved in succeeding quarters or years. In order to obtain a more accurate indication of performance, there should be a review of operating results, changes in stockholders' equity (or partners' capital) and cash flows for a period of several years.

FelCor

2011	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Total revenues	\$ 220,350	\$ 251,531	\$ 241,417	\$ 232,694
Loss from continuing operations	\$ (33,683)	\$ (44,872)	\$ (23,898)	\$ (31,313)
Discontinued operations	\$ 1,957	\$ 2,475	\$ 522	\$ (2,083)
Net loss attributable to FelCor	\$ (31,664)	\$ (42,265)	\$ (22,832)	\$ (33,093)
Net loss attributable to FelCor common stockholders	\$ (41,342)	\$ (51,943)	\$ (32,510)	\$ (42,772)
Comprehensive loss attributable to FelCor	\$ (30,376)	\$ (42,079)	\$ (26,349)	\$ (31,769)
Basic and diluted per common share data:				
Net loss from continuing operations	\$ (0.45)	\$ (0.44)	\$ (0.27)	\$ (0.33)
Discontinued operations	\$ 0.02	\$ 0.02	\$ —	\$ (0.02)
Net loss	\$ (0.43)	\$ (0.42)	\$ (0.26)	\$ (0.35)
Basic weighted average common shares outstanding	95,350	122,992	123,062	123,906
Diluted weighted average common shares outstanding	95,350	122,992	123,062	123,906
2010	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Total revenues	\$ 203,689	\$ 222,924	\$ 220,416	\$ 215,980
Income (loss) from continuing operations	\$ (38,326)	\$ 22,679	\$ (53,682)	\$ (104,093)
Discontinued operations	\$ (24,616)	\$ (689)	\$ (35,598)	\$ 8,488
Net income (loss) attributable to FelCor	\$ (62,388)	\$ 21,614	\$ (88,810)	\$ (93,457)
Net income (loss) attributable to FelCor common stockholders	\$ (72,066)	\$ 11,936	\$ (98,488)	\$ (103,136)
Comprehensive income (loss) attributable to FelCor	\$ (60,318)	\$ 18,895	\$ (86,889)	\$ (91,800)
Basic and diluted per common share data:				
Net income (loss) from continuing operations	\$ (0.75)	\$ 0.18	\$ (0.66)	\$ (1.18)
Discontinued operations	\$ (0.39)	\$ (0.01)	\$ (0.37)	\$ 0.10
Net income (loss)	\$ (1.14)	\$ 0.17	\$ (1.04)	\$ (1.08)
Basic weighted average common shares outstanding	63,475	66,531	95,034	95,490
Diluted weighted average common shares outstanding	63,475	66,531	95,034	95,490

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

23. Quarterly Operating Results (unaudited) – (continued)

FelCor LP

2011	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Total revenues	\$ 220,350	\$ 251,531	\$ 241,417	\$ 232,694
Loss from continuing operations	\$ (33,683)	\$ (44,872)	\$ (23,898)	\$ (31,313)
Discontinued operations	\$ 1,957	\$ 2,475	\$ 522	\$ (2,083)
Net loss attributable to FelCor LP	\$ (31,784)	\$ (42,448)	\$ (22,998)	\$ (33,313)
Net loss attributable to FelCor LP common unitholders	\$ (41,462)	\$ (52,126)	\$ (32,676)	\$ (42,992)
Comprehensive loss attributable to FelCor LP	\$ (30,492)	\$ (42,262)	\$ (26,533)	\$ (31,982)
Basic and diluted per common unit data:				
Net loss from continuing operations	\$ (0.45)	\$ (0.44)	\$ (0.27)	\$ (0.33)
Discontinued operations	\$ 0.02	\$ 0.02	\$ —	\$ (0.02)
Net loss	\$ (0.43)	\$ (0.42)	\$ (0.26)	\$ (0.35)
Basic weighted average common units outstanding	95,635	123,425	123,700	124,542
Diluted weighted average common units outstanding	95,635	123,425	123,700	124,542

2010	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Total revenues	\$ 203,689	\$ 222,924	\$ 220,416	\$ 215,980
Income (loss) from continuing operations	\$ (38,326)	\$ 22,679	\$ (53,682)	\$ (104,093)
Discontinued operations	\$ (24,616)	\$ (689)	\$ (35,598)	\$ 8,488
Net income (loss) attributable to FelCor LP	\$ (62,713)	\$ 21,665	\$ (89,107)	\$ (93,767)
Net income (loss) attributable to FelCor LP common unitholders	\$ (72,391)	\$ 11,987	\$ (98,785)	\$ (103,446)
Comprehensive income (loss) attributable to FelCor LP	\$ (60,634)	\$ 18,934	\$ (87,180)	\$ (92,105)
Basic and diluted per common unit data:				
Net income (loss) from continuing operations	\$ (0.75)	\$ 0.18	\$ (0.66)	\$ (1.18)
Discontinued operations	\$ (0.39)	\$ (0.01)	\$ (0.37)	\$ 0.10
Net income (loss)	\$ (1.14)	\$ 0.17	\$ (1.04)	\$ (1.08)
Basic weighted average common units outstanding	63,770	66,826	95,329	95,780
Diluted weighted average common units outstanding	63,770	66,826	95,329	95,780

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

24. FelCor LP's Consolidating Financial Information

Certain of FelCor LP's 100% subsidiaries (FelCor/CSS Holdings, L.P.; FelCor Lodging Holding Company, L.L.C.; FelCor TRS Borrower 1, L.P.; FelCor TRS Borrower 4, L.L.C.; FelCor TRS Holdings, L.L.C.; FelCor Canada Co.; FelCor/St. Paul Holdings, L.P.; FelCor Hotel Asset Company, L.L.C.; FelCor Copley Plaza, L.L.C.; FelCor St. Pete (SPE), L.L.C.; FelCor Esmeralda (SPE), L.L.C.; Los Angeles International Airport Hotel Associates, a Texas L.P.; Madison 237 Hotel, L.L.C.; and Royalton 44 Hotel, L.L.C., collectively, "Subsidiary Guarantors"), together with FelCor, guarantee, fully and unconditionally, and jointly and severally, our senior debt. The following tables present consolidating information for the Subsidiary Guarantors.

FELCOR LODGING LIMITED PARTNERSHIP
CONSOLIDATING BALANCE SHEET
December 31, 2011
(in thousands)

	FelCor LP	Subsidiary Guarantors	Non-Guarantor Subsidiaries	Eliminations	Total Consolidated
Net investment in hotels	\$ 67,828	\$ 805,280	\$ 1,080,687	\$ —	\$ 1,953,795
Hotel development	—	—	120,163	—	120,163
Equity investment in consolidated entities	1,478,347	—	—	(1,478,347)	—
Investment in unconsolidated entities	56,492	12,063	1,447	—	70,002
Cash and cash equivalents	23,503	67,001	3,254	—	93,758
Restricted cash	—	11,514	72,726	—	84,240
Accounts receivable, net	540	26,357	238	—	27,135
Deferred expenses, net	24,101	—	5,671	—	29,772
Other assets	8,507	10,817	5,039	—	24,363
Total assets	\$ 1,659,318	\$ 933,032	\$ 1,289,225	\$ (1,478,347)	\$ 2,403,228
Debt	\$ 984,931	\$ —	\$ 611,535	\$ —	\$ 1,596,466
Distributions payable	76,293	—	—	—	76,293
Accrued expenses and other liabilities	33,530	98,127	8,891	—	140,548
Total liabilities	1,094,754	98,127	620,426	—	1,813,307
Redeemable units, at redemption value	3,026	—	—	—	3,026
Preferred units	478,774	—	—	—	478,774
Common units	82,764	810,554	641,945	(1,478,347)	56,916
Accumulated other comprehensive income	—	25,848	—	—	25,848
Total FelCor LP partners' capital	561,538	836,402	641,945	(1,478,347)	561,538
Noncontrolling interests	—	(1,497)	26,854	—	25,357
Total partners' capital	561,538	834,905	668,799	(1,478,347)	586,895
Total liabilities and partners' capital	\$ 1,659,318	\$ 933,032	\$ 1,289,225	\$ (1,478,347)	\$ 2,403,228

FELCOR LODGING TRUST INCORPORATED AND FELCOR LODGING LIMITED PARTNERSHIP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

24. FelCor LP's Consolidating Financial Information — (continued)

FELCOR LODGING LIMITED PARTNERSHIP

CONSOLIDATING BALANCE SHEET

December 31, 2010

(in thousands)

	FelCor LP	Subsidiary Guarantors	Non-Guarantor Subsidiaries	Eliminations	Total Consolidated
Net investment in hotels	\$ 76,763	\$ 720,093	\$ 1,188,923	\$ —	\$ 1,985,779
Equity investment in consolidated entities	1,025,818	—	—	(1,025,818)	—
Investment in unconsolidated entities	61,833	12,594	1,493	—	75,920
Cash and cash equivalents	155,350	43,647	1,975	—	200,972
Restricted cash	—	6,347	10,355	—	16,702
Accounts receivable, net	642	27,190	19	—	27,851
Deferred expenses, net	11,366	—	8,574	—	19,940
Other assets	7,112	20,325	4,834	—	32,271
Total assets	\$ 1,338,884	\$ 830,196	\$ 1,216,173	\$ (1,025,818)	\$ 2,359,435
Debt	\$ 658,168	\$ —	\$ 890,141	\$ —	\$ 1,548,309
Distributions payable	76,293	—	—	—	76,293
Accrued expenses and other liabilities	33,836	100,007	10,608	—	144,451
Total liabilities	768,297	100,007	900,749	—	1,769,053
Redeemable units, at redemption value	2,004	—	—	—	2,004
Preferred units	478,774	—	—	—	478,774
Common units	89,809	704,117	295,127	(1,025,818)	63,235
Accumulated other comprehensive income	—	26,574	—	—	26,574
Total FelCor LP partners' capital	568,583	730,691	295,127	(1,025,818)	568,583
Noncontrolling interests	—	(502)	20,297	—	19,795
Total partners' capital	568,583	730,189	315,424	(1,025,818)	588,378
Total liabilities and partners' capital	\$ 1,338,884	\$ 830,196	\$ 1,216,173	\$ (1,025,818)	\$ 2,359,435

FELCOR LODGING TRUST INCORPORATED AND FELCOR LODGING LIMITED PARTNERSHIP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

24. FelCor LP's Consolidating Financial Information — (continued)

FELCOR LODGING LIMITED PARTNERSHIP

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS

For the Year Ended December 31, 2011

(in thousands)

	FelCor LP	Subsidiary Guarantors	Non-Guarantor Subsidiaries	Eliminations	Total Consolidated
Revenues:					
Hotel operating revenue	\$ —	\$ 943,043	\$ —	\$ —	\$ 943,043
Percentage lease revenue	4,787	—	138,611	(143,398)	—
Other revenue	10	2,593	346	—	2,949
Total revenue	<u>4,797</u>	<u>945,636</u>	<u>138,957</u>	<u>(143,398)</u>	<u>945,992</u>
Expenses:					
Hotel operating expenses	—	654,656	—	—	654,656
Taxes, insurance and lease expense	1,593	209,372	23,445	(143,398)	91,012
Corporate expenses	291	15,394	13,395	—	29,080
Depreciation and amortization	4,590	46,938	81,591	—	133,119
Impairment loss	—	4,315	2,688	—	7,003
Other expenses	122	3,674	221	—	4,017
Total operating expenses	<u>6,596</u>	<u>934,349</u>	<u>121,340</u>	<u>(143,398)</u>	<u>918,887</u>
Operating income	(1,799)	11,287	17,617	—	27,105
Interest expense, net	(90,622)	(2,433)	(41,846)	—	(134,901)
Debt extinguishment	(27,354)	—	3,172	—	(24,182)
Gain on involuntary conversion	(21)	316	(15)	—	280
Loss before equity in loss from unconsolidated entities and noncontrolling interests	(119,796)	9,170	(21,072)	—	(131,698)
Equity in loss from consolidated entities	(10,098)	—	—	10,098	—
Equity in loss from unconsolidated entities	(1,591)	(431)	(46)	—	(2,068)
Loss from continuing operations	<u>(131,485)</u>	<u>8,739</u>	<u>(21,118)</u>	<u>10,098</u>	<u>(133,766)</u>
Discontinued operations	942	(6,827)	8,756	—	2,871
Net loss	<u>(130,543)</u>	<u>1,912</u>	<u>(12,362)</u>	<u>10,098</u>	<u>(130,895)</u>
Net loss attributable to noncontrolling interests	—	367	(15)	—	352
Net loss attributable to FelCor LP	<u>(130,543)</u>	<u>2,279</u>	<u>(12,377)</u>	<u>10,098</u>	<u>(130,543)</u>
Preferred distributions	(38,713)	—	—	—	(38,713)
Net loss attributable to FelCor LP unitholders	<u>\$ (169,256)</u>	<u>\$ 2,279</u>	<u>\$ (12,377)</u>	<u>\$ 10,098</u>	<u>\$ (169,256)</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

24. Consolidating Financial Information — (continued)

FELCOR LODGING LIMITED PARTNERSHIP

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS

For the Year Ended December 31, 2010

(in thousands)

	FelCor LP	Subsidiary Guarantors	Non-Guarantor Subsidiaries	Eliminations	Total Consolidated
Revenues:					
Hotel operating revenue	\$ —	\$ 859,835	\$ —	\$ —	\$ 859,835
Percentage lease revenue	8,454	—	166,948	(175,402)	—
Other revenue	4	2,846	324	—	3,174
Total revenue	<u>8,458</u>	<u>862,681</u>	<u>167,272</u>	<u>(175,402)</u>	<u>863,009</u>
Expenses:					
Hotel operating expenses	—	595,999	—	—	595,999
Taxes, insurance and lease expense	1,313	238,954	23,462	(175,402)	88,327
Corporate expenses	797	16,299	13,651	—	30,747
Depreciation and amortization	5,769	42,546	85,078	—	133,393
Impairment loss	—	22,994	83,427	—	106,421
Other expenses	17	3,678	(415)	—	3,280
Total operating expenses	<u>7,896</u>	<u>920,470</u>	<u>205,203</u>	<u>(175,402)</u>	<u>958,167</u>
Operating loss	562	(57,789)	(37,931)	—	(95,158)
Interest expense, net	(81,494)	(4,770)	(53,229)	—	(139,493)
Debt extinguishment	(1,658)	46,436	(465)	—	44,313
Loss before equity in income from unconsolidated entities and noncontrolling interests	(82,590)	(16,123)	(91,625)	—	(190,338)
Equity in loss from consolidated entities	(152,326)	—	—	152,326	—
Equity in income from unconsolidated entities	17,218	(618)	316	—	16,916
Loss from continuing operations	(217,698)	(16,741)	(91,309)	152,326	(173,422)
Discontinued operations	(6,224)	(9,918)	(36,273)	—	(52,415)
Net loss	(223,922)	(26,659)	(127,582)	152,326	(225,837)
Net loss attributable to noncontrolling interests	—	1,134	781	—	1,915
Net loss attributable to FelCor LP	(223,922)	(25,525)	(126,801)	152,326	(223,922)
Preferred distributions	(38,713)	—	—	—	(38,713)
Net loss attributable to FelCor LP unitholders	<u>\$ (262,635)</u>	<u>\$ (25,525)</u>	<u>\$ (126,801)</u>	<u>\$ 152,326</u>	<u>\$ (262,635)</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

24. Consolidating Financial Information — (continued)

FELCOR LODGING LIMITED PARTNERSHIP

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS

For the Year Ended December 31, 2009

(in thousands)

	FelCor LP	Subsidiary Guarantors	Non-Guarantor Subsidiaries	Eliminations	Total Consolidated
Revenues:					
Hotel operating revenue	\$ —	\$ 809,155	\$ —	\$ —	\$ 809,155
Percentage lease revenue	12,227	—	140,762	(152,989)	—
Other revenue	6	2,535	302	—	2,843
Total revenue	<u>12,233</u>	<u>811,690</u>	<u>141,064</u>	<u>(152,989)</u>	<u>811,998</u>
Expenses:					
Hotel operating expenses	—	558,509	—	—	558,509
Taxes, insurance and lease expense	2,125	212,969	22,528	(152,989)	84,633
Corporate expenses	772	13,906	9,538	—	24,216
Depreciation and amortization	7,956	45,875	77,724	—	131,555
Other expenses	95	3,775	137	—	4,007
Total operating expenses	<u>10,948</u>	<u>835,034</u>	<u>109,927</u>	<u>(152,989)</u>	<u>802,920</u>
Operating income	1,285	(23,344)	31,137	—	9,078
Interest expense, net	(43,507)	(12,555)	(43,512)	—	(99,574)
Debt extinguishment	(1,721)	—	—	—	(1,721)
Gain on sale of assets	—	—	723	—	723
Loss before equity in loss from unconsolidated entities and noncontrolling interests	(43,943)	(35,899)	(11,652)	—	(91,494)
Equity in loss from consolidated entities	(62,653)	—	—	62,653	—
Equity in loss from unconsolidated entities	(1,899)	(755)	(2,160)	—	(4,814)
Loss from continuing operations	(108,495)	(36,654)	(13,812)	62,653	(96,308)
Discontinued operations	(299)	(9,767)	(2,717)	—	(12,783)
Net loss	<u>(108,794)</u>	<u>(46,421)</u>	<u>(16,529)</u>	<u>62,653</u>	<u>(109,091)</u>
Net (income) loss attributable to noncontrolling interests	—	(180)	477	—	297
Net loss attributable to FelCor LP	(108,794)	(46,601)	(16,052)	62,653	(108,794)
Preferred distributions	(38,713)	—	—	—	(38,713)
Net loss attributable to FelCor LP unitholders	<u>\$ (147,507)</u>	<u>\$ (46,601)</u>	<u>\$ (16,052)</u>	<u>\$ 62,653</u>	<u>\$ (147,507)</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

24. Consolidating Financial Information — (continued)

FELCOR LODGING LIMITED PARTNERSHIP

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2011

(in thousands)

	FelCor LP	Subsidiary Guarantors	Non-Guarantor Subsidiaries	Total Consolidated
Cash flows from (used in) operating activities	\$ (84,542)	\$ 57,413	\$ 72,994	\$ 45,865
Cash flows from (used in) investing activities	11,009	(143,371)	(80,058)	(212,420)
Cash flows from (used in) financing activities	(58,314)	109,378	8,343	59,407
Effect of exchange rates changes on cash	—	(66)	—	(66)
Change in cash and cash equivalents	(131,847)	23,354	1,279	(107,214)
Cash and cash equivalents at beginning of period	155,350	43,647	1,975	200,972
Cash and equivalents at end of period	\$ 23,503	\$ 67,001	\$ 3,254	\$ 93,758

FELCOR LODGING LIMITED PARTNERSHIP

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2010

(in thousands)

	FelCor LP	Subsidiary Guarantors	Non-Guarantor Subsidiaries	Total Consolidated
Cash flows from (used in) operating activities	\$ (64,668)	\$ 20,644	\$ 102,836	\$ 58,812
Cash flows from (used in) investing activities	20,366	(114,324)	(25,504)	(119,462)
Cash flows from (used in) financing activities	(24,874)	100,111	(77,528)	(2,291)
Effect of exchange rates changes on cash	—	382	—	382
Change in cash and cash equivalents	(69,176)	6,813	(196)	(62,559)
Cash and cash equivalents at beginning of period	224,526	36,834	2,171	263,531
Cash and equivalents at end of period	\$ 155,350	\$ 43,647	\$ 1,975	\$ 200,972

FELCOR LODGING LIMITED PARTNERSHIP

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2009

(in thousands)

	FelCor LP	Subsidiary Guarantors	Non-Guarantor Subsidiaries	Total Consolidated
Cash flows from (used in) operating activities	\$ (12,636)	\$ 3,073	\$ 82,470	\$ 72,907
Cash flows from (used in) investing activities	3,876	(17,111)	(33,728)	(46,963)
Cash flows from (used in) financing activities	225,567	9,282	(49,021)	185,828
Effect of exchange rates changes on cash	—	1,572	—	1,572
Change in cash and cash equivalents	216,807	(3,184)	(279)	213,344
Cash and cash equivalents at beginning of period	7,719	40,018	2,450	50,187
Cash and equivalents at end of period	\$ 224,526	\$ 36,834	\$ 2,171	\$ 263,531

FELCOR LODGING TRUST INCORPORATED and FELCOR LODGING LIMITED PARTNERSHIP
Schedule III – Real Estate and Accumulated Depreciation
as of December 31, 2011
(in thousands)

Location	Encumbrances	Initial Cost		Cost Capitalized Subsequent to Acquisition		Gross Amounts at Which Carried at Close of Period		Total	Accumulated Depreciation Buildings & Improvements	Year Opened	Date Acquired	Life Upon Which Depreciation is Computed
		Land	Building and Improvements	Land	Building and Improvements	Land	Building and Improvements					
Birmingham, AL (a)	\$ 16,420	\$ 2,843	\$ 29,286	\$ —	\$ 4,249	\$ 2,843	\$ 33,535	\$ 36,378	\$ 12,643	1987	1/3/1996	15 - 40 Yrs
Phoenix - Biltmore, AZ (a)	18,353	4,694	38,998	—	3,788	4,694	42,786	47,480	16,481	1985	1/3/1996	15 - 40 Yrs
Phoenix – Crescent, AZ (b)	—	3,608	29,583	—	1,934	3,608	31,517	35,125	10,708	1986	6/30/1997	15 - 40 Yrs
Anaheim – North, CA (a)	19,419	2,548	14,832	—	1,927	2,548	16,759	19,307	6,511	1987	1/3/1996	15 - 40 Yrs
Dana Point – Doheny Beach, CA (c)	(l)	1,787	15,545	—	4,255	1,787	19,800	21,587	6,853	1992	2/21/1997	15 - 40 Yrs
Indian Wells – Esmeralda Resort & Spa, CA (d)	(k)	30,948	73,507	—	1,944	30,948	75,451	106,399	7,633	1989	12/16/2007	15 - 40 Yrs
Los Angeles – International Airport – South, CA (a)	(k)	2,660	17,997	—	2,012	2,660	20,009	22,669	8,328	1985	3/27/1996	15 - 40 Yrs
Milpitas – Silicon Valley, CA(a)	10,676	4,021	23,677	—	4,063	4,021	27,740	31,761	10,524	1987	1/3/1996	15 - 40 Yrs
Napa Valley, CA (a)	14,936	2,218	14,205	—	3,641	2,218	17,846	20,064	6,436	1985	5/8/1996	15 - 40 Yrs
Oxnard - Mandalay Beach – Hotel & Resort, CA (a)	(l)	2,930	22,125	—	8,568	2,930	30,693	33,623	10,816	1986	5/8/1996	15 - 40 Yrs
San Diego – On the Bay, CA (e)	(j)	—	68,229	—	9,597	—	77,826	77,826	31,913	1965	7/28/1998	15 - 40 Yrs
San Francisco – Airport/ Burlingame, CA (a)	(j)	—	39,929	—	2,958	—	42,887	42,887	16,619	1986	11/6/1995	15 - 40 Yrs
San Francisco – Airport/South San Francisco, CA (a)	24,131	3,418	31,737	—	4,035	3,418	35,772	39,190	13,764	1988	1/3/1996	15 - 40 Yrs
San Francisco - Fisherman’s Wharf, CA (e)	(j)	—	61,883	—	17,040	—	78,923	78,923	38,035	1970	7/28/1998	15 - 40 Yrs
San Francisco –Union Square, CA (f)	(j)	8,466	73,684	(434)	50,220	8,032	123,904	131,936	32,572	1970	7/28/1998	15 - 40 Yrs
Santa Barbara – Goleta, CA (e)	(l)	1,683	14,647	4	1,579	1,687	16,226	17,913	5,366	1969	7/28/1998	15 - 40 Yrs
Santa Monica Beach – at the Pier, CA (e)	(l)	10,200	16,580	—	352	10,200	16,932	27,132	3,307	1967	3/11/2004	15 - 40 Yrs
Toronto - Airport, Canada (e)	(j)	—	21,041	—	16,814	—	37,855	37,855	13,406	1970	7/28/1998	15 - 40 Yrs
Wilmington, DE (c)	—	1,379	12,487	—	11,270	1,379	23,757	25,136	8,167	1972	3/20/1998	15 - 40 Yrs
Boca Raton, FL (a)	(l)	1,868	16,253	—	3,216	1,868	19,469	21,337	8,770	1989	2/28/1996	15 - 40 Yrs
Deerfield Beach – Resort & Spa, FL (a)	23,390	4,523	29,443	68	6,341	4,591	35,784	40,375	13,300	1987	1/3/1996	15 - 40 Yrs

