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

Form 10-Q

(Mark One)

/X/ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2007

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 333-3959-01

FelCor Lodging Limited Partnership

(Exact name of registrant as specified in its charter)

Delaware	**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)

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. ☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ☐ Yes ☒ No

FELCOR LODGING LIMITED PARTNERSHIP

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PART I. -- FINANCIAL INFORMATION

Item 1. Financial Statements

FELCOR LODGING LIMITED PARTNERSHIP

CONSOLIDATED BALANCE SHEETS
(unaudited, in thousands)

	September 30, 2007	December 31, 2006
ASSETS		
Investment in hotels, net of accumulated depreciation of $671,671 at September 30, 2007 and $612,286 at December 31, 2006	$ 2,163,812	$ 2,044,285
Investment in unconsolidated entities	123,924	111,716
Hotels held for sale	-	133,801
Cash and cash equivalents	155,583	124,179
Restricted cash	13,736	22,753
Accounts receivable, net of allowance for doubtful accounts of $862 at September 30, 2007 and $962 at December 31, 2006	46,953	33,395
Deferred expenses, net of accumulated amortization of $10,208 at September 30, 2007 and $8,841 at December 31, 2006	8,689	9,480
Condominium development project	2,245	70,661
Other assets	31,207	32,979
Total assets	$ 2,546,149	$ 2,583,249
LIABILITIES AND PARTNERS' CAPITAL		
Debt, net of discount of $900 at September 30, 2007 and $1,089 at December 31, 2006	$ 1,294,550	$ 1,369,153
Distributions payable	27,277	24,078
Accrued expenses and other liabilities	146,186	139,277
Total liabilities	1,468,013	1,532,508
Commitments and contingencies		
Redeemable units at redemption value, 1,354 and 1,355 units issued and outstanding at September 30, 2007 and December 31, 2006, respectively	26,985	29,593
Minority interest in other partnerships	25,124	28,172
Partners' capital:		
Preferred units, $.01 par value, 20,000 units authorized:		
Series A Cumulative Convertible Preferred Units, 12,880 units, issued and outstanding at September 30, 2007 and December 31, 2006	309,362	309,362
Series C Cumulative Redeemable Preferred Units, 68 units, issued and outstanding at September 30, 2007 and December 31, 2006	169,412	169,412
Common units, 62,440 and 62,052 units issued and outstanding at September 30, 2007 and December 31, 2006, respectively	519,356	498,363
Accumulated other comprehensive income	27,897	15,839
Total partners' capital	1,026,027	992,976
Total liabilities, redeemable units and partners' capital	$ 2,546,149	$ 2,583,249

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

FELCOR LODGING LIMITED PARTNERSHIP

CONSOLIDATED STATEMENTS OF OPERATIONS
For the Three and Nine Months Ended September 30, 2007 and 2006
(unaudited, in thousands, except for per unit data)

	Three Months Ended September 30, 2007	Three Months Ended September 30, 2006	Nine Months Ended September 30, 2007	Nine Months Ended September 30, 2006
Revenues:				
Hotel operating revenue	$ 256,696	$ 247,451	$ 770,766	$ 758,068
Other revenue	468	13	921	68
Total revenues	257,164	247,464	771,687	758,136
Expenses:				
Hotel departmental expenses	82,321	79,059	246,134	241,190
Other property related costs	70,119	68,431	207,260	204,135
Management and franchise fees	13,652	12,026	40,718	39,463
Taxes, insurance and lease expense	31,736	28,726	92,387	84,126
Abandoned projects	-	-	22	-
Corporate expenses	3,690	7,164	15,732	18,530
Depreciation	28,523	23,917	80,729	70,096
Total operating expenses	230,041	219,323	682,982	657,540
Operating income	27,123	28,141	88,705	100,596
Interest expense, net	(22,655)	(28,030)	(68,734)	(86,845)
Charge-off of deferred financing costs	-	-	-	(962)
Early extinguishment of debt	-	-	-	(438)
Income before equity in income from unconsolidated entities, minority interests and sale of assets	4,468	111	19,971	12,351
Equity in income from unconsolidated entities	3,030	3,948	19,511	9,708
Minority interests	314	187	1,102	1,559
Loss on sale of other assets	-	(92)	-	(92)
Gain on sale of condominiums	354	-	18,493	-
Income from continuing operations	8,166	4,154	59,077	23,526
Discontinued operations, net of minority interests	(209)	16,135	34,629	16,784
Net income	7,957	20,289	93,706	40,310
Preferred distributions	(9,678)	(9,665)	(29,034)	(29,022)
Net income (loss) applicable to common unitholders	$ (1,721)	$ 10,624	$ 64,672	$ 11,288
Basic per common unit data:				
Income (loss) from continuing operations	$ (0.02)	$ (0.09)	$ 0.48	$ (0.09)
Net income (loss)	$ (0.03)	$ 0.17	$ 1.03	$ 0.18
Basic weighted average common units outstanding	63,006	62,503	62,937	62,476
Diluted per common unit data:				
Income (loss) from continuing operations	$ (0.02)	$ (0.09)	$ 0.47	$ (0.09)
Net income (loss)	$ (0.03)	$ 0.17	$ 1.02	$ 0.18
Diluted weighted average common units outstanding	63,006	62,503	63,262	62,476

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

FELCOR LODGING LIMITED PARTNERSHIP

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the Three and Nine Months Ended September 30, 2007 and 2006
(unaudited, in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	**2006**	**2007**	**2006**
Net income	$ 7,957	$ 20,289	$ 93,706	$ 40,310
Unrealized holding loss from interest rate swaps	-	(812)	-	(377)
Foreign currency translation adjustment	4,879	16	12,058	1,449
Comprehensive income	$ 12,836	$ 19,493	$ 105,764	$ 41,382

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

FELCOR LODGING LIMITED PARTNERSHIP
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Nine Months Ended September 30, 2007 and 2006
(unaudited, in thousands)

	Nine Months Ended September 30, 2007	2006
Cash flows from operating activities:		
Net income	$ 93,706	$ 40,310
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	80,743	83,198
Gain on sale of assets	(46,981)	(16,963)
Amortization of deferred financing fees	1,786	2,479
Accretion of debt discount	188	887
Amortization of unearned compensation	3,129	4,339
Equity in income from unconsolidated entities	(19,511)	(9,708)
Distributions of income from unconsolidated entities	947	2,996
Impairment loss	-	15,142
Charge-off of deferred financing costs	119	1,044
Loss on early extinguishment of debt	782	596
Minority interests	(7)	(1,050)
Changes in assets and liabilities:		
Accounts receivable	(8,816)	2,147
Restricted cash – operating	868	(4,230)
Other assets	(2,008)	1,127
Accrued expenses and other liabilities	7,484	18,296
Net cash flow provided by operating activities	112,429	140,610
Cash flows from investing activities:		
Improvements and additions to hotels	(187,794)	(108,623)
Additions to condominium project	(8,381)	(43,060)
Proceeds from sale of hotels	165,107	177,105
Proceeds from sale of condominiums	20,202	-
Proceeds received from property damage insurance	1,853	7,351
Decrease in restricted cash – investing	7,656	462
Distributions of capital from unconsolidated entities	8,812	4,793
Capital contributions to unconsolidated entities	(2,150)	(250)
Net cash flow provided by investing activities	5,305	37,778
Cash flows from financing activities:		
Proceeds from borrowings	7,142	124,897
Repayment of borrowings	(16,978)	(205,593)
Payment of deferred financing fees	(1,115)	(1,201)
Decrease in restricted cash – financing	-	2,825
Exercise of FelCor stock options	5,960	1,407
Contributions from minority interest holders	1,989	1,948
Distributions paid to other partnerships' minority interests	(5,030)	(13,167)
Distributions paid to preferred unitholders	(29,034)	(29,035)
Distributions paid to common unitholders	(50,944)	(22,173)
Net cash flow used in financing activities	(88,010)	(140,092)
Effect of exchange rate changes on cash	1,680	194
Net change in cash and cash equivalents	31,404	38,490
Cash and cash equivalents at beginning of periods	124,179	94,564
Cash and cash equivalents at end of periods	$ 155,583	$ 133,054
Supplemental cash flow information —		
Interest paid	$ 66,889	$ 77,259

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

FELCOR LODGING LIMITED PARTNERSHIP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Organization

At September 30, 2007, we held ownership interests in 87 hotels and were the owner of the largest number of Embassy Suites Hotels® and Doubletree Guest Suites® hotels in North America. Our sole general partner is FelCor Lodging Trust Incorporated, or FelCor, a Real Estate Investment Trust, or REIT. At September 30, 2007, FelCor owned approximately a 98% interest in our operations.

At September 30, 2007, we held 100% ownership interests (whether by fee, leasehold or otherwise) in 64 hotels, a 90% or greater interest in entities owning four hotels, a 75% interest in an entity owning one hotel, a 60% interest in an entity owning one hotel and 50% interests in unconsolidated entities that owned 17 hotels. We held majority ownership interests in the operating lessees of 83 of these hotels; consequently, we include their operating revenues and expenses in our consolidated statements of operations. The operating revenues and expenses of our remaining four hotels are unconsolidated.

At September 30, 2007, we had an aggregate of 63,793,644 redeemable and common units outstanding.

The following table reflects the distribution, by brand, of our 83 consolidated hotels included in continuing operations at September 30, 2007:

Brand	Hotels	Rooms
Embassy Suites Hotels	47	12,127
Holiday Inn®	17	6,305
Sheraton®	8	2,681
Doubletree®	7	1,471
Hilton®	2	559
Westin®	1	536
Other	1	403
Total hotels	83	

The hotels shown in the above table are located in the United States (81 hotels in 23 states) and Canada (two hotels in Ontario), with concentrations in California (14 hotels), Florida (13 hotels) and Texas (11 hotels). Approximately 49% of our hotel room revenues in continuing operations were generated from hotels in these states during the nine months ended September 30, 2007.

At September 30, 2007, of our 83 consolidated hotels included in continuing operations, (i) subsidiaries of Hilton Hotels Corporation, or Hilton, managed 54, (ii) subsidiaries of InterContinental Hotels Group, or IHG, managed 18, (iii) subsidiaries of Starwood Hotels & Resorts Worldwide, Inc., or Starwood, managed nine, and (iv) independent management companies managed two.

1. Organization – (continued)

The information in our consolidated financial statements for the three and nine months ended September 30, 2007 and 2006 is unaudited. Preparing financial statements in conformity with accounting principles generally accepted in the United States of America, or GAAP, requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. The accompanying financial statements for the three and nine months ended September 30, 2007 and 2006, include adjustments based on management's estimates (consisting of normal and recurring accruals), which we consider necessary for a fair presentation of the results for the periods. The financial information should be read in conjunction with the consolidated financial statements for the year ended December 31, 2006, included in our Annual Report on Form 10-K. Operating results for the three and nine months ended September 30, 2007 are not necessarily indicative of actual operating results for the entire year.

2. Investment in Unconsolidated Entities

We owned 50% interests in joint venture entities that owned 17 hotels and leased three of these hotels at September 30, 2007, and owned 19 hotels and leased four hotels at December 31, 2006. We also owned a 50% interest in joint venture 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 depreciation of our excess basis in investment in unconsolidated entities when compared to the historical basis of the assets recorded by the joint ventures.

Summarized combined financial information for 100% of these unconsolidated entities is as follows (in thousands):

	September 30, 2007	December 31, 2006
Balance sheet information:		
Investment in hotels, net of accumulated depreciation	$ 277,577	$ 260,628
Total assets	$ 317,576	$ 297,712
Debt	$ 190,401	$ 197,462
Total liabilities	$ 201,729	$ 203,659
Equity	$ 115,847	$ 94,053

Debt of our unconsolidated entities at September 30, 2007 and December 31, 2006, consisted entirely of non-recourse mortgage debt.

2. Investment in Unconsolidated Entities – (continued)

The following table sets forth summarized combined statement of operations information for our unconsolidated entities (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
Total revenues	$ 21,690	$ 23,062	$ 62,538	$ 64,572
Net income	$ 7,606	$ 8,734	$ 35,712 [a]	$ 21,928
Net income attributable to FelCor LP	$ 3,803	$ 4,367	$ 17,856	$ 10,964
Additional gain on sale related to basis difference	-	-	3,336 [a]	-
Tax related to sale of asset by venture[b]	(306)	-	(306)	-
Depreciation of cost in excess of book value	(467)	(419)	(1,375)	(1,256)
Equity in income from unconsolidated entities	$ 3,030	$ 3,948	$ 19,511	$ 9,708

(a) In the first quarter of 2007, a 50% owned joint venture entity sold its Embassy Suites Hotel in Covina, California. The sale of this hotel resulted in a gain of $15.6 million for this venture. Our basis in this unconsolidated hotel was lower than the venture's basis, resulting in an additional gain on sale.

(b) In the third quarter of 2007, a 50% owned joint venture entity sold its Hampton Inn® in Hays, Kansas for an insignificant book gain. This sale triggered a $0.3 million tax obligation for FelCor.

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

	September 30, 2007	December 31, 2006
Hotel investments	$ 50,116	$ 39,975
Cost in excess of book value of hotel investments	63,213	61,253
Other investments	12,631	12,179
Hotel lessee investments	(2,036)	(1,691)
	$ 123,924	$ 111,716

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
Hotel investments	$ 2,510	$ 3,398	$ 19,344	$ 9,480
Other investments	667	719	548	666
Hotel lessee investments	(147)	(169)	(381)	(438)
	$ 3,030	$ 3,948	$ 19,511	$ 9,708

3. Debt

Debt at September 30, 2007 and December 31, 2006 consisted of the following (in thousands):

	Encumbered Hotels	Interest Rate at September 30, 2007	Maturity Date	Balance Outstanding, Net of Discount September 30, 2007	Balance Outstanding, Net of Discount December 31, 2006
Line of credit[a]	none	L + 0.80	August 2011	$ -	$ -
Senior term notes	none	8.50	June 2011	299,100	298,911
Senior term notes	none	L + 1.875	December 2011	215,000	215,000
Total line of credit and senior debt[b]		7.98		514,100	513,911
Mortgage debt[c]	12 hotels	L + 0.93	November 2008	250,000	250,000
Mortgage debt	7 hotels	6.57	June 2009-2014	89,560	97,553
Mortgage debt	7 hotels	7.32	March 2009	121,710	124,263
Mortgage debt	8 hotels	8.70	May 2010	166,884	169,438
Mortgage debt	6 hotels	8.73	May 2010	120,345	122,578
Mortgage debt	1 hotel	L + 2.85	August 2008	15,500	15,500
Mortgage debt	1 hotel	5.81	July 2016	12,600	12,861
Other	1 hotel	9.17	August 2011	3,851	4,452
Construction loan[d]	-	-	-	-	58,597
Total mortgage debt[b]	43 hotels	7.54		780,450	855,242
Total		7.72%		$ 1,294,550	$ 1,369,153

(a) We have a borrowing capacity of $250 million on our line of credit. The interest on this line can range from L + 80 to L + 150 basis points, based on our leverage ratio as defined in our line of credit agreement. We can exercise a one-year extension option if we meet certain requirements under the agreement.
(b) Interest rates are calculated based on the weighted average debt outstanding at September 30, 2007.
(c) This debt has three one-year extension options.
(d) In the second quarter of 2007, we repaid in full a recourse construction loan facility for the development of a 184-unit condominium project in Myrtle Beach, South Carolina.

We reported interest expense of $22.7 million and $28.0 million for the three months ended September 30, 2007 and 2006, respectively, which is net of: (i) interest income of $2.2 million and $0.9 million, respectively, and (ii) capitalized interest of $1.1 million and $0.9 million, respectively. We reported interest expense of $68.7 million and $86.8 million for the nine months ended September 30, 2007 and 2006, respectively, which is net of: (i) interest income of $4.9 million and $2.5 million, respectively, and (ii) capitalized interest of $3.9 million and $2.1 million, respectively.

In August 2007, we amended our line of credit agreement to increase the amount available under the line from $125 million to $250 million, provide the ability to further increase the facility up to $500 million under certain conditions, reduce certain fees and costs including the interest rates applicable to borrowings, improve certain financial covenants and extend the initial maturity from January 2009 to August 2011 with the right to extend for an additional one-year period under certain conditions. At September 30, 2007, we had no borrowings outstanding under our line of credit.

4. Hotel Operating Revenue, Departmental Expenses and Other Property Related Costs

The following table summarizes the components of hotel operating revenue from continuing operations (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
Room revenue	$ 212,347	$ 205,009	$ 633,483	$ 623,974
Food and beverage revenue	32,161	29,170	99,146	94,273
Other operating departments	12,188	13,272	38,137	39,821
Total hotel operating revenue	$ 256,696	$ 247,451	$ 770,766	$ 758,068

For the first nine months of both 2007 and 2006, more than 99% of our revenue was comprised of hotel operating revenue, which included 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. 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, which are recorded as a bad debt expense.

The following table summarizes the components of hotel departmental expenses from continuing operations (in thousands):

	Three Months Ended September 30,			
	2007		2006	
	Dollars in Thousands	% of Total Hotel Operating Revenue	Dollars in Thousands	% of Total Hotel Operating Revenue
Room	$ 52,553	20.5 %	$ 50,617	20.4 %
Food and beverage	25,023	9.8	22,563	9.1
Other operating departments	4,745	1.8	5,879	2.4
Total hotel departmental expenses	$ 82,321	32.1 %	$ 79,059	31.9 %

	Nine Months Ended September 30,			
	2007		2006	
	Dollars in Thousands	% of Total Hotel Operating Revenue	Dollars in Thousands	% of Total Hotel Operating Revenue
Room	$ 154,394	20.0 %	$ 151,593	20.0 %
Food and beverage	76,213	9.9	71,764	9.5
Other operating departments	15,527	2.0	17,833	2.3
Total hotel departmental expenses	$ 246,134	31.9 %	$ 241,190	31.8 %

4. Hotel Operating Revenue, Departmental Expenses and Other Property Related Costs – (continued)

The following table summarizes the components of other property related costs from continuing operations (in thousands):

	Three Months Ended September 30,			
	2007		2006	
	Dollars in Thousands	% of Total Hotel Operating Revenue	Dollars in Thousands	% of Total Hotel Operating Revenue
Hotel general and administrative expense	$ 21,694	8.5 %	$ 22,020	9.0 %
Marketing	21,085	8.2	20,025	8.1
Repair and maintenance	13,886	5.4	12,971	5.2
Energy	13,454	5.2	13,415	5.4
Total other property related costs	$ 70,119	27.3 %	$ 68,431	27.7 %

	Nine Months Ended September 30,			
	2007		2006	
	Dollars in Thousands	% of Total Hotel Operating Revenue	Dollars in Thousands	% of Total Hotel Operating Revenue
Hotel general and administrative expense	$ 65,585	8.5 %	$ 65,711	8.7 %
Marketing	63,281	8.2	61,518	8.1
Repair and maintenance	41,347	5.4	39,411	5.2
Energy	37,047	4.8	37,495	4.9
Total other property related costs	$ 207,260	26.9 %	$ 204,135	26.9 %

Hotel employee compensation and benefit expenses of $72.7 million and $68.4 million for the three months ended September 30, 2007 and 2006, respectively, and $218.1 million and $212.0 million for the nine months ended September 30, 2007 and 2006, respectively, are included in hotel departmental expenses and other property related costs.

FELCOR LODGING LIMITED PARTNERSHIP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5. Taxes, Insurance and Lease Expense

The following table summarizes the components of taxes, insurance and lease expense from continuing operations (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
Operating lease expense[a]	$ 18,783	$ 18,193	$ 54,471	$ 52,126
Real estate and other taxes	8,707	8,014	25,926	25,390
Property insurance, general liability insurance and other	4,246	2,519	11,990	6,610
Total taxes, insurance and lease expense	$ 31,736	$ 28,726	$ 92,387	$ 84,126

(a) Operating lease expense includes hotel lease expense of $16.2 million and $15.9 million associated with 13 hotels leased by us from unconsolidated subsidiaries and $2.6 million and $2.3 million of ground lease expense for the three months ended September 30, 2007 and 2006, respectively, and hotel lease expense of $47.7 million and $45.9 million and $6.7 million and $6.2 million of ground lease expense for the nine months ended September 30, 2007 and 2006, respectively. Included in operating lease expense is percentage rent based on operating results of $10.4 million and $9.9 million, respectively, for the three months ended September 30, 2007 and 2006, and $29.4 million and $27.3 million, respectively, for the nine months ended September 30, 2007 and 2006.

6. Condominium Project

Development of our 184-unit Royale Palms condominium project in Myrtle Beach, South Carolina was substantially completed in the first quarter of 2007. During the three months ended September 30, 2007, we recognized gains, net of tax, under the completed contract method of $0.4 million from the sale of one unit, and for the nine months of $18.5 million from the sale of 178 units. We expect that the remaining six condominium units will be sold on a selective basis to maximize the selling price. The sale of the 178 units resulted in net proceeds of $87.2 million, of which $67.0 million was paid directly to the construction lender as payment in full of the outstanding balance of our construction loan.

FELCOR LODGING LIMITED PARTNERSHIP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7. Discontinued Operations

The results of operations of 11 hotels sold in 2007 and 31 hotels sold in 2006 are included in discontinued operations. The following table summarizes the condensed financial information for the hotels included in discontinued operations (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007[a]	2006	2007	2006
Operating revenue	$ 74	$ 50,136	$ 26,522	$ 172,226
Operating expenses[b]	(276)	(50,789)	(18,371)	(169,068)
Operating income	(202)	(653)	8,151	3,158
Direct interest costs, net	4	(303)	(15)	(946)
Gain (loss) on sale of hotels	-	18,182	28,488	15,320
Charge-off of deferred debt costs	-	(82)	(119)	(82)
Loss on early extinguishment of debt	-	(158)	(782)	(158)
Minority interests	(11)	(851)	(1,094)	(508)
Income (loss) from discontinued operations	$ (209)	$ 16,135	$ 34,629	$ 16,784

(a) The activity during the three months ended September 30, 2007, related to changes in accrual estimates on hotels sold in prior periods.
(b) Includes $5.9 million and $15.1 million of impairment losses for the three and nine months ended September 30, 2006, respectively.

During the nine months ended September 30, 2007, we sold ten consolidated hotels for aggregate gross proceeds of $169.0 million and one unconsolidated hotel for gross proceeds of $22.0 million for which the operations were consolidated because of our majority ownership of the lessee.

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 as defined by SFAS 144 for purposes of determining impairment charges and reporting discontinued operations.

In the second quarter of 2006, we designated seven hotels as non-strategic and tested these hotels under the provisions of SFAS 144. Of the hotels tested, one such hotel failed the test under SFAS No. 144, which resulted in an impairment charge of $9.2 million to write down the hotel asset to our then-current estimate of its fair market value. In addition, in the third quarter of 2006, we recorded an impairment charge of $5.9 million on two hotels that had previously been identified as non-strategic due to decreases in estimated fair values.

The hotels were tested for impairment as required by SFAS 144 using the undiscounted cash flows for the shorter of the estimated remaining holding periods or the useful life of the hotels. Those hotels that failed the impairment test described in SFAS 144 were written down to their then current estimated fair value, before any selling expenses.

FELCOR LODGING LIMITED PARTNERSHIP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8. Earnings (Loss) Per Unit

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
Numerator:				
Income from continuing operations	$ 8,166	$ 4,154	$ 59,077	$ 23,526
Less: Preferred distributions	(9,678)	(9,665)	(29,034)	(29,022)
Income (loss) from continuing operations applicable to common unitholders	(1,512)	(5,511)	30,043	(5,496)
Discontinued operations	(209)	16,135	34,629	16,784
Net income (loss) applicable to common unitholders	$ (1,721)	$ 10,624	$ 64,672	11,288
Denominator:				
Denominator for basic earnings per unit	63,006	62,503	62,937	62,476
Denominator for diluted earnings per unit	63,006	62,503	63,262	62,476
Earnings (loss) per unit data:				
Basic:				
Income (loss) from continuing operations	$ (0.02)	$ (0.09)	$ 0.48	$ (0.09)
Discontinued operations	$ (0.01)	$ 0.26	$ 0.55	$ 0.27
Net income (loss)	$ (0.03)	$ 0.17	$ 1.03	$ 0.18
Diluted:				
Income (loss) from continuing operations	$ (0.02)	$ (0.09)	$ 0.47	$ (0.09)
Discontinued operations	$ (0.01)	$ 0.26	$ 0.55	$ 0.27
Net income (loss)	$ (0.03)	$ 0.17	$ 1.02	$ 0.18

The following securities, which could potentially dilute basic earnings per unit in the future, were not included in the computation of diluted earnings per unit, because they would have been antidilutive for the periods presented (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
FelCor's options and unvested restricted stock	346	414	-	356
Series A convertible preferred units	9,985	9,985	9,985	9,985

Series A preferred distributions that would be excluded from net income applicable to common unitholders, if these Series A preferred units were dilutive, were $6.3 million for both the three months ended September 30, 2007 and 2006, and $18.8 million for the nine months ended September 30, 2007 and 2006.

9. Accounting for Uncertainty in Income Taxes

In July 2006, the FASB issued FASB Interpretation Number 48, *Accounting for Uncertainty in Income Taxes, an Interpretation of FASB Statement No. 109* (FIN 48). FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken in a tax return. The Company must 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. FIN 48 applies to all tax positions related to income taxes subject to FASB Statement 109, *Accounting for Income Taxes*. We recorded no cumulative effect as a result of our adoption of FIN 48 on January 1, 2007.

10. Application of New Accounting Standards

In September 2006, the FASB issued Statement of Financial Accounting Standards Number 157, *Fair Value Measurements* (SFAS 157). SFAS 157 provides guidance for using fair value to measure assets and liabilities. This statement clarifies the principle that fair value should be based on the assumptions that market participants would use when pricing the asset or liability. SFAS 157 establishes a fair value hierarchy, giving the highest priority to quoted prices in active markets and the lowest priority to unobservable data. SFAS 157 applies whenever other standards require assets or liabilities to be measured at fair value. This statement is effective in fiscal years beginning after November 15, 2007. We believe that the adoption of this standard on January 1, 2008 will not have a material effect on our consolidated financial statements.

In February 2007, the FASB issued Statement of Financial Accounting Standards Number 159, *The Fair Value Option for Financial Assets and Financial Liabilities* (SFAS 159). SFAS 159 permits companies to choose to measure many financial assets and liabilities at fair value. Unrealized gains and losses on items for which the fair value option has been elected are reported in earnings at each reporting date. SFAS 159 is effective on January 1, 2008, and if adopted the provisions of this statement are required to be applied prospectively. We are currently assessing the impact of SFAS 159 on our consolidated financial statements.

FELCOR LODGING LIMITED PARTNERSHIP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11. Consolidating Financial Information

Certain of our wholly-owned subsidiaries (FelCor/CSS Holdings, L.P.; FelCor Pennsylvania Company, L.L.C.; FelCor Lodging Holding Company, L.L.C.; Myrtle Beach Hotels, L.L.C.; FelCor TRS Borrower 1, L.P.; FelCor TRS Borrower 3, L.P.; FelCor TRS Borrower 4, L.L.C.; FelCor TRS Guarantor, L.P.; Center City Hotel Associates; FelCor Lodging Company, L.L.C.; FelCor TRS Holdings, L.P.; FHAC Texas Holdings, L.P.; FelCor Omaha Hotel Company, L.L.C.; FelCor Canada Co.; FelCor/St. Paul Holdings, L.P. and FelCor Hotel Asset Company, L.L.C., collectively, “Subsidiary Guarantors”), together with FelCor, guarantee, unconditionally and jointly and severally, of our senior debt. The following tables present consolidating information for the Subsidiary Guarantors.

CONSOLIDATING BALANCE SHEET
September 30, 2007
(in thousands)

ASSETS

	FelCor L.P.	Subsidiary Guarantors	Non-Guarantor Subsidiaries	Eliminations	Total Consolidated
Net investment in hotel properties	$ 119,436	$ 973,275	$ 1,071,101	$ -	$ 2,163,812
Equity investment in consolidated entities	1,314,656	-	-	(1,314,656)	-
Investment in unconsolidated entities	93,776	28,487	1,661	-	123,924
Cash and cash equivalents	91,327	55,266	8,990	-	155,583
Restricted cash	488	2,857	10,391	-	13,736
Accounts receivable	7,295	39,416	242	-	46,953
Deferred assets	4,024	417	4,248	-	8,689
Condominium development project	-	-	2,245	-	2,245
Other assets	14,087	16,759	361	-	31,207
Total assets	$ 1,645,089	$ 1,116,477	$ 1,099,239	$ (1,314,656)	$ 2,546,149
LIABILITES AND PARTNERS’CAPITAL					
Debt	$ 529,600	$ 125,561	$ 639,389	$ -	$ 1,294,550
Distributions payable	27,277	-	-	-	27,277
Accrued expenses and other liabilities	35,200	97,547	13,439	-	146,186
Total liabilities	592,077	223,108	652,828	-	1,468,013
Redeemable units, at redemption value	26,985	-	-	-	26,985
Minority interest – other partnerships	-	74	25,050	-	25,124
Preferred units	478,774	-	-	-	478,774
Common units	547,253	865,398	421,361	(1,314,656)	519,356
Accumulated other comprehensive income	-	27,897	-	-	27,897
Total partners’ capital	1,026,027	893,295	421,361	(1,314,656)	1,026,027
Total liabilities, redeemable units and partners' capital	$ 1,645,089	$ 1,116,477	$ 1,099,239	$ (1,314,656)	$ 2,546,149

FELCOR LODGING LIMITED PARTNERSHIP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11. Consolidating Financial Information – (continued)

CONDENSED CONSOLIDATING BALANCE SHEET
December 31, 2006
(in thousands)

	FelCor L.P.	Subsidiary Guarantors	Non-Guarantor Subsidiaries	Eliminations	Total Consolidated
ASSETS					
Net investment in hotel properties	$ 114,833	$ 923,778	$ 1,005,674	$ -	$ 2,044,285
Equity investment in consolidated entities	1,320,816	-	-	(1,320,816)	-
Investment in unconsolidated entities	81,160	28,841	1,715	-	111,716
Hotels held for sale	-	88,926	44,875	-	133,801
Cash and cash equivalents	69,728	46,966	7,485	-	124,179
Restricted cash	453	3,248	19,052	-	22,753
Accounts receivable	239	33,154	2	-	33,395
Deferred assets	4,236	639	4,605	-	9,480
Condominium development project	-	-	70,661	-	70,661
Other assets	15,421	16,398	1,160	-	32,979
Total assets	$ 1,606,886	$ 1,141,950	$ 1,155,229	$ (1,320,816)	$ 2,583,249
LIABILITES AND PARTNERS'CAPITAL					
Debt	$ 529,411	$ 128,715	$ 711,027	$ -	$ 1,369,153
Distributions payable	24,078	-	-	-	24,078
Accrued expenses and other liabilities	30,828	98,345	10,104	-	139,277
Total liabilities	584,317	227,060	721,131	-	1,532,508
Redeemable units, at redemption value	29,593	-	-	-	29,593
Minority interest – other partnerships	-	(115)	28,287	-	28,172
Preferred units	478,774	-	-	-	478,774
Common units	514,202	899,166	405,811	(1,320,816)	498,363
Accumulated other comprehensive income	-	15,839	-	-	15,839
Total partners' capital	992,976	915,005	405,811	(1,320,816)	992,976
Total liabilities, redeemable units and partners' capital	$ 1,606,886	$ 1,141,950	$ 1,155,229	$ (1,320,816)	$ 2,583,249

FELCOR LODGING LIMITED PARTNERSHIP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11. Consolidating Financial Information -- (continued)

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS
For the Three Months Ended September 30, 2007
(in thousands)

	FelCor L.P.	Subsidiary Guarantors	Non-Guarantor Subsidiaries	Eliminations	Total Consolidated
Revenues:					
Hotel operating revenue	$ -	$ 256,696	$ -	$ -	$ 256,696
Percentage lease revenue	7,859	-	33,864	(41,723)	-
Other revenue	2	-	466	-	468
Total revenue	7,861	256,696	34,330	(41,723)	257,164
Expenses:					
Hotel operating expense	-	166,092	-	-	166,092
Taxes, insurance and lease expense	853	67,006	5,600	(41,723)	31,736
Corporate expenses	220	2,524	946	-	3,690
Depreciation	2,383	13,562	12,578	-	28,523
Total operating expenses	3,456	249,184	19,124	(41,723)	230,041
Operating income	4,405	7,512	15,206	-	27,123
Interest expense, net	(5,760)	(1,696)	(15,199)	-	(22,655)
Income (loss) before equity in income from unconsolidated entities, minority interests and sale of assets	(1,355)	5,816	7	-	4,468
Equity in income from consolidated entities	6,341	-	-	(6,341)	-
Equity in income from unconsolidated entities	2,916	132	(18)	-	3,030
Minority interests in other partnerships	-	675	(361)	-	314
Gain on condominiums	-	-	354	-	354
Income (loss) from continuing operations	7,902	6,623	(18)	(6,341)	8,166
Discontinued operations from consolidated entities	55	(295)	31	-	(209)
Net income	7,957	6,328	13	(6,341)	7,957
Preferred distributions	(9,678)	-	-	-	(9,678)
Net income applicable to unitholders	$ (1,721)	$ 6,328	$ 13	$ (6,341)	$ (1,721)

FELCOR LODGING LIMITED PARTNERSHIP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11. Consolidating Financial Information -- (continued)

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS
For the Three Months Ended September 30, 2006
(in thousands)

	FelCor L.P.	Subsidiary Guarantors	Non-Guarantor Subsidiaries	Eliminations	Total Consolidated
Revenues:					
Hotel operating revenue	$ -	$ 247,451	$ -	$ -	$ 247,451
Percentage lease revenue	6,920	-	33,599	(40,519)	-
Other revenue	(7)	-	20	-	13
Total revenue	6,913	247,451	33,619	(40,519)	247,464
Expenses:					
Hotel operating expense	-	159,516	-	-	159,516
Taxes, insurance and lease expense	920	63,901	4,424	(40,519)	28,726
Corporate expenses	423	4,632	2,109	-	7,164
Depreciation	2,139	11,712	10,066	-	23,917
Total operating expenses	3,482	239,761	16,599	(40,519)	219,323
Operating income	3,431	7,690	17,020	-	28,141
Interest expense, net	(14,993)	(2,628)	(10,409)	-	(28,030)
Income (loss) before equity in income from unconsolidated entities, minority interests and sale of assets	(11,562)	5,062	6,611	-	111
Equity in income from consolidated entities	27,960	-	-	(27,960)	-
Equity in income from unconsolidated entities	3,411	555	(18)	-	3,948
Minority interests in other partnerships	-	545	(358)	-	187
Loss on sale of assets	-	(92)	-	-	(92)
Income from continuing operations	19,809	6,070	6,235	(27,960)	4,154
Discontinued operations from consolidated entities	480	8,915	6,740	-	16,135
Net income	20,289	14,985	12,975	(27,960)	20,289
Preferred distributions	(9,665)	-	-	-	(9,665)
Net income applicable to unitholders	$ 10,624	$ 14,985	$ 12,975	$ (27,960)	$ 10,624

FELCOR LODGING LIMITED PARTNERSHIP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11. Consolidating Financial Information -- (continued)

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS
For the Nine Months Ended September 30, 2007
(in thousands)

	FelCor L.P.	Subsidiary Guarantors	Non-Guarantor Subsidiaries	Eliminations	Total Consolidated
Revenues:					
Hotel operating revenue	$ -	$ 770,766	$ -	$ -	$ 770,766
Percentage lease revenue	20,609	-	114,650	(135,259)	-
Other revenue	119	-	802	-	921
Total revenue	20,728	770,766	115,452	(135,259)	771,687
Expenses:					
Hotel operating expense	-	494,112	-	-	494,112
Taxes, insurance and lease expense	3,111	207,829	16,706	(135,259)	92,387
Abandoned projects	-	22	-	-	22
Corporate expenses	870	9,841	5,021	-	15,732
Depreciation	6,555	38,862	35,312	-	80,729
Total operating expenses	10,536	750,666	57,039	(135,259)	682,982
Operating income	10,192	20,100	58,413	-	88,705
Interest expense, net	(18,229)	(5,363)	(45,142)	-	(68,734)
Income (loss) before equity in income from unconsolidated entities, minority interests and sale of assets	(8,037)	14,737	13,271	-	19,971
Equity in income from consolidated entities	81,408	-	-	(81,408)	-
Equity in income from unconsolidated entities	19,975	(410)	(54)	-	19,511
Minority interests in other partnerships	-	1,800	(698)	-	1,102
Gain on condominiums	-	-	18,493	-	18,493
Income from continuing operations	93,346	16,127	31,012	(81,408)	59,077
Discontinued operations from consolidated entities	360	32,030	2,239	-	34,629
Net income	93,706	48,157	33,251	(81,408)	93,706
Preferred distributions	(29,034)	-	-	-	(29,034)
Net income applicable to unitholders	$ 64,672	$ 48,157	$ 33,251	$ (81,408)	$ 64,672

FELCOR LODGING LIMITED PARTNERSHIP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11. Consolidating Financial Information -- (continued)

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS
For the Nine Months Ended September 30, 2006
(in thousands)

	FelCor L.P.	Subsidiary Guarantors	Non-Guarantor Subsidiaries	Eliminations	Total Consolidated
Revenues:					
Hotel operating revenue	$ -	$ 758,068	$ -	$ -	$ 758,068
Percentage lease revenue	18,781	-	112,000	(130,781)	-
Other revenue	22	-	46	-	68
Total revenue	18,803	758,068	112,046	(130,781)	758,136
Expenses:					
Hotel operating expense	-	484,788	-	-	484,788
Taxes, insurance and lease expense	3,289	197,863	13,755	(130,781)	84,126
Corporate expenses	897	12,111	5,522	-	18,530
Depreciation	5,971	34,331	29,794	-	70,096
Total operating expenses	10,157	729,093	49,071	(130,781)	657,540
Operating income	8,646	28,975	62,975	-	100,596
Interest expense, net	(45,706)	(9,077)	(32,062)	-	(86,845)
Charge-off of deferred financing costs	-	(879)	(521)	-	(1,400)
Income (loss) before equity in income from unconsolidated entities, minority interests and sale of assets	(37,060)	19,019	30,392	-	12,351
Equity in income from consolidated entities	67,211	-	-	(67,211)	-
Equity in income from unconsolidated entities	9,086	666	(44)	-	9,708
Minority interests in other partnerships	-	1,695	(136)	-	1,559
Loss on sale of assets	-	(92)	-	-	(92)
Income from continuing operations	39,237	21,288	30,212	(67,211)	23,526
Discontinued operations from consolidated entities	1,073	13,536	2,175	-	16,784
Net income	40,310	34,824	32,387	(67,211)	40,310
Preferred distributions	(29,022)	-	-	-	(29,022)
Net income applicable to unitholders	$ 11,288	$ 34,824	$ 32,387	$ (67,211)	$ 11,288

FELCOR LODGING LIMITED PARTNERSHIP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11. Consolidating Financial Information -- (continued)

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
For the Nine Months Ended September 30, 2007
(in thousands)

	FelCor L.P.	Subsidiary Guarantors	Non-Guarantor Subsidiaries	Total Consolidated
Cash flows from (used in) operating activities	$ 3,916	$ 56,690	$ 51,823	$ 112,429
Cash flows from (used in) investing activities	(17,587)	55,801	(32,909)	5,305
Cash flows from (used in) financing activities	35,270	(105,871)	(17,409)	(88,010)
Effect of exchange rates changes on cash	-	1,680	-	1,680
Change in cash and cash equivalents	21,599	8,300	1,505	31,404
Cash and cash equivalents at beginning of period	69,728	46,966	7,485	124,179
Cash and equivalents at end of period	$ 91,327	$ 55,266	$ 8,990	$ 155,583

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
For the Nine Months Ended September 30, 2006
(in thousands)

	FelCor L.P.	Subsidiary Guarantors	Non-Guarantor Subsidiaries	Total Consolidated
Cash flows from (used in) operating activities	$ (25,140)	$ 85,930	$ 79,820	$ 140,610
Cash flows from (used in) investing activities	(4,120)	104,257	(62,359)	37,778
Cash flows from (used in) financing activities	58,900	(178,460)	(20,532)	(140,092)
Effect of exchange rates changes on cash	-	194	-	194
Change in cash and cash equivalents	29,640	11,921	(3,071)	38,490
Cash and cash equivalents at beginning of period	48,393	36,189	9,982	94,564
Cash and equivalents at end of period	$ 78,033	$ 48,110	$ 6,911	$ 133,054

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

General

In late 2006, we started on a three year, $440 million renovation program on our 83 hotels, to improve the quality, returns on investment and competitive position of our hotel portfolio. Through September 30, 2007, we completed renovations at 49 of these hotels and expect to complete renovations at 64 hotels by the end of 2007.

During the third quarter of 2007, 32 of our hotels were undergoing some form of renovation, and we had more room-nights out of service for renovation than any other quarter this year. We completed major renovations at 12 hotels during the third quarter, and an additional two hotels in October. Since we started our renovation program last year, we have completed renovations at 51 hotels, representing almost two thirds of our portfolio. We expect to complete renovations at an additional 13 hotels during the fourth quarter of 2007, for a total of 64 renovated hotels by the end of 2007. We originally expected to complete renovations at 70 hotels by the end of 2007. However, renovation delays have shifted the completion date at six hotels to the first quarter of 2008. The delays at these hotels are related primarily to increases in scope for major mechanical items and/or permitting and inspection issues in the public areas.

Our hotels with completed renovations, in aggregate, are exceeding our expected return of 12% on the guest impact portion of the total capital expenditures. During the third quarter, RevPAR, Hotel EBITDA and Hotel EBITDA margin exceeded budget for these hotels in aggregate. For our 37 hotels where renovations were completed by June 30, 2007, RevPAR growth was 12.5% during the third quarter, compared to the same period in the prior year. Those hotels, in aggregate, also improved their market share index in both occupancy and ADR, compared to their competitive sets. For those hotels, Hotel EBITDA was $1.1 million higher than budget and Hotel EBTIDA margin was 85 basis points greater than budget.

We spent $204.0 million on renovations and redevelopment projects at our hotels through the nine months ended September 30, 2007, including our pro rata share of joint ventures.

During the third quarter of 2007, our RevPAR increased 3.7% for our consolidated hotels largely from a 6.2% increase in ADR. Our occupancy decreased in the same period by 2.4%, compared to the same period last year. For the nine months ended September 30, 2007, our consolidated RevPAR from continuing operations increased by 2.5%, driven by a 6.6% increase in ADR and offset by a 3.9% decrease in occupancy. The increase in ADR and decrease in occupancy reflected in the quarter and nine month numbers result primarily from a combination of our renovation program and customer mix strategy.

Through the end of the third quarter, we recognized a gain of $18.5 million from the sale of 178 condominium units at our 184-unit Royale Palms condominium project in Myrtle Beach, South Carolina. We expect that the remaining six units will be sold on a selective basis to maximize their selling price.

During the nine months ended September 30, 2007, we sold 11 hotels for gross proceeds of $191 million. These were the remaining hotels to be sold pursuant to our disposition program announced in early 2006. During the course of that disposition program, we sold 45 hotels for aggregate gross proceeds of $720 million. We continue to review and evaluate our hotel portfolio and may identify additional hotels to sell based upon various factors.

Financial Comparison (in thousands of dollars, except RevPAR and Hotel EBITDA margin)

	Three Months Ended September 30, 2007	Three Months Ended September 30, 2006	% Change 2007-2006	Nine Months Ended September 30, 2007	Nine Months Ended September 30, 2006	% Change 2007-2006
RevPAR	$ 95.84	$ 92.43	3.7 %	$ 96.36	$ 94.05	2.5 %
Hotel EBITDA[1]	$ 73,082	$ 73,323	(0.3)%	$ 226,408	$ 230,122	(1.6)%
Hotel EBITDA margin[1]	28.5%	29.6%	(3.7)%	29.4%	30.4%	(3.3)%
Income from continuing operations	$ 8,166	$ 4,154	96.6 %	$ 59,077	$ 23,526	151.1 %
Funds From Operations ("FFO")[1] [2]	$ 29,886	$ 23,707	26.1 %	$ 115,184	$ 88,014	30.9 %
Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA")[1][3]	$ 66,264	$ 84,039	(21.2)%	$ 264,352	$ 231,047	14.4 %

(1) 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 this Management's Discussion and Analysis of Financial Condition and Results of Operations.

(2) In accordance with the guidance provided by the United States Securities and Exchange Commission, or SEC, with respect to non-GAAP financial measures, FFO has not been adjusted for the following items included in net income applicable to common unitholders (in thousands):

	Three Months Ended September 30, 2007	Three Months Ended September 30, 2006	Nine Months Ended September 30, 2007	Nine Months Ended September 30, 2006
Impairment loss, net of minority interests	$ -	$ (5,874)	$ -	$ (14,215)
Charges related to debt extinguishment, net of minority interests	-	(216)	(811)	(1,686)
Abandoned projects	-	-	(22)	-

(3) Consistent with SEC guidance on non-GAAP financial measures, EBITDA has not been adjusted for the following amounts included in net income (in thousands):

	Three Months Ended September 30, 2007	Three Months Ended September 30, 2006	Nine Months Ended September 30, 2007	Nine Months Ended September 30, 2006
Gain on sale of hotels, net of income tax and minority interests	$ -	$ 17,610	$ 27,830	$ 14,748
Gain (loss) on sale of hotels in unconsolidated entities	(189)	-	10,993	-
Impairment loss, net of minority interests	-	(5,874)	-	(14,215)
Charges related to debt extinguishment, net of minority interests	-	(216)	(811)	(1,686)
Abandoned projects	-	-	(22)	-

Results of Operations

Comparison of the Three Months Ended September 30, 2007 and 2006

For the three months ended September 30, 2007, we recorded a net loss applicable to common unitholders of $1.7 million, or $0.03 per unit, compared to $10.6 million of net income applicable to common unitholders, or $0.17 per unit, for the same period in 2006. We recorded income from continuing operations of $8.2 million in the quarter, compared to $4.2 million for the same period in 2006.

In the third quarter of 2007, total revenue from continuing operations increased $9.7 million, or 3.9%, compared to the same period in 2006. The increase in revenue is principally attributed to a 3.7% increase in RevPAR compared to 2006. The increase in RevPAR reflects a 6.2% increase in ADR, net of a 2.4% decrease in occupancy. We continue to experience strong RevPAR growth in aggregate at our 37 hotels where we have completed the renovations for at least a full quarter. For those 37 renovated hotels RevPAR increased 12.5% compared to prior year. These hotels experienced greater increases in ADR (6.7%) than occupancy (5.4%) principally from the change in our customer mix toward higher ADR business following our renovation upgrades. The remaining 46 hotels had a 3.3% drop in RevPAR for the quarter, compared to the same quarter last year. The change in RevPAR reflects a 5.9% increase in ADR and an 8.7% drop in occupancy, due largely to renovation displacement at these hotels. The improvement in ADR at these hotels principally comes from the intentional displacement of lower-ADR business during the renovation rather than the more profitable higher-ADR business. We continue to experience weakness in the Louisiana market because the convention business has not returned following Hurricane Katrina in 2005 and the Atlanta market because of weak group demand.

Our third quarter 2007 total operating expenses increased by $10.7 million and increased as a percentage of total revenues from 88.6% to 89.5%, compared to the same period in 2006. Most of the increase as a percentage of total revenues is attributed to increased depreciation expense and taxes, insurance and lease expense, offset by a slight decrease in corporate expenses.

In the third quarter of 2007, hotel departmental expenses (which consist of rooms expense, food and beverage expense, and other operating departments) increased $3.3 million, other property related costs (which consist of general and administrative costs, marketing costs, repairs and maintenance, utilities expense, and other costs) increased $1.7 million, and management and franchise fees increased $1.6 million compared to the same period in 2006. However, these expenses remained substantially unchanged as a percentage of total revenues compared to the same period in 2006.

In the third quarter of 2007, taxes, insurance and lease expense increased $3.0 million compared to the same period in 2006 and increased as a percentage of total revenue from 11.6% to 12.3%. The increase as a percentage of total revenue related primarily to increases in the cost of insurance and reflects the nationwide trend of increases in rates for catastrophic coverage and adverse claims experience for general liability claims that we do not expect to be recurring.

In the third quarter of 2007, depreciation expense increased by $4.6 million compared to the same period in 2006, increasing as a percent of total revenues from 9.7% to 11.1%. The increase in depreciation expense reflects our substantial capital expenditures in 2006 and the first nine months of 2007.

In the third quarter of 2007, corporate expense decreased by $3.5 million compared to the same period in 2006, decreasing as a percent of total revenues from 2.9% to 1.4%. The decrease relates primarily to a third quarter 2007 reduction in estimated corporate bonuses and severance costs recorded in the third quarter of 2006.

In the third quarter of 2007, net interest expense included in continuing operations decreased $5.4 million, or 19.2%, compared to the same period in 2006. This decrease is primarily attributable to a $163 million reduction in our average outstanding debt and a reduction in our average interest rate of approximately 16 basis points.

Discontinued operations includes the operating income, direct interest costs, and net gains on disposition related to 11 hotels sold in 2007 and 31 hotels sold in 2006. In the third quarter of 2007, our loss from discontinued operations was $0.2 million, compared to our third quarter 2006 income from discontinued operations of $16.1 million. The third quarter 2007 loss related to changes in accrual estimates for hotels sold in prior periods. The third quarter 2006 income related primarily to an $18.2 million gain on the sale related to eight hotels. The third quarter 2006 operating loss from the discontinued hotels was $0.7 million and included an impairment charge for two hotels of $5.9 million partially offset by $5.2 million of income from hotel operations, exclusive of the impairment charge.

Comparison of the Nine Months Ended September 30, 2007 and 2006

For the nine months ended September 30, 2007, we recorded net income applicable to common unitholders of $64.7 million, or $1.02 per unit, compared to $11.3 million, or $0.18 per unit for the same period in 2006. We had income from continuing operations of $59.0 million for the nine months ended September 30, 2007, compared to $23.5 million for the same period in 2006. During the nine months ended September 30, 2007, we recorded an $11.0 million gain in equity in income from unconsolidated entities, related to the sale of hotels by our unconsolidated entities, and an $18.5 million gain from the sale of 178 condominium units in Myrtle Beach, South Carolina. We also had income from discontinued operations of $34.6 million, of which $28.5 million related to net gains on the sale of 11 hotels and the remainder is attributed to hotel operations prior to sale.

For the nine months ended September 30, 2007, total revenues from continuing operations increased $13.6 million, or 1.8%, compared to the same period in 2006. The increase in revenue is principally attributed to a 2.5% increase in RevPAR in the current year, partially offset by $6.2 million of revenue recorded in 2006 related to business interruption proceeds from hurricane losses. The current year increase in RevPAR resulted from a 6.6% increase in ADR, net of a 3.9% decrease in occupancy. We continue to see strong RevPAR growth in the aggregate for those hotels that renovations have been completed for a full quarter, compared to the same period in 2006. However, renovation displacement has a significant impact on the occupancy of those hotels under renovation. The improvement in ADR at these hotels principally comes from the intentional displacement of lower ADR business during the renovation rather than the more profitable higher ADR business. We also continue to experience weakness in the Louisiana market because the convention business has not returned following Hurricane Katrina in 2005 and in the Atlanta market because of weak group demand.

For the nine months ended September 30, 2007, our total operating expenses increased by $25.4 million and increased as a percentage of total revenues from 86.7% to 88.5%, compared to the same period in 2006. Most of the increase as a percentage of total revenues can be attributed to depreciation expense and taxes, insurance, and lease expense.

For the nine months ended September 30, 2007, hotel departmental expenses (which consist of rooms expense, food and beverage expense, and other operating departments) increased $4.9 million, other property related costs (which consist of general and administrative costs, marketing costs, repairs and maintenance, utilities expense, and other costs) increased $3.1 million, and management and franchise fees increased $1.3 compared to the same period in 2006. However, these expenses remained substantially unchanged as a percentage of total revenues compared to the same period in 2006.

For the nine months ended September 30, 2007, taxes, insurance and lease expense increased $8.3 million compared to the same period in 2006 and increased as a percentage of total revenues from 11.1% to 12.0%. The increase as a percentage of total revenue related primarily to percentage lease expense and insurance. Percentage lease expense is computed as a percentage of hotel revenues in excess of a base rent. Therefore, as revenues increase, percentage rent expense increases at a faster rate. Our property insurance increase reflects the nationwide trend of increases in rates for catastrophic coverage, and our increases in general liability insurance costs reflect some adverse claims experience that we do not expect to be recurring.

For the nine months ended September 30, 2007, depreciation expense increased by $10.6 million compared to the same period in 2006, increasing as a percent of total revenues from 9.2% to 10.5%. The increase in depreciation expense reflects our substantial capital expenditures in 2006 and the first nine months of 2007.

For the nine months ended September 30, 2007, net interest expense included in continuing operations for the third quarter decreased $18.1 million, or 20.9%, compared to the same period in 2006. This decrease is primarily attributable to the $167 million reduction in our average outstanding debt and a reduction in our average interest rate of approximately 37 basis points.

Discontinued operations includes the operating income, direct interest costs, and net gains on disposition related to 11 hotels sold in 2007 and 31 hotels sold in 2006. In the nine months ended September 30, 2007, our income from discontinued operations increased $17.8 million, compared to the same period in 2006. This change is principally attributed to: (i) $28.5 million in net gains from hotel dispositions in the nine months ended September 30, 2007 compared to $15.3 million in net gains from hotel dispositions in the same period of 2006; (ii) a $15.1 million impairment loss in the nine months ended September 30, 2006; and (iii) a decrease in operating income, before impairment losses, from sold hotels of $10.1 million.

Non-GAAP Financial Measures

We refer in this report to certain “non-GAAP financial measures.” These measures, including FFO, EBITDA, Hotel EBITDA and Hotel EBITDA margin, are measures of our financial performance that are not calculated and presented in accordance with GAAP. The following tables reconcile each of these non-GAAP measures to the 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 the limitations of such measures.

The following tables detail our computation of FFO and EBITDA (in thousands):

Reconciliation of Net Income to FFO
(in thousands, except per unit data)

	Three Months Ended September 30,					
	2007			2006		
	Dollars	**Units**	**Per Unit Amount**	**Dollars**	**Units**	**Per Unit Amount**
Net income	$ 7,957			$ 20,289		
Preferred distributions	(9,678)			(9,665)		
Net income (loss) applicable to common unitholders	(1,721)	63,006	$ (0.03)	10,624	62,503	$ 0.17
Depreciation, continuing operations	28,523	-	0.45	23,917	-	0.38
Depreciation, unconsolidated entities and discontinued operations	2,895	-	0.05	6,776	-	0.11
Gain on sale of hotels, net of income tax and minority interests	-	-	-	(17,610)	-	(0.28)
Loss on sale of hotels in unconsolidated entities	189	-	-	-	-	-
Conversion of FelCor options and unvested restricted stock	-	346	-	-	414	-
FFO	$ 29,886	63,352	$ 0.47	$ 23,707	62,917	$ 0.38

Reconciliation of Net Income to FFO
(in thousands, except per unit data)

	Nine Months Ended September 30,					
	2007			2006		
	Dollars	Units	Per Unit Amount	Dollars	Units	Per Unit Amount
Net income	$ 93,706			$ 40,310		
Preferred distributions	(29,034)			(29,022)		
Net income applicable to common unitholders	64,672	63,262	$ 1.02	11,288	62,476	$ 0.18
Depreciation, continuing operations	80,729	-	1.28	70,096	-	1.12
Depreciation, unconsolidated entities and discontinued operations	8,606	-	0.13	21,378	-	0.34
Gain on sale of hotels, net of income tax and minority interests	(27,830)	-	(0.44)	(14,748)	-	(0.24)
Gain on sale of hotels in unconsolidated entities	(10,993)	-	(0.17)	-	-	
Conversion of FelCor options and unvested restricted stock	-	-	-	-	356	-
FFO	$ 115,184	63,262	$ 1.82	$ 88,014	62,832	$ 1.40

Consistent with SEC guidance on non-GAAP financial measures, FFO has not been adjusted for the following amounts included in net income applicable to common unitholders (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
Impairment loss, net of minority interests	$ -	$ (5,874)	$ -	$ (14,215)
Charges related to debt extinguishment, net of minority interest	-	(216)	(811)	(1,686)
Abandoned projects	-	-	(22)	-

Reconciliation of Net Income to EBITDA
(in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
Net income	$ 7,957	$ 20,289	$ 93,706	$ 40,310
Depreciation, continuing operations	28,523	23,917	80,729	70,096
Depreciation, unconsolidated entities and discontinued operations	2,895	6,776	8,606	21,378
Interest expense	24,865	28,919	73,611	89,371
Interest expense, unconsolidated entities and discontinued operations	1,508	1,696	4,570	5,553
Amortization expense	516	2,442	3,130	4,339
EBITDA	$ 66,264	$ 84,039	$ 264,352	$ 231,047

Consistent with SEC guidance on non-GAAP financial measures, EBITDA has not been adjusted for the following amounts included in net income (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
Gain on sale of hotels, net of income tax and minority interests	$ -	$ 17,610	$ 27,830	$ 14,748
Gain (loss) on sale of hotels in unconsolidated entities	(189)	-	10,993	-
Impairment loss, net of minority interests	-	(5,874)	-	(14,215)
Charges related to early extinguishment of debt, net of minority interests	-	(216)	(811)	(1,686)
Abandoned projects	-	-	(22)	-

The following tables detail our computation of Hotel EBITDA, Hotel EBITDA margin, hotel operating expenses and the reconciliation of hotel operating expenses to total operating expenses with respect to our hotels included in continuing operations at September 30, 2007.

Hotel EBITDA and Hotel EBITDA Margin
(dollars in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
Total revenues	$ 257,164	$ 247,464	$ 771,687	$ 758,136
Other revenue	(468)	(13)	(921)	(68)
Hotel operating revenue	256,696	247,451	770,766	758,068
Hotel operating expenses	(183,614)	(174,128)	(544,358)	(527,946)
Hotel EBITDA	$ 73,082	$ 73,323	$ 226,408	$ 230,122
Hotel EBITDA margin(1)	28.5%	29.6%	29.4%	30.4%

(1) Hotel EBITDA as a percentage of hotel operating revenue.

Reconciliation of Total Operating Expense to Hotel Operating Expense
(dollars in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
Total operating expenses	$ 230,041	$ 219,323	$ 682,982	$ 657,540
Unconsolidated taxes, insurance and lease expense	1,990	1,747	5,588	4,896
Consolidated hotel lease expense	(16,204)	(15,861)	(47,729)	(45,864)
Corporate expenses	(3,690)	(7,164)	(15,732)	(18,530)
Abandoned projects	-	-	(22)	-
Depreciation	(28,523)	(23,917)	(80,729)	(70,096)
Hotel operating expenses	$ 183,614	$ 174,128	$ 544,358	$ 527,946

The following tables reconcile net income to Hotel EBITDA and the ratio of operating income to total revenues to Hotel EBITDA margin.

Reconciliation of Net Income to Hotel EBITDA
(in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
Net income	$ 7,957	$ 20,289	$ 93,706	$ 40,310
Discontinued operations	209	(16,135)	(34,629)	(16,784)
Equity in income from unconsolidated entities	(3,030)	(3,948)	(19,511)	(9,708)
Minority interests	(314)	(187)	(1,102)	(1,559)
Consolidated hotel lease expense	16,204	15,861	47,729	45,864
Unconsolidated taxes, insurance and lease expense	(1,990)	(1,747)	(5,588)	(4,896)
Interest expense, net	22,655	28,030	68,734	86,845
Charge-off of deferred financing costs	-	-	-	962
Early extinguishment of debt	-	-	-	438
Corporate expenses	3,690	7,164	15,732	18,530
Depreciation	28,523	23,917	80,729	70,096
Abandoned projects	-	-	22	-
Loss on sale of other assets	-	92	-	92
Gain on sale of condominiums	(354)	-	(18,493)	-
Other revenue	(468)	(13)	(921)	(68)
Hotel EBITDA	$ 73,082	$ 73,323	$ 226,408	$ 230,122

Reconciliation of Ratio of Operating Income to Total Revenues to Hotel EBITDA Margin

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
Ratio of operating income to total revenues	10.5%	11.4%	11.5%	13.3%
Other revenues	(0.2)	-	(0.1)	-
Unconsolidated taxes, insurance and lease expense	(0.6)	(0.8)	(0.7)	(0.6)
Consolidated hotel lease expense	6.3	6.4	6.2	6.1
Corporate expenses	1.4	2.9	2.0	2.4
Depreciation	11.1	9.7	10.5	9.2
Hotel EBITDA margin	28.5%	29.6%	29.4%	30.4%

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 diminish 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, including FFO, EBITDA, Hotel EBITDA and Hotel EBITDA margin, are not measures of operating performance under GAAP. However, we consider these non-GAAP measures to be supplemental measures of a REIT's performance and should be considered along with, but not as an alternative to, net income as a measure of our operating performance.

FFO and EBITDA

The White Paper on Funds From Operations approved by the Board of Governors of the National Association of Real Estate Investment Trusts, or NAREIT, defines FFO as net income or loss (computed in accordance with GAAP), excluding gains or losses from sales of property, plus depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures. Adjustments for unconsolidated partnerships and joint ventures are calculated to reflect FFO 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 (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.

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 operating 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 used by us 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 corporate-level expenses, depreciation 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 minority interest expense 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 hotels.

Limitations of Non-GAAP Measures

FelCor's management and Board of Directors use FFO, EBITDA, Hotel EBITDA and Hotel EBITDA margin to evaluate the performance of our hotels and to facilitate comparisons between us and 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. FFO, EBITDA, Hotel EBITDA and Hotel EBITDA margin, as presented by us, may not be comparable to FFO, EBITDA, Hotel EBITDA and Hotel EBITDA margin as calculated by other real estate companies. These measures do not reflect certain expenses 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. Neither should FFO, FFO per unit or EBITDA be considered as measures of our liquidity or indicative of funds available for our cash needs, including our ability to make cash distributions or service our debt. FFO per unit does not measure, and should not be used as a measure of, amounts that accrue directly to the benefit of unitholders. FFO, EBITDA, Hotel EBITDA and Hotel EBITDA margin 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.

Hotel Portfolio Composition

The following tables set forth, for 83 hotels included in our consolidated portfolio of continuing operations as of September 30, 2007, distribution by brand, by our top metropolitan markets, by selected states, by type of location, and by market segment.

Brand	Hotels	Rooms	% of Total Rooms	% of 2006 Hotel EBITDA
Embassy Suites	47	12,127	51	57
Holiday Inn	17	6,305	26	18
Sheraton and Westin	9	3,217	13	15
Doubletree	7	1,471	6	7
Other	3	962	4	3
Top Markets				
South Florida area	5	1,434	6	7
Atlanta	5	1,462	6	7
San Francisco Bay area	6	2,141	9	6
Los Angeles area	4	898	4	5
Orlando	5	1,690	7	5
Dallas	4	1,333	6	5
Phoenix	3	798	3	4
San Diego	1	600	2	4
Minneapolis	3	736	3	4
Northern New Jersey	3	756	3	3
Washington, D.C.	1	443	2	3
Philadelphia	2	729	3	3
Chicago	3	795	3	3
San Antonio	3	874	4	3
Boston	2	532	2	3
Location				
Suburban	33	8,360	35	38
Urban	20	6,362	26	25
Airport	20	6,203	26	24
Resort	10	3,157	13	13
Segment				
Upper-upscale	65	17,374	72	81
Full service	17	6,305	26	18
Upscale	1	403	2	1

Hotel Operating Statistics

The following tables set forth historical occupancy, ADR and RevPAR at September 30, 2007 and 2006, and the percentage changes therein between the periods presented, for our hotels included in our consolidated portfolio of continuing operations.

Operating Statistics by Brand

	Occupancy (%)					
	Three Months Ended September 30,			Nine Months Ended September 30,		
	2007	2006	%Variance	2007	2006	%Variance
Embassy Suites	70.9	75.0	(5.5)	72.9	76.3	(4.5)
Holiday Inn	73.9	71.1	4.0	70.3	72.6	(3.2)
Sheraton and Westin[a]	68.9	73.0	(5.6)	69.8	72.2	(3.4)
Doubletree	75.5	76.3	(1.1)	72.8	76.5	(4.8)
Other[b]	82.2	77.9	5.5	71.3	71.1	0.3
Total	72.1	73.9	(2.4)	71.7	74.6	(3.9)

	ADR ($)					
	Three Months Ended September 30,			Nine Months Ended September 30,		
	2007	2006	%Variance	2007	2006	%Variance
Embassy Suites	141.35	132.27	6.9	143.55	134.45	6.8
Holiday Inn	120.11	112.46	6.8	116.87	109.53	6.7
Sheraton and Westin[a]	120.30	115.38	4.3	126.51	120.91	4.6
Doubletree	137.62	126.73	8.6	144.29	130.38	10.7
Other[b]	144.53	140.70	2.7	138.82	133.39	4.1
Total	132.87	125.06	6.2	134.35	126.06	6.6

	RevPAR ($)					
	Three Months Ended September 30,			Nine Months Ended September 30,		
	2007	2006	%Variance	2007	2006	%Variance
Embassy Suites	100.17	99.23	0.9	104.61	102.63	1.9
Holiday Inn	88.75	79.91	11.1	82.20	79.56	3.3
Sheraton and Westin[a]	82.89	84.23	(1.6)	88.25	87.28	1.1
Doubletree	103.90	96.74	7.4	105.06	99.72	5.4
Other[b]	118.86	109.64	8.4	98.93	94.78	4.4
Total	95.84	92.43	3.7	96.36	94.05	2.5

(a) Includes eight Sheraton hotels and one Westin hotel.
(b) Other hotels include two Hilton hotels and one Crowne Plaza® hotel.

Operating Statistics for Our Top Markets

	Occupancy (%)					
	Three Months Ended September 30,			Nine Months Ended September 30,		
	2007	2006	%Variance	2007	2006	%Variance
South Florida area	61.5	72.6	(15.3)	73.5	79.8	(8.0)
Atlanta	74.3	75.0	(0.9)	75.6	77.4	(2.3)
San Francisco Bay area	85.6	84.0	2.0	77.2	77.9	(1.0)
Los Angeles area	79.7	78.6	1.4	78.8	77.0	2.3
Orlando	73.2	72.6	0.8	77.6	78.9	(1.6)
Dallas	59.0	69.0	(14.5)	65.1	71.8	(9.4)
Phoenix	56.1	64.5	(13.0)	68.6	73.9	(7.2)
San Diego	76.3	88.4	(13.7)	76.2	83.7	(8.9)
Minneapolis	84.0	77.9	7.8	77.3	71.5	8.1
Northern New Jersey	77.8	70.7	10.0	71.5	70.4	1.6
Washington, D.C.	66.6	69.6	(4.2)	67.7	67.5	0.3
Philadelphia	77.6	82.1	(5.5)	68.7	74.9	(8.2)
Chicago	82.1	80.2	2.3	72.0	76.3	(5.7)
San Antonio	78.7	77.0	2.2	78.0	79.3	(1.6)
Boston	79.6	82.3	(3.2)	67.3	76.4	(11.9)
	ADR ($)					
	Three Months Ended September 30,			Nine Months Ended September 30,		
	2007	2006	%Variance	2007	2006	%Variance
South Florida area	111.43	105.94	5.2	153.29	141.89	8.0
Atlanta	119.91	114.86	4.4	122.05	118.78	2.7
San Francisco Bay area	149.81	137.42	9.0	140.64	130.40	7.8
Los Angeles area	170.50	154.15	10.6	159.98	143.86	11.2
Orlando	90.58	89.52	1.2	105.83	100.38	5.4
Dallas	119.49	108.51	10.1	124.41	112.61	10.5
Phoenix	109.45	104.57	4.7	146.23	131.46	11.2
San Diego	157.76	144.02	9.5	155.45	139.69	11.3
Minneapolis	147.92	142.85	3.5	143.61	137.73	4.3
Northern New Jersey	157.09	146.47	7.2	155.90	147.14	6.0
Washington, D.C.	156.22	152.17	2.7	166.00	161.03	3.1
Philadelphia	137.41	128.58	6.9	136.45	127.48	7.0
Chicago	133.57	128.36	4.1	131.51	122.57	7.3
San Antonio	110.80	107.27	3.3	110.49	104.40	5.8
Boston	164.62	159.21	3.4	156.12	151.17	3.3
	RevPAR ($)					
	Three Months Ended September 30,			Nine Months Ended September 30,		
	2007	2006	%Variance	2007	2006	%Variance
South Florida area	68.52	76.88	(10.9)	112.61	113.27	(0.6)
Atlanta	89.14	86.15	3.5	92.31	91.95	0.4
San Francisco Bay area	128.30	115.42	11.2	108.53	101.61	6.8
Los Angeles area	135.86	121.19	12.1	126.03	110.75	13.8
Orlando	66.29	65.01	2.0	82.15	79.19	3.7
Dallas	70.55	74.89	(5.8)	80.95	80.91	0.1
Phoenix	61.45	67.48	(8.9)	100.30	97.13	3.3
San Diego	120.38	127.32	(5.5)	118.50	116.87	1.4
Minneapolis	124.22	111.25	11.7	110.95	98.46	12.7
Northern New Jersey	122.14	103.55	18.0	111.43	103.53	7.6
Washington, D.C.	104.12	105.91	(1.7)	112.39	108.65	3.4
Philadelphia	106.62	105.55	1.0	93.74	95.44	(1.8)
Chicago	109.60	102.93	6.5	94.69	93.54	1.2
San Antonio	87.16	82.57	5.6	86.16	82.76	4.1
Boston	131.01	130.96	0.0	105.10	115.49	(9.0)

Liquidity and Capital Resources

Our principal source of cash to meet our cash requirements, including distributions to unitholders and repayments of indebtedness, is from hotel operations. For the nine months ended September 30, 2007, net cash flow provided by operating activities, consisting primarily of hotel operations, was $112.4 million. At September 30, 2007, we had cash and cash equivalents of $155.6 million, including approximately $44.1 million held under management agreements to meet minimum working capital requirements.

We have committed to spend approximately $440 million over a three-year period, commencing in late 2006, to renovate our core hotels. We have also committed to spend approximately $60 million for four previously announced redevelopment projects. At September 30, 2007, we had approximately $150 million remaining to spend on the renovation projects and approximately $47 million for redevelopment projects, which will be funded from cash on hand. In the second quarter of 2007, we completed the sale of our non-strategic hotels. From December 2005 through June 30, 2007, we sold 45 non-strategic hotels, generating aggregate gross proceeds of approximately $720 million. In 2006, we used a portion of these proceeds to repay approximately $400 million of debt, and we are using the remaining proceeds to fund our hotel renovations and redevelopment projects.

In 2007, we paid common distributions of $0.25 per unit for both the fourth quarter 2006 and first quarter 2007, and $0.30 per unit for both second and third quarter 2007. Our board of directors will determine the amounts of future common and preferred distributions for each quarter, by taking into consideration the actual operating results for that quarter, general economic conditions, other operating trends, our financial condition, capital requirements, and FelCor's minimum REIT distribution requirements.

Development of our 184-unit Royale Palms condominium project in Myrtle Beach, South Carolina, was substantially completed in the first quarter of 2007. Through September 30, 2007, we closed on the sale of 178 units and received aggregate net proceeds, after repayment of the construction loan, of $20.2 million. We expect sales of the remaining six units to be sold on a selective basis to maximize the selling price.

We expect that our cash flow provided by operating activities for 2007 will be approximately $165 to $167 million. During the nine months ended September 30, 2007, we experienced significant displacement from hotel renovation that reduced revenues and Hotel EBITDA margins and we expect the effect of ongoing renovation displacement for the remainder of 2007 to be significant. Our cash flow forecast assumes RevPAR will increase by approximately 3% to 4%, and our Hotel EBITDA margin will decrease approximately 60 basis points. Our current operating plan for 2007 contemplates that we will make aggregate common distribution payments of $70 million, preferred distribution payments of $39 million and $13 million in normal recurring principal payments, leaving surplus cash flow (before capital expenditures, additional debt reduction or sale of hotels) of approximately $43 to $45 million. For the full year 2007, we plan to spend approximately $250 million for capital expenditures, which will be funded from hotel and condominium sale proceeds and cash.

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. Operating expenses are difficult to predict and control, which can produce volatility in our operating results. If our hotel RevPAR decreases and/or Hotel EBITDA margins shrink, our operations, earnings and/or cash flow could be adversely affected.

Debt

Line of Credit

In August 2007, we amended our line of credit agreement to increase the amount available under the line from $125 million to $250 million, provide the ability to further increase the facility up to $500 million under certain conditions, reduce certain fees and costs including the interest rates applicable to borrowings, improve certain financial covenants and extend the initial maturity from January 2009 to August 2011 with the right to extend for an additional one-year period under certain conditions. At September 30, 2007, we had no borrowings outstanding under our line of credit. The interest rate on our line of credit was LIBOR plus 0.80% at September 30, 2007.

Construction Loan

Development of our 184-unit Royale Palms condominium project in Myrtle Beach, South Carolina was substantially completed in the first quarter of 2007. Through September 30, 2007, we closed on the sale of 178 units, and a portion of the proceeds of those sales were used to repay the outstanding balance on our construction loan in May 2007.

Mortgage Debt

At September 30, 2007, we had aggregate mortgage indebtedness of approximately $780.5 million that was secured by 43 of our consolidated hotels with an aggregate book value of approximately $1.0 billion. Our hotel mortgage debt is recourse solely to the specific assets securing the debt, except in the case of fraud, misapplication of funds and other customary recourse carve-out provisions. Our mortgage debt generally contains provisions allowing for the substitution of collateral upon satisfaction of certain conditions. All of our mortgage debt is prepayable, subject to various prepayment, yield maintenance or defeasance obligations.

Senior Notes

We are subject to various financial covenants and debt incurrence tests with respect to our senior notes. If we were unable to continue to satisfy the incurrence test, we may be prohibited from, among other things, incurring any additional indebtedness, except under certain specific exceptions, or paying distributions on our preferred or common units, except to the extent necessary to satisfy FelCor's REIT qualification requirement that it distribute at least 90% of its taxable income. We currently anticipate that we will meet our financial covenant and incurrence tests, based on current RevPAR expectations.

Inflation

Operators of hotels, in general, possess the ability to adjust room rates daily to reflect the effects of inflation. Competition may, however, require our hotels to reduce room rates in the near term and may limit their 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. If competition requires our hotels to reduce room rates or limits their ability to raise room rates in the future, they may not be able to adjust their room rates to reflect the effects of inflation in full, in which case our operating results and liquidity could be adversely affected.

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 or make distributions to our equity holders.

Disclosure Regarding Forward-Looking Statements

This report and the documents incorporated by reference in this report include forward-looking statements that involve a number of risks and uncertainties. Forward-looking statements can be identified by the use of forward-looking terminology, such as “believes,” “expects,” “anticipates,” “may,” “will,” “should,” “seeks”, or other variations of these terms (including their use in the negative), or by discussions of strategies, plans or intentions. A number of factors could cause actual results to differ materially from those anticipated by these forward-looking statements. Among these factors are:

- general economic and lodging industry conditions, including the anticipated continuation of economic growth, the realization of anticipated job growth, the impact of the United States’ military involvement in the Middle East and elsewhere, future acts of terrorism, the threat or outbreak of a pandemic disease affecting the travel industry, the impact on the travel industry of high fuel costs and increased security precautions, and the impact that the bankruptcy of additional major air carriers may have on our revenues and receivables;
- our overall debt levels and our ability to obtain new financing and service debt;
- our inability to retain earnings;
- our liquidity and capital expenditures;
- the impact of renovations on hotel operations;
- our growth strategy and acquisition activities; and
- competitive conditions in the lodging industry.

Certain of these risks and uncertainties are described in greater detail under “Risk Factors” in our Annual Report on Form 10-K or in our other filings with the Securities and Exchange Commission.

In addition, these forward-looking statements are necessarily dependent upon assumptions and estimates that may prove to be incorrect. Accordingly, while we believe that the plans, intentions and expectations reflected in these forward-looking statements are reasonable, we cannot assure you that these plans, intentions or expectations will be achieved. The forward-looking statements included in this report, and all subsequent written and oral forward-looking statements attributable to us or persons acting on our behalf, are expressly qualified in their entirety by the risk factors and cautionary statements discussed in our filings under the Securities Act of 1933 and the Securities Exchange Act of 1934. We undertake no obligation to update any forward-looking statements to reflect future events or circumstances.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Quantitative and Qualitative Disclosures About Market Risk

At September 30, 2007, approximately 62.9% of our consolidated debt had fixed interest rates. Currently, market interest rates are below the rates we are obligated to pay on our fixed-rate debt. The following table provides information about our financial instruments that are sensitive to changes in interest rates. For debt obligations, the table presents scheduled maturities 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.

Interest Rate Sensitivity
at September 30, 2007
(dollars in thousands)

	Expected Maturity Date							
	2007	**2008**	**2009**	**2010**	**2011**	**Thereafter**	**Total**	**Fair Value**
Liabilities								
Fixed rate:								
Debt	$ 3,295	$ 13,733	$ 142,240	$ 274,417	$ 303,030	$ 78,235	$ 814,950	$ 848,406
Average interest rate	7.98%	7.99%	7.27%	8.70%	8.49%	6.53%	8.15%	
Floating rate:								
Debt	-	265,500	-	-	215,000	-	480,500	480,500
Average interest rate	-	5.47%	-	-	7.00%	-	6.15%	
Total debt	$ 3,295	$ 279,233	$ 142,240	$ 274,417	$ 518,030	$ 78,235	$ 1,295,450	
Average interest rate	7.98%	5.59%	7.27%	8.70%	7.87%	6.53%	7.41%	
Net discount							(900)	
Total debt							$ 1,294,550	

Item 4. Controls and Procedures

(a) *Evaluation of disclosure controls and procedures.*

We have no employees as FelCor as our sole general partner performs our management functions. Under the supervision and with the participation of FelCor’s management, including its chief executive officer and chief financial officer, we conducted an evaluation of the effectiveness of the design and operation of our 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 chief financial officer concluded, as of the Evaluation Date, that our disclosure controls and procedures were effective, such that the information relating to us required to be disclosed in our 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 its chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosures.

(b) *Changes in internal control over financial reporting.*

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

PART II. -- OTHER INFORMATION

Item 6. Exhibits

The following exhibits are furnished in accordance with the provisions of Item 601 of Regulation S-K:

Exhibit Number	Description of Exhibit
31.1	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of the Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURE

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 LIMITED PARTNERSHIP
a Delaware Limited Partnership

By: FelCor Lodging Trust Incorporated
Its General Partner

/s/Lester C. Johnson
By: Lester C. Johnson
Senior Vice President, Chief Accounting Officer

Date: November 8, 2007

Exhibit 31.1

Certification Pursuant to Section 302 of Sarbanes-Oxley Act of 2002

I, Richard A. Smith, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of FelCor Lodging Limited Partnership;

2. Based on my knowledge, this quarterly 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 quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly 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 we 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 quarterly 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 quarterly 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 quarterly report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter 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: November 8, 2007

/s/Richard A. Smith
Richard A. Smith
Chief Executive Officer of FelCor
Lodging Trust Incorporated, as
general partner of FelCor Lodging
Limited Partnership

Exhibit 31.2

Certification Pursuant to Section 302 of Sarbanes-Oxley Act of 2002

I, Andrew J. Welch, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of FelCor Lodging Limited Partnership;

2. Based on my knowledge, this quarterly 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 quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly 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 we 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 quarterly 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 quarterly 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 quarterly report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter 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: November 8, 2007

/s/ Andrew J. Welch
Andrew J. Welch
Chief Financial Officer of FelCor
Lodging Trust Incorporated, as
general partner of FelCor Lodging
Limited Partnership

Exhibit 32.1

Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of FelCor Lodging Limited Partnership (the “Registrant”) on Form 10-Q for the three and nine months ended September 20, 2007, as filed with the Securities and Exchange Commission on the date hereof (the “Report), the undersigned hereby certifies, in the capacity as indicated below and pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Registrant.

November 8, 2007

/s/Richard A. Smith

Richard A. Smith
Chief Executive Officer of FelCor Lodging Trust Incorporated, as general partner of FelCor Lodging Limited Partnership

Exhibit 32.2

Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of FelCor Lodging Limited Partnership (the “Registrant”) on Form 10-Q for the three and nine months ended September 30, 2007, as filed with the Securities and Exchange Commission on the date hereof (the “Report), the undersigned hereby certifies, in the capacity as indicated below and pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Registrant.

November 8, 2007

/s/Andrew J. Welch
Andrew J. Welch
Chief Financial Officer of FelCor Lodging Trust Incorporated, as general partner of FelCor Lodging Limited Partnership