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 **March 31, 2010**

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 **333-39595-01**

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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). ☐ Yes ☐ No

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

Large accelerated filer ☐ Accelerated filer ☐
Non-accelerated filer ☒ (Do not check if a smaller reporting company) Smaller reporting company ☐

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

	March 31, 2010	December 31, 2009
Assets		
Investment in hotels, net of accumulated depreciation of $936,120 at March 31, 2010 and $916,604 at December 31, 2009	$ 2,131,646	$ 2,180,394
Investment in unconsolidated entities	80,230	82,040
Cash and cash equivalents	276,008	263,531
Restricted cash	18,943	18,708
Accounts receivable, net of allowance for doubtful accounts of $317 at March 31, 2010 and $406 at December 31, 2009	35,285	28,678
Deferred expenses, net of accumulated amortization of $16,130 at March 31, 2010 and $14,502 at December 31, 2009	19,825	19,977
Other assets	32,902	32,666
Total assets	$ 2,594,839	$ 2,625,994
Liabilities and Partners' Capital		
Debt, net of discount of $61,764 at March 31, 2010 and $64,267 at December 31, 2009	$ 1,771,115	$ 1,773,314
Distributions payable	47,258	37,580
Accrued expenses and other liabilities	162,859	131,339
Total liabilities	1,981,232	1,942,233
Commitments and contingencies		
Redeemable units at redemption value, 295 units issued and outstanding at March 31, 2010 and December 31, 2009	1,681	1,062
Capital:		
Preferred units, $0.01 par value, 20,000 units authorized:		
Series A Cumulative Convertible Preferred Units, 12,880 units issued and outstanding at March 31, 2010 and December 31, 2009	309,362	309,362
Series C Cumulative Redeemable Preferred Units, 68 units issued and outstanding at March 31, 2010 and December 31, 2009	169,412	169,412
Common units, 69,413 units issued at March 31, 2010 and December 31, 2009	85,684	157,705
Accumulated other comprehensive income	25,716	23,637
Total FelCor LP capital	590,174	660,116
Noncontrolling interests	21,752	22,583
Total partners' capital	611,926	682,699
Total liabilities and partners' capital	$ 2,594,839	$ 2,625,994

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

FELCOR LODGING LIMITED PARTNERSHIP

CONSOLIDATED STATEMENTS OF OPERATIONS
For the Three Months Ended March 31, 2010 and 2009
(unaudited, in thousands, except for per unit data)

	Three Months Ended March 31, 2010	Three Months Ended March 31, 2009
Revenues:		
Hotel operating revenue	$ 226,039	$ 227,733
Other revenue	365	286
Total revenues	226,404	228,019
Expenses:		
Hotel departmental expenses	81,782	79,245
Other property related costs	65,604	65,354
Management and franchise fees	10,535	11,141
Taxes, insurance and lease expense	24,680	24,662
Corporate expenses	9,847	6,122
Depreciation and amortization	37,598	36,651
Impairment loss	21,060	-
Other expenses	561	696
Total operating expenses	251,667	223,871
Operating income (loss)	(25,263)	4,148
Interest expense, net	(36,240)	(21,292)
Loss before equity in loss from unconsolidated entities	(61,503)	(17,144)
Equity in loss from unconsolidated entities	(1,474)	(3,424)
Loss from continuing operations	(62,977)	(20,568)
Discontinued operations	35	(854)
Net loss	(62,942)	(21,422)
Net loss attributable to noncontrolling interests	229	216
Net loss attributable to FelCor LP	(62,713)	(21,206)
Preferred distributions	(9,678)	(9,678)
Net loss attributable to FelCor LP common unitholders	$ (72,391)	$ (30,884)
Basic and diluted per common unit data:		
Loss from continuing operations	$ (1.14)	$ (0.47)
Net loss	$ (1.14)	$ (0.49)
Basic and diluted weighted average common units outstanding	63,770	63,285

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

FELCOR LODGING LIMITED PARTNERSHIP

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
For the Three Months Ended March 31, 2010 and 2009
(unaudited, in thousands)

	Three Months Ended March 31,	
	2010	**2009**
Net loss	$ (62,942)	$ (21,422)
Foreign currency translation adjustment	2,079	(1,709)
Comprehensive loss	(60,863)	(23,131)
Comprehensive loss attributable to noncontrolling interests	229	216
Comprehensive loss attributable to FelCor LP	$ (60,634)	$ (22,915)

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

FELCOR LODGING LIMITED PARTNERSHIP
CONSOLIDATED STATEMENTS OF PARTNERS' CAPITAL
For the Three Months Ended March 31, 2010 and 2009
(unaudited, in thousands)