FELCOR LODGING TRUST INCORPORATED and FELCOR LODGING LIMITED PARTNERSHIP
Schedule III – Real Estate and Accumulated Depreciation – (continued)
as of December 31, 2011
(in thousands)

Location	Encumbrances	Initial Cost		Cost Capitalized Subsequent to Acquisition		Gross Amounts at Which Carried at Close of Period		Total	Accumulated Depreciation Buildings & Improvements	Year Opened	Date Acquired	Life Upon Which Depreciation is Computed
		Land	Building and Improvements	Land	Building and Improvements	Land	Building and Improvements					
Ft. Lauderdale – 17th Street, FL (a)	\$ 18,964	\$ 5,329	\$ 47,850	(163)	\$ 5,882	\$ 5,166	\$ 53,732	\$ 58,898	\$ 20,711	1986	1/3/1996	15 - 40 Yrs
Ft. Lauderdale – Cypress Creek, FL (b)	13,759	3,009	26,177	—	2,752	3,009	28,929	31,938	9,227	1986	5/4/1998	15 - 40 Yrs
Jacksonville – Baymeadows, FL (a)	19,415	1,130	9,608	—	8,344	1,130	17,952	19,082	6,949	1986	7/28/1994	15 - 40 Yrs
Miami – International Airport, FL (a)	17,618	4,135	24,950	—	6,249	4,135	31,199	35,334	11,471	1983	1/3/1996	15 - 40 Yrs
Orlando – International Airport, FL (e)	8,445	2,549	22,188	6	3,421	2,555	25,609	28,164	8,580	1984	7/28/1998	15 - 40 Yrs
Orlando – International Drive South/Convention, FL (a)	19,827	1,632	13,870	—	3,177	1,632	17,047	18,679	7,254	1985	7/28/1994	15 - 40 Yrs
Orlando – Walt Disney World Resort, FL (c)	(j)	—	28,092	—	1,780	—	29,872	29,872	13,398	1987	7/28/1997	15 - 40 Yrs
St. Petersburg – Vinoy Resort & Golf Club, FL (d)	(k)	—	100,823	—	4,795	—	105,618	105,618	11,499	1925	12/16/2007	15 - 40 Yrs
Tampa – Tampa Bay, FL (c)	10,658	2,142	18,639	1	2,934	2,143	21,573	23,716	7,717	1986	7/28/1997	15 - 40 Yrs
Atlanta – Airport, GA (a)	11,636	2,568	22,342	—	3,713	2,568	26,055	28,623	8,287	1989	5/4/1998	15 - 40 Yrs
Atlanta – Buckhead, GA (a)	34,327	7,303	38,996	(300)	2,873	7,003	41,869	48,872	15,645	1988	10/17/1996	15 - 40 Yrs
Atlanta – Galleria, GA (b)	17,199	5,052	28,507	—	2,252	5,052	30,759	35,811	10,723	1990	6/30/1997	15 - 40 Yrs
Atlanta – Gateway-Atlanta Airport, GA (b)	(j)	5,113	22,857	—	1,889	5,113	24,746	29,859	8,733	1986	6/30/1997	15 - 40 Yrs
Indianapolis – North, IN (a)	10,876	5,125	13,821	—	6,529	5,125	20,350	25,475	10,183	1986	8/1/1996	15 - 40 Yrs
Baton Rouge, LA (a)	11,633	2,350	19,092	1	2,655	2,351	21,747	24,098	8,298	1985	1/3/1996	15 - 40 Yrs
New Orleans – Convention Center, LA (a)	—	3,647	31,993	—	8,489	3,647	40,482	44,129	16,567	1984	12/1/1994	15 - 40 Yrs
New Orleans – French Quarter, LA (e)	(j)	—	50,732	—	9,565	—	60,297	60,297	20,214	1969	7/28/1998	15 - 40 Yrs
Boston – at Beacon Hill, MA(e)	(j)	—	45,192	—	9,263	—	54,455	54,455	24,472	1968	7/28/1998	15 - 40 Yrs
Boston – Copley Plaza, MA(h)	(k)	27,600	62,500	—	2,105	27,600	64,605	92,205	2,110	1912	8/18/2010	15 - 40 Yrs
Boston – Marlborough, MA (a)	20,392	948	8,143	761	14,792	1,709	22,935	24,644	8,393	1988	6/30/1995	15 - 40 Yrs

FELCOR LODGING TRUST INCORPORATED and FELCOR LODGING LIMITED PARTNERSHIP
Schedule III – Real Estate and Accumulated Depreciation – (continued)
as of December 31, 2011
(in thousands)

Location	Encumbrances	Initial Cost		Cost Capitalized Subsequent to Acquisition		Gross Amounts at Which Carried at Close of Period		Total	Accumulated Depreciation Buildings & Improvements	Year Opened	Date Acquired	Life Upon Which Depreciation is Computed
		Land	Building and Improvements	Land	Building and Improvements	Land	Building and Improvements					
Baltimore – at BWI Airport, MD(a)	\$ 20,653	\$ 2,568	\$ 22,433	\$ (2)	\$ 4,114	\$ 2,566	\$ 26,547	29,113	9,503	1987	3/20/1997	15 - 40 Yrs
Bloomington, MN(a)	15,102	2,038	17,731	—	3,128	2,038	20,859	22,897	7,470	1980	2/1/1997	15 - 40 Yrs
Minneapolis – Airport, MN(a)	18,797	5,417	36,508	24	2,252	5,441	38,760	44,201	15,241	1986	11/6/1995	15 - 40 Yrs
St Paul – Downtown, MN(a)	—	1,156	17,315	—	1,762	1,156	19,077	20,233	7,449	1983	11/15/1995	15 - 40 Yrs
Charlotte – SouthPark, NC (c)	(l)	1,458	12,681	—	3,283	1,458	15,964	17,422	4,137	N/A	7/12/2002	15 - 40 Yrs
Raleigh/Durham, NC (c)	14,230	2,124	18,476	—	2,549	2,124	21,025	23,149	7,160	1987	7/28/1997	15 - 40 Yrs
New York - Morgans	(k)	16,200	29,872	—	193	16,200	30,065	46,265	436	1984	5/23/2011	15 - 40 Yrs
New York - Royalton	(k)	32,500	48,423	—	484	32,500	48,907	81,407	708	1988	5/23/2011	15 - 40 Yrs
Philadelphia – Historic District, PA (e)	(l)	3,164	27,535	7	9,899	3,171	37,434	40,605	13,702	1972	7/28/1998	15 - 40 Yrs
Philadelphia – Society Hill, PA (b)	42,864	4,542	45,121	—	8,716	4,542	53,837	58,379	18,146	1986	10/1/1997	15 - 40 Yrs
Pittsburgh – at University Center (Oakland), PA (e)	(l)	—	25,031	—	3,341	—	28,372	28,372	9,832	1988	11/1/1998	15 - 40 Yrs
Charleston – Mills House, SC (e)	21,018	3,251	28,295	7	5,148	3,258	33,443	36,701	10,557	1982	7/28/1998	15 - 40 Yrs
Myrtle Beach – Oceanfront Resort, SC (a)	(j)	2,940	24,988	—	6,024	2,940	31,012	33,952	10,842	1987	12/5/1996	15 - 40 Yrs
Myrtle Beach Resort (g)	(l)	9,000	19,844	6	29,940	9,006	49,784	58,790	10,958	1974	7/23/2002	15 - 40 Yrs
Nashville – Airport – Opryland Area, TN (a)	(l)	1,118	9,506	—	1,892	1,118	11,398	12,516	5,251	1985	7/28/1994	15 - 40 Yrs
Nashville – Opryland – Airport (Briley Parkway), TN(e)	(j)	—	27,734	—	3,381	—	31,115	31,115	14,225	1981	7/28/1998	15 - 40 Yrs
Austin, TX (c)	8,288	2,508	21,908	—	3,562	2,508	25,470	27,978	9,261	1987	3/20/1997	15 - 40 Yrs
Dallas – Love Field, TX (a)	13,580	1,934	16,674	—	3,865	1,934	20,539	22,473	7,966	1986	3/29/1995	15 - 40 Yrs
Dallas – Park Central, TX (i)	—	4,513	43,125	762	7,967	5,275	51,092	56,367	17,943	1983	6/30/1997	15 - 40 Yrs
Houston - Medical Center, TX (e)	(l)	—	22,027	—	6,161	—	28,188	28,188	8,770	1984	7/28/1998	15 - 40 Yrs
San Antonio - International Airport, TX (e)	19,587	3,351	29,168	(185)	4,024	3,166	33,192	36,358	11,234	1981	7/28/1998	15 - 40 Yrs
Burlington Hotel & Conference Center, VT (b)	30,482	3,136	27,283	(2)	2,944	3,134	30,227	33,361	10,505	1967	12/4/1997	15 - 40 Yrs
Total hotels	\$ 546,675	\$ 272,344	\$ 1,873,718	\$ 561	\$ 377,891	\$ 272,905	\$ 2,251,609	\$2,524,514	\$ 723,879			
Other properties (less than 5% of total)	\$ —	\$ 550	\$ 3,686	\$ —	\$ 180	\$ 550	\$ 3,866	\$ 4,416	\$ 103			
Total	\$ 546,675	\$ 272,894	\$ 1,877,404	\$ 561	\$ 378,071	\$ 273,455	\$ 2,255,475	\$2,528,930	\$ 723,982			

**FELCOR LODGING TRUST INCORPORATED AND
FELCOR LODGING LIMITED PARTNERSHIP**

**Schedule III – Real Estate and Accumulated Depreciation – (continued)
as of December 31, 2011
(in thousands)**

- (a) Embassy Suites Hotel
- (b) Sheraton
- (c) Doubletree Guest Suites
- (d) Renaissance Resort
- (e) Holiday Inn
- (f) Marriott
- (g) Hilton
- (h) Fairmont
- (i) Westin
- (j) This hotel provides collateral for our 10% senior notes due in 2014.
- (k) This hotel provides collateral for our 6.75% senior notes due in 2019.
- (l) This hotel provides collateral for our \$225 million line of credit.

	Year Ended December 31,		
	2011	2010	2009
Reconciliation of Land and Buildings and Improvements			
Balance at beginning of period	\$ 2,609,050	\$ 2,541,962	\$ 2,586,034
Additions during period:			
Acquisitions	131,231	90,100	—
Improvements	34,981	22,863	51,895
Deductions during period:			
Disposition of properties	(246,332)	—	(95,967)
Foreclosures	—	(45,875)	—
Balance at end of period before impairment charges	2,528,930	2,609,050	2,541,962
Cumulative impairment charges on real estate assets owned at end of period	(151,408)	(179,477)	(49,680)
Balance at end of period	<u>\$ 2,377,522</u>	<u>\$ 2,429,573</u>	<u>\$ 2,492,282</u>
Reconciliation of Accumulated Depreciation			
Balance at beginning of period	\$ 729,420	\$ 672,160	\$ 629,920
Additions during period:			
Depreciation for the period	68,826	71,821	69,408
Deductions during period:			
Disposition of properties	(74,264)	(14,561)	(27,168)
Balance at end of period	<u>\$ 723,982</u>	<u>\$ 729,420</u>	<u>\$ 672,160</u>

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Controls and Procedures (FelCor)

Evaluation of Disclosure Controls and Procedures.

Under the supervision and with the participation of FelCor's management, including its chief executive officer and principal financial officer, we conducted an evaluation of the effectiveness of the design and operation of FelCor's disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934) as of the end of the period covered by this report (the "Evaluation Date"). Based on this evaluation, our chief executive officer and principal financial officer concluded, as of the Evaluation Date, that FelCor's disclosure controls and procedures were effective, such that the information relating to FelCor required to be disclosed in its reports is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and is accumulated and communicated to its management, including its chief executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting.

There have not been any changes in FelCor's internal control over financial reporting (as defined in Rule 13a-15(f) promulgated under the Securities Exchange Act of 1934) during the fourth quarter that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.

Management's Report on Internal Control over Financial Reporting.

FelCor's management is responsible for establishing and maintaining adequate internal control over financial reporting. A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

FelCor's management assessed the effectiveness of its internal control over financial reporting as of December 31, 2011. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework. Based on our assessment, FelCor has concluded that, as of December 31, 2011, its internal control over financial reporting is effective, based on those criteria.

The effectiveness of FelCor's internal control over financial reporting as of December 31, 2011, has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm as stated in their report, which appears in Item 8 of this report.

Controls and Procedures (FelCor LP)

Evaluation of Disclosure Controls and Procedures.

Under the supervision and with the participation of FelCor's management, including its chief executive officer and principal financial officer, we conducted an evaluation of the effectiveness of the design and operation of FelCor LP's disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934) as of the end of the period covered by this report (the "Evaluation Date"). Based on this

evaluation, FelCor's chief executive officer and principal financial officer concluded, as of the Evaluation Date, that FelCor LP's disclosure controls and procedures were effective, such that the information relating to FelCor LP required to be disclosed in its reports is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and is accumulated and communicated to FelCor's management, including FelCor's chief executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting.

There have not been any changes in FelCor LP's internal control over financial reporting (as defined in Rule 13a-15(f) promulgated under the Securities Exchange Act of 1934) during the fourth quarter that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.

Management's Report on Internal Control over Financial Reporting.

FelCor's management is responsible for establishing and maintaining adequate internal control over financial reporting. A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

FelCor's management assessed the effectiveness of FelCor LP's internal control over financial reporting as of December 31, 2011. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework. Based on our assessment, FelCor LP has concluded that, as of December 31, 2011, its internal control over financial reporting is effective, based on those criteria.

The effectiveness of FelCor LP's internal control over financial reporting as of December 31, 2011, has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm as stated in their report, which appears in Item 8 of this report.

PART III

Item 10. Directors, Executive Officers of the Registrant and Corporate Governance

The information called for by this Item is contained in FelCor's definitive Proxy Statement for its 2012 Annual Meeting of Stockholders, and is incorporated herein by reference.

Item 11. Executive Compensation

The information called for by this Item is contained in FelCor's definitive Proxy Statement for its 2012 Annual Meeting of Stockholders, and is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information called for by this Item is contained in FelCor's definitive Proxy Statement for its 2012 Annual Meeting of Stockholders, or in Item 5 of this report, and is incorporated herein by reference.

Item 13. Certain Relationships, Related Transactions and Director Independence

The information called for by this Item is contained in FelCor's definitive Proxy Statement for its 2012 Annual Meeting of Stockholders, and is incorporated herein by reference.

Item 14. Principal Accountant Fees and Services

The information called for by this Item is contained in FelCor's definitive Proxy Statement for its 2012 Annual Meeting of Stockholders, and is incorporated herein by reference.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) The following is a list of documents filed as a part of this report:

(1) Financial Statements.

All financial statements of the registrants are included herein under Item 8 of this report.

(2) Financial Statement Schedules.

The following financial statement schedule is included herein under Item 8 of this report.

Schedule III - Real Estate and Accumulated Depreciation for FelCor Lodging Trust Incorporated

All other schedules for which provision is made in Regulation S-X are either not required to be included herein under the related instructions, are inapplicable or the related information is included in the footnotes to the applicable financial statement and, therefore, have been omitted.

(b) Exhibits.

The following exhibits are provided pursuant to the provisions of Item 601 of Regulation S-K:

<u>Exhibit Number</u>	<u>Description of Exhibit</u>
---------------------------	-------------------------------

- | | |
|-----|---|
| 3.1 | Articles of Amendment and Restatement dated June 22, 1995, amending and restating the Charter of FelCor Lodging Trust Incorporated (“FelCor”), as amended or supplemented by Articles of Merger dated June 23, 1995, Articles Supplementary dated April 30, 1996, Articles of Amendment dated August 8, 1996, Articles of Amendment dated June 16, 1997, Articles of Amendment dated October 30, 1997, Articles Supplementary filed May 6, 1998, Articles of Merger and Articles of Amendment dated July 27, 1998, Certificate of Correction dated March 11, 1999, Certificate of Correction to the Articles of Merger between FelCor and Bristol Hotel Company, dated August 30, 1999, Articles Supplementary, dated April 1, 2002, Certificate of Correction, dated March 29, 2004, to Articles Supplementary filed May 2, 1996, Articles Supplementary filed April 2, 2004, Articles Supplementary filed August 20, 2004, Articles Supplementary filed April 6, 2005, and Articles Supplementary filed August 29, 2005 (filed as Exhibit 4.1 to FelCor’s Registration Statement on Form S-3 (Registration No. 333-128862) and incorporated herein by reference). |
| 3.2 | Bylaws of FelCor Lodging Trust Incorporated (filed as Exhibit 3.1 to FelCor’s Form 8-K dated November 12, 2010 and incorporated herein by reference). |
| 4.1 | Form of Share Certificate for Common Stock (filed as Exhibit 4.1 to FelCor’s Form 10-Q for the quarter ended June 30, 1996 and incorporated herein by reference). |
| 4.2 | Form of Share Certificate for \$1.95 Series A Cumulative Convertible Preferred Stock (filed as Exhibit 4.4 to FelCor’s Form 8-K, dated May 1, 1996, and incorporated herein by reference). |

- 4.3 Form of Share Certificate for 8% Series C Cumulative Redeemable Preferred Stock (filed as Exhibit 4.10.1 to FelCor's Form 8-K, dated April 6, 2005, and incorporated herein by reference).
- 4.4 Deposit Agreement, dated April 7, 2005, between FelCor and SunTrust Bank, as preferred share depositary (filed as Exhibit 4.11.1 to FelCor's Form 8-K, dated April 6, 2005, and incorporated herein by reference).
 - 4.4.1 Supplement and Amendment to Deposit Agreement, dated August 30, 2005, between the Company and SunTrust Bank, as depositary (filed as Exhibit 4.11.2 to FelCor's Form 8-K, dated April 6, 2005, and incorporated herein by reference).
- 4.5 Form of Depositary Receipt evidencing the Depositary Shares, which represent the 8% Series C Cumulative Redeemable Preferred Stock (filed as Exhibit 4.12.1 to FelCor's Form 8-K, dated April 6, 2005, and incorporated herein by reference).
- 4.6 Indenture, dated as of October 1, 2009, by and between FelCor Escrow Holdings, L.L.C. and U.S. Bank National Association, as trustee (filed as Exhibit 4.1 to FelCor's Form 8-K, dated October 1, 2009, and incorporated herein by reference).
 - 4.6.1 First Supplemental Indenture dated as of October 12, 2009, by and between FelCor Escrow Holdings, L.L.C. and U.S. Bank National Association (filed as Exhibit 4.1 to FelCor's Form 8-K, dated October 13, 2009, and incorporated herein by reference).
 - 4.6.2 Second Supplemental Indenture dated as of October 13, 2009, by and among FelCor, FelCor Lodging Limited Partnership ("FelCor LP"), certain subsidiary guarantors named therein, FelCor Holdings Trust, FelCor Escrow Holdings, L.L.C. and U.S. Bank National Association (filed as Exhibit 4.2 to FelCor's Form 8-K dated, October 13, 2009, and incorporated herein by reference).
 - 4.6.3 Third Supplemental Indenture dated as of March 23, 2010, by and among FelCor, FelCor LP, certain subsidiary guarantors named therein, FelCor Holdings Trust and U.S. Bank National Association (Filed as Exhibit 4.1 to FelCor's Form 10-Q for the quarter ended March 31, 2010, and incorporated herein by reference).
 - 4.6.4 Fourth Supplemental Indenture, dated as of March 3, 2011, by and among FelCor Lodging Trust Incorporated, FelCor Lodging Limited Partnership, certain of their subsidiaries, as guarantors, and U.S. Bank National Association, as trustee (filed as exhibit 4.4 to FelCor's Form 8-K, dated May 23, 2011, and incorporated herein by reference).
 - 4.6.5 Fifth Supplemental Indenture, dated as of May 23, 2011, by and among FelCor Lodging Trust Incorporated, FelCor Lodging Limited Partnership, certain of their subsidiaries, as guarantors, and U.S. Bank National Association, as trustee (filed as exhibit 4.5 to FelCor's Form 8-K, dated May 23, 2011, and incorporated herein by reference).
- 4.7 Registration Rights Agreement dated October 1, 2009 to be effective as of October 13, 2009, by and among FelCor, FelCor LP, certain subsidiary guarantors named therein, and J.P. Morgan Securities Inc. on behalf of itself and the initial purchasers (filed as Exhibit 4.3 to FelCor's Form 8-K, dated October 13, 2009, and incorporated herein by reference).

- 4.8.1 Indenture, dated as of May 10, 2011, by and between FelCor Escrow Holdings, L.L.C. and Wilmington Trust Company, as trustee, and Deutsche Bank Trust Company Americas, as Collateral Agent, Registrar and Paying Agent (filed as exhibit 4.1 to FelCor's Form 8-K, dated May 23, 2011, and incorporated herein by reference).
- 4.8.2 First Supplemental Indenture, dated as of May 23, 2011, by and among FelCor Escrow Holdings, L.L.C., FelCor Lodging Limited Partnership, FelCor Lodging Trust Incorporated, certain of their subsidiaries, as guarantors, and Wilmington Trust Company, as trustee, and Deutsche Bank Trust Company Americas, as Collateral Agent, Registrar and Paying Agent (filed as exhibit 4.2 to FelCor's Form 8-K, dated May 23, 2011, and incorporated herein by reference).
- 4.9 Registration Rights Agreement, dated May 10, 2011, among FelCor Lodging Limited Partnership, FelCor Lodging Trust Incorporated, the subsidiary guarantors named therein, and J.P. Morgan Securities LLC (filed as exhibit 4.3 to FelCor's Form 8-K, dated May 23, 2011, and incorporated herein by reference).
- 10.1 Second Amended and Restated Agreement of Limited Partnership of FelCor LP, dated as of December 31, 2001 (filed as Exhibit 10.1 to FelCor's Form 10-K for the fiscal year ended December 31, 2001 (the "2001 Form 10-K") and incorporated herein by reference).
- 10.1.1 First Amendment to Second Amended and Restated Agreement of Limited Partnership of FelCor LP, dated April 1, 2002 (filed as Exhibit 10.1.1 to FelCor's Form 8-K, dated April 1, 2002, and incorporated herein by reference).
- 10.1.2 Second Amendment to Second Amended and Restated Agreement of Limited Partnership of FelCor LP, dated August 31, 2002 (filed as Exhibit 10.1.2 to FelCor's Form 10-K for the fiscal year ended December 31, 2002 (the "2002 Form 10-K"), and incorporated herein by reference).
- 10.1.3 Third Amendment to Second Amended and Restated Agreement of Limited Partnership of FelCor LP, dated October 1, 2002 (filed as Exhibit 10.1.3 to the 2002 Form 10-K and incorporated herein by reference).
- 10.1.4 Fourth Amendment to Second Amended and Restated Agreement of Limited Partnership of FelCor LP, dated as of July 1, 2003 (filed as Exhibit 10.1.4 to FelCor's Form 10-Q for the quarter ended March 31, 2004, and incorporated herein by reference).
- 10.1.5 Fifth Amendment to Second Amended and Restated Agreement of Limited Partnership of FelCor LP, dated as of April 2, 2004 (filed as Exhibit 10.1.5 to FelCor's Form 10-Q for the quarter ended March 31, 2004, and incorporated herein by reference).
- 10.1.6 Sixth Amendment to Second Amended and Restated Agreement of Limited Partnership of FelCor LP, dated as of August 23, 2004 (filed as Exhibit 10.1.6 to FelCor's Form 8-K, dated August 26, 2004, and incorporated herein by reference).
- 10.1.7 Seventh Amendment to Second Amended and Restated Agreement of Limited Partnership of FelCor LP, dated as of April 7, 2005, which contains Addendum No. 4 to the Second Amended and Restated Agreement of Limited Partnership of FelCor Lodging Limited Partnership (filed

- 10.1.8 Eighth Amendment to Second Amended and Restated Agreement of Limited Partnership of FelCor LP, dated as of August 30, 2005 (filed as Exhibit 10.1.9 to FelCor's Form 8-K, dated August 29, 2005, and incorporated herein by reference).
- 10.2.1 Form of Management Agreement between subsidiaries of FelCor, as owner, and a subsidiary of InterContinental Hotels, as manager, with respect to FelCor's InterContinental Hotels branded hotels (included as an exhibit to the Leasehold Acquisition Agreement, which was filed as Exhibit 10.28 to FelCor's Form 10-Q for the quarter ended March 31, 2001, and incorporated herein by reference).
- 10.2.2 Omnibus Agreement between FelCor and all its various subsidiaries, controlled entities and affiliates, and Six Continents Hotels, Inc. and all its various subsidiaries, controlled entities and affiliates, with respect to FelCor's InterContinental Hotels branded hotels (filed as Exhibit 10.2.2 to FelCor's Form 10-K for the fiscal year ended December 31, 2005 (the "2005 Form 10-K"), and incorporated herein by reference).
- 10.3.1 Form of Management Agreement between subsidiaries of FelCor, as owner, and a subsidiary of Hilton Hotels Corporation, as manager, with respect to FelCor's Embassy Suites Hotels branded hotels, including the form of Embassy Suites Hotels License Agreement attached as an exhibit thereto, effective prior to July 28, 2004 (filed as Exhibit 10.5 to the 2001 Form 10-K, and incorporated herein by reference).
- 10.3.2 Form of Management Agreement between subsidiaries of FelCor, as owner, and a subsidiary of Hilton Hotels Corporation, as manager, with respect to FelCor's Embassy Suites Hotels branded hotels, including the form of Embassy Suites Hotels License Agreement attached as an exhibit thereto, effective July 28, 2004 (filed as Exhibit 10.3.2 to FelCor's Form 10-K for the fiscal year ended December 31, 2004 (the "2004 Form 10-K"), and incorporated herein by reference).
- 10.4 Form of Management Agreement between subsidiaries of FelCor, as owner, and a subsidiary of Hilton Hotels Corporation, as manager, with respect to FelCor's Doubletree and Doubletree Guest Suites branded hotels (filed as Exhibit 10.6 to the 2001 Form 10-K and incorporated herein by reference).
- 10.5 Form of Management Agreement between subsidiaries of FelCor, as owner, and a subsidiary of Starwood Hotels & Resorts, Inc., as manager, with respect to FelCor's Sheraton and Westin branded hotels (filed as Exhibit 10.7 to the 2001 Form 10-K and incorporated herein by reference).
- 10.6 Executive Employment Agreement, dated effective as of February 1, 2006, between FelCor and Thomas J. Corcoran, Jr. (filed as Exhibit 10.36 to FelCor's Form 8-K, dated February 7, 2006, and incorporated herein by reference).
- 10.6.1 Letter Agreement dated March 1, 2008 between Thomas J. Corcoran, Jr. and FelCor (filed as Exhibit 101 to FelCor's Form 10-Q for the quarter ended March 31, 2008, and incorporated herein by reference).
- 10.7 Executive Employment Agreement dated October 19, 2007, between FelCor and Richard A. Smith (filed as Exhibit 10.1 to FelCor's Form 10-Q for the quarter ended September 30, 2007, and incorporated herein by reference).

- 10.8 Form of 2007 Change in Control and Severance Agreement between FelCor and each of Rick Smith, Andy Welch, Mike DeNicola, Troy Pentecost, Jon Yellen and Tom Corcoran (filed as Exhibit 10.1 to FelCor's Form 8-K dated October 23, 2007, and incorporated herein by reference).
- 10.9 Savings and Investment Plan of FelCor (filed as Exhibit 10.10 to the 2001 Form 10-K and incorporated herein by reference).
- 10.10 2001 Restricted Stock and Stock Option Plan of FelCor (filed as Exhibit 10.14 to the 2002 Form 10-K and incorporated herein by reference).
- 10.11 Form of Nonstatutory Stock Option Contract under Restricted Stock and Stock Option Plans of FelCor (filed as Exhibit 10.16 to the 2004 Form 10-K and incorporated herein by reference).
- 10.12 Form of Employee Stock Grant Contract under Restricted Stock and Stock Option Plans of FelCor (filed as Exhibit 10.17 to the 2004 Form 10-K and incorporated herein by reference).
- 10.13 FelCor's 2005 Restricted Stock and Stock Option Plan (as amended through August 9, 2011) (filed as Exhibit 4.4 to FelCor's Form 8-K, dated August 9, 2011, and incorporated herein by reference).
- 10.14 Form of Employee Stock Grant Contract under Restricted Stock and Stock Option Plans of FelCor applicable to grants in 2005 and thereafter (filed as Exhibit 10.33 to FelCor's Form 8-K, dated April 26, 2005, and incorporated herein by reference).
- 10.15 Form of Employee Stock Grant and Supplemental Long-Term Cash Payment Agreement dated as of February 19, 2009 (filed as Exhibit 10.1 to FelCor's Form 8-K, dated February 20, 2009, and incorporated herein by reference).
- 10.15.1 Amendment to Employee Stock Grant and Supplemental Long-Term Cash Payment Agreement dated as of February 19, 2009 (filed as Exhibit 10.1 to FelCor's Form 8-K, dated December 28, 2009, and incorporated herein by reference).
- 10.16 Form of Restricted Payment Contract (filed as Exhibit 10.2 to FelCor's Form 8-K, dated December 28, 2009, and incorporated herein by reference).
- 10.17 Form of Employee Stock Grant Contract (filed as Exhibit 10.3 to FelCor's Form 8-K, dated December 28, 2009, and incorporated herein by reference).
- 10.18 Form of Indemnification Agreement by and among FelCor, FelCor LP and individual officers and directors of FelCor (filed as Exhibit 10.1 to FelCor's 10-Q for the quarter ended March 31, 2009, and incorporated herein by reference; superseding the form of Indemnification Agreement that was filed as Exhibit 10.1 to FelCor's Form 8-K, dated November 9, 2006, and incorporated herein by reference).
- 10.19 Form of Guaranty Agreement by and among FelCor, FelCor LP and individual employees of FelCor (filed as Exhibit 10.2 to FelCor's Form 10-Q for the quarter ended March 31, 2009, and incorporated herein by reference).

- 10.20 Summary of Amended Annual Compensation Program for Directors of FelCor (filed as exhibit 10.21 to FelCor's Form 10-K for the fiscal year ended December 31, 2009 and incorporated herein by reference).
- 10.21 Summary of FelCor's Performance-Based Annual Incentive Compensation Programs (filed as Exhibit 10.1 to FelCor's Form 8-K, dated February 18, 2010, and incorporated herein by reference).
- 10.22.1 Form of Loan Agreement, each dated either May 26, 2004, June 10, 2004 or July 19, 2004, between JPMorgan Chase Bank, as lender, and each of FelCor/JPM Boca Raton Hotel, L.L.C., FelCor/JPM Phoenix Hotel, L.L.C., FelCor/JPM Wilmington Hotel, L.L.C., FelCor/JPM Atlanta ES Hotel, L.L.C., FelCor/JPM Austin Holdings, L.P., FelCor/JPM Orlando Hotel, L.L.C., and FelCor/JPM BWI Hotel, L.L.C. and FCH/DT BWI Hotel, L.L.C., as borrowers, and acknowledged and agreed by FelCor LP (filed as Exhibit 10.34 to FelCor's Form 10-Q for the quarter ended June 30, 2004, and incorporated herein by reference).
- 10.22.2 Form of Mortgage, Renewal Mortgage, Deed of Trust, Deed to Secure Debt, Indemnity Deed of Trust and Assignment of Leases and Rents, Security Agreement and Fixture Filing, each dated either May 26, 2004, June 10, 2004 or July 19, 2004, from FelCor/JPM Wilmington Hotel, L.L.C., DJONT/JPM Wilmington Leasing, L.L.C., FelCor/JPM Phoenix Hotel, L.L.C., DJONT/JPM Phoenix Leasing, L.L.C., FelCor/JPM Boca Raton Hotel, L.L.C., DJONT/JPM Boca Raton Leasing, L.L.C., FelCor/JPM Atlanta ES Hotel, L.L.C., DJONT/JPM Atlanta ES Leasing, L.L.C., FelCor/JPM Austin Holdings, L.P., DJONT/JPM Austin Leasing, L.P., FelCor/JPM Orlando Hotel, L.L.C., DJONT/JPM Orlando Leasing, L.L.C., FCH/DT BWI Holdings, L.P., FCH/DT BWI Hotel, L.L.C. and DJONT/JPM BWI Leasing, L.L.C., to, and for the benefit of, JPMorgan Chase Bank, as mortgagee or beneficiary (filed as Exhibit 10.34.1 to FelCor's Form 10-Q for the quarter ended June 30, 2004, and incorporated herein by reference).
- 10.22.3 Form of seven separate Promissory Notes, each dated either May 26, 2004, June 10, 2004 or July 19, 2004, made by FelCor/JPM Wilmington Hotel, L.L.C., FelCor/JPM Phoenix Hotel, L.L.C., FelCor/JPM Boca Raton Hotel, L.L.C., FelCor/JPM Atlanta ES Hotel, L.L.C., FelCor/JPM Austin Holdings, L.P., FelCor/JPM Orlando Hotel, L.L.C., and FelCor/JPM BWI Hotel, L.L.C., each separately payable to the order of JPMorgan Chase Bank in the respective original principal amounts of \$11,000,000 (Wilmington, Delaware), \$21,368,000 (Phoenix, Arizona), \$5,500,000 (Boca Raton, Florida), \$13,500,000 (Atlanta, Georgia), \$9,616,000 (Austin, Texas), \$9,798,000 (Orlando, Florida), and \$24,120,000 (Linthicum, Maryland) (filed as Exhibit 10.34.2 to FelCor's Form 10-Q for the quarter ended June 30, 2004, and incorporated herein by reference).
- 10.22.4 Form of Guaranty of Recourse of Borrower, each dated either May 26, 2004, June 10, 2004 or July 19, 2004, made by FelCor LP in favor of JPMorgan Chase Bank (filed as Exhibit 10.34.3 to FelCor's Form 10-Q for the quarter ended June 30, 2004, and incorporated herein by reference).
- 10.23.1 Loan Agreement, dated as of November 10, 2006, by and among FelCor/JPM Hotels, L.L.C. and DJONT/JPM Leasing, L.L.C., as borrowers, and Bank of America, N.A., as lender, relating to a \$250 million loan from lender to borrower (filed as Exhibit 10.35.1 to the FelCor's Form 10-K for the fiscal year ended December 31, 2006 (the "2006 Form 10-K"), and incorporated herein by reference).

- 10.23.1.1 First Amendment to Loan Agreement and Other Loan Documents, dated as of January 31, 2007, by and among FelCor/JPM Hotels, L.L.C. and DJONT/JPM Leasing, L.L.C., as borrowers, and Bank of America, N.A., as lender (filed as Exhibit 10.35.1 to the 2006 Form 10-K and incorporated herein by reference).
- 10.23.2 Form of Mortgage, Deed of Trust and Security Agreement, each dated as of November 10, 2006, from FelCor/JPM Hotels, L.L.C. and DJONT/JPM Leasing, L.L.C., as borrowers, in favor of Bank of America, N.A., as lender, each covering a separate hotel and securing the Mortgage Loan (filed as Exhibit 10.35.2 to the 2006 Form 10-K and incorporated herein by reference).
- 10.23.3 Form of Amended and Restated Promissory Note, each dated as of January 31, 2007, made by FelCor/JPM Hotels, L.L.C. and DJONT/JPM Leasing, L.L.C. payable to the order of either Bank of America, N.A. or JPMorgan Chase Bank, N.A., as lender, in the original aggregate principal amount of \$250 million (filed as Exhibit 10.35.3 to the 2006 Form 10-K and incorporated herein by reference).
- 10.23.4 Guaranty of Recourse Obligations of Borrowers, dated as of November 10, 2006, made by FelCor LP in favor of Bank of America, N.A. (filed as Exhibit 10.35.4 to the 2006 Form 10-K and incorporated herein by reference).
- 10.24.1 Loan Agreement, dated March 31, 2009, by and between FelCor/CSS (SPE), L.L.C., as borrower, The Prudential Insurance Company of America, as lender, and joined by DJONT Operations, L.L.C. (filed as Exhibit 10.3 to FelCor's Form 10-Q for the quarter ended March 31, 2009, and incorporated herein by reference).
- 10.24.2 Form of Mortgage and Security Agreement, dated March 31, 2009, executed by FelCor/CSS (SPE), L.L.C. and DJONT Operations, L.L.C. for the benefit of The Prudential Insurance Company of America (filed as Exhibit 10.4 to FelCor's Form 10-Q for the quarter ended March 31, 2009, and incorporated herein by reference).
- 10.24.3 Promissory Note, dated March 31, 2009, made by FelCor/CSS (SPE), L.L.C., as borrower, in favor of The Prudential Insurance Company of America (filed as Exhibit 10.5 to FelCor's Form 10-Q for the quarter ended March 31, 2009, and incorporated herein by reference).
- 10.24.4 Recourse Liabilities Guarantee, dated March 31, 2009, made by FelCor and FelCor LP in favor of The Prudential Insurance Company of America (filed as Exhibit 10.6 to FelCor's Form 10-Q for the quarter ended March 31, 2009, and incorporated herein by reference).
- 10.25.1 Pledge Agreement dated October 13, 2009, by and among FelCor, FelCor LP, certain subsidiary pledgors named therein, FelCor Holdings Trust, and U.S. Bank National Association (filed as Exhibit 10.1 to FelCor's Form 8-K dated October 13, 2009, and incorporated herein by reference).
- 10.25.2 Form of Mortgage, Deed of Trust, Assignment of Leases and Rents, Security Agreement and Fixture Filing by and among FelCor Lodging Trust Incorporated, FelCor Lodging Limited Partnership, certain of their subsidiaries, as guarantors, and U.S. Bank National Association, as trustee and collateral agent, relating to the 10% Senior Secured Notes due 2014 (Filed as exhibit 10.1 to the May 2010 Form 10-Q and incorporated herein by reference).

- 10.26.1 Credit Agreement, dated as of May 3, 2010, by and among FelCor/CMB Buckhead Hotel, L.L.C., FelCor/CMB Marlborough Hotel, L.L.C., FelCor/CMB Corpus Holdings, L.P., FelCor/CMB Orsouth Holdings, L.P., FelCor/CMB SSF Holdings, L.P., FelCor S-4 Hotels (SPE), L.L.C., DJONT/CMB Buckhead Leasing, L.L.C., DJONT/CMB FCOAM, L.L.C., DJONT/
- 10.26.2 Form of Promissory Note, dated as of May 3, 2010, executed by FelCor/CMB Buckhead Hotel, L.L.C., FelCor/CMB Marlborough Hotel, L.L.C., FelCor/CMB Corpus Holdings, L.P., FelCor/CMB Orsouth Holdings, L.P., FelCor/CMB SSF Holdings, L.P., FelCor S-4 Hotels (SPE), L.L.C., DJONT/CMB Buckhead Leasing, L.L.C., DJONT/CMB FCOAM, L.L.C., DJONT/CMB Corpus Leasing, L.L.C., DJONT/CMB Orsouth Leasing, L.L.C., DJONT/CMB SSF Leasing, L.L.C., and FelCor S-4 Leasing (SPE), L.L.C.) (filed as exhibit 10.33.2 to FelCor's S-11 filed May 13, 2010 and incorporated herein by reference).
- 10.26.3 Pledge and Security Agreement, dated as of May 3, 2010, by and among FelCor LP, DJONT Operations, L.L.C., FelCor TRS Holdings, L.L.C., FelCor/CSS Holdings, L.P., and Fortress Credit Corp. (filed as exhibit 10.33.3 to FelCor's S-11 filed May 13, 2010 and incorporated herein by reference).
- 10.26.4 Form of Mortgage, Fixture Filing and Security Agreement, dated as of May 3, 2010, granted by FelCor/CMB Buckhead Hotel, L.L.C., FelCor/CMB Marlborough Hotel, L.L.C., FelCor/CMB Corpus Holdings, L.P., FelCor/CMB Orsouth Holdings, L.P., FelCor/CMB SSF Holdings, L.P., FelCor S-4 Hotels (SPE), L.L.C., DJONT/CMB Buckhead Leasing, L.L.C., DJONT/CMB FCOAM, L.L.C., DJONT/CMB Corpus Leasing, L.L.C., DJONT/CMB Orsouth Leasing, L.L.C., DJONT/CMB SSF Leasing, L.L.C., and FelCor S-4 Leasing (SPE), L.L.C for the benefit of Fortress Credit Corp. (filed as exhibit 10.33.4 to FelCor's S-11 filed May 13, 2010 and incorporated herein by reference).
- 10.26.5 Guaranty, dated as of May 3, 2010, granted by FelCor LP in favor of Fortress Credit Corp. (filed as exhibit 10.33.5 to FelCor's S-11 filed May 13, 2010 and incorporated herein by reference).
- 10.26.6* Second Amendment to Loan Agreement and Other Loan Documents, dated as of October 27, 2011, by and among FelCor/JPM Hotels, L.L.C. and DJONT/JPM Leasing, L.L.C., as borrowers, FelCor LP, as guarantor, and Wells Fargo Bank, N.A., as trustee for Bear Stearns Commercial Mortgage Securities Trust 2007-BBA8 Commercial Mortgage Pass-Through Certificates Series 2007-BBA8, for itself and as Servicing Lender.
- 10.26.7* Guaranty of Payment, dated as of October 27, 2011, made by FelCor LP in favor of Wells Fargo Bank, N.A., as trustee for Bear Stearns Commercial Mortgage Securities Trust 2007-BBA8 Commercial Mortgage Pass-Through Certificates Series 2007-BBA8, for itself and as Servicing Lender.
- 10.26.8* Form of Mortgage, Deed of Trust and Security Agreement, each dated as of October 27, 2011, from FelCor/JPM Hotels, L.L.C. and DJONT/JPM Leasing, L.L.C., as borrowers, in favor of Wells Fargo Bank, N.A., as trustee for Bear Stearns Commercial Mortgage Securities Trust 2007-BBA8 Commercial Mortgage Pass-Through Certificates Series 2007-BBA8, for itself and as Servicing Lender, each covering a separate hotel and securing the Mortgage Loan.

- 10.27.1 Revolving Credit Agreement dated as of March 4, 2011, among FelCor/JPM Hospitality (SPE), L.L.C., DJONT/JPM Hospitality Leasing (SPE), L.L.C., FelCor/JPM Boca Raton Hotel, L.L.C., and DJONT/JPM Boca Raton Leasing, L.L.C., as borrowers, and JPMorgan Chase Bank, N.A., as administrative agent, and the lenders that are parties thereto (filed as exhibit 10.1 to FelCor's Form 10-Q for the quarter ended March 31, 2011, and incorporated herein by reference).
- 10.27.2 Form of Revolving Note under the Revolving Credit Agreement, each dated as of March 4, 2011, made by FelCor/JPM Hospitality (SPE), L.L.C., DJONT/JPM Hospitality Leasing (SPE), L.L.C., FelCor/JPM Boca Raton Hotel, L.L.C., and DJONT/JPM Boca Raton Leasing, L.L.C., for the benefit of the lenders (filed as exhibit 10.2 to FelCor's Form 10-Q for the quarter ended March 31, 2011, and incorporated herein by reference).
- 10.27.3 Guaranty Agreement to the Revolving Credit Agreement dated as of March 4, 2011, by FelCor Lodging Trust Incorporated and FelCor Lodging Limited Partnership in favor of JPMorgan Chase Bank, N.A., as administrative agent, on behalf of the lenders (filed as exhibit 10.3 to FelCor's Form 10-Q for the quarter ended March 31, 2011, and incorporated herein by reference).
- 10.27.4 Form of Fee and Leasehold Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing under the Revolving Credit Agreement dated as of March 4, 2011, granted by FelCor/JPM Hospitality (SPE), L.L.C., DJONT/JPM Hospitality Leasing (SPE), L.L.C., FelCor/JPM Boca Raton Hotel, L.L.C., and/or DJONT/JPM Boca Raton Leasing, L.L.C. for the benefit of JPMorgan Chase Bank, N.A., as administrative agent for the lenders (filed as exhibit 10.4 to FelCor's Form 10-Q for the quarter ended March 31, 2011, and incorporated herein by reference).
- 10.28.1 Form of [Fee and] Leasehold Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing (filed as exhibit 10.1 to FelCor's Form 8-K, dated May 23, 2011, and incorporated herein by reference).
- 10.28.2 Pledge Agreement, dated as of May 23, 2011, among FelCor Lodging Limited Partnership, FelCor Lodging Trust Incorporated, the subsidiaries named therein, and Deutsche Bank Trust Company Americas, as Collateral Agent (filed as exhibit 10.2 to FelCor's Form 8-K, dated May 23, 2011, and incorporated herein by reference)..
- 21.1* List of Subsidiaries of FelCor.
- 21.2* List of Subsidiaries of FelCor LP.
- 23* Consent of PricewaterhouseCoopers LLP.
- 31.1* Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 for FelCor.
- 31.2* Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 for FelCor.
- 31.3* Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 for FelCor LP.
- 31.4* Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 for FelCor LP.

- 32.1* Certification of the Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350) for FelCor.
- 32.2* Certification of the Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350) for FelCor LP.
- 101.INS XBRL Instance Document. *Submitted electronically with this report.*
- 101.SCH XBRL Taxonomy Extension Schema Document. *Submitted electronically with this report.*
- 101.CAL XBRL Taxonomy Calculation Linkbase Document. *Submitted electronically with this report.*
- 101.DEF XBRL Taxonomy Extension Definition Linkbase Document. *Submitted electronically with this*
- 101.LAB XBRL Taxonomy Label Linkbase Document. *Submitted electronically with this report.*
- 101.PRE XBRL Taxonomy Presentation Linkbase Document. *Submitted electronically with this report.*

 *Filed herewith

Attached as Exhibit 101 to this report are the following documents formatted in XBRL (Extensible Business Reporting Language): (i) FelCor's Consolidated Balance Sheets at December 31, 2011 and 2010; (ii) FelCor's Consolidated Statements of Operations for the years ended December 31, 2011, 2010 and 2009; (iii) FelCor's Consolidated Statements of Comprehensive Income (Loss) for the years ended December 30, 2011, 2010 and 2009; (iv) FelCor's Consolidated Statements of Changes in Equity for the years ended December 31, 2011, 2010 and 2009; (v) FelCor's Consolidated Statements of Cash Flows for the years ended December 31, 2011, 2010 and 2009; (vi) FelCor LP's Consolidated Balance Sheets at December 31, 2011 and 2010; (vii) FelCor LP's Consolidated Statements of Operations for the years ended December 31, 2011, 2010 and 2009; (viii) FelCor LP's Consolidated Statements of Comprehensive Income (Loss) for the years ended December 31, 2011, 2010 and 2009; (ix) FelCor LP's Consolidated Statements of Partners' Capital for the years ended December 31, 2011, 2010 and 2009; (x) FelCor LP's Consolidated Statements of Cash Flows for the years ended December 31, 2011, 2010 and 2009; and (xi) the Notes to Consolidated Financial Statements. Users of this data are advised pursuant to Rule 406T of Regulation S-T that this interactive data file is deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, and otherwise is not subject to liability under these sections.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

FELCOR LODGING TRUST INCORPORATED

Date: March 6, 2012

By: /s/ Jonathan H. Yellen

Name: Jonathan H. Yellen

Title: Executive Vice President

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant, and in the capacities and on the dates indicated.

<u>Date</u>	<u>Signature</u>
March 6, 2012	<u>/s/ Richard A. Smith</u> Richard A. Smith President and Director (Chief Executive Officer)
March 6, 2012	<u>/s/ Andrew J. Welch</u> Andrew J. Welch Executive Vice President and Chief Financial Officer (Principal Financial Officer)
March 6, 2012	<u>/s/ Lester C. Johnson</u> Lester C. Johnson Senior Vice President and Chief Accounting Officer (Principal Accounting Officer)
March 6, 2012	<u>/s/ Thomas J. Corcoran, Jr.</u> Thomas J. Corcoran, Jr. Chairman of the Board and Director
March 6, 2012	<u>/s/ Melinda J. Bush</u> Melinda J. Bush, Director
March 6, 2012	<u>/s/ Glenn A. Carlin</u> Glenn A. Carlin, Director
March 6, 2012	<u>/s/Robert F. Cotter</u> Robert F. Cotter, Director
March 6, 2012	<u>/s/Christopher J. Hartung</u> Christopher J. Hartung, Director
March 6, 2012	<u>/s/ Thomas C. Hendrick</u> Thomas C. Hendrick, Director

<u>Date</u>	<u>Signature</u>
March 6, 2012	<hr/> <i>/s/ Charles A. Ledsinger, Jr.</i> Charles A. Ledsinger, Jr., Director
March 6, 2012	<hr/> <i>/s/ Robert H. Lutz, Jr.</i> Robert H. Lutz, Jr., Director
March 6, 2012	<hr/> <i>/s/ Robert A. Mathewson</i> Robert A. Mathewson, Director
March 6, 2012	<hr/> <i>/s/ Mark D. Rozells</i> Mark D. Rozells, Director
March 6, 2012	<hr/> <i>/s/ C. Brian Strickland</i> C. Brian Strickland, Director

FELCOR LODGING LIMITED PARTNERSHIP
a Delaware limited partnership

By: FelCor Lodging Trust Incorporated
Its General Partner

Date: March 6, 2012

By: /s/ Jonathan H. Yellen

Name: Jonathan H. Yellen

Title: Executive Vice President

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following officers and directors of FelCor Lodging Trust Incorporated, the general partner of the registrant, and in the capacities and on the dates indicated.

<u>Date</u>	<u>Signature</u>
March 6, 2012	<u>/s/ Richard A. Smith</u> Richard A. Smith President and Director (Chief Executive Officer)
March 6, 2012	<u>/s/ Andrew J. Welch</u> Andrew J. Welch Executive Vice President and Chief Financial Officer (Principal Financial Officer)
March 6, 2012	<u>/s/ Lester C. Johnson</u> Lester C. Johnson Senior Vice President and Chief Accounting Officer (Principal Accounting Officer)
March 6, 2012	<u>/s/ Thomas J. Corcoran, Jr.</u> Thomas J. Corcoran, Jr. Chairman of the Board and Director
March 6, 2012	<u>/s/ Melinda J. Bush</u> Melinda J. Bush, Director
March 6, 2012	<u>/s/ Glenn A. Carlin</u> Glenn A. Carlin, Director

<u>Date</u>	<u>Signature</u>
March 6, 2012	/s/Robert F. Cotter <hr/> Robert F. Cotter, Director
March 6, 2012	/s/Christopher J. Hartung <hr/> Christopher J. Hartung, Director
March 6, 2012	/s/ Thomas C. Hendrick <hr/> Thomas C. Hendrick, Director
March 6, 2012	/s/ Charles A. Ledsinger, Jr. <hr/> Charles A. Ledsinger, Jr., Director
March 6, 2012	/s/ Robert H. Lutz, Jr. <hr/> Robert H. Lutz, Jr., Director
March 6, 2012	/s/ Robert A. Mathewson <hr/> Robert A. Mathewson, Director
March 6, 2012	/s/ Mark D. Rozells <hr/> Mark D. Rozells, Director
March 6, 2012	/s/ C. Brian Strickland <hr/> C. Brian Strickland, Director

**SECOND AMENDMENT TO LOAN AGREEMENT
AND OTHER LOAN DOCUMENTS**

THIS SECOND AMENDMENT TO LOAN AGREEMENT AND OTHER LOAN DOCUMENTS (this “**Agreement**”) is made as of this 27th day of October, 2011 (the “**Modification Date**”), by and among **FELCOR/JPM HOTELS, L.L.C.**, a Delaware limited liability company (“**Hotels**”), having an address at c/o FelCor Lodging Trust Incorporated, 545 E. John Carpenter Freeway, Suite 1300, Irving, Texas 75062, **DJONT/JPM LEASING, L.L.C.**, a Delaware limited liability company (“**Leasing**”; Hotels and Leasing, individually and/or collectively, as the context may require, “**Borrower**”), having an address at c/o FelCor Lodging Trust Incorporated, 545 E. John Carpenter Freeway, Suite 1300, Irving, Texas 75062, **FELCOR LODGING LIMITED PARTNERSHIP**, a Delaware limited partnership (“**Guarantor**”), having an address at c/o FelCor Lodging Trust Incorporated, 545 E. John Carpenter Freeway, Suite 1300, Irving, Texas 75062, **WELLS FARGO BANK, N.A.**, as trustee for Bear Stearns Commercial Mortgage Securities Trust 2007-BBA8 Commercial Mortgage Pass-Through Certificates Series 2007-BBA8, for itself and as Servicing Lender pursuant to Intercreditor and Servicing Agreement dated November 10, 2006 (together with its successors and/or assigns, “**Lender**” or “**Note A-1 Holder**”), having an address at c/o Bank of America, N.A., 900 West Trade Street, Suite 650, Mail Code: NC1-026-06-1, Charlotte, North Carolina 28255, **US BANK, N.A.**, as Trustee for the registered holders for the JPMCC Commercial Mortgage Pass-Through Certificates Series 2007-FL1 (together with its successors and/or assigns, “**Note A-2 Holder**”), having an address at 9062 Old Annapolis Road, Columbia, Maryland 21045-1951, Attention: Corporate Trust Services (CMBS) and **CAPITAL TRUST, INC.**, a Maryland corporation (together with its successors and/or assigns, in its capacity as “**Note B-1 Holder**” and “**Note B-2 Holder**”; Note A-1 Holder, Note A-2 Holder, Note B-1 Holder and Note B-2 Holder, each individually, a “**Noteholder**” and collectively, the “**Noteholders**”), having an address at 410 Park Avenue, 14th Floor, New York, New York 10022.

RECITALS:

WHEREAS, Bank of America, National Association (together with its successors and assigns, the “**Original Lender**”) made a certain first mortgage loan in the original principal sum of TWO HUNDRED FIFTY MILLION AND 00/100 DOLLARS (\$250,000,000.00) (the “**Loan**”) to Borrower pursuant to that certain Loan Agreement, dated as of November 10, 2006 between Borrower and Original Lender, as amended by that certain First Amendment to Loan Agreement and Other Loan Documents, dated as of January 31, 2007 (the “**First Amendment**”) (as the same may be further amended, renewed, modified, extended, replaced or supplemented from time to time, collectively, the “**Loan Agreement**”);

WHEREAS, the Loan is evidenced by four (4) separate and distinct obligations evidenced by that certain Amended and Restated Promissory Note A-1 in the original principal amount of NINETY SIX MILLION TWO HUNDRED THOUSAND AND 00/100 DOLLARS (\$96,200,000.00) made by Borrower in favor of Original Lender (together with any and all renewals, amendments, modifications, consolidations and extensions thereof, the “**Note A-1**”), that certain Amended and

Restated Promissory Note A-2 in the original principal sum of EIGHTY EIGHT MILLION EIGHT HUNDRED THOUSAND AND 00/100 DOLLARS (\$88,800,000.00) made in favor of JP Morgan Chase Bank, N.A. ("**JPM**") (together with any and all renewals, amendments, modifications, consolidations and extensions thereof, the "**Note A-2**"), that certain Amended and Restated Promissory Note B-1 in the original principal sum of THIRTY THREE MILLION EIGHT HUNDRED THOUSAND AND 00/100 DOLLARS (\$33,800,000.00) made by Borrower in favor of Original Lender (together with any and all renewals, amendments, modifications, consolidations and extensions thereof, the "**Note B-1**"), and that certain Amended and Restated Promissory Note B-2 in the original principal sum of THIRTY ONE MILLION TWO HUNDRED THOUSAND AND 00/100 DOLLARS (\$31,200,000.00) made in favor of JPM (together with any and all renewals, amendments, modifications, consolidations and extensions thereof, "**Note B-2**"; Note A-1, Note A-2, Note B-1 and Note B-2, collectively, the "**Notes**");

WHEREAS, the Loan is secured, inter alia, by those certain first priority mortgage (or similar security instrument), assignment of leases and rents and security agreements, each dated as of November 10, 2006 (together with any and all renewals, amendments, modifications, consolidations and extensions thereof, individually and/or collectively, as the context may require, the "**Security Instrument**"), which encumbers the Borrower's fee and/or leasehold interests in the properties located in California, Florida, Texas, Minnesota, South Carolina and North Carolina, as more fully described in the Security Instrument (individually, an "**Individual Property**" and collectively, the "**Property**");

WHEREAS, in connection with the Loan, Guarantor executed and delivered to Original Lender that certain Guaranty of Recourse Obligations of Borrower (as amended by the First Amendment, as the same may be further amended, renewed, modified, extended, replaced or supplemented from time to time, collectively, the "**Guaranty**") dated as of November 10, 2006;

WHEREAS, Borrower and the Guarantor executed and delivered to Original Lender certain other documents and instruments to evidence and/or secure the Loan, including those listed on Schedule II attached hereto (as the same have been or may be further amended, renewed, modified, extended, replaced or supplemented from time to time, each a "**Loan Document**" and, together with the Loan Agreement, the Notes, the Security Instrument and the Guaranty, the "**Loan Documents**");

WHEREAS, JPM assigned its interest in the Note A-2 to Note A-2 Holder;

WHEREAS, Original Lender assigned its interest in the Note B-1 to Note B-1 Holder on or about February 17, 2007;

WHEREAS, JPM assigned its interest in the Note B-2 to Note B-2 Holder on or about February 17, 2007;

WHEREAS, Original Lender, through one or a series of transactions, assigned its interest in and to the Loan Documents and the Note A-1 to Lender on or about April 17, 2007; and

WHEREAS, the parties hereto have agreed to modify and amend the Loan and Loan Documents in the manner set forth herein and Borrower wishes to exercise an Additional Extension Option (defined below) to extend the Loan to the Payment Date occurring in February, 2012.

AGREEMENT:

For the mutual promises contained herein and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

1. Definitions. Capitalized terms used herein and not specifically defined herein shall have the respective meanings ascribed to such terms in the Loan Agreement. To the extent of any conflict, the definitions set forth in this Agreement shall control. The definition of “Agreement” set forth in the Loan Agreement shall be deemed to include this Agreement. Additionally, the definition of “Loan Agreement” and “Loan Documents” as set forth in the Loan Documents shall be deemed to include this Agreement and the other Amendment Documents (defined below).

2. Conditions to Effectiveness. This Agreement shall be effective only if and when signed by, and when counterparts hereof shall be delivered to Lender or its counsel by the Borrower, Guarantor and Lender and all of the conditions precedent to the closing of this Agreement have been satisfied to the satisfaction of Lender, including, without limitation, the following (collectively, the “**Conditions Precedent**”):

- (i) No Default or Event of Default shall have occurred and be continuing;
- (ii) Borrower and Guarantor shall have delivered, or caused to be delivered, to Lender a Title Insurance Policy (or acceptable endorsements to the existing Title Insurance Policy), in form and substance acceptable to Lender insuring (a) the first lien of each Security Instrument, as modified by this Agreement and the applicable Security Instrument Amendment (defined below), as of the date hereof, (b) full coverage against present and future mechanics' liens (whether filed or inchoate), if any, and (c) over such other matters as reasonably required by Lender;
- (iii) Borrower shall pay all premiums, fees and expense in connection with the issuance of the title coverage required in Section 2(ii) above;
- (iv) Borrower and Guarantor shall have delivered, or caused to be delivered, to Lender, in form and substance acceptable to Lender, opinions of Borrower's and Guarantor's counsel with respect to the due execution and authorization of this Agreement and the other Amendment Documents by Borrower and Guarantor, the enforceability of the Loan Documents, as modified by this Agreement and the other Amendment Documents, against Borrower and Guarantor, that the execution and delivery of this Agreement and the other Amendment Documents does not constitute a “significant” modification of the Loan with respect to regulations applicable to a REMIC Trust, and such other opinions as reasonably required by Lender;

- (v) Borrower shall have delivered to Lender all amounts due and payable pursuant to Sections 8 hereof;
- (vi) Borrower and Guarantor shall have executed and delivered, or caused to be executed and delivered, to Lender, in form and substance acceptable to Lender, (a) this Agreement, (b) that certain Certification, dated as of the date hereof, given by Borrower and Guarantor to Lender, (c) an amendment to the Security Instrument with respect to each Individual Property, each dated as of the date hereof (collectively, the “**Security Instrument Amendment**”), (d) that certain Guaranty of Payment, dated as of the date hereof from Borrower and Guarantor to Noteholders and (e) that certain escrow letter agreement between Borrower, Lender and Stewart Title Guaranty Company (each of (a) through (e) above, together with any amendments, renewals, modifications, extensions, replacements or supplements thereto, from time to time, collectively, the “**Amendment Documents**”);
- (vii) Borrower shall have delivered, or caused to be delivered, to Lender an estoppel certificate (or good standing certificate) from each Manager (other than Post Modification Manager Estoppels (defined below)) (a) certifying (i) that the applicable Management Agreement is unmodified and in full force and effect (or if there have been modifications, that the same, as modified, is in full force and effect and stating the modifications), and (ii) the date through which the management fees due under the Management Agreement have been paid; and (b) stating whether or not to the best knowledge of Manager (i) there is a continuing default by Borrower in the performance or observance of any covenant, agreement or condition contained in the Management Agreement, or (ii) there shall have occurred any event that, with the giving of notice or passage of time or both, would become such a default, and, if so, specifying each such default or occurrence of which Manager has knowledge;
- (viii) Borrower shall have delivered, or caused to be delivered, to Lender an estoppel certificate (or good standing certificate) from the Condominium Board (a) certifying that (i) that the applicable Condominium Documents are unmodified and in full force and effect (or if there have been modifications, that the same, as modified, is in full force and effect and stating the modifications), and (ii) the date through which the any fees due by Borrower under the Condominium Documents have been paid; and (b) stating whether or not to the best knowledge of the Condominium Board (i) there is a continuing default by Borrower in the performance or observance of any covenant, agreement or condition contained in the Condominium Documents, or (ii) there shall have occurred any event that, with the giving of notice or passage of time or both, would become such a default, and, if so, specifying each such default or occurrence of which the Condominium Board has knowledge;
- (ix) Borrower shall have delivered to Lender all amounts set forth on that certain settlement statement executed by Borrower in connection with this Agreement as of the date hereof;

- (x) All of the representations, warranties, covenants and agreements contained in the Loan Documents shall be true and correct in all material respects as of the date hereof, except to the extent that such representation and warranty specifically refers to financial statements which were required to be delivered as of a prior date; and
- (xi) Borrower and Guarantor shall have delivered to Lender such other documents, materials, agreements or information as Lender may reasonably require.

3. Borrower and Guarantor hereby represent, warrant and covenant to Lender and the other Noteholders that, as of the date hereof:

(i) There is no pending, nor, to Borrower or Guarantor's knowledge, is there any threatened, litigation proceeding involving the Property or Borrower's ownership, development, operation or maintenance thereof, which proceedings, if determined against Borrower or any Individual Property, would reasonably be expected to materially adversely affect the condition (financial or otherwise) or business of Borrower or the condition or ownership of the Properties (taken as a whole).

(ii) There are no offsets, counterclaims or defenses against the Debt, this Agreement or the other Loan Documents, and no Default or Event of Default exists under the Loan Documents.

(iii) The outstanding principal amount of the Note A-1 is \$68,562,933.53, the outstanding principal amount of the Note A-2 is \$63,288,861.72, the outstanding principal amount of the Note B-1 is \$24,089,679.35 and the outstanding principal amount of the Note B-2 is \$22,236,627.09.

(iv) Each Security Instrument, as modified by the applicable Security Instrument Amendment, constitutes, and shall continue to be, a valid, first priority, perfected lien on the applicable Individual Property.

(v) To Borrower's knowledge, each of the Undelivered Items (as defined in that certain Undelivered Items Letter Agreement, dated as of November 10, 2006, from Borrower to Original Lender) have been delivered to Lender.

(vi) Each Management Agreement (as defined in the Loan Agreement) is in full force and effect according to its terms, is the valid and binding obligation of Borrower and the applicable Manager, and, except as set forth on Schedule 3(vi) attached hereto, has not been modified, amended or supplemented since the Closing Date. With respect to each Individual Property, except as set forth on Schedule 3(vi) attached hereto, there exist no other agreements between Borrower and the applicable Manager currently in effect concerning Manager's management and operation of the Property. No party under the Management Agreement is in default under the Management Agreement.

(vii) Each Franchise Agreement (as defined in the Loan Agreement) is in full force and effect according to its terms, is the valid and binding obligation of Borrower and the applicable Franchisor, and, except as set forth on Schedule VII attached hereto, has not been modified, amended or supplemented since the Closing Date. With respect to each Individual Property, except as set forth on Schedule VII attached hereto, there exist no other agreements between Borrower and the applicable Franchisor currently in effect concerning Borrower's franchise, other than the applicable comfort letter between Borrower, Lender and the applicable Franchisor. No party under the Franchise Agreement is in default under the Franchise Agreement.

(viii) Each Ground Lease (as defined in the Loan Agreement) is in full force and effect according to its terms, is the valid and binding obligation of Borrower and the applicable Ground Lessor, and, except as set forth on Schedule XII attached hereto, has not been modified, amended or supplemented since the Closing Date. With respect to each Individual Property, except as set forth on Schedule XII attached hereto, there exist no other agreements between Borrower and the applicable Ground Lessor currently in effect concerning the Ground Lease. No party under the Ground Lease is in default under the Ground Lease.

(ix) Each Operating Lease (as defined in the Loan Agreement) is in full force and effect according to its terms, is the valid and binding obligation of Hotels and Leasing, and, except as set forth on Schedule VIII attached hereto, has not been modified, amended or supplemented since the Closing Date. With respect to each Individual Property, except as set forth on Schedule VIII attached hereto, there exist no other agreements between Hotels and Leasing currently in effect concerning the Operating Lease. No party under the Operating Lease is in default under the Operating Lease.

(x) The Condominium Documents (as defined in the Loan Agreement) are in full force and effect according to their terms, are the valid and binding obligations of Borrower, and have not been modified, amended or supplemented since the Closing Date. No party under the Condominium Documents is in default under the Condominium Documents.

(xi) Notwithstanding anything to the contrary set forth in Section 2.7 of the Loan Agreement, the Release Parcel (as defined in Section 2.7 of the Loan Agreement) was not owned by Borrower at the time of the origination of the Loan and was not encumbered by the lien of the Security Instrument encumbering the San Antonio Property (the "**SA Security Instrument**"). The parcel described in the legal description attached as Exhibit A to the SA Security Instrument is the same as the parcel described in the legal description attached as Exhibit A to that certain Correction Deed, dated as of November 5, 2009, and effective as of December 31, 1998, executed by FelCor Hotel Asset Company, L.L.C., a Delaware limited liability company, and Lender received an insured first lien on such property described in Exhibit A to the SA Security Instrument pursuant to Title Insurance Policy Number: M-5894-000406928 issued by Stewart Title Guaranty Company.

4. Amendment to Loan Agreement.

(i) The following defined terms in Section 1.1 of the Loan Agreement are hereby each deleted in their entirety: “Release Cap”, “Release Property”, “Replacement Amount”, “Substitute Allocated Loan Amount”, “Substitution Cap” and “Substitute Property”.

(ii) The following defined terms in Section 1.1 of the Loan Agreement are hereby deleted in their entirety and replaced with the following:

- (A) “**FF&E Expenditures Event**” shall mean, with respect to an Individual Property, the delivery by the applicable Manager and/or Franchisor of a notice to Borrower that amounts are required to be deposited with the applicable Manager and/or Franchisor in connection with FF&E and Capital Expenditures; provided, however, an FF&E Expenditures Event shall not be deemed to occur (or shall be deemed to have ended) upon receipt by Lender from the applicable Manager and/or Franchisor of evidence that such deposits have been (and/or are continuing to be) delivered to the applicable Manager and/or Franchisor.
- (B) “**Lockbox Period**” shall mean the period commencing upon the occurrence of a Lockbox Trigger Event and ending upon the earlier to occur of (i) the occurrence of a Lockbox Trigger Event Cure and (ii) the indefeasible satisfaction of the Debt.
- (C) “**Lockbox Trigger Event**” shall mean (i) an Event of Default or (ii) if, at any time during the Additional Extension Terms, Lender elects, in its sole and absolute discretion, to implement additional control over the Gross Income from Operations.
- (D) “**Lockbox Trigger Event Cure**” shall mean an election by Lender, in its sole and absolute discretion, to terminate additional control over the Gross Income from Operations.
- (E) “**Maturity Date**” shall mean the Payment Date occurring in November, 2008, or such other date on which the final payment of the principal of the Note becomes due and payable as therein or herein provided, whether at such stated maturity date, by declaration of acceleration, or otherwise; provided, however, upon compliance with the Extension Criteria, Borrower shall have the right to extend the Maturity Date for three (3) additional periods of one (1) year each (each, an “**Extension Term**”) and, provided, further, however, upon compliance with the Additional Extension Criteria, Borrower shall have the right to extend the Maturity Date for three (3) additional consecutive periods (a) to the Payment Date occurring in February, 2012 (the “**4th Extension Term**”), (b) provided the 4th Extension

Term commenced, to the Payment Date occurring in May, 2013 (the “**5th Extension Term**”), and (c) provided the 5th Extension Term commenced, to the Payment Date occurring in November, 2013 (the “**6th Extension Term**”).

- (F) “**Note B Eurodollar Rate**” shall mean (a) with respect to any Interest Period prior to the commencement of the 4th Extension Term, an interest rate per annum equal to LIBOR plus 1.60%, (b) with respect to any Interest Period during the 4th Extension Term and the 5th Extension Term, an interest rate per annum equal to LIBOR plus 6.50% and (c) with respect to any Interest Period during the 6th Extension Term, an interest rate per annum equal to LIBOR plus 9.00%. For the avoidance of doubt, in the event of the occurrence of any Additional Extension Term in which the Note B Eurodollar Rate increases on the commencement of such Additional Extension Term, the increase in rate shall be effective as of the commencement date of the applicable Extension Term.
- (G) “**Release Price**” shall mean an amount equal to, with respect to the sale of an Individual Property, the greater of (i) the Net Sales Proceeds of such Individual Property and (ii) the release price set forth on the Approved Schedule of Release Prices.

(iii) The following defined terms are hereby incorporated into Section 1.1 of the Loan Agreement:

- (A) “**6th Extension Principal Paydown**” shall mean the principal required to be applied to the outstanding principal balance of the Loan to cause the Debt Yield with respect to the Loan to be no less than fifteen percent (15%) as of the date of the determination of such Debt Yield, which date shall be no more than forty-five (45) days prior to the commencement of the 6th Extension Term. Lender's calculation of the amount of the 6th Extension Principal Paydown and the Debt Yield, and all component calculations thereof, shall be determined by Lender in its sole discretion and shall be conclusive and binding on Borrower absent manifest error.
- (B) “**Actual Monthly CapEx Spend Amount**” shall mean, with respect to an Applicable Determination Month (commencing with the Applicable Determination Month of October 2011), an amount equal to the Capital Expenditures actually paid in such month by Borrower with respect to the Properties (i) which are then subject to the lien of a Security Instrument and (ii) for which a FF&E Expenditures Event has not occurred.

- (C) “**Additional Extension Criteria**” shall mean (a) with respect to the 4th Extension Term, (i) no Event of Default has occurred and is continuing under the Loan, (ii) this Agreement and the other Amendment Documents are executed and delivered by the respective parties thereto and (iii) Borrower shall pay to Lender, on or before the commencement of the 4th Extension Term, an amount equal to Twenty Million Dollars (\$20,000,000.00) (the “**4th Extension Principal Paydown**”), which amount shall be applied in accordance with the terms of Section 2.3.1 hereof to the outstanding principal balance of each of the Notes on a pro-rata, pari-passu basis; (b) with respect to the 5th Extension Term, (i) no Event of Default has occurred and is continuing under the Loan, (ii) Borrower sends Lender a written request at least ten (10) days, but not more than ninety (90) days, prior to the expiration of the existing extension term, (iii) Borrower shall pay to Lender, on or before the commencement of the 5th Extension Term, an amount equal to Five Million Dollars (\$5,000,000.00) (the “**5th Extension Principal Paydown**”), which amount shall be applied in accordance with the terms of Section 2.3.1 hereof to the outstanding principal balance of each of the Notes on a pro-rata, pari-passu basis and (iv) Borrower shall have delivered, or caused to be delivered to Lender the Post Modification Manager Estoppels (which requirement may be waived by Lender, in its sole and absolute discretion, in writing at any time upon request of Borrower), and (c) with respect to the 6th Extension Term, (i) no Event of Default has occurred and is continuing under the Loan, (ii) Borrower sends Lender a written request at least thirty (30) days, but not more than one hundred twenty (120) days, prior to the expiration of the existing extension term and (iii) Borrower shall pay to Lender, on or before the commencement of the 6th Extension Term, an amount equal to the 6th Extension Principal Paydown, which amount shall be applied in accordance with the terms of Section 2.3.1 hereof to the outstanding principal balance of each of the Notes on a pro-rata, pari-passu basis; provided, however, if Borrower fails to exercise any extension option in accordance with the provisions of this Agreement, such extension option, and any subsequent extension option hereunder, will automatically cease and terminate.
- (D) “**Additional Extension Terms**” shall mean, collectively, the 4th Extension Term, the 5th Extension Term and the 6th Extension Term.
- (E) “**Aggregate CapEx Reserve Credit Shortfall**” shall mean, as of the date of determination, (i) the sum of all CapEx Reserve Monthly Credit Shortfalls (including the CapEx Reserve Monthly Credit Shortfall for the Applicable Determination Month) less (ii) the sum of all Monthly CapEx Reserve Make-Whole Credits for previous

months (including the Monthly CapEx Reserve Make-Whole Credit for the Applicable Determination Month).

- (F) “**Applicable Determination Month**” shall have the meaning set forth in the defined term “NCF Payment” below.
- (G) “**Approved Closing Costs**” shall mean with respect to the sale of an Individual Property (other than a Required Retained Property), the sum of (i) all reasonable and customary closing costs and adjustments not to exceed the lesser of: (a) three percent (3%) of the applicable Gross Sale Proceeds, or (b) the amount actually incurred and paid by Borrower (and not subject to reimbursement by the applicable purchaser) and reasonably approved by Lender, including, without limitation, title insurance premiums and charges, the contributions made by Borrower to buyer's closing costs, broker's commissions, attorneys' fees, recording charges, transfer taxes and other customary closing costs (but expressly excluding any approved holdback or any amount Borrower is required to pay on account of real estate taxes and/or ground rent) and (ii) the Brand Termination Payment.
- (H) “**Approved Schedule of Release Prices**” shall mean the schedule of minimum release prices set forth on Schedule I attached to the Second Modification Agreement.
- (I) “**Brand Termination Payment**” shall mean, with respect to each Individual Property, the applicable termination payment set forth on Schedule III attached to the Second Modification Agreement together with such other amounts actually paid by Borrower to Manager in connection with the termination of the applicable Management Agreement, each as reasonably approved by Lender.
- (J) “**CapEx Cash Flow Monthly Credit Amount**” shall mean, with respect to an Applicable Determination Month (commencing with the Applicable Determination Month of October 2011), (A) to the extent NCF After Debt Service is greater than zero, the lesser of (i) the Monthly CapEx Reserve Credit and (ii) the NCF After Debt Service and (B) to the extent NCF After Debt Service is less than or equal to zero, then zero.
- (K) “**CapEx Reserve Monthly Credit Shortfall**” shall mean, with respect to an Applicable Determination Month (commencing with the Applicable Determination Month of October 2011), an amount equal to the positive difference, if any, between (i) the Monthly CapEx Reserve Credit *less* (ii) the CapEx Cash Flow Monthly Credit Amount for such month.

- (L) “**Cumulative Actual CapEx Spend Amount**” shall mean, as of the date of determination, the sum of the Actual Monthly CapEx Spend Amounts (including the Actual Monthly CapEx Spend Amount for the Applicable Determination Month).
- (M) “**Cumulative CapEx Reserve Credit**” shall mean, as of the date of determination, the lesser of (i) the Cumulative Synthetic CapEx Reserve Amount and (ii) the Cumulative Actual CapEx Spend Amount.
- (N) “**Cumulative Synthetic CapEx Reserve Amount**” shall mean, as of the date of determination, the sum of the Synthetic Monthly CapEx Reserve Amounts (including the Synthetic Monthly CapEx Reserve Amount for the Applicable Determination Month). It being understood that the first Synthetic Monthly CapEx Reserve Amount shall be with respect to the Applicable Determination Month of October 2011.
- (O) “**Current Pay Interest Rate**” shall mean either (i) (a) with respect to Note A, the Note A Eurodollar Rate and (b) with respect to Note B, with respect to any Interest Period, an interest rate per annum equal to LIBOR plus 1.60% or (ii) the Adjusted Interest Rate with respect to any period when the Loan shall bear interest at the Adjusted Interest Rate in accordance with the provisions of Section 2.2.3 herein, as applicable; provided, however, that during any period in which an Event of Default is continuing, the Current Pay Interest Rate shall be the Default Rate.
- (P) “Debt Yield” shall mean, as of any date of determination, a fraction (a) whose numerator is the Net Operating Income for the most recently available twelve (12) month period preceding the date of calculation as set forth in the financial statements required hereunder, without deduction for (i) actual management fees incurred in connection with the operation of the Properties, or (ii) amounts paid to the Reserve Funds, less (A) management fees equal to the greater of (1) assumed management fees of four percent (4%) of Gross Income from Operations or (2) the actual management fees incurred and (B) the greater of (1) assumed Replacement Reserve Fund contributions equal to 4% of Gross Income from Operations (without regard to whether such contributions are suspended pursuant to the terms of Section 7.3 hereof), (2) actual Replacement Reserve Fund contributions pursuant to the terms hereof and (3) contributions for Capital Expenditures required pursuant to the Management Agreements and the Franchise Agreements, and (b) whose denominator is the outstanding principal amount of the Loan.

- (Q) “**Distribution**” shall mean any distributions, payments, dividends, proceeds, disbursements or other consideration arising from or to be made in connection with any direct or indirect membership or other equity interest in Borrower.
- (R) “**Gross Sales Proceeds**” shall mean the contract sales price of an Individual Property (other than a Required Retained Property) set forth in an arms-length contract of sale with an unaffiliated third party purchaser.
- (S) “**Modification Date**” shall mean October 27, 2011.
- (T) “**Monthly CapEx Reserve Credit**” shall mean, with respect to an Applicable Determination Month (commencing with the Applicable Determination Month of October 2011), an amount equal to the positive difference between (a) the Cumulative CapEx Reserve Credit for the Applicable Determination Month *less* (b) the Cumulative CapEx Reserve Credit for the immediately prior month; provided, however, with respect to the Applicable Determination Month of October 2011, the Monthly CapEx Reserve Credit shall be an amount equal to the lesser of (i) the applicable Synthetic Monthly CapEx Reserve Amount and (ii) the applicable Actual Monthly CapEx Spend Amount.
- (U) “**Monthly CapEx Reserve Make-Whole Credit Amount**” shall mean, with respect to an Applicable Determination Month (commencing with the Applicable Determination Month of October 2011), in the event NCF After Debt Service *less* the CapEx Cash Flow Monthly Credit Amount (the “**Available Make-Whole Funds**”) is (i) less than or equal to zero, then an amount equal to zero, (ii) greater than zero but less than the Aggregate CapEx Reserve Credit Shortfall, an amount equal to the Available Make-Whole Funds or (iii) greater than or equal to the Aggregate CapEx Reserve Credit Shortfall, an amount equal to the Aggregate CapEx Reserve Credit Shortfall for the previous month.
- (V) “**Net Sales Proceeds**” shall mean the amount, if any, by which the Gross Sale Proceeds from a sale of an Individual Property (other than a Required Retained Property) exceeds the Approved Closing Costs for the sale of such Individual Property.
- (W) “**NCF**” for any period shall mean the amount obtained by subtracting Operating Expenses for such period from Gross Income from Operations for such period.

- (X) “**NCF After Debt Service**” shall mean, NCF for the Applicable Determination Month *less* the sum of (i) Debt Service and actual Reserve Fund Deposits delivered to Lender on the Payment Date occurring during the Applicable Determination Month and (ii) amounts deposited with Manger, if any, with respect to reserve funds for Capital Expenditures for the Applicable Determination Month.
- (Y) “**NCF Payment**” shall mean, with respect to a Payment Date, a payment by Borrower to Lender in an amount equal to the NCF After Debt Service for the calendar month that is two (2) calendar months prior to the calendar month in which the applicable Payment Date occurs (the “**Applicable Determination Month**”) *less* the sum of (i) the applicable CapEx Cash Flow Monthly Credit Amount and (ii) the applicable Monthly CapEx Reserve Make-Whole Credit Amount (if any), such amounts to be calculated by Borrower based on the applicable Monthly Income Report and subject to Lender's review in its sole but good faith discretion. It being understood that in no event shall the amount of an NCF Payment be less than zero. For the avoidance of doubt, the NCF Payment due on the Payment Date occurring in April, 2012 shall be in an amount equal to the NCF After Debt Service generated by the Property during the month of February, 2012 *less* the sum of (i) the applicable CapEx Cash Flow Monthly Credit Amount and (ii) the applicable Monthly CapEx Reserve Make-Whole Credit Amount (if any). Therefore, the Applicable Determination Month of a Payment Date occurring in April, 2012 is February, 2012.
- (Z) “**NCF Error Payment**” shall mean, with respect to a Payment Date, an amount equal to the positive difference of (i) the NCF Payment for the Applicable Determination Month as determined by Lender in its sole but good faith discretion after Lender's review of the Monthly Income Report, *less* (ii) the amount of the actual NCF Payment delivered by Borrower to Lender with respect to the Applicable Determination Month, in each case taking into consideration the applicable CapEx Cash Flow Monthly Credit Amount and the applicable Monthly CapEx Reserve Make-Whole Credit Amount (if any). For the avoidance of doubt, any required NCF Error Payment with respect to an Applicable Determination Month would be payable by Borrower to Lender on the Payment Date immediately following the Payment Date in which the NCF Payment with respect to the same Applicable Determination Month would have been due.
- (AA) “**Post Modification Manager Estoppels**” shall mean estoppels, in form and substance substantially similar to the form of estoppel attached to the Second Modification Agreement as Exhibit B, from

each Manager of each Individual Property other than Embassy Suites Dallas - Love Field, located at 3880 W. Northwest Hwy, Dallas, TX 75220.

- (BB) “**Required Retained Property**” shall mean each of the following Individual Properties: (i) Embassy Suites Dallas - Love Field, located at 3880 W. Northwest Hwy, Dallas, TX 75220, (ii) Embassy Suites Deerfield Beach Resort & Spa, located at 950 South Ocean Drive (previously known as 950 SE 20th Ave.), Deerfield Beach, FL 33441 and (iii) The Mills House Hotel, a Holiday Inn, located at 115 Meeting Street, Charleston, SC 29401.
- (CC) “**Second Modification Agreement**” shall mean that certain Second Amendment to Loan Agreement and Other Loan Documents, dated as of the Modification Date.
- (DD) “**Synthetic Monthly CapEx Reserve Amount**” shall mean, with respect to an Applicable Determination Month (commencing with the Applicable Determination Month of October 2011), an amount equal to four percent (4%) of the Gross Income from Operations for such month for the Properties (i) which are then subject to the lien of a Security Instrument and (ii) for which a FF&E Expenditures Event has not occurred.

(iv) Section 2.2.1(a) of the Loan Agreement is hereby deleted in its entirety and replaced with the following: 2.2.1(a) **Interest**. Interest on the outstanding principal balance of the Loan shall accrue from the Closing Date to the end of the Interest Period in which the Maturity Date occurs at the Applicable Interest Rate. Monthly installments of interest only (based on the Current Pay Interest Rate only) shall be paid on each Payment Date commencing on the Payment Date occurring in December, 2006 and on each subsequent Payment Date thereafter up to and including the Maturity Date for the Interest Period in which such Payment Date or Maturity Date occurs. Interest on the outstanding principal amount of the Loan for the period through and including November 14, 2006 shall be paid by Borrower on the Closing Date. The outstanding principal balance of the Loan together with all accrued and unpaid interest thereon shall be due and payable on the Maturity Date (including, without limitation, all interest that would accrue on the outstanding principal balance of the Loan through the end of the Interest Period during which the Maturity Date occurs (even if such period extends beyond the Maturity Date). Interest accruing hereunder in excess of the Current Pay Interest Rate, if any, shall (x) on each Payment Date, immediately commence earning interest at the Applicable Interest Rate to the extent permitted by law and (y) to the extent remaining unpaid at the Maturity Date, be due and payable in full on the Maturity Date.

(v) The lead-in sentence of Section 2.3.1 of the Loan Agreement is hereby deleted in its entirety and replaced with the following: On any Business Day occurring after the Lockout Date, Borrower may, at its option, prepay the Loan in whole or in part, upon satisfaction of the following conditions:

(vi) The following shall be incorporated into the Loan Agreement as Section 2.4 (g): (g) Notwithstanding anything contained in this Section 2.4 to the contrary, Borrower shall not be required to obtain, or cause to be obtained, or maintain, an Interest Rate Cap Agreement pursuant to this Section 2.4 during the Additional Extension Terms.

(vii) Section 2.5.1 of the Loan Agreement is hereby deleted in its entirety and replaced with the following:

2.5.1 Release of Individual Property.

Provided no Event of Default has occurred and is continuing, after the expiration of the Lockout Period, Borrower may obtain the release of an Individual Property (other than any Required Retained Property) from the Lien of the Security Instrument thereon (and related Loan Documents) and the release of Borrower's obligations under the Loan Documents with respect to such Individual Property (other than those expressly stated to survive), but only upon the satisfaction of each of the following conditions:

(a) Borrower shall provide Lender with at least thirty (30) days but no more than ninety (90) days prior written notice of its request to obtain a release of the Individual Property;

(b) Notwithstanding the other provisions of this Section 2.5, if a Securitization has occurred, the release of the Individual Property shall satisfy all applicable REMIC Requirements (defined below) and Borrower shall deliver to Lender an opinion of counsel that is standard in commercial lending transactions and subject only to customary qualifications, assumptions and exceptions opining that the Loan will not fail to maintain its status as a qualified mortgage within the meaning of Code Section 860G(a)(3) as a result of the release of the applicable Individual Property. As used herein, "**REMIC Requirements**" shall mean any applicable legal requirements relating to any REMIC Trust (including, without limitation, any constraints, rules and/or other regulations and/or requirements relating to the servicing, modification and/or other similar matters with respect to the Loan (or any portion thereof and/or interest therein)).

(c) Lender shall have received a wire transfer of immediately available federal funds in an amount equal to the Release Price for the applicable Individual Property to be applied on a pro-rata, pari-passu basis to the outstanding principal balance of the Notes, together with (i) all accrued and unpaid interest calculated at the Applicable Interest Rate on the amount of principal being prepaid through and including the Prepayment Date, (ii) the Interest Shortfall, if applicable, with respect to the amount prepaid, (iii) Breakage Costs, if any, without duplication of any sums paid pursuant to the preceding clause (ii); and (iii) all other sums due under this Agreement, the Note or the other Loan Documents in connection with such release;

(d) Borrower shall submit to Lender, not less than five (5) days prior to the date of such release, a release of Lien (and related Loan Documents) for such Individual Property for execution by Lender. Such release shall be in a form appropriate in each State in which the Individual Property is located and shall contain standard provisions, if any, protecting

the rights of Lender. In addition, Borrower shall provide all other documentation Lender reasonably requires to be delivered by Borrower in connection with such release, together with an Officer's Certificate certifying that (i) such documentation is in compliance with all applicable Legal Requirements, and (ii) the release will not impair or otherwise adversely affect the Liens, security interests and other rights of Lender under the Loan Documents not being released (or as to the parties to the Loan Documents and Properties subject to the Loan Documents not being released);

(e) After giving effect to such release, Lender shall have determined that the Debt Service Coverage Ratio for the Properties then remaining subject to the Lien of a Security Instrument (not including the Individual Property to be released) shall be at least equal to the Debt Service Coverage Ratio for all of the Properties (including the Individual Property to be released) for the twelve (12) full calendar months immediately preceding the release of the Individual Property, which determination shall be made after giving effect to (i) such release and (ii) any additional voluntary prepayment made by Borrower, but only to the extent necessary to meet such minimum Debt Service Coverage Ratio. If Borrower shall make such voluntary prepayment, such prepayment shall be made in accordance with Section 2.3.1(b);

(f) Lender shall have received evidence that the Individual Property to be released shall be conveyed to a Person other than Borrower or Principal;

(g) In the event the Individual Property to be released is subject to an Operating Lease along with one or more additional Properties, Lender shall have received a certified copy of an amendment to the Operating Lease reflecting the deletion of the Individual Property to be released;

(h) After giving effect to such release, Lender shall have determined that the outstanding principal balance of the Loan shall not be less than \$60,000,000.00;

(i) Lender shall have received payment of all Lender's reasonable out of pocket costs and expenses, including due diligence review costs and reasonable counsel fees and disbursements incurred in connection with the release of the Individual Property from the lien of the related Security Instrument and the review and approval of the documents and information required to be delivered in connection therewith.

(viii) Section 2.6 of the Loan Agreement is hereby deleted in its entirety and replaced with the following: Section 2.6 [Intentionally omitted].

(ix) Section 3.6 of the Loan Agreement is hereby deleted in its entirety and replaced with the following: Section 3.6 Excess Cash Flow Prior to the Lockbox Period.

(a) From and after the Modification Date until the commencement of a Lockbox Period, Borrower shall deliver to Lender on each Payment Date (i) a report detailing Borrower's calculation of the NCF After Debt Service and each of the CapEx Cash Flow Monthly Credit Amount and the Monthly CapEx Reserve Make-

Whole Credit Amount (and the respective components thereof) for the calendar month in which the second preceding Payment Date occurred (including, without limitation, Borrower's calculation of Net Operating Income, Gross Income from Operations, Capital Expenditures and Operating Expenses), which such report shall include an Officer's Certificate of Borrower in form substantially similar to the form attached to the Second Modification Agreement as Exhibit A and such other documents evidencing and/or supporting Borrower's calculations as reasonably requested by Lender (such report together with the applicable Officer's Certificate, a "**Monthly Income Report**"), (ii) the applicable NCF Payment and (iii) any NCF Error Payment. Each Monthly Income Report shall be subject to the review and approval of Lender, in its sole and absolute discretion. For the avoidance of doubt and illustrative purposes only, Exhibit C attached to the Second Modification Agreement sets forth the application of the calculation of the NCF Payment (assuming no NCF Error Payments), and the components thereof, based on hypothetical variables for Gross Income From Operations, Operating Expenses, Debt Service and Actual Monthly CapEx Spend Amounts, and in no event shall Exhibit C attached to the Second Modification Agreement be deemed to reflect anticipated NCF Payments, extensions of the Maturity Date or otherwise modify the terms set forth herein and in the other Loan Documents.

(b) Provided no Event of Default is then continuing, each NCF Payment and NCF Error Payment received by Lender shall be applied on a pro-rata, pari-passu basis to the outstanding principal balance of the Notes.

(c) Borrower acknowledges that the provisions of this Section 3.6 shall not be subject to the exculpation provisions of Section 9.4(a) hereof.

(x) Section 3.7(b)(viii) of the Loan Agreement is hereby deleted in its entirety and replaced with the following: Eighth, subject to the terms of Section 3.19 hereof, all amounts remaining in the Lockbox Account after deposits for items (i) through (vii) above for the current month and all prior months shall be disbursed by Lender on the Payment Date to be applied on a pro-rata, pari-passu basis to the outstanding principal balance of the Notes (it being understood that no consent of, or notice to, Borrower shall be required in connection therewith).

(xi) Section 3.15 of the Loan Agreement is hereby deleted in its entirety and replaced with the following: Section 3.15 [Intentionally omitted].

(xii) Section 3.16 of the Loan Agreement is hereby deleted in its entirety and replaced with the following: Section 3.16 [Intentionally omitted].

(xiii) The following shall be incorporated into the Loan Agreement as Section 5.1.27: 5.1.27 FF&E Expenditures Event. Borrower shall notify Lender within five (5) Business Days of Borrower's receipt of notice that an FF&E Expenditures Event has occurred.

(xiv) The following shall be incorporated into the Loan Agreement as Section 5.2.11: 5.2.11 No Distributions. So long as the Loan remains outstanding, Borrower shall not make any Distributions from any income produced by or otherwise generated in connection with the use and/or operation of the Property.

(xv) Section 9.4(a)(vi) of the Loan Agreement is hereby deleted in its entirety and replaced with the following: (vi) impair the right of Lender to enforce the provisions of Section 10.2 of the Security Instruments or Sections 3.6, 4.1.8, 4.1.28, 5.1.9 and 5.2.8 hereof;

(xvi) Section 9.4(b)(xii) of the Loan Agreement is hereby deleted in its entirety and replaced with the following: (xii) (A) if any Ground Lease is modified or terminated other than in accordance with the terms hereof and (B) any breach of the representations made by Borrower set forth in Section 3(vi) of the Second Modification Agreement; provided, however, that Borrower shall have no liability hereunder with respect to clause (xii)(B) above to the extent Borrower has delivered, or caused to be delivered, to Lender an estoppel certificate from the Manager of each Individual Property in form and substance reasonably acceptable to Lender;

(xvii) Section 9.4(c) of the Loan Agreement is hereby deleted in its entirety and replaced with the following: (c) Notwithstanding the foregoing, the agreement of Lender not to pursue recourse liability as set forth in Subsection (a) above SHALL BECOME NULL AND VOID and shall be of no further force and effect and the obligation to repay the Debt shall become a personal recourse obligation of Borrower (i) in the event of Borrower's or Principal's default under Section 4.1.35 hereof (such that such failure was considered by a court as a factor in the court's finding for a consolidation of the assets of Borrower or Principal with the assets of another Person) or any Transfer in violation of the provisions of Section 5.2.10 hereof or Article 7 of the Security Instruments, (ii) if any Individual Property or any part thereof shall become an asset, or if Borrower, Principal or any Ground Lessor Affiliated with Borrower shall be a debtor, in (A) a voluntary bankruptcy or insolvency proceeding or (B) an involuntary bankruptcy or insolvency proceeding commenced by any Person (other than Lender) and, with respect to such involuntary proceeding, Borrower consents or fails to object to such proceedings) or if Borrower, Principal or Ground Lessor, has acted in concert with, colluded or conspired with the party to cause the filing of such involuntary proceeding, (iii) an Event of Default contemplated by Section 8.1(a)(xi)(b), 8.1(a)(xi)(c) or 8.1(a)(xxiv)(b) hereof has occurred (unless caused by, or at the request of Lender); provided, however, with respect to this Section 9.4(c)(iii) only, Borrower shall only be liable on a recourse basis for the Allocated Loan Amounts (plus interest thereon and costs and expenses relating thereto) of the Individual Properties that were the cause of such Event of Default or (iv) if, following an Event of Default, Borrower, Guarantor or any of their respective principals or Affiliates, files or commences, or consents to the filing or commencement of, any action, suit, claim, investigation or proceeding, whether legal or administrative or in mediation or arbitration, at law or in equity, to delay, oppose, impede, obstruct, enjoin or otherwise interfere with the exercise by Lender of any of Lender's rights and remedies with respect to the Loan or the Loan Documents.

(xviii) Schedules VII, VIII, IX and XII attached to the Loan Agreement are each hereby deleted in their entirety and replaced with Schedules VII, VIII, IX and XII attached to the Second Modification.

5. 4th Extension Term. The Noteholders acknowledge the exercise by Borrower of the fourth extension option in accordance with the terms of the Loan Agreement, as modified by this Agreement, and the parties hereto acknowledge and agree that upon Lender's receipt of the 4th Extension Principal Paydown (together with all other amounts required to be paid to Lender in accordance with the terms of Section 2.3.1 of the Loan Agreement) on the date hereof, the Maturity Date of the Loan shall be automatically extended to the Payment Date occurring in February, 2012. Notwithstanding the foregoing, the parties hereto acknowledge and agree that all amounts, other than the amount of the 4th Extension Principal Paydown, required to be paid to Lender in accordance with the terms of Section 2.3.1 of the Loan Agreement in connection with the 4th Extension Principal Paydown, including, without limitation, all Interest Shortfall, may be paid by Borrower on the Payment Date occurring in November, 2011.

6. Representations, Warranties, and Covenants. Borrower and Guarantor agree that all of the representations, warranties, and covenants contained in the Loan Documents continue to be true and correct in all material respects as of the date hereof (except to the extent that such representation and warranty specifically refers to financial statements which were required to be delivered as of a prior date) and Borrower and Guarantor hereby agree to continue to be bound by the representations, warranties, and covenants on and after the date hereof. Borrower and Guarantor agree that any default under this Agreement, or any other Amendment Document, shall constitute an Event of Default under the Loan Documents.

7. Execution, Delivery and Enforceability. This Agreement and the other Amendment Documents has been duly executed and delivered by Borrower and Guarantor and is the legal, valid and binding obligation of Borrower and Guarantor, enforceable in accordance with its terms, except as enforceability may be affected by applicable bankruptcy, insolvency, and similar proceedings affecting the rights of creditors generally, and general principles of equity. Each of Borrower and Guarantor have the full power and authority to enter into and perform this Agreement and the execution, delivery and performance of this Agreement by each of Borrower and Guarantor (i) has been duly and validly authorized by all necessary action on the part of each of Borrower and Guarantor, (ii) does not conflict with any judgment, order or decree of any court or arbiter in any proceeding to which Borrower or Guarantor is a party, and (iii) does not conflict with or constitute a material breach of, or constitute a material default under, any contract, agreement or other instrument by which Borrower or Guarantor is bound or to which it is a party. No consent of any Person not a party hereto, including, without limitation, any Franchisor, any Manager, the Condominium Manager, the Condominium Board or any Ground Lessor, is required for Borrower or Guarantor to enter into and perform this Agreement and the other Amendment Documents, or if such consent is required, such consent has been delivered to Lender, and each of Borrower and Guaranty hereby agrees to and does indemnify, defend and hold harmless Servicer, Lender and each of the Noteholders from and against any and all loss, damage or liability whatsoever, including, without limitation, attorneys' fees and costs, arising from any failure to obtain the consent of any such Person or entity which is not a party hereto.

8. Costs and Expenses. Borrower shall pay, on demand, all reasonable, actual, out-of-pocket costs and expenses of Servicer, Lender and each of the Noteholders (including reasonable fees, costs and expenses of counsel to Servicer, Lender and each of the Noteholders) incurred in connection with the negotiation, preparation, execution and delivery of this Agreement and the other Amendment Documents, the closing of the modification of the Loan and the transactions contemplated thereby.

9. Conflicts. Except as expressly modified pursuant to this Agreement (and the other Amendment Documents), all of the terms, covenants and provisions of the Loan Agreement and the other Loan Documents shall continue in full force and effect. In the event of any conflict or ambiguity between the terms, covenants, and provisions of this Agreement and those of the Loan Agreement or the other Loan Documents, the terms, covenants, and provisions of this Agreement shall control.

10. Ratification. (a) Borrower hereby ratifies and confirms to Lender and each of the Noteholders that all of the terms, representations, warranties, covenants, indemnifications and provisions of the Loan Documents are and shall remain in full force and effect, and are true and correct with respect to Borrower without change except as otherwise expressly and specifically modified by this Agreement. Borrower hereby agrees to continue to be bound by terms, representations, warranties, covenants, indemnifications and provisions of the Loan Documents.

(b) Guarantor hereby ratifies and confirms to Lender and each of the Noteholders that all of the terms, representations, warranties, covenants, indemnifications and provisions of the Loan Documents, including without limitation, the Guaranty and the Environmental Indemnity (as defined in the Loan Agreement), are and shall remain in full force and effect, and are true and correct with respect to Guarantor without change except as otherwise expressly and specifically modified by this Agreement. Guarantor hereby agrees to continue to be bound by terms, representations, warranties, covenants, indemnifications and provisions of the Loan Documents, including, without limitation, the Guaranty and the Environmental Indemnity, as expressly and specifically modified by this Agreement, including, without limitation, the incorporation of any modifications to Sections 9.4(b)(xii) and 9.4(c) of the Loan Agreement into the Guaranty.

11. No Waiver or Modification. The parties hereto agree that, except as specifically set forth herein, this Agreement (i) does not amend, waive, satisfy, terminate, diminish or otherwise modify any of the terms, conditions, provisions and/or agreements contained in the Loan Documents and (ii) does not constitute a waiver, release or limitation upon Lender's exercise of any of its rights and remedies under the Loan Documents, all of which are hereby expressly reserved. This Agreement shall not relieve or release the Borrower or Guarantor in any way from any of their respective duties, obligations, covenants or agreements under the Loan Documents or from the consequences of any Event of Default thereunder.

12. Governing Law. This Agreement shall be deemed to be a contract entered into pursuant to the laws of the State of New York and shall in all respects be governed, construed, applied and enforced in accordance with the laws of the State of New York and the applicable laws of the United States of America.

13. No Oral Change. This Agreement, and any provisions hereof, may not be modified, amended, waived, extended, changed, discharged or terminated orally or by any act or failure to act on the part of any party hereto, but only by an agreement in writing signed by the party against whom enforcement of any modification, amendment, waiver, extension, change, discharge or termination is sought.

14. Liability; Successors and Assigns. If any party hereto consists of more than one Person, the obligations and liabilities of each such Person hereunder shall be joint and several. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns forever.

15. Inapplicable Provisions. If any term, covenant or condition of this Agreement is held to be invalid, illegal or unenforceable in any respect, this Agreement shall be construed without such provision.

16. Recitals, Exhibits, Schedules, Headings, etc. The Recitals set forth above are true and correct and are hereby incorporated into the body of this Agreement by reference. All exhibits and schedules attached hereto are incorporated in this Agreement and are expressly made a part hereof. The headings and captions of various paragraphs of this Agreement are for convenience of reference only and are not to be construed as defining or limiting, in any way, the scope or intent of the provisions hereof.

17. Duplicate Originals; Counterparts. This Agreement may be executed in any number of duplicate originals and each duplicate original shall be deemed to be an original. This Agreement may be executed in several counterparts, each of which counterparts shall be deemed an original instrument and all of which together shall constitute a single Agreement. The failure of any party hereto to execute this Agreement, or any counterpart hereof, shall not relieve the other signatories from their obligations hereunder. Any counterpart delivered by facsimile, pdf or other electronic means shall have the same import and effect as original counterparts and shall be valid, enforceable and binding for the purposes of this Agreement.

18. Number and Gender. Whenever the context may require, any pronouns used herein shall include the corresponding masculine, feminine or neuter forms, and the singular form of nouns and pronouns shall include the plural and vice versa.

19. Entire Agreement. This Agreement embodies the entire agreement and understanding among the parties hereto and supercedes all prior agreements and understandings among the parties hereto relating to the subject matter hereof (other than the Loan Documents). Accordingly, this Agreement may not be contradicted by evidence of prior, contemporaneous, or subsequent oral agreements of the parties hereto. There are no unwritten or oral agreements between the parties hereto.

20. Release and Waiver of Claims, Defenses and Rights of Set Off. Each of Borrower and Guarantor acknowledge that Servicer, Lender and each of the Noteholders have performed all obligations and duties owed to Borrower and Guarantor under the Loan Documents, if any, through the date hereof, and each of Borrower and Guarantor further acknowledge, represent

and warrant that neither of Borrower nor Guarantor have any claim, cause of action, defense or right of set off against Servicer, Lender or any of the Noteholders, and, to the extent that any such party has any such rights, as additional consideration for entering into this Agreement, each of Borrower and Guarantor hereby unconditionally and irrevocably forever releases, waives and forever discharges Servicer, Lender and each of the Noteholders (together with each of their predecessors, successors and assigns, each of their Affiliates and each of their officers, directors, employees, agents and representatives) (each, a “**Releasee**” and, collectively, the “**Releasees**”) from any action, cause of action, suit, debt, defense, right of set off or other claim arising on or prior to the date hereof, whatsoever, in law or in equity, arising out of or in connection with this Agreement (including, without limitation, the negotiation of this Agreement and the Amendment Documents) and/or the other Loan Documents, known or unknown against the Releasees.

21. Covenant Not to Sue. Each of Borrower and Guarantor, on behalf of itself and its successors, assigns, Affiliates and other legal representatives, hereby absolutely, unconditionally and irrevocably, covenants and agrees with and in favor of each Releasee that neither Borrower (nor any of its successors, assigns, Affiliates or other legal representatives) nor Guarantor (nor any of its successors, assigns, Affiliates or other legal representatives) will sue (at law, in equity, in any regulatory proceeding or otherwise) any Releasee on the basis of any claim released, remised and discharged by such Borrower pursuant to Section 20 above. If either of Borrower (or any of its successors, assigns, Affiliates or other legal representatives) or Guarantor (or any of its successors, assigns, Affiliates or other legal representatives) violates the foregoing covenant, such party agrees to pay, in addition to such other damages as any Releasee may sustain as a result of such violation, all reasonable attorneys' fees and costs incurred by any Releasee as a result of such violation.

22. No Novation. The parties do not intend this Agreement nor the transactions contemplated hereby to be, and this Agreement and the transactions contemplated hereby shall not be construed to be, a novation of any of the obligations owing by the Borrower under or in connection with the Loan Documents. Further, the parties do not intend this Agreement nor the transactions contemplated hereby to affect the priority of Lender's first priority lien in any of the collateral securing the Note in any way, including, without limitation, the liens, security interests and encumbrances created by the Security Instrument and the other Loan Documents.

Each party hereto acknowledges that it has participated in the negotiation of this Agreement, and agrees that no provision of this Agreement shall be construed against or interpreted to the disadvantage of any party by any court or other governmental or judicial authority by reason of such party having or being deemed to have structured, dictated or drafted such provision. Each of the parties hereto at all times have had access to an attorney in the negotiation of the terms and in the preparation and execution of this Agreement, and the parties hereto each have had the opportunity to review and analyze this Agreement for a sufficient period of time prior to execution and delivery. All of the terms of this Agreement were negotiated at arm's length, and were prepared and executed without fraud, duress, undue influence or coercion of any kind exerted by either party upon the other. The execution and delivery of this Agreement is the free and voluntary act of each of the parties hereto.

[NO FURTHER TEXT ON THIS PAGE]

IN WITNESS WHEREOF, the parties hereto have caused this Second Amendment to Loan Agreement and Other Loan Documents to be duly executed by their duly authorized representatives, all as of the day and year first above written.

BORROWER:

FELCOR/JPM HOTELS, L.L.C., a Delaware limited liability company

By: /s/Michael Hughes
Name: Michael Hughes
Title: Vice President

BORROWER:

DJONT/JPM LEASING, L.L.C., a Delaware limited liability company

By: /s/Michael Hughes
Name: Michael Hughes
Title: Vice President

GUARANTOR:

FELCOR LODGING LIMITED PARTNERSHIP, a Delaware limited partnership

By: FelCor Lodging Trust Incorporated, a Maryland corporation, its general partner

By: /s/Michael Hughes
Name: Michael Hughes
Title: Vice President

[SIGNATURES CONTINUE ON FOLLOWING PAGE]

NOTE A-1 HOLDER:

**WELLS FARGO BANK, N.A., AS TRUSTEE
FOR BEAR STEARNS COMMERCIAL
MORTGAGE SECURITIES TRUST 2007-
BBAA8 COMMERCIAL MORTGAGE PASS-
THROUGH CERTIFICATES SERIES 2007-
BBA8, FOR ITSELF AND AS SERVICING
LENDER PURSUANT TO INTERCREDITOR
AND SERVICING AGREEMENT DATED
NOVEMBER 10, 2066**

By: CT Investment Management Co., Inc., in
its capacity as Special Servicer

By: /s/Deborah J. Ginsberg
Name: Deborah J. Ginsberg
Title: Vice President

[SIGNATURES CONTINUE ON FOLLOWING PAGE]

NOTE A-2 HOLDER:

**WELLS FARGO BANK, N.A., AS TRUSTEE
FOR BEAR STEARNS COMMERCIAL
MORTGAGE SECURITIES TRUST 2007-
BBAA8 COMMERCIAL MORTGAGE PASS-
THROUGH CERTIFICATES SERIES 2007-
BBA8, FOR ITSELF AND AS SERVICING**

By: CT Investment Management Co., Inc., in
its capacity as Special Servicer

By: /s/Deborah J. Ginsberg
Name: Deborah J. Ginsberg
Title: Vice President

[SIGNATURES CONTINUE ON FOLLOWING PAGE]

NOTE B-1 HOLDER:

CAPITAL TRUST, INC., a Maryland corporation

By: /s/Deborah J. Ginsberg
Name: Deborah J. Ginsberg
Title: Vice President

NOTE B-2 HOLDER:

CAPITAL TRUST, INC., a Maryland corporation

By: /s/Deborah J. Ginsberg
Name: /s/Deborah J. Ginsberg
Title: Deborah J. Ginsberg
Title: Vice President

GUARANTY OF PAYMENT

FOR VALUE RECEIVED, and to induce WELLS FARGO BANK, N.A., as trustee for Bear Stearns Commercial Mortgage Securities Trust 2007-BBA8 Commercial Mortgage Pass-Through Certificates Series 2007-BBA8, for itself and as Servicing Lender pursuant to Intercreditor and Servicing Agreement dated November 10, 2006 (together with its successors and/or assigns, "**Lender**" or "**Note A-1 Holder**") and the other Noteholders (as defined in the Modification Agreement (defined below)) to modify and extend that certain Loan made to **FELCOR/JPM HOTELS, L.L.C.**, a Delaware limited liability company ("**Hotels**"), having an address at c/o FelCor Lodging Trust Incorporated, 545 E. John Carpenter Freeway, Suite 1300, Irving, Texas 75062, **DJONT/JPM LEASING, L.L.C.**, a Delaware limited liability company ("**Leasing**"; Hotels and Leasing, individually and/or collectively, as the context may require, "**Borrower**"), having an address at c/o FelCor Lodging Trust Incorporated, 545 E. John Carpenter Freeway, Suite 1300, Irving, Texas 75062, in the original principal sum of TWO HUNDRED FIFTY MILLION AND 00/100 DOLLARS (\$250,000,000.00) (the "**Loan**"), advanced pursuant to that certain Loan Agreement, dated as of November 10, 2006 between Borrower and Bank of America, N.A. ("**Original Lender**"), as amended by that certain First Amendment to Loan Agreement and Other Loan Documents, dated as of January 31, 2007 (the "**First Amendment**") and that certain Second Amendment to Loan Agreement and Other Loan Documents, dated as of the date hereof (the "**Modification Agreement**") (as the same may be further amended, renewed, modified, extended, replaced or supplemented from time to time, collectively, the "**Loan Agreement**"), and evidenced by the Note (as defined in the Loan Agreement) and the other Loan Documents (as defined in the Loan Agreement), **FELCOR LODGING LIMITED PARTNERSHIP**, a Delaware limited partnership ("**Guarantor**"), having its principal place of business at c/o Felcor Lodging Trust Incorporated, 545 E. John Carpenter Freeway, Suite 1300, Irving, Texas 75062, hereby absolutely and unconditionally guarantee to Lender and the other Noteholders the prompt and unconditional payment of the Guaranteed Obligations (as hereinafter defined).

All capitalized words and phrases not otherwise defined herein shall have the meanings ascribed to them in the Loan Agreement.

It is expressly understood and agreed that this is a continuing guaranty and that the obligations of Guarantor hereunder are and shall be absolute under any and all circumstances, without regard to the validity, regularity or enforceability of the Note, the Loan Agreement, or the other Loan Documents, a true copy of each of said documents Guarantor hereby acknowledges having received and reviewed.

The term "**Debt**" as used in this Guaranty of Payment (this "**Guaranty**") shall mean the principal sum evidenced by the Note and secured by the Security Instruments, or so much thereof as may be outstanding from time to time, together with interest thereon at the rate of interest specified in the Note, and all other sums other than principal or interest which may or shall become due and payable pursuant to the provisions of the Note, the Loan Agreement, or the other Loan Documents. Guarantor acknowledges and agrees that it shall be Guarantor's responsibility to be informed of any amendment, waiver or other modification of the Loan Documents.

The term “**Guaranteed Obligations**” as used in this Guaranty shall mean all obligations and liabilities of Borrower to Lender for the payment of all NCF Payments (as defined in the Modification Agreement) and all NCF Error Payments (as defined in the Modification Agreement).

Any indebtedness of Borrower to Guarantor now or hereafter existing (including, but not limited to, any rights to subrogation Guarantor may have as a result of any payment by Guarantor under this Guaranty), together with any interest thereon, shall be, and such indebtedness is, hereby deferred, postponed and subordinated to the prior payment in full of the Debt. Until payment in full of the Debt (and including interest accruing on the Note after the commencement of a proceeding by or against Borrower under the Bankruptcy Code and the regulations adopted and promulgated pursuant thereto, which interest the parties agree shall remain a claim that is prior and superior to any claim of Guarantor notwithstanding any contrary practice, custom or ruling in cases under the Bankruptcy Code generally), Guarantor agrees not to accept any payment or satisfaction of any kind of indebtedness of Borrower to Guarantor and hereby assigns such indebtedness to Lender, including the right to file proof of claim and to vote thereon in connection with any such proceeding under the Bankruptcy Code, including the right to vote on any plan of reorganization. Further, if Guarantor shall comprise more than one person, firm or corporation, Guarantor agrees that until such payment in full of the Debt, (a) no one of them shall accept payment from the others by way of contribution on account of any payment made hereunder by such party to Lender, (b) no one of them will take any action to exercise or enforce any rights to such contribution, and (c) if any of Guarantor should receive any payment, satisfaction or security for any indebtedness of Borrower to any of Guarantor or for any contribution by the others of Guarantor for payment made hereunder by the recipient to Lender, the same shall be delivered to Lender in the form received, endorsed or assigned as may be appropriate for application on account of, or as security for, the Debt, and until so delivered, shall be held in trust for Lender as security for the Debt.

Guarantor agrees that, with or without notice or demand, Guarantor will reimburse Lender, to the extent that such reimbursement is not made by Borrower, for all expenses (including counsel fees and disbursements) incurred by Lender in connection with the collection of the Guaranteed Recourse Obligations of Borrower or any portion thereof or with the enforcement of this Guaranty.

Subject to the terms of the Loan Agreement, all monies available to Lender for application in payment or reduction of the Debt may be applied by Lender in such manner and in such amounts and at such time or times and in such order and priority as Lender may see fit to the payment or reduction of such portion of the Debt as Lender may elect.

Guarantor hereby waives notice of the acceptance hereof, presentment, demand for payment, protest, notice of protest, or any and all notice of non-payment, non-performance or non-observance, or other proof, or notice or demand, whereby to charge Guarantor therefor.

Guarantor further agrees that the validity of this Guaranty and the obligations of Guarantor hereunder shall in no way be terminated, affected or impaired (a) by reason of the assertion by Lender of any rights or remedies which it may have under or with respect to either the Note, the Loan Agreement, or the other Loan Documents, against any person obligated thereunder or the Properties covered under the Loan Agreement, or (b) by reason of any failure to file or record any of such instruments or to take or perfect any security intended to be provided thereby, or (c) by reason of the release of any of the Properties covered under the Loan Agreement or other collateral for the Loan, or (d) by reason of Lender's failure to exercise, or delay in exercising, any such right or remedy or any right or remedy Lender may have hereunder or in respect to this Guaranty, or (e) by reason of the commencement of a case under the Bankruptcy Code by or against any person obligated under the Note, the Loan Agreement or the other Loan Documents, or the death of any Guarantor, or (f) by reason of any transfer or assignment of the Loan by Lender or (g) by reason of any payment made on the Debt or any other indebtedness arising under the Note, the Loan Agreement, or the other Loan Documents, whether made by Borrower or Guarantor or any other person, which is required to be refunded pursuant to any bankruptcy or insolvency law; it being understood that no payment so refunded shall be considered as a payment of any portion of the Debt, nor shall it have the effect of reducing the liability of Guarantor hereunder. It is further understood, that if Borrower shall have taken advantage of, or be subject to the protection of, any provision in the Bankruptcy Code, the effect of which is to prevent or delay Lender from taking any remedial action against Borrower, including the exercise of any option Lender has to declare the Debt due and payable on the happening of any default or event by which under the terms of the Note, the Loan Agreement, or the other Loan Documents, the Debt shall become due and payable, Lender may, as against Guarantor, nevertheless, declare the Debt due and payable and enforce any or all of its rights and remedies against Guarantor provided for herein.

Guarantor further covenants that this Guaranty shall remain and continue in full force and effect as to any modification, extension or renewal of the Note, the Loan Agreement, the Security Instrument or the other Loan Documents, that Lender shall not be under a duty to protect, secure or insure any Property covered under the Loan Agreement, and that other indulgences or forbearance may be granted under any or all of such documents, all of which may be made, done or suffered without notice to, or further consent of, Guarantor.

As a further inducement to Lender to modify and extend the Loan and in consideration thereof, Guarantor further covenants and agrees (a) that in any action or proceeding brought by Lender against Guarantor on this Guaranty, Guarantor shall and does hereby waive trial by jury, (b) that the Supreme Court of the State of New York for the County of New York, or, in a case involving diversity of citizenship, the United States District Court for the Southern District of New York, shall have exclusive jurisdiction of any such action or proceeding, and (c) that service of any summons and complaint or other process in any such action or proceeding may be made by registered or certified mail directed to Guarantor at Guarantor's address set forth above, Guarantor waiving personal service thereof. Borrower irrevocably consents to service of process as set forth above and agrees that such service of process shall have the same force and effect as if served personally upon Borrower within the State. Further, Borrower acknowledges and agrees that Borrower shall not contest the validity or legality of service of process upon Borrower

in accordance with the foregoing in any legal proceeding. Nothing in this Guaranty will be deemed to preclude Lender from bringing an action or proceeding with respect hereto in any other jurisdiction.

This is a guaranty of payment and not of collection and upon any default of Borrower under the Note, the Loan Agreement, or the other Loan Documents, Lender may, at its option, proceed directly and at once, without notice to Borrower, against Guarantor to collect and recover the full amount of the liability hereunder or any portion thereof, without proceeding against Borrower or any other person, or foreclosing upon, selling, or otherwise disposing of or collecting or applying against any of the mortgaged property or other collateral for the Loan. Guarantor hereby waives the pleading of any statute of limitations as a defense to the obligation hereunder.

Guarantor shall be liable for the payments of the Guaranteed Obligations, as set forth in this Guaranty, as a primary obligor. This Guaranty shall be effective as a waiver of, and Guarantor hereby expressly waives, any and all rights to which Guarantor may otherwise have been entitled under any suretyship laws in effect from time to time, including any right or privilege, whether existing under statute, at law or in equity, to require Lender to take prior recourse or proceedings against any collateral, security or Person whatsoever (including, without limitation, any balance of any deposit account or credit on the books of Lender in favor of Borrower, Guarantor or any other Person).

All notices required or permitted hereunder shall be given and shall become effective as provided in the Loan Agreement. Notices to Guarantor shall be addressed as follows:

c/o FelCor Lodging Trust Incorporated
545 E. John Carpenter Freeway, Suite 1300
Irving, Texas 75062
Attention: General Counsel
Facsimile No.: (972) 444-4949

With a copy to:

Akin Gump Strauss Hauer & Feld LLP
1700 Pacific Avenue, Suite 4100
Dallas, TX 75201-4675
Attention: Robert W. Dockery, Esq.
Facsimile No.: (214) 969-4343

Each reference herein to Lender shall be deemed to include its successors and assigns, to whose favor the provisions of this Guaranty shall also inure. Each reference herein to Guarantor shall be deemed to include the heirs, executors, administrators, legal representatives, successors and assigns of Guarantor, all of whom shall be bound by the provisions of this Guaranty.

All sums payable under this Guaranty shall be paid in lawful money of the United States of America that at the time of payment is legal tender for the payment of public and private debts.

This Guaranty is for the benefit of Lender and the other Noteholders and each of their respective successors and assigns, and in the event of an assignment of the Guaranteed Obligations, or any part thereof, the rights and benefits hereunder, to the extent applicable to the Guaranteed Obligations so assigned, may be transferred with such Guaranteed Obligations. Guarantor waives notice of any transfer or assignment of the Guaranteed Obligations, or any part thereof, and agrees that failure to give notice will not affect the liabilities of Guarantor hereunder.

If Guarantor is a partnership, the agreements herein contained shall remain in force and be applicable, notwithstanding any changes in the individuals or entities comprising the partnership, and the term "Guarantor," as used herein, shall include any alternate or successor partnership, but any predecessor partnership and their partners shall not thereby be released from any liability. If Guarantor is a corporation, the agreements contained herein shall remain in full force and be applicable notwithstanding any changes in the shareholders comprising, or the officers and directors relating to, the corporation, and the term "Guarantor" as used herein, shall include any alternative or successor corporation, but any predecessor corporation shall not be relieved of liability hereunder. If Guarantor is a limited liability company, the agreements herein contained shall remain in force and be applicable, notwithstanding any changes in the members comprising the limited liability company, and the term "Guarantor" as used herein, shall include any alternate or successor limited liability company, but any predecessor limited liability company and their members shall not thereby be released from any liability. (Nothing in the foregoing sentence shall be construed as a consent to, or a waiver of, any prohibition or restriction on transfers of interests in such partnership, corporation or limited liability company which may be set forth in the Loan Agreement, each Security Instrument or any other Loan Document.)

Guarantor (and its representative, executing below, if any) hereby represent and warrant to Lender and the other Noteholders that :

(a) Guarantor has full power, authority and legal right to execute this Guaranty and to perform all its obligations under this Guaranty and the Loan Documents to which Guarantor is a party constitute valid and binding obligations of Guarantor, enforceable against Guarantor in accordance with their respective terms, except as such enforcement may be limited by bankruptcy, insolvency, moratorium or other laws affecting the enforcement of creditors' rights, or by the application of rules of equity.

(b) The execution, delivery and performance by Guarantor of each of the Loan Documents to which Guarantor is a party do not violate any provision of any law or regulation, or result in any breach or default under any contract, obligation, indenture or other instrument to which Guarantor is a party or by which Guarantor is bound.

(c) The financial statements of Guarantor previously delivered by Guarantor to Lender: (i) are complete and correct, (ii) present fairly the financial condition of such party and (iii) have been prepared in accordance with the same accounting

standard used by Borrower to prepare the financial statements delivered to and approved by Lender in connection with the modification of the Loan. Since the date of such financial statements, there has been no material adverse change in such financial condition, except as previously disclosed in writing by Guarantor to Lender and approved in writing by Lender.

(d) All understandings, representations and agreements heretofore had with respect to this Guaranty are merged into this Guaranty which alone fully and completely expresses the agreement of Guarantor and Lender.

Guarantor shall promptly notify Lender in writing of any litigation pending or threatened against Guarantor which, if determined against Guarantor, would reasonably be expected to materially adversely affect the condition (financial or otherwise) or business of Guarantor.

So long as the Loan or any other obligation guaranteed hereby remains outstanding (other than, following the termination of the Loan Agreement and all other Loan Documents, contingent indemnification obligations as to which no claim has been made), Guarantor shall provide to Lender (i) within ninety (90) days after the end of each fiscal year, (A) financial statements of Guarantor covering the corresponding period then ended including a balance sheet, and an income and expenses statement, (B) a statement of cash flow and (C) a statement of change in financial position, prepared by a Responsible Officer of Guarantor, each of such statements delivered pursuant to this clause (i) shall be certified as being true and correct by a Responsible Officer of Guarantor and (ii) such other information reasonably requested by Lender and reasonably available to Guarantor. Guarantor agrees that all financial statements to be delivered to Lender pursuant to this paragraph shall: (i) be complete and correct in all material respects; (ii) present fairly and accurately the financial condition of Guarantor; (iii) disclose all liabilities that are required to be reflected or reserved against; and (iv) be prepared (A) in hardcopy and electronic formats, (B) if contained in a consolidated financial statement of its affiliates, in a manner that will not be costly or difficult to segregate, ascertain or identify its individual financial statements from the statements of such other affiliate(s) and (C) in accordance with the same accounting standard used by Guarantor to prepare the financial statements delivered to and approved by Lender in connection with the modification of the Loan. Guarantor shall be deemed to warrant and represent that, as of the date of delivery of any such financial statement, there has been no material adverse change in financial condition since the date of such financial statement except as disclosed by Guarantor in a writing delivered to Lender. Guarantor agrees that all financial statements shall not contain any misrepresentation or omission of a material fact which would make such financial statements inaccurate, incomplete or otherwise misleading in any material respect. Notwithstanding anything to the contrary set forth herein or in any other Loan Document, so long as Guarantor's financial statements required to be delivered hereunder are made publicly available and comply with all applicable reporting requirements of the Securities Exchange Commission and other applicable Legal Requirements (including, without limitation, the filing of Form 10-K and Form 10-Q reports), and (iii) makes its balance sheet and cash flow statements and income and expense statements available at www.felcor.com (or such other publicly available website provided to Lender), Guarantor shall not be required to deliver the financial statements required above.

Guarantor agrees that all financial statements so posted shall: (i) be complete and correct in all material respects; (ii) present fairly and accurately the financial condition of Guarantor; (iii) disclose all liabilities that are required to be reflected or reserved against; and (iv) be prepared in accordance with the same accounting standard used by Guarantor to prepare the financial statements delivered to and approved by Lender in connection with the modification of the Loan.

This Guaranty may be executed in one or more counterparts by some or all of the parties hereto, each of which counterparts shall be an original and all of which together shall constitute a single agreement of Guaranty. The failure of any party hereto to execute this Guaranty, or any counterpart hereof, shall not relieve the other signatories from their obligations hereunder.

This Guaranty may not be modified, amended, waived, extended, changed, discharged or terminated orally or by any act or failure to act on the part of Lender or Borrower, but only by an agreement in writing signed by the party against whom enforcement of any modification, amendment, waiver, extension, change, discharge or termination is sought.

This Guaranty shall be deemed to be a contract entered into pursuant to the laws of the State of New York and shall in all respects be governed, construed, applied and enforced in accordance with the laws of the State of New York (other than those conflict of law provisions that would defer to the substantive laws of another jurisdiction). Without in any way limiting the preceding choice of law, the parties elect to be governed by New York law in accordance with and are relying (at least in part) on Section 5-1401 of the General Obligations Law of the State of New York.

California State-Specific Waiver. In the event of any inconsistencies between the terms and conditions that follow and the other terms and conditions of this Guaranty, the following terms and conditions shall control and be binding. Guarantor hereby waives:

(a) Presentment, demand, protest, notice of protests, notice of dishonor and notices of non-payment and notice of acceptance of this Guaranty;

(b) The right, if any, to the benefit of or to direct the application of, any security held by Lender, including the Property; and all rights of subrogation, any right to enforce any remedy which Guarantor now has or hereafter may have against Borrower and any right to participate in any security now or hereafter held by Lender;

(c) The right to require Lender to proceed against Borrower or to proceed against any security now or hereafter held by Lender or to pursue any other remedy in Lender's power;

(d) The benefits, if Guarantor is entitled to any benefits, of any single-action legislation or of any or all anti-deficiency statutes or regulations or judicial interpretations thereof, including, but not limited to, any protection which may be afforded Guarantor by California Code of Civil Procedure Sections 580a, 580b, 580d and 726, and any amendments or modifications thereto. Guarantor understands and agrees that by waiving

the anti-deficiency protections referred to herein, Guarantor can be held liable for a deficiency judgment following a non-judicial foreclosure sale (including a non-judicial foreclosure sale of a purchase money obligation) even if the price paid for the Property at the non-judicial foreclosure sale is less than the fair value of the Property; and Guarantor further understands and agrees that Guarantor is waiving its defense that the price paid for the Property at a judicial foreclosure sale may not be equal to the fair value of the Property; and Guarantor further understands and agrees that by Guarantor waiving its right to a fair value hearing following the foreclosure sale that the Lender can seek a deficiency against Guarantor up to the entire amount of the sums guaranteed hereby less the amount paid for the Property at the non-judicial or judicial foreclosure sale;

(e) Any right of subrogation which Guarantor may have under California law to seek reimbursement from Borrower of any sums paid by Guarantor to Lender pursuant to this Guaranty until the prior full and indefeasible repayment of the Loan in accordance with the Loan Documents;

(f) Any estoppel defense arising out of Section 580d of the California Code of Civil Procedure;

(g) Any defense arising out of absence, impairment or loss of any right of reimbursement or subrogation or other right or remedy of Guarantor against Borrower or against any security resulting from the exercise or election of any remedies by Lender, including the exercise of the power of sale under the Mortgage, and any defense arising by reason of any disability or other defense of Borrower or by reason of the cessation, from any cause, of the liability of Borrower;

(h) The benefit of or right to assert any statute of limitations affecting Guarantor's liability hereunder or the enforcement thereof, including but not limited to the provisions of California Code of Civil Procedure Sections 580a and 726 that require that any action for a deficiency be brought within three months after a foreclosure under the Mortgage. Any partial payment by Borrower or other circumstances which operate to toll any statute of limitations as to Borrower shall also operate to toll the statute of limitations as to Guarantor;

(i) Any defense based upon any change in name, location, composition or structure of Borrower, or any change in the type of business conducted by Borrower, or any other change in the identity or legal status of Borrower;

(j) Any defense based upon the failure (if any) of Lender to (i) obtain a similar guaranty from any other person or entity, or (ii) file a creditor's claim in the estate (in administration, bankruptcy or any other proceeding) of any person;

(k) Any rights which Guarantor may have under California Civil Code Sections 2809, 2810, 2819, 2822(a), 2845, 2849, 2850, 2899 and 3433; and

(1) Without limiting the foregoing, Guarantor waives all rights and defenses that Guarantor may have because the Borrower's debt is secured by real property. This means, among other things:

- (i) Lender may collect from Guarantor without first foreclosing on any real or personal property collateral pledged by the Borrower.
- (ii) If Lender forecloses on any real property collateral pledged by the Borrower:
 - (A) The amount of the debt may be reduced only by the price for which that collateral is sold at the foreclosure sale, even if the collateral is worth more than the sale price.
 - (B) Lender may collect from Guarantor even if Lender, by foreclosing on the real property collateral, has destroyed any right the Guarantor may have to collect from the Borrower.

This is an unconditional and irrevocable waiver of any rights and defenses the Guarantor may have because the Borrower's debt is secured by real property. These rights and defenses include, but are not limited to, any rights or defenses based upon Section 580a, 580b, 580d, or 726 of the California Code of Civil Procedure.

Guarantor waives all rights and defenses arising out of an election of remedies by Lender, even though the election of remedies, such as a non-judicial foreclosure with respect to security for a guaranteed obligation, has destroyed Guarantor's rights of subrogation and reimbursement against the Borrower by the operation of Section 580d of the California Code of Civil Procedure or otherwise.

[NO FURTHER TEXT ON THIS PAGE]

IN WITNESS WHEREOF, Guarantor has duly executed this Guaranty of Payment as of the date first above set forth.

FELCOR LODGING LIMITED PARTNERSHIP,
a Delaware limited partnership

By: FelCor Lodging Trust Incorporated, a
Maryland corporation, its general partner

By: /s/Michael Hughes
Name: Michael Hughes
Title: Vice President

FELCOR LODGING LIMITED PARTNERSHIP, as mortgagor

and

FELCOR/JPM HOTELS, L.L.C., as mortgagor

and

DJONT/JPM LEASING, L.L.C., as mortgagor
(Mortgagor)

and

MORTGAGE ELECTRONIC REGISTRATION SYSTEMS, INC., as mortgagee,
(Mortgagee)

FIRST AMENDMENT TO MORTGAGE AND SECURITY AGREEMENT

Dated: As of October 27, 2011

Location: _____

County: _____

MERS MIN: _____

PREPARED BY AND UPON
RECORDATION RETURN TO:

Alston & Bird LLP
90 Park Avenue
New York, New York 10016
Attention: Ellen M. Goodwin, Esq.

THIS FIRST AMENDMENT TO MORTGAGE AND SECURITY AGREEMENT (this "**Agreement**") is made as of the 27th day of October, 2011, among **FELCOR LODGING LIMITED PARTNERSHIP**, a Delaware limited partnership, having an address at c/o FelCor Lodging Trust Incorporated, 545 E. John Carpenter Freeway, Suite 1300, Irving, Texas 75062, as mortgagor ("**Owner**"), **FELCOR/JPM HOTELS, L.L.C.**, a Delaware limited liability company, having an address at c/o FelCor Lodging Trust Incorporated, 545 E. John Carpenter Freeway, Suite 1300, Irving, Texas 75062, as mortgagor ("**Ground Lessee**") and **DJONT/JPM LEASING, L.L.C.**, a Delaware limited liability company, having an address at c/o FelCor Lodging Trust Incorporated, 545 E. John Carpenter Freeway, Suite 1300, Irving, Texas 75062, as mortgagor ("**Operating Lessee**"; Owner, Ground Lessee and Operating Lessee, individually and/or collectively, as the context may require, "**Mortgagor**"; Ground Lessee and Operating Lessee, individually and/or collectively, as the context may require, "**Borrower**") and **MORTGAGE ELECTRONIC REGISTRATION SYSTEMS, INC.**, a Delaware stock corporation, having an address at P.O. Box 2300, Flint, Michigan 48501-2300 ("**Mortgagee**").

Recitals:

As of November 10, 2006, Bank of America, National Association (together with its successors and assigns, the "**Original Lender**") made a loan to Borrower in the original principal sum of TWO HUNDRED FIFTY MILLION AND 00/100 DOLLARS (\$250,000,000.00) (the "**Loan**") and such Loan is (i) evidenced by, among other things, (a) that certain Loan Agreement, dated as of November 10, 2006 (as amended by (x) that certain First Amendment to Loan Agreement and other Loan Documents, dated as of January 31, 2007 (the "**First Modification**"), and (y) that certain Second Amendment to Loan Agreement and other Loan Documents, dated as of the date hereof (the "**Second Modification**"), as the same may be further amended, renewed, modified, extended, replaced or supplemented from time to time, collectively, the "**Loan Agreement**"), and (b) those certain Notes (as defined in the Loan Agreement) and (ii) secured by, among other things, that certain Mortgage and Security Agreement given by Mortgagor to Mortgagee, dated as of November 10, 2006, and recorded _____ in Official Records Book --- ___ (together with any and all further extensions, renewals, substitutions, replacements, amendments, modifications and/or restatements thereof, collectively, the "**Security Instrument**"; the Loan Agreement, the Notes, the Security Instrument and all other documents evidencing or securing the Debt or delivered in connection with the making of, or amendment of, the Loan are hereinafter referred to collectively as the "**Loan Documents**") which such Security Instrument encumbers the real property more particularly described on Exhibit A attached hereto (the "**Land**").

AGREEMENT

All capitalized terms not defined herein shall have the meanings set forth in the Security Instrument. For the mutual promises contained herein and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

Article 1 Acknowledgement. Mortgagor hereby acknowledges and agrees that the Loan Agreement has been amended by the First Modification and the Second Modification and that any reference in the Security Instrument to the Loan Agreement shall be read to include the Loan Agreement as amended by the First Modification and the Second Modification.

Article 2 Amendment to Security Instrument. Section 22.2 of the Security Instrument is hereby deleted in its entirety and replaced with the following: Section 22.2 Maturity Date. The Maturity Date of the Note with all extensions is November 6, 2013, or such other date on which the final payment of principal of the Notes becomes due and payable as therein or herein provided, whether at such stated maturity date, by declaration or acceleration, or otherwise.

Article 3 Lien of Security Instrument. Mortgagor hereby acknowledges and agrees that, pursuant to the Security Instrument and the terms and conditions of this Agreement, Mortgagor's interest in the Property is and shall remain subject to and encumbered by the lien and terms of the Security Instrument, subject to the applicable terms and conditions contained therein (as amended hereby) and in the other Loan Documents.

Article 4 Recordation. Mortgagor shall, at Mortgagor's cost and expense, promptly cause this Agreement to be filed, registered, or recorded in such manner and in such places as may be required by law in order to publish notice of and fully to protect the lien of the Security Instrument upon, and the interest of Mortgagee in, the Property.

Article 5 No Offsets, Counterclaims/Due Authority. Mortgagor represents, warrants, and covenants, that, to Mortgagor's actual knowledge, there are no offsets, counterclaims or defenses against the Debt (as defined in the Loan Agreement), this Agreement, the Security Instrument, the Loan Agreement, the Notes, or the other Loan Documents, and that Mortgagor (and the undersigned, solely in his/her capacity as an authorized representative of Mortgagor, if any) has full power, authority, and legal right to execute this Agreement and to observe and perform all of the terms of this Agreement on Mortgagor's part to be observed or performed.

Article 6 Conflicts. Except as expressly modified pursuant to this Agreement or the Loan Agreement, all of the terms, covenants, and provisions of the Security Instrument shall continue in full force and effect. In the event of any conflict or ambiguity between the terms, covenants, and provisions of this Agreement and those of the Security instrument, the terms, covenants, and provisions of this Agreement shall control.

Article 7 No Waiver or Modification. The parties hereto agree that, except as specifically set forth herein or in the Loan Agreement, this Agreement does not amend, waive, satisfy, terminate, diminish or otherwise modify any of the terms, conditions, provisions and/or agreements contained in the other Loan Documents, and Mortgagor hereby acknowledges and agrees that the other Loan Documents are in full force and effect as amended hereby and ratifies and confirms the lien of the Security Instrument on the Property.

Article 8 Governing Law. This Agreement shall be deemed to be a contract entered into pursuant to the laws of the State of New York and shall in all respects be governed, construed, applied and enforced in accordance with the laws of the State of New York and any applicable law of the United States of America, except that at all times the provisions for the creation, perfection, priority and enforcement of the liens and security interests created pursuant hereto and pursuant to the other Loan Documents with respect to the Property shall be governed by and construed according to the law of the state in which the Land is located.

Article 9 No Oral Change. This Agreement, and any provisions hereof, may not be modified, amended, waived, extended, changed, discharged or terminated orally or by any act or failure to act on the part of any party hereto, but only by an agreement in writing signed by the party against whom enforcement of any modification, amendment, waiver, extension, change, discharge or termination is sought.

Article 10 Liability; Successors and Assigns. If any party hereto consists of more than one person, the obligations and liabilities of each such person hereunder shall be joint and several. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns forever.

Article 11 Inapplicable Provisions. If any term, covenant or condition of this Agreement is held to be invalid, illegal or unenforceable in any respect, this Agreement shall be construed without such term, covenant or condition.

Article 12 Headings, etc. The headings and captions of various paragraphs of this Agreement are for convenience of reference only and are not to be construed as defining or limiting, in any way, the scope or intent of the provisions hereof.

Article 13 Duplicate Originals; Counterparts. This Agreement may be executed in any number of duplicate originals and each duplicate original shall be deemed to be an original. This Agreement may be executed in several counterparts, each of which counterparts shall be deemed an original instrument and all of which together shall constitute a single Agreement. The failure of any party hereto to execute this Agreement, or any counterpart hereof, shall not relieve the other signatories from their obligations hereunder.

Article 14 Number and Gender. Whenever the context may require, any pronouns used herein shall include the corresponding masculine, feminine or neuter forms, and the singular form of nouns and pronouns shall include the plural and vice versa.

Article 15 Entire Agreement. This Agreement embodies the entire agreement and understanding among the parties hereto and supersedes all prior agreements and understandings among the parties hereto relating to the subject matter hereof. Accordingly, this Agreement may not be contradicted by evidence of prior, contemporaneous, or subsequent oral agreements of the parties hereto. There are no unwritten or oral agreements between the parties hereto.

Article 16 No Novation. THE PARTIES DO NOT INTEND THIS AGREEMENT NOR THE TRANSACTIONS CONTEMPLATED HEREBY TO BE, AND THIS AGREEMENT AND THE TRANSACTIONS CONTEMPLATED HERBY SHALL NOT BE CONSTRUED TO BE, A NOVATION OF ANY OF THE OBLIGATIONS OWING BY MORTGAGOR UNDER OR IN CONNECTION WITH THE LOAN DOCUMENTS. FURTHER, THE PARTIES DO NOT INTEND THIS AGREEMENT NOR THE TRANSACTIONS CONTEMPLATED HEREBY TO AFFECT THE PRIORITY OF ANY OF THE MORTGAGEE'S LIENS IN ANY OF THE COLLATERAL SECURING THE NOTES IN ANY WAY, INCLUDING, WITHOUT LIMITATION, THE LIENS, SECURITY INTERESTS AND ENCUMBRANCES CREATED BY THE SECURITY INSTRUMENT AS AMENDED HEREBY AND THE OTHER LOAN DOCUMENTS.

Article 17 Costs and Expenses. Mortgagor shall pay, on demand, all reasonable costs and expenses of Lender (including reasonable fees, costs and expenses of counsel to Lender), incurred in connection with the preparation, execution and delivery of this Agreement.

[NO FURTHER TEXT ON THIS PAGE]

IN WITNESS WHEREOF, this First Amendment to Mortgage and Security Agreement has been executed by Mortgagor and Mortgagee as of the day and year first above written.

MORTGAGOR:

WITNESS: _____ **FELCOR LODGING LIMITED PARTNERSHIP,**
a Delaware limited partnership

Print Name: _____

By: FelCor Lodging Trust Incorporated,
a Maryland corporation, its general partner

WITNESS: _____

Print Name: _____

By: _____
Name: _____
Title: _____

STATE OF _____)

COUNTY OF _____)

The foregoing instrument was acknowledged before me this ___ day of _____, 2011 by _____, Vice President of FelCor Lodging Trust Incorporated, a Maryland corporation, the general partner of FelCor Lodging Limited Partnership, a Delaware limited partnership. He is personally known to me or has produced _____ (type of identification) as identification.

[SEAL]

(Signature of person taking acknowledgment)

Name typed, printed or stamped

(Title or Rank)

[SIGNATURES CONTINUE ON FOLLOWING PAGE]

MORTGAGOR:

WITNESS: _____ **FELCOR/JPM HOTELS, L.L.C.,**
a Delaware limited liability company

Print Name: _____

WITNESS: _____

Print Name: _____

By: _____

Name:

Title:

STATE OF _____)

_____)

COUNTY OF _____)

The foregoing instrument was acknowledged before me this ___ day of _____, 2011 by _____, Vice President of FelCor/JPM Hotels, a Delaware limited liability company. He is personally known to me or has produced _____ (type of identification) as identification.

[SEAL]

(Signature of person taking acknowledgment)

Name typed, printed or stamped

(Title or Rank)

[SIGNATURES CONTINUE ON FOLLOWING PAGE]

MORTGAGOR:

WITNESS: _____ **DJONT/JPM LEASING, L.L.C.,**
a Delaware limited liability company

Print Name: _____

WITNESS: _____

Print Name: _____

By: _____

Name:

Title:

STATE OF _____)

_____)

COUNTY OF _____)

The foregoing instrument was acknowledged before me this ___ day of _____, 2011 by _____, Vice President of DJONT/JPM Leasing, L.L.C., a Delaware limited liability company. He is personally known to me or has produced _____ (type of identification) as identification.

[SEAL]

(Signature of person taking acknowledgment)

Name typed, printed or stamped

(Title or Rank)

[SIGNATURES CONTINUE ON FOLLOWING PAGE]

MORTGAGEE:

WITNESS: _____ **MORTGAGE ELECTRONIC REGISTRATION
SYSTEMS, INC.,**
a Delaware stock corporation

Print Name: _____

WITNESS: _____

By: _____

Name:

Print Name: _____

Title:

STATE OF _____)

_____)

COUNTY OF _____)

The foregoing instrument was acknowledged before me this ___ day of _____, 2011 by _____, of Mortgage Electronic Registration Systems, Inc., a Delaware stock corporation. He is personally known to me or has produced _____ (type of identification) as identification.

[SEAL]

(Signature of person taking acknowledgment)

Name typed, printed or stamped

(Title or Rank)

EXHIBIT 21.1
LIST OF THE SUBSIDIARIES OF FELCOR LODGING TRUST INCORPORATED
(as of December 31, 2011)

<u>Name</u>	<u>State and Form of Organization</u>
1 BHR Canada Tenant Company	Nova Scotia, Canada - Unlimited Liability Company
2 BHR Lodging Tenant Company	Delaware - Corporation
3 BHR Operations, L.L.C.	Delaware - Limited Liability Company
4 Brighton at Kingston Plantation, L.L.C.	Delaware - Limited Liability Company
5 DJONT Leasing, L.L.C.	Delaware - Limited Liability Company
6 DJONT Operations, L.L.C.	Delaware - Limited Liability Company
7 DJONT/Charlotte Leasing, L.L.C.	Delaware - Limited Liability Company
8 DJONT/CMB Buckhead Leasing, L.L.C.	Delaware - Limited Liability Company
9 DJONT/CMB Corpus Leasing, L.L.C.	Delaware - Limited Liability Company
10 DJONT/CMB Deerfield Leasing, L.L.C.	Delaware - Limited Liability Company
11 DJONT/CMB FCOAM, L.L.C.	Delaware - Limited Liability Company
12 DJONT/CMB New Orleans Leasing, L.L.C.	Delaware - Limited Liability Company
13 DJONT/CMB Orsouth Leasing, L.L.C.	Delaware - Limited Liability Company
14 DJONT/CMB SSF Leasing, L.L.C.	Delaware - Limited Liability Company
15 DJONT/EPT Leasing, L.L.C.	Delaware - Limited Liability Company
16 DJONT/EPT Manager, Inc.	Delaware - Corporation
17 DJONT/FCH Leasing, L.L.C.	Delaware - Limited Liability Company
18 DJONT/Indianapolis Leasing, L.L.C.	Delaware - Limited Liability Company
19 DJONT/JPM Atlanta ES Leasing, L.L.C.	Delaware - Limited Liability Company
20 DJONT/JPM Austin Leasing, L.P.	Delaware - Limited Partnership
21 DJONT/JPM Austin Tenant Co., L.L.C.	Delaware - Limited Liability Company
22 DJONT/JPM Boca Raton Leasing, L.L.C.	Delaware - Limited Liability Company

23	DJONT/JPM BWI Leasing, L.L.C.	Delaware - Limited Liability Company
24	DJONT/JPM Hospitality Leasing Holdco (SPE), L.L.C.	Delaware - Limited Liability Company
25	DJONT/JPM Hospitality Leasing (SPE), L.L.C.	Delaware - Limited Liability Company
26	DJONT/JPM Leasing, L.L.C.	Delaware - Limited Liability Company
27	DJONT/JPM Orlando Leasing, L.L.C.	Delaware - Limited Liability Company
28	DJONT/JPM Phoenix Leasing, L.L.C.	Delaware - Limited Liability Company
29	DJONT/JPM Wilmington Leasing, L.L.C.	Delaware - Limited Liability Company
30	E.S. Charlotte Limited Partnership	Delaware - Limited Partnership
31	E.S. North, an Indiana Limited Partnership	Indiana - Limited Partnership
32	EPT Atlanta-Perimeter Center Limited Partnership	Delaware - Limited Partnership
33	EPT Austin Limited Partnership	Delaware - Limited Partnership
34	EPT Kansas City Limited Partnership	Delaware - Limited Partnership
35	EPT Meadowlands Limited Partnership	Delaware - Limited Partnership
36	EPT Raleigh Limited Partnership	Delaware - Limited Partnership
37	FCH/DT BWI Holdings, L.P.	Delaware - Limited Partnership
38	FCH/DT BWI Hotel, L.L.C.	Delaware - Limited Liability Company
39	FCH/DT Holdings, L.P.	Delaware - Limited Partnership
40	FCH/DT Hotels, L.L.C.	Delaware - Limited Liability Company
41	FCH HH Knickerbocker Leasing, L.P.	Delaware - Limited Partnership
42	FCH HH Knickerbocker Owner, L.P.	Delaware - Limited Partnership
43	FCH/PSH, L.P.	Pennsylvania - Limited Partnership
44	FCH/SH Leasing, L.L.C.	Delaware - Limited Liability Company
45	FCH/SH Leasing II, L.L.C.	Delaware - Limited Liability Company
46	FelCor Canada Co.	Nova Scotia, Canada - Unlimited Liability Company

47	FelCor Canada Holding GP, L.L.C.	Delaware - Limited Liability Company
48	FelCor Canada Holding, L.P.	Delaware - Limited Partnership
49	FelCor Chat-Lem, L.L.C.	Delaware - Limited Liability Company
50	FelCor Copley Plaza Leasing, L.L.C.	Delaware - Limited Liability Company
51	FelCor Copley Plaza, L.L.C.	Delaware - Limited Liability Company
52	FelCor Eight Hotels, L.L.C.	Delaware - Limited Liability Company
53	FelCor Escrow Holdings, L.L.C.	Delaware - Limited Liability Company
54	FelCor Esmeralda (SPE), L.L.C.	Delaware - Limited Liability Company
55	FelCor Esmeralda Leasing (SPE), L.L.C.	Delaware - Limited Liability Company
56	FelCor Holdings Trust	Massachusetts - Business Trust
57	FelCor Hotel Asset Company, L.L.C.	Delaware - Limited Liability Company
58	FelCor Hotel Operating Company, L.L.C.	Delaware - Limited Liability Company
59	FelCor Lodging Holding Company, L.L.C.	Delaware - Limited Liability Company
60	FelCor Lodging Limited Partnership	Delaware - Limited Partnership
61	FelCor Napa Development, L.L.C.	Delaware - Limited Liability Company
62	FelCor Pennsylvania Company, L.L.C.	Delaware - Limited Liability Company
63	FelCor S-4 Hotels (SPE), L.L.C.	Delaware - Limited Liability Company
64	FelCor S-4 Leasing (SPE), L.L.C.	Delaware - Limited Liability Company
65	FelCor/St. Paul Hotel (SPE), L.L.C.	Delaware - Limited Liability Company
66	FelCor/St. Paul Leasing (SPE), L.L.C.	Delaware - Limited Liability Company
67	FelCor St. Pete (SPE), L.L.C.	Delaware - Limited Liability Company
68	FelCor St. Pete Leasing (SPE), L.L.C.	Delaware - Limited Liability Company
69	FelCor TRS Borrower 1, L.P.	Delaware - Limited Partnership
70	FelCor TRS Borrower GP 1, L.L.C.	Delaware - Limited Liability Company
71	FelCor TRS Borrower 4, L.L.C.	Delaware - Limited Liability Company

72	FelCor TRS Guarantor, L.P.	Delaware - Limited Partnership
73	FelCor TRS Guarantor GP, L.L.C.	Delaware - Limited Liability Company
74	FelCor TRS Holdings, L.L.C.	Delaware - Limited Liability Company
75	FelCor/Charlotte Hotel, L.L.C.	Delaware - Limited Liability Company
76	FelCor/CMB Buckhead Hotel, L.L.C.	Delaware - Limited Liability Company
77	FelCor/CMB Corpus Holdings, L.P.	Delaware - Limited Partnership
78	FelCor/CMB Corpus Hotel, L.L.C.	Delaware - Limited Liability Company
79	FelCor/CMB Deerfield Hotel, L.L.C.	Delaware - Limited Liability Company
80	FelCor/CMB Marlborough Hotel, L.L.C.	Delaware - Limited Liability Company
81	FelCor/CMB New Orleans Hotel, L.L.C.	Delaware - Limited Liability Company
82	FelCor/CMB Orsouth Holdings, L.P.	Delaware - Limited Partnership
83	FelCor/CMB Orsouth Hotel, L.L.C.	Delaware - Limited Liability Company
84	FelCor/CMB SSF Holdings, L.P.	Delaware - Limited Partnership
85	FelCor/CMB SSF Hotel, L.L.C.	Delaware - Limited Liability Company
86	FelCor/CSS Holdings, L.P.	Delaware - Limited Partnership
87	FelCor/CSS Hotels, L.L.C.	Delaware - Limited Liability Company
88	FelCor/CSS (SPE), L.L.C.	Delaware - Limited Liability Company
89	FelCor/Indianapolis Hotel, L.L.C.	Delaware - Limited Liability Company
90	FelCor/Iowa-New Orleans Chat-Lem Hotel, L.L.C.	Delaware - Limited Liability Company
91	FelCor/JPM Atlanta ES Hotel, L.L.C.	Delaware - Limited Liability Company
92	FelCor/JPM Austin Holdings, L.P.	Delaware - Limited Partnership
93	FelCor/JPM Austin Hotel, L.L.C.	Delaware - Limited Liability Company
94	FelCor/JPM Boca Raton Hotel, L.L.C.	Delaware - Limited Liability Company
95	FelCor/JPM BWI Hotel, L.L.C.	Delaware - Limited Liability Company

96	FelCor/JPM Hospitality Holdco (SPE), L.L.C.	Delaware - Limited Liability Company
97	FelCor/JPM Hospitality (SPE), L.L.C.	Delaware - Limited Liability Company
98	FelCor/JPM Hotels, L.L.C.	Delaware - Limited Liability Company
99	FelCor/JPM Orlando Hotel, L.L.C.	Delaware - Limited Liability Company
100	FelCor/JPM Phoenix Hotel, L.L.C.	Delaware - Limited Liability Company
101	FelCor/JPM Wilmington Hotel, L.L.C.	Delaware - Limited Liability Company
102	FelCor/LAX Holdings, L.P.	Delaware - Limited Partnership
103	FelCor/LAX Hotels, L.L.C.	Delaware - Limited Liability Company
104	FelCor/MM S-7 Holdings, L.P.	Delaware - Limited Partnership
105	FelCor/MM S-7 Hotels, L.L.C.	Delaware - Limited Liability Company
106	FelCor/New Orleans Annex, L.L.C.	Delaware - Limited Liability Company
107	FelCor/St. Paul Holdings, L.P.	Delaware - Limited Partnership
108	FelCor/Tysons Corner Hotel Company, L.L.C.	Delaware - Limited Liability Company
109	Grande Palms, L.L.C.	Delaware - Limited Liability Company
110	HI Chat-Lem/Iowa-New Orleans Joint Venture	Louisiana - General Partnership
111	Kingston Plantation Development Corp.	Delaware - Corporation
112	Knickerbocker Hotel Leasing GP, L.L.C.	Delaware - Limited Liability Company
113	Knickerbocker Hotel Leasing, L.L.C.	Delaware - Limited Liability Company
114	Knickerbocker Hotel Owner GP, L.L.C.	Delaware - Limited Liability Company
115	Knickerbocker Hotel Owner, L.L.C.	Delaware - Limited Liability Company
116	Los Angeles International Airport Hotel Associates, a Texas Limited Partnership	Texas - Limited Partnership
117	Lovefield Beverage Corporation	Texas - Corporation
118	Madison 237 Hotel Leasing, L.L.C.	Delaware - Limited Liability Company

119	Madison 237 Hotel, L.L.C.	Delaware - Limited Liability Company
120	Margate Towers at Kingston Plantation, L.L.C.	Delaware - Limited Liability Company
121	MHV Joint Venture	Texas - General Partnership
122	Napa Creek Residential, L.L.C.	Delaware - Limited Liability Company
123	Park Central Joint Venture	Texas - General Partnership
124	Plantation Laundry Services, L.L.C.	Delaware - Limited Liability Company
125	Promus/FCH Condominium Company, L.L.C.	Delaware - Limited Liability Company
126	Promus/FCH Development Company, L.L.C.	Delaware - Limited Liability Company
127	Promus/FelCor Hotels, L.L.C.	Delaware - Limited Liability Company
128	Promus/FelCor Lombard Venture	Illinois - General Partnership
129	Promus/FelCor Manager, Inc.	Delaware - Corporation
130	Promus/FelCor Parsippany Venture	New Jersey - General Partnership
131	Promus/FelCor San Antonio Venture	Texas - General Partnership
132	Royale Palms Rental, L.L.C.	Delaware - Limited Liability Company
133	Royalton 44 Hotel Leasing, L.L.C.	Delaware - Limited Liability Company
134	Royalton 44 Hotel, L.L.C.	Delaware - Limited Liability Company

EXHIBIT 21.2
LIST OF THE SUBSIDIARIES OF FELCOR LODGING LIMITED PARTNERSHIP
(as of December 31, 2011)

<u>Name</u>	<u>State and Form of Organization</u>
1 BHR Canada Tenant Company	Nova Scotia, Canada - Unlimited Liability Company
2 BHR Lodging Tenant Company	Delaware - Corporation
3 BHR Operations, L.L.C.	Delaware - Limited Liability Company
4 Brighton at Kingston Plantation, L.L.C.	Delaware - Limited Liability Company
5 DJONT Leasing, L.L.C.	Delaware - Limited Liability Company
6 DJONT Operations, L.L.C.	Delaware - Limited Liability Company
7 DJONT/Charlotte Leasing, L.L.C.	Delaware - Limited Liability Company
8 DJONT/CMB Buckhead Leasing, L.L.C.	Delaware - Limited Liability Company
9 DJONT/CMB Corpus Leasing, L.L.C.	Delaware - Limited Liability Company
10 DJONT/CMB Deerfield Leasing, L.L.C.	Delaware - Limited Liability Company
11 DJONT/CMB FCOAM, L.L.C.	Delaware - Limited Liability Company
12 DJONT/CMB New Orleans Leasing, L.L.C.	Delaware - Limited Liability Company
13 DJONT/CMB Orsouth Leasing, L.L.C.	Delaware - Limited Liability Company
14 DJONT/CMB SSF Leasing, L.L.C.	Delaware - Limited Liability Company
15 DJONT/EPT Leasing, L.L.C.	Delaware - Limited Liability Company
16 DJONT/EPT Manager, Inc.	Delaware - Corporation
17 DJONT/FCH Leasing, L.L.C.	Delaware - Limited Liability Company
18 DJONT/Indianapolis Leasing, L.L.C.	Delaware - Limited Liability Company
19 DJONT/JPM Atlanta ES Leasing, L.L.C.	Delaware - Limited Liability Company
20 DJONT/JPM Austin Leasing, L.P.	Delaware - Limited Partnership
21 DJONT/JPM Austin Tenant Co., L.L.C.	Delaware - Limited Liability Company
22 DJONT/JPM Boca Raton Leasing, L.L.C.	Delaware - Limited Liability Company

23	DJONT/JPM BWI Leasing, L.L.C.	Delaware - Limited Liability Company
24	DJONT/JPM Hospitality Leasing Holdco (SPE), L.L.C.	Delaware - Limited Liability Company
25	DJONT/JPM Hospitality Leasing (SPE), L.L.C.	Delaware - Limited Liability Company
26	DJONT/JPM Leasing, L.L.C.	Delaware - Limited Liability Company
27	DJONT/JPM Orlando Leasing, L.L.C.	Delaware - Limited Liability Company
28	DJONT/JPM Phoenix Leasing, L.L.C.	Delaware - Limited Liability Company
29	DJONT/JPM Wilmington Leasing, L.L.C.	Delaware - Limited Liability Company
30	E.S. Charlotte Limited Partnership	Delaware - Limited Partnership
31	E.S. North, an Indiana Limited Partnership	Indiana - Limited Partnership
32	EPT Atlanta-Perimeter Center Limited Partnership	Delaware - Limited Partnership
33	EPT Austin Limited Partnership	Delaware - Limited Partnership
34	EPT Kansas City Limited Partnership	Delaware - Limited Partnership
35	EPT Meadowlands Limited Partnership	Delaware - Limited Partnership
36	EPT Raleigh Limited Partnership	Delaware - Limited Partnership
37	FCH/DT BWI Holdings, L.P.	Delaware - Limited Partnership
38	FCH/DT BWI Hotel, L.L.C.	Delaware - Limited Liability Company
39	FCH/DT Holdings, L.P.	Delaware - Limited Partnership
40	FCH/DT Hotels, L.L.C.	Delaware - Limited Liability Company
41	FCH HH Knickerbocker Leasing, L.P.	Delaware - Limited Partnership
42	FCH HH Knickerbocker Owner, L.P.	Delaware - Limited Partnership
43	FCH/PSH, L.P.	Pennsylvania - Limited Partnership
44	FCH/SH Leasing, L.L.C.	Delaware - Limited Liability Company
45	FCH/SH Leasing II, L.L.C.	Delaware - Limited Liability Company
46	FelCor Canada Co.	Nova Scotia, Canada - Unlimited Liability Company

47	FelCor Canada Holding GP, L.L.C.	Delaware - Limited Liability Company
48	FelCor Canada Holding, L.P.	Delaware - Limited Partnership
49	FelCor Chat-Lem, L.L.C.	Delaware - Limited Liability Company
50	FelCor Copley Plaza Leasing, L.L.C.	Delaware - Limited Liability Company
51	FelCor Copley Plaza, L.L.C.	Delaware - Limited Liability Company
52	FelCor Eight Hotels, L.L.C.	Delaware - Limited Liability Company
53	FelCor Escrow Holdings, L.L.C.	Delaware - Limited Liability Company
54	FelCor Esmeralda (SPE), L.L.C.	Delaware - Limited Liability Company
55	FelCor Esmeralda Leasing (SPE), L.L.C.	Delaware - Limited Liability Company
56	FelCor Hotel Asset Company, L.L.C.	Delaware - Limited Liability Company
57	FelCor Hotel Operating Company, L.L.C.	Delaware - Limited Liability Company
58	FelCor Lodging Holding Company, L.L.C.	Delaware - Limited Liability Company
59	FelCor Napa Development, L.L.C.	Delaware - Limited Liability Company
60	FelCor Pennsylvania Company, L.L.C.	Delaware - Limited Liability Company
61	FelCor S-4 Hotels (SPE), L.L.C.	Delaware - Limited Liability Company
62	FelCor S-4 Leasing (SPE), L.L.C.	Delaware - Limited Liability Company
63	FelCor/St. Paul Hotel (SPE), L.L.C.	Delaware - Limited Liability Company
64	FelCor/St. Paul Leasing (SPE), L.L.C.	Delaware - Limited Liability Company
65	FelCor St. Pete (SPE), L.L.C.	Delaware - Limited Liability Company
66	FelCor St. Pete Leasing (SPE), L.L.C.	Delaware - Limited Liability Company
67	FelCor TRS Borrower 1, L.P.	Delaware - Limited Partnership
68	FelCor TRS Borrower GP 1, L.L.C.	Delaware - Limited Liability Company
69	FelCor TRS Borrower 4, L.L.C.	Delaware - Limited Liability Company
70	FelCor TRS Guarantor, L.P.	Delaware - Limited Partnership

71	FelCor TRS Guarantor GP, L.L.C.	Delaware - Limited Liability Company
72	FelCor TRS Holdings, L.L.C.	Delaware - Limited Liability Company
73	FelCor/Charlotte Hotel, L.L.C.	Delaware - Limited Liability Company
74	FelCor/CMB Buckhead Hotel, L.L.C.	Delaware - Limited Liability Company
75	FelCor/CMB Corpus Holdings, L.P.	Delaware - Limited Partnership
76	FelCor/CMB Corpus Hotel, L.L.C.	Delaware - Limited Liability Company
77	FelCor/CMB Deerfield Hotel, L.L.C.	Delaware - Limited Liability Company
78	FelCor/CMB Marlborough Hotel, L.L.C.	Delaware - Limited Liability Company
79	FelCor/CMB New Orleans Hotel, L.L.C.	Delaware - Limited Liability Company
80	FelCor/CMB Orsouth Holdings, L.P.	Delaware - Limited Partnership
81	FelCor/CMB Orsouth Hotel, L.L.C.	Delaware - Limited Liability Company
82	FelCor/CMB SSF Holdings, L.P.	Delaware - Limited Partnership
83	FelCor/CMB SSF Hotel, L.L.C.	Delaware - Limited Liability Company
84	FelCor/CSS Holdings, L.P.	Delaware - Limited Partnership
85	FelCor/CSS Hotels, L.L.C.	Delaware - Limited Liability Company
86	FelCor/CSS (SPE), L.L.C.	Delaware - Limited Liability Company
87	FelCor/Indianapolis Hotel, L.L.C.	Delaware - Limited Liability Company
88	FelCor/Iowa-New Orleans Chat-Lem Hotel, L.L.C.	Delaware - Limited Liability Company
89	FelCor/JPM Atlanta ES Hotel, L.L.C.	Delaware - Limited Liability Company
90	FelCor/JPM Austin Holdings, L.P.	Delaware - Limited Partnership
91	FelCor/JPM Austin Hotel, L.L.C.	Delaware - Limited Liability Company
92	FelCor/JPM Boca Raton Hotel, L.L.C.	Delaware - Limited Liability Company
93	FelCor/JPM BWI Hotel, L.L.C.	Delaware - Limited Liability Company
94	FelCor/JPM Hospitality Holdco (SPE), L.L.C.	Delaware - Limited Liability Company
95	FelCor/JPM Hospitality (SPE), L.L.C.	Delaware - Limited Liability Company

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97	FelCor/JPM Orlando Hotel, L.L.C.	Delaware - Limited Liability Company
98	FelCor/JPM Phoenix Hotel, L.L.C.	Delaware - Limited Liability Company
99	FelCor/JPM Wilmington Hotel, L.L.C.	Delaware - Limited Liability Company
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101	FelCor/LAX Hotels, L.L.C.	Delaware - Limited Liability Company
102	FelCor/MM S-7 Holdings, L.P.	Delaware - Limited Partnership
103	FelCor/MM S-7 Hotels, L.L.C.	Delaware - Limited Liability Company
104	FelCor/New Orleans Annex, L.L.C.	Delaware - Limited Liability Company
105	FelCor/St. Paul Holdings, L.P.	Delaware - Limited Partnership
106	FelCor/Tysons Corner Hotel Company, L.L.C.	Delaware - Limited Liability Company
107	Grande Palms, L.L.C.	Delaware - Limited Liability Company
108	HI Chat-Lem/Iowa-New Orleans Joint Venture	Louisiana - General Partnership
109	Kingston Plantation Development Corp.	Delaware - Corporation
110	Knickerbocker Hotel Leasing GP, L.L.C.	Delaware - Limited Liability Company
111	Knickerbocker Hotel Leasing, L.L.C.	Delaware - Limited Liability Company
112	Knickerbocker Hotel Owner GP, L.L.C.	Delaware - Limited Liability Company
113	Knickerbocker Hotel Owner, L.L.C.	Delaware - Limited Liability Company
114	Los Angeles International Airport Hotel Associates, a Texas Limited Partnership	Texas - Limited Partnership
115	Lovefield Beverage Corporation	Texas - Corporation
116	Madison 237 Hotel Leasing, L.L.C.	Delaware - Limited Liability Company
117	Madison 237 Hotel, L.L.C.	Delaware - Limited Liability Company
118	Margate Towers at Kingston Plantation, L.L.C.	Delaware - Limited Liability Company
119	MHV Joint Venture	Texas - General Partnership

120	Napa Creek Residential, L.L.C.	Delaware - Limited Liability Company
121	Park Central Joint Venture	Texas - General Partnership
122	Plantation Laundry Services, L.L.C.	Delaware - Limited Liability Company
123	Promus/FCH Condominium Company, L.L.C.	Delaware - Limited Liability Company
124	Promus/FCH Development Company, L.L.C.	Delaware - Limited Liability Company
125	Promus/FelCor Hotels, L.L.C.	Delaware - Limited Liability Company
126	Promus/FelCor Lombard Venture	Illinois - General Partnership
127	Promus/FelCor Manager, Inc.	Delaware - Corporation
128	Promus/FelCor Parsippany Venture	New Jersey - General Partnership
129	Promus/FelCor San Antonio Venture	Texas - General Partnership
130	Royale Palms Rental, L.L.C.	Delaware - Limited Liability Company
131	Royalton 44 Hotel Leasing, L.L.C.	Delaware - Limited Liability Company
132	Royalton 44 Hotel, L.L.C.	Delaware - Limited Liability Company

Consent Of Independent Registered Public Accounting Firm

We hereby consent to the incorporation by reference in the Registration Statement on Form S-3 (Nos. 333-04947, 333-62599, 333-122221, 333-125040, 333-138102, 333-155316, and 333-176589) and Form S-8 (Nos. 333-126228, 333-126230, 333-151066, and 333-176193) of FelCor Lodging Trust Incorporated of our report dated March 6, 2012 relating to the financial statements, financial statement schedule and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers, LLP

Dallas, Texas
March 6, 2012

Certification Pursuant to Section 302 of Sarbanes-Oxley Act of 2002

I, Richard A. Smith, certify that:

1. I have reviewed this Annual Report on Form 10-K of FelCor Lodging Trust Incorporated;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 6, 2012

/s/Richard A. Smith

Richard A. Smith
Chief Executive Officer

Certification Pursuant to Section 302 of Sarbanes-Oxley Act of 2002

I, Andrew J. Welch, certify that:

1. I have reviewed this Annual Report on Form 10-K of FelCor Lodging Trust Incorporated;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 6, 2012

/s/Andrew J. Welch

Andrew J. Welch
Chief Financial Officer

Certification Pursuant to Section 302 of Sarbanes-Oxley Act of 2002

I, Richard A. Smith, certify that:

1. I have reviewed this Annual Report on Form 10-K of FelCor Lodging Limited Partnership;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 6, 2012

/s/Richard A. Smith

Richard A. Smith

Chief Executive Officer of FelCor Lodging Trust Incorporated, as
general partner of FelCor Lodging Limited Partnership

Certification Pursuant to Section 302 of Sarbanes-Oxley Act of 2002

I, Andrew J. Welch, certify that:

1. I have reviewed this Annual Report on Form 10-K of FelCor Lodging Limited Partnership;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 6, 2012

/s/Andrew J. Welch

Andrew J. Welch
Chief Financial Officer of FelCor Lodging Trust Incorporated, as
general partner of FelCor Lodging Limited Partnership

Section 906 Certification

Certification of Chief Executive Officer and Chief Financial Officer Pursuant to
18 U.S.C. § 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Pursuant to 18 U.S.C. § 1350, adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officers of FelCor Lodging Trust Incorporated (the "Company") hereby certify, to such officers' knowledge, that:

(i) the accompanying Annual Report on Form 10-K of the Company for the year ended December 31, 2010 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, as amended;

and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: March 6, 2012

/s/Richard A. Smith

Richard A. Smith

Chief Executive Officer

/s/Andrew J. Welch

Andrew J. Welch

Chief Financial Officer

Section 906 Certification

Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. § 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Pursuant to 18 U.S.C. § 1350, adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officers of FelCor Lodging Trust Incorporated as general partner of FelCor Lodging Limited Partnership (the “Company”) hereby certify, to such officers' knowledge, that:

(i) the accompanying Annual Report on Form 10-K of the Company for the year ended December 31, 2010 (the “Report”) fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, as amended;

and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: March 6, 2012

/s/Richard A. Smith

Richard A. Smith

Chief Executive Officer of FelCor Lodging Trust Incorporated,
as general partner of FelCor Lodging Limited Partnership

/s/Andrew J. Welch

Andrew J. Welch

Chief Financial Officer of FelCor Lodging Trust Incorporated,
as general partner of FelCor Lodging Limited Partnership