	Preferred Units	Partnership Units	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests	Total Partners' Capital
Balance at December 31, 2008	$ 478,774	$ 300,913	$ 15,418	$ 23,784	$ 818,889
Foreign exchange translation	-	-	(1,709)	-	(1,709)
FelCor restricted stock compensation	-	1,319	-	-	1,319
Contributions	-	-	-	85	85
Distributions	-	(9,678)	-	(397)	(10,075)
Allocation to redeemable units	-	143	-	-	143
Other	-	(6)	-	-	(6)
Net loss	-	(21,206)	-	(216)	(21,422)
Balance at March 31, 2009	$ 478,774	$ 271,485	$ 13,709	$ 23,256	$ 787,224
Balance at December 31, 2009	$ 478,774	$ 157,705	$ 23,637	$ 22,583	$ 682,699
Foreign exchange translation	-	-	2,079	-	2,079
FelCor restricted stock compensation	-	999	-	-	999
Distributions	-	(9,678)	-	(602)	(10,280)
Allocation to redeemable units	-	(619)	-	-	(619)
Other	-	(10)	-	-	(10)
Net loss	-	(62,713)	-	(229)	(62,942)
Balance at March 31, 2010	$ 478,774	$ 85,684	$ 25,716	$ 21,752	$ 611,926

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

FELCOR LODGING LIMITED PARTNERSHIP

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Three Months Ended March 31, 2010 and 2009
(unaudited, in thousands)

	Three Months Ended March 31, 2010	Three Months Ended March 31, 2009
Cash flows from operating activities:		
Net loss	$ (62,942)	$ (21,422)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	37,598	37,385
Amortization of deferred financing fees and debt discount	4,131	714
Amortization of unearned officers’ and directors’ compensation	1,616	1,398
Equity in loss from unconsolidated entities	1,474	3,424
Distributions of income from unconsolidated entities	142	585
Impairment loss	21,060	1,368
Changes in assets and liabilities:		
Accounts receivable	(7,269)	(1,776)
Restricted cash – operations	984	897
Other assets	(1,879)	1,242
Accrued expenses and other liabilities	33,597	634
Net cash flow provided by operating activities	28,512	24,449
Cash flows from investing activities:		
Improvements and additions to hotels	(8,200)	(25,274)
Additions to condominium project	(110)	(48)
Change in restricted cash – investing	(1,219)	(56)
Redemption of investment securities	-	473
Distributions from unconsolidated entities	559	2,200
Contributions to unconsolidated entities	(300)	-
Net cash flow used in investing activities	(9,270)	(22,705)
Cash flows from financing activities:		
Proceeds from borrowings	81	198,317
Repayment of borrowings	(4,783)	(184,980)
Payment of deferred financing fees	(1,695)	(1,982)
Distributions paid to noncontrolling interests	(602)	(397)
Contributions from noncontrolling interests	-	85
Distributions paid to preferred unitholders	-	(9,678)
Net cash flow provided by (used in) financing activities	(6,999)	1,365
Effect of exchange rate changes on cash	234	(340)
Net change in cash and cash equivalents	12,477	2,769
Cash and cash equivalents at beginning of periods	263,531	50,187
Cash and cash equivalents at end of periods	$ 276,008	$ 52,956
Supplemental cash flow information – interest paid	$ 14,166	$ 13,105

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

FELCOR LODGING LIMITED PARTNERSHIP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Organization

FelCor Lodging Limited Partnership, or FelCor LP, held ownership interests in 84 hotels with approximately 24,000 rooms at March 31, 2010. The sole general partner of FelCor LP is FelCor Lodging Trust Incorporated (NYSE:FCH), or FelCor, a Maryland corporation operating as a real estate investment trust, or REIT. All of FelCor's operations are conducted solely through FelCor LP, and at March 31, 2010, FelCor owned a greater than 99% partnership interest in FelCor LP.

Of the 84 hotels in which we had an ownership interest at March 31, 2010, we owned a 100% interest in 64 hotels, a 90% or greater interest in entities owning four hotels, an 81% interest in an entity owning one hotel, a 60% interest in an entity owning one hotel and a 50% interest in entities owning 14 hotels. We consolidate our real estate interests in the 70 hotels in which we held greater than 50% ownership interests, and we record the real estate interests of the 14 hotels in which we held 50% ownership interests using the equity method.

At March 31, 2010, 83 of the 84 hotels in which we had ownership interests, were leased to operating lessees, and one 50%-owned hotel was operated without a lease. We held greater than 50% ownership interests and had direct or indirect controlling interests in the lessees of the 83 hotels that were leased to operating lessees. Because we owned controlling interests in these lessees (including 13 of the 14 hotels in which we owned 50% of the real estate interests), we consolidated our lessee interests in these hotels (we refer to these 83 hotels as our Consolidated Hotels). Of our Consolidated Hotels, we owned 50% of the real estate interests in each of 13 hotels (we accounted for the ownership in our real estate interests of these hotels by the equity method) and more than 50% of the real estate interests in each of the remaining 70 hotels.

At March 31, 2010, we had an aggregate of 65,722,628 redeemable and common units of FelCor LP outstanding.

The following table illustrates the distribution of our 83 Consolidated Hotels among our various brands at March 31, 2010:

Brand	Hotels	Rooms
Embassy Suites Hotels®	47	12,132
Holiday Inn®	15	5,154
Sheraton® and Westin®	9	3,217
Doubletree®	7	1,471
Marriott® and Renaissance®	3	1,321
Hilton®	2	559
Total	83	23,854

At March 31, 2010, our Consolidated Hotels were located in the United States (81 hotels in 23 states) and Canada (two hotels in Toronto, Ontario), with concentrations in California (15 hotels), Florida (12 hotels) and Texas (11 hotels). Approximately 53% of our hotel room revenues were generated from hotels in these three states during the first three months of 2010.

At March 31, 2010, of our 83 Consolidated Hotels: (i) subsidiaries of Hilton Hotels Corporation, or Hilton, managed 54 hotels, (ii) subsidiaries of InterContinental Hotels Group, or IHG, managed 15 hotels, (iii) subsidiaries of Starwood Hotels & Resorts Worldwide Inc., or Starwood, managed nine hotels, (iv) subsidiaries of Marriott International Inc., or Marriott, managed three hotels, and (iv) independent management companies managed two hotels.

1. Organization – (continued)

Our hotels managed by Marriott are accounted for on a fiscal year comprised of 52 or 53 weeks ending on the Friday closest to December 31. Our quarterly period ending March 31, 2010 and 2009 includes the results of operations for our Marriott-managed hotels for the 12 week period ending March 26, 2010 and March 27, 2009, respectively.

The information in our consolidated financial statements for the three months ended March 31, 2010 and 2009 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 months ended March 31, 2010 and 2009, 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, 2009, included in our Annual Report on Form 10-K. Operating results for the three months ended March 31, 2010 are not necessarily indicative of actual operating results for the entire year.

2. Investment in Unconsolidated Entities

We owned 50% interests in joint ventures that owned 14 hotels at March 31, 2010 and 15 hotels at December 31, 2009. We also own a 50% interest in entities that own real estate in Myrtle Beach, South Carolina and provide condominium management services. We account for our investments in these unconsolidated entities under the equity method. We do not have any majority-owned subsidiaries that are not consolidated in our financial statements. We make adjustments to our equity in income from unconsolidated entities related to the difference between our basis in investment in unconsolidated entities compared to the historical basis of the assets recorded by the joint ventures.

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

	March 31, 2010	December 31, 2009
Balance sheet information:		
Investment in hotels, net of accumulated depreciation	$ 252,764	$ 259,977
Total assets	$ 271,538	$ 279,611
Debt	$ 211,271	$ 214,963
Total liabilities	$ 215,136	$ 220,389
Equity	$ 56,402	$ 59,222

Our unconsolidated entities' debt at March 31, 2010 and December 31, 2009 consisted entirely of non-recourse mortgage debt.

In April 2010, we contributed $23 million to an unconsolidated joint venture. That contribution, along with a $23 million contribution from our joint venture partner, was used to pay-off the joint venture's $46 million 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 March 31, 2010	Three Months Ended March 31, 2009
Total revenues	$ 12,739	$ 14,738
Net loss	$ (3,136)	$ (4,962)[a]
Net loss attributable to FelCor LP	$ (1,568)	$ (2,481)
Impairment loss	-	(476)[b]
Gain on joint venture liquidation	559[b]	-
Depreciation of cost in excess of book value	(465)	(467)
Equity in loss from unconsolidated entities	$ (1,474)	$ (3,424)

(a) Net loss includes a $3.2 million impairment charge with regard to the sales of two hotels then-owned by one of our joint ventures. The impairment was based on actual sales contracts (a Level 2 input).

(b) As a result of a 2009 impairment charge recorded by a joint venture, the net book value of the joint venture's assets no longer supported the recovery of our investment. Therefore, we recorded an additional 2009 impairment charge to reduce our investment in the joint venture to zero. In March 2010, the joint venture sold its remaining hotel asset for $3.7 million, with respect to which we received $559,000 in net proceeds. We have no obligation to provide this joint venture with future funding.

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

	March 31, 2010	December 31, 2009
Hotel-related investments	$ 18,192	$ 18,969
Cost in excess of book value of hotel investments	51,965	52,429
Land and condominium investments	10,073	10,642
	$ 80,230	$ 82,040

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

	Three Months Ended March 31, 2010	Three Months Ended March 31, 2009
Hotel investments	$ (905)	$ (2,826)
Other investments	(569)	(598)
Equity in loss from unconsolidated entities	$ (1,474)	$ (3,424)

FELCOR LODGING LIMITED PARTNERSHIP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3. Debt

Consolidated debt consisted of the following (in thousands):

	Encumbered Hotels	Interest Rate	Maturity Date	March 31, 2010	December 31, 2009
Mortgage debt[(a)]	6 hotels	8.73%	May 2010	$ 111,758	$ 112,703
Mortgage debt[(b)(c)]	5 hotels	8.70	May 2010	97,933	98,639
Mortgage debt[(b)(d)]	2 hotels	8.62	May 2010	31,740	31,740
Senior notes	none	8.50[(e)]	June 2011	86,622	86,604
Mortgage debt[(b)]	2 hotels	6.15	June 2011[(f)]	13,631	14,150
Mortgage debt	9 hotels	L + 3.50[(g)]	August 2011[(h)]	199,675	200,425
Mortgage debt	12 hotels	L + 0.93[(i)]	November 2011[(j)]	250,000	250,000
Mortgage debt[(b)]	2 hotels	L + 1.55[(k)]	May 2012[(l)]	176,627	176,555
Mortgage debt	1 hotel	8.77	May 2013[(m)]	27,770	27,829
Mortgage debt	7 hotels	9.02	April 2014	116,407	117,422
Mortgage debt[(b)]	5 hotels	6.66	June - August 2014	70,484	70,917
Senior secured notes[(n)]	14 hotels	10.00	October 2014	574,913	572,500
Mortgage debt	1 hotel	5.81	July 2016	11,636	11,741
Capital lease and other	1 hotel	9.09	various	1,919	2,089
Total	67 hotels			$ 1,771,115	$ 1,773,314

(a) This loan was refinanced in May 2010, as a consequence of which two hotels were unencumbered.
(b) The hotels securing this debt are subject to separate loan agreements and are not cross-collateralized.
(c) These loans were refinanced in May 2010.
(d) We have been unable to negotiate an acceptable debt modification or reduction that made sense for our stockholders, with regard to these loans. Therefore, these two hotels will be transferred to the lenders in full satisfaction of the debt.
(e) As a result of a rating down-grade in February 2009, the interest rate on our 8½% senior notes increased to 9%.
(f) In February 2010, the maturity date on these loans was extended to June 2011.
(g) LIBOR for this loan is subject to a 2% floor.
(h) This loan can be extended for as many as two years, subject to satisfying certain conditions.
(i) We have purchased an interest rate cap that caps LIBOR at 7.8% and expires in November 2010 for this notional amount.
(j) The maturity date assumes that we will exercise the remaining one-year extension option that is exercisable, at our sole discretion, and would extend the current November 2010 maturity to 2011.
(k) We have purchased interest rate caps that cap LIBOR at 6.5% and expire in May 2010 for aggregate notional amounts of $177 million.
(l) We have exercised the first of three successive one-year extension options that extend, at our sole discretion, maturity to 2012.
(m) In February 2010, the maturity date on this loan was extended to May 2013.
(n) These notes have $636 million in aggregate principal outstanding and were sold at a discount that provides an effective yield of 12.875% before transaction costs.

We reported $36.2 million and $21.3 million of interest expense for the three months ended March 31, 2010 and 2009, respectively, which is net of: (i) interest income of $105,000 and $177,000, respectively, and (ii) capitalized interest of $145,000 and $232,000, respectively.

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

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

	Three Months Ended March 31, 2010	Three Months Ended March 31, 2009
Room revenue	$ 177,260	$ 178,179
Food and beverage revenue	35,496	35,851
Other operating departments	13,283	13,703
Total hotel operating revenue	$ 226,039	$ 227,733

Nearly 100% of our revenue in all periods presented was comprised of hotel operating revenue, which includes room revenue, food and beverage revenue, and revenue from other hotel operating departments (such as telephones, 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 remainder of our revenue was derived from other sources.

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

	Three Months Ended March 31,			
	2010		2009	
	Amount	% of Total Hotel Operating Revenue	Amount	% of Total Hotel Operating Revenue
Room	$ 47,787	21.1 %	$ 45,222	19.9 %
Food and beverage	27,909	12.4	27,887	12.2
Other operating departments	6,086	2.7	6,136	2.7
Total hotel departmental expenses	$ 81,782	36.2 %	$ 79,245	34.8 %

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

	Three Months Ended March 31,			
	2010		2009	
	Amount	% of Total Hotel Operating Revenue	Amount	% of Total Hotel Operating Revenue
Hotel general and administrative expense	$ 21,107	9.3%	$ 20,894	9.2%
Marketing	19,562	8.7	19,525	8.6
Repair and maintenance	12,949	5.7	12,560	5.5
Utilities	11,986	5.3	12,375	5.4
Total other property operating costs	$ 65,604	29.0%	$ 65,354	28.7%

Hotel departmental expenses and other property operating costs include hotel employee compensation and benefit expenses of $73.4 million and $72.1 million for the three months ended March 31, 2010 and 2009, respectively.

FELCOR LODGING LIMITED PARTNERSHIP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5. Taxes, Insurance and Lease Expense

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

	Three Months Ended March 31,	
	2010	2009
Operating lease expense[a]	$ 11,648	$ 12,247
Real estate and other taxes	9,463	9,018
Property insurance, general liability insurance	3,569	3,397
Total taxes, insurance and lease expense	$ 24,680	$ 24,662

(a) Includes hotel lease expense of $9.5 million and $10.1 million for the three months ended March 31, 2010 and 2009, respectively, associated with hotels owned by unconsolidated entities and leased to our consolidated lessees. Lease expense includes $3.0 million and $4.4 million in percentage rent for hotel leases and ground leases for the three months ended March 31, 2010 and 2009, respectively.

6. Impairment

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

During the quarter ended March 31, 2010, we determined that we would be unable to negotiate satisfactory modifications or reductions on loans secured by two hotels that make sense for our unitholders. Therefore, we recorded a $21.1 million impairment charge in connection with our decision to transfer these hotels to the lenders in full satisfaction of the debt secured by that hotel. These hotels' cash flows did not cover debt service, and we stopped funding shortfalls in December 2009. We consider these hotels as part of continuing operations until the hotels are transferred, and the debt satisfied, whereupon we expect to record gains on extinguishment of debt aggregating approximately $12 million. We estimated the hotels' fair value by using estimated future cash flows, terminal values based on the projected cash flows and capitalization rates in the range of what is reported in industry publications for operationally similar assets and other available market information. The cash flows used for determining the fair values were discounted using market based discounts generally used for operationally and geographically similar assets. The inputs used to determine the fair values of these hotels are classified as Level 3 under the authoritative guidance for fair value measurements.

During the quarter ended March 31, 2009, we recorded a $1.4 million impairment charge related to one of our sale candidate hotels. This valuation was based on a third-party offer to purchase (a Level 2 input) at a price less than our previously estimated fair value.

We did not have any hotels held for sale at March 31, 2010. We consider a sale to be probable within the next twelve months (for purposes of determining whether a hotel is held for sale) when a buyer completes its due diligence review of the asset, we have an executed contract for sale, and we have received a substantial non-refundable deposit.

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

FELCOR LODGING LIMITED PARTNERSHIP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7. Discontinued Operations

Discontinued operations include results of operations of two hotels sold in December 2009. The following table summarizes the condensed financial information for those hotels (in thousands):

	Three Months Ended March 31, 2010	2009
Hotel operating revenue	$ 35	$ 6,269
Operating expenses[a]	-	(7,123)
Income (loss) from discontinued operations	$ 35	$ (854)

(a) Includes impairment charges of $1.4 million during the three months ended March 31, 2009.

8. Loss Per Unit

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

	Three Months Ended March 31, 2010	2009
Numerator:		
Net loss attributable to FelCor LP	$ (62,713)	$ (21,206)
Discontinued operations attributable to FelCor LP	(35)	850
Loss from continuing operations attributable to FelCor LP	(62,748)	(20,356)
Less: Preferred distributions	(9,678)	(9,678)
Loss from continuing operations attributable to FelCor LP common unitholders	(72,426)	(30,034)
Discontinued operations attributable to FelCor LP	35	(850)
Numerator for basic and diluted loss attributable to FelCor LP common unitholders	$ (72,391)	$ (30,884)
Denominator:		
Denominator for basic and diluted loss per unit	63,770	63,285
Basic and diluted loss per unit data:		
Loss from continuing operations	$ (1.14)	$ (0.47)
Discontinued operations	$ -	$ (0.01)
Net loss	$ (1.14)	$ (0.49)

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

	Three Months Ended March 31, 2010	2009
Series A convertible preferred units	9,985	9,985

Series A preferred distributions that would be excluded from net loss attributable to FelCor LP common unitholders, if these Series A preferred units were dilutive, were $6.3 million for the three months ended March 31, 2010 and 2009.

9. Suspension of Distributions

We suspended payment of our common distribution in December 2008 and our preferred distribution in March 2009 (we paid approximately $10 million of preferred distributions in January 2009). Our ability to pay cash distributions is limited by the indenture governing our senior secured notes whenever we fail to meet a defined financial ratio threshold, as in the current circumstances; consequently, we do not expect to pay any common or preferred cash distributions during 2010. Distributions are not paid unless declared by FelCor's Board of Directors; however, any unpaid preferred distributions continue to accrue, and accrued and current preferred distributions must be paid in full prior to reinstatement of common distributions. FelCor's Board of Directors will determine whether to declare future distributions based upon various factors, including operating results, economic conditions, other operating trends, its financial condition including the outcome of refinancing debt maturities and capital requirements, as well as FelCor's minimum REIT distribution requirements. We had accrued $47.3 million and $37.6 million in distributions payable on our Series A and Series C preferred units at March 31, 2010 and December 31, 2009, respectively.

10. Fair Value of Financial Instruments

Disclosures about fair value of our financial instruments are based on pertinent information available to management as of March 31, 2010. Considerable judgment is necessary to interpret market data and develop estimated fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts that we could realize on disposition of the financial instruments. The use of different market assumptions and/or estimation methodologies may have a material effect on estimated fair value amounts.

Our estimates of the fair value of (i) accounts receivable, accounts payable and accrued expenses approximate carrying value due to the relatively short maturity of these instruments; (ii) our publicly-traded debt is based on observable market data; and (iii) our debt that is not traded publicly is based on estimated effective borrowing rates for debt with similar terms, loan to estimated fair value and remaining maturities (the estimated fair value of all our debt was $1.8 billion at March 31, 2010).

11. Recently Adopted Accounting Standards

The FASB recently amended its guidance surrounding a company's analysis to determine whether any of its variable interests constitute controlling financial interests in a variable interest entity. This analysis identifies the primary beneficiary of a variable interest entity as the enterprise that has both of the following characteristics: a) the power to direct the activities of a variable interest entity that most significantly impact the entity's economic performance and b) the obligation to absorb losses of the entity that could potentially be significant to the variable interest entity or the right to receive benefits from the entity that could potentially be significant to the variable interest entity.

Additionally, an enterprise is required to assess whether it has an implicit financial responsibility to ensure that a variable interest entity operates as designed when determining whether it has the power to direct the activities of the variable interest entity that most significantly impact the entity's economic performance. The new guidance also requires ongoing reassessments of whether an enterprise is the primary beneficiary of a variable interest entity. The guidance was effective for us beginning January 1, 2010, and accordingly, we have reevaluated our interests in our entities to determine that the entities are reflected properly in the financial statements as investments or consolidated entities. Based on our evaluation, we have concluded that we do not have any variable interest entities that are impacted by this new accounting standard.

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 Lodging Holding Company, L.L.C.; FelCor TRS Borrower 1, L.P.; FelCor TRS Borrower 4, L.L.C.; FelCor TRS Holdings, L.L.C.; FelCor Canada Co.; FelCor/St. Paul Holdings, L.P. and FelCor Hotel Asset Company, L.L.C., collectively, “Subsidiary Guarantors”), together with FelCor, guarantee, fully and unconditionally, and jointly and severally, our senior debt. The following tables present consolidating information for the Subsidiary Guarantors.

CONSOLIDATING BALANCE SHEET
March 31, 2010
(in thousands)

	FelCor LP	Subsidiary Guarantors	Non-Guarantor Subsidiaries	Eliminations	Total Consolidated
Net investment in hotel properties	$ 60,082	$ 435,748	$ 1,635,816	$ -	$ 2,131,646
Equity investment in consolidated entities	972,954	-	-	(972,954)	-
Investment in unconsolidated entities	65,543	13,205	1,482	-	80,230
Cash and cash equivalents	226,197	48,987	824	-	276,008
Restricted cash	-	3,209	15,734	-	18,943
Accounts receivable	1,431	33,556	298	-	35,285
Deferred expenses	12,244	-	7,581	-	19,825
Other assets	6,971	21,078	4,853	-	32,902
Total assets	$ 1,345,422	$ 555,783	$ 1,666,588	$ (972,954)	$ 2,594,839
Debt	$ 661,536	$ 1,485	$ 1,108,094	$ -	$ 1,771,115
Distributions payable	47,258	-	-	-	47,258
Accrued expenses and other liabilities	44,773	106,271	11,815	-	162,859
Total liabilities	753,567	107,756	1,119,909	-	1,981,232
Redeemable units, at redemption value	1,681	-	-	-	1,681
Preferred units	478,774	-	-	-	478,774
Common units	111,400	422,282	524,956	(972,954)	85,684
Accumulated other comprehensive income	-	25,716	-	-	25,716
Total FelCor LP partners’ capital	590,174	447,998	524,956	(972,954)	590,174
Noncontrolling interests	-	29	21,723	-	21,752
Total capital	590,174	448,027	546,679	(972,954)	611,926
Total liabilities and capital	$ 1,345,422	$ 555,783	$ 1,666,588	$ (972,954)	$ 2,594,839

FELCOR LODGING LIMITED PARTNERSHIP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11. Consolidating Financial Information – (continued)

CONDENSED CONSOLIDATING BALANCE SHEET
December 31, 2009
(in thousands)

	FelCor LP	Subsidiary Guarantors	Non-Guarantor Subsidiaries	Eliminations	Total Consolidated
Net investment in hotel properties	$ 62,691	$ 441,046	$ 1,676,657	$ -	$ 2,180,394
Equity investment in consolidated entities	1,015,822	-	-	(1,015,822)	-
Investment in unconsolidated entities	66,968	13,572	1,500	-	82,040
Cash and cash equivalents	224,526	36,834	2,171	-	263,531
Restricted cash	-	2,803	15,905	-	18,708
Accounts receivable	763	27,640	275	-	28,678
Deferred expenses	12,280	-	7,697	-	19,977
Other assets	6,308	21,462	4,896	-	32,666
Total assets	$ 1,389,358	$ 543,357	$ 1,709,101	$ (1,015,822)	$ 2,625,994
Debt	$ 659,105	$ 1,734	$ 1,112,475	$ -	$ 1,773,314
Distributions payable	37,580	-	-	-	37,580
Accrued expenses and other liabilities	31,495	85,913	13,931	-	131,339
Total liabilities	728,180	87,647	1,126,406	-	1,942,233
Redeemable units, at redemption value	1,062	-	-	-	1,062
Preferred units	478,774	-	-	-	478,774
Common units	181,342	431,756	560,429	(1,015,822)	157,705
Accumulated other comprehensive income	-	23,637	-	-	23,637
Total FelCor LP partners' capital	660,116	455,393	560,429	(1,015,822)	660,116
Noncontrolling interests	-	317	22,266	-	22,583
Total capital	660,116	455,710	582,695	(1,015,822)	682,699
Total liabilities and capital	$ 1,389,358	$ 543,357	$ 1,709,101	$ (1,015,822)	$ 2,625,994

11. Consolidating Financial Information – (continued)

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS
For the Three Months Ended March 31, 2010
(in thousands)

	FelCor LP	Subsidiary Guarantors	Non-Guarantor Subsidiaries	Eliminations	Total Consolidated
Revenues:					
Hotel operating revenue	$ -	$ 226,039	$ -	$ -	$ 226,039
Percentage lease revenue	2,304	-	52,055	(54,359)	-
Other revenue	-	321	44	-	365
Total revenue	2,304	226,360	52,099	(54,359)	226,404
Expenses:					
Hotel operating expenses	-	157,921	-	-	157,921
Taxes, insurance and lease expense	593	69,676	8,770	(54,359)	24,680
Corporate expenses	700	4,385	4,762	-	9,847
Depreciation and amortization	2,051	8,704	26,843	-	37,598
Impairment loss	-	-	21,060	-	21,060
Other expenses	-	515	46	-	561
Total operating expenses	3,344	241,201	61,481	(54,359)	251,667
Operating loss	(1,040)	(14,841)	(9,382)	-	(25,263)
Interest expense, net	(20,330)	(704)	(15,206)	-	(36,240)
Loss before equity in income from unconsolidated entities and noncontrolling interests	(21,370)	(15,545)	(24,588)	-	(61,503)
Equity in loss from consolidated entities	(40,345)	-	-	40,345	-
Equity in loss from unconsolidated entities	(998)	(458)	(18)	-	(1,474)
Net loss from continuing operations	(62,713)	(16,003)	(24,606)	40,345	(62,977)
Discontinued operations from consolidated entities	-	35	-	-	35
Net loss	(62,713)	(15,968)	(24,606)	40,345	(62,942)
Net loss attributable to noncontrolling interests	-	86	143	-	229
Net loss attributable to FelCor LP	(62,713)	(15,882)	(24,463)	40,345	(62,713)
Preferred distributions	(9,678)	-	-	-	(9,678)
Net loss applicable to FelCor LP unitholders	$ (72,391)	$ (15,882)	$ (24,463)	$ 40,345	$ (72,391)

FELCOR LODGING LIMITED PARTNERSHIP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11. Consolidating Financial Information – (continued)

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS
For the Three Months Ended March 31, 2009
(in thousands)

	FelCor LP	Subsidiary Guarantors	Non-Guarantor Subsidiaries	Eliminations	Total Consolidated
Revenues:					
Hotel operating revenue	$ -	$ 227,733	$ -	$ -	$ 227,733
Percentage lease revenue	4,479	-	39,115	(43,594)	-
Other revenue	4	239	43	-	286
Total revenue	4,483	227,972	39,158	(43,594)	228,019
Expenses:					
Hotel operating expenses	-	155,740	-	-	155,740
Taxes, insurance and lease expense	558	60,815	6,883	(43,594)	24,662
Corporate expenses	241	3,823	2,058	-	6,122
Depreciation and amortization	2,967	13,612	20,072	-	36,651
Other expenses	(11)	664	43	-	696
Total operating expenses	3,755	234,654	29,056	(43,594)	223,871
Operating income (loss)	728	(6,682)	10,102	-	4,148
Interest expense, net	(9,214)	(2,652)	(9,426)	-	(21,292)
Income (loss) before equity in income from unconsolidated entities and noncontrolling interests	(8,486)	(9,334)	676	-	(17,144)
Equity in loss from consolidated entities	(12,110)	-	-	12,110	-
Equity in loss from unconsolidated entities	(610)	(702)	(2,112)	-	(3,424)
Net loss from continuing operations	(21,206)	(10,036)	(1,436)	12,110	(20,568)
Discontinued operations from consolidated entities	-	(854)	-	-	(854)
Net loss	(21,206)	(10,890)	(1,436)	12,110	(21,422)
Net loss attributable to noncontrolling interests	-	178	38	-	216
Net loss attributable to FelCor LP	(21,206)	(10,712)	(1,398)	12,110	(21,206)
Preferred distributions	(9,678)	-	-	-	(9,678)
Net loss applicable to FelCor LP unitholders	$ (30,884)	$ (10,712)	$ (1,398)	$ 12,110	$ (30,884)

11. Consolidating Financial Information – (continued)

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
For the Three Months Ended March 31, 2010
(in thousands)

	FelCor L.P.	Subsidiary Guarantors	Non-Guarantor Subsidiaries	Total Consolidated
Cash flows from (used in) operating activities	$ (4,177)	$ 7,803	$ 24,886	$ 28,512
Cash flows from (used in) investing activities	(35)	(1,414)	(7,821)	(9,270)
Cash flows from (used in) financing activities	5,883	5,530	(18,412)	(6,999)
Effect of exchange rates changes on cash	-	234	-	234
Change in cash and cash equivalents	1,671	12,153	(1,347)	12,477
Cash and cash equivalents at beginning of period	224,526	36,834	2,171	263,531
Cash and equivalents at end of period	$ 226,197	$ 48,987	$ 824	$ 276,008

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
For the Three Months Ended March 31, 2009
(in thousands)

	FelCor LP	Subsidiary Guarantors	Non-Guarantor Subsidiaries	Total Consolidated
Cash flows from (used in) operating activities	$ 2,520	$ 3,126	$ 18,803	$ 24,449
Cash flows from (used in) investing activities	1,140	(11,137)	(12,708)	(22,705)
Cash flows from (used in) financing activities	1,193	8,195	(8,023)	1,365
Effect of exchange rates changes on cash	-	(340)	-	(340)
Change in cash and cash equivalents	4,853	(156)	(1,928)	2,769
Cash and cash equivalents at beginning of period	7,719	40,018	2,450	50,187
Cash and equivalents at end of period	$ 12,572	$ 39,862	$ 522	$ 52,956

12. Subsequent Events

In May 2010, we entered into a new $212 million loan, secured by nine hotels, that matures in 2015. The new loan bears interest at LIBOR (subject to a 3.0% floor) plus 5.1%. The proceeds were used to repay $210 million in loans that were secured by 11 hotels and were scheduled to mature in May. With this financing, we resolved all of our remaining 2010 debt maturities on terms that are significantly more favorable than the refinanced debt, and we were able to unencumber two previously mortgaged hotels.

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

General

Hotel occupancy trends have reversed and demand has begun to improve in 2010, after reaching historic lows in 2009. Despite improving occupancy, we expect continued pressure on average daily room rates, or ADR, until demand increases significantly. While we have experienced an increase in demand in recent periods, consumers and business travelers continue to take advantage of the historically high number of available rooms and a near-term shift in pricing power, as well as correspondingly lower ADR.

In the first quarter of 2010, revenue per available room, or RevPAR, at our hotels decreased 0.5%, compared to the first quarter of 2009. Occupancy at our hotels increased by 7.9%, compared to the prior year, but this was offset by decreases in ADR of 7.8%. This combination of increased occupancy and lower ADR results in additional pressure on hotel margins because our hotels have more guests, who are paying less. We continue to work closely with our brand-managers on extensive cost containment initiatives to minimize margin erosion at our hotels. Many of our hotels have been able to reduce labor costs permanently, and all of our hotels have trimmed non-critical functions. To this end, while overall costs have increased because of increased occupancy, our hotels have been able to reduce hotel departmental expenses per occupied room by more than 4%, compared to the same quarter last year.

In 2009, we gained more than 1% market share at our hotels, and through the first quarter of 2010, our hotels have been able to slightly improve their overall market position.

In May 2010, we obtained a new $212 million loan, secured by nine hotels, that matures in 2015. The new loan bears interest at LIBOR (subject to a 3.0% floor) plus 5.1%. The proceeds were used to repay $210 million in loans that were secured by 11 hotels and were scheduled to mature in May. With this financing, we resolved all of our remaining 2010 debt maturities on terms that are significantly more favorable than the refinanced debt, and we were able to unencumber two previously mortgaged hotels. Two remaining loans (totaling $32 million) mature in May 2010. The cash flows for the hotels that secure those loans do not cover debt service, and we stopped funding the shortfalls in December 2009. We have been unable to negotiate an acceptable debt modification or reduction that made sense for our stockholders, with regard to these loans. Therefore, these two hotels will be transferred to the lenders in full satisfaction of the debt.

We suspended our common distribution in December 2008 and our preferred distribution in March 2009. Although distributions are not paid unless declared by FelCor's Board of Directors, unpaid preferred distributions continue to accrue, and accrued and current preferred distributions must be paid in full prior to payment of any common distributions. Our senior notes currently restrict us from paying any distributions so long as we remain below certain financial ratio thresholds, except to the extent necessary to satisfy FelCor's REIT distribution requirement. FelCor's Board of Directors will determine whether to declare future distributions based upon various factors, including operating results, economic conditions, other operating trends, its financial condition and capital requirements, as well as FelCor's minimum REIT distribution requirements.

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

	Three Months Ended March 31, 2010	Three Months Ended March 31, 2009	% Change 2010-2009
RevPAR	$ 82.87	$ 83.30	(0.5)%
Hotel EBITDA[a]	$ 51,043	$ 55,457	(8.0)%
Hotel EBITDA margin[a]	22.6%	24.4%	(7.4)%
Net loss attributable to FelCor LP[b]	$ (62,713)	$ (21,206)	(195.7)%

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

(b) The following amounts are included in net loss attributable to FelCor LP (in thousands):

	Three Months Ended March 31, 2010	Three Months Ended March 31, 2009
Impairment loss	$ (21,060)	$ -
Gain on sale of unconsolidated subsidiary	559	-

Results of Operations

Comparison of the Three Months Ended March 31, 2010 and 2009

For the three months ended March 31, 2010, we recorded a net loss attributable to common unitholders of $72.4 million, or $1.14 per unit, compared to a net loss attributable to common unitholders of $30.9 million, or $0.49 per unit, for the same period in 2009. The increase in the current year loss compared to the same period in 2009 is attributable primarily to a $14.9 million increase in net interest expense, a $21.1 million impairment charge and reduced margins (which reflects increasing occupancy in the face of decreasing ADR).

In the first quarter of 2010:

- *Total revenue* was $226.4 million, a 0.7% decrease compared to the same period in 2009. The decrease in revenue is attributed principally to a 0.5% decrease in RevPAR, which reflects a 7.9% increase in occupancy and a 7.8% decrease in ADR.

- *Hotel departmental expenses* increased $2.5 million compared to the same period in 2009. As a percentage of total revenue, hotel departmental expenses increased from 34.8% to 36.1% compared to the same period in 2009. This increase in expense compared to revenue reflects costs associated with the increased occupancy in the face of decreasing ADR.

- *Other property related costs* increased $250,000 and increased as a percentage of revenue from 28.7% to 29.0% compared to the same period in 2009.

- *Management and franchise fees* decreased $606,000 compared to the same period in 2009, due to lower revenues. As a percent of total revenue, management and franchise fees remained essentially unchanged.

- *Taxes, insurance and lease expense* were $24.7 million, consistent with the same period in 2009. This reflects a $599,000 decrease in operating lease expense (computed as a percentage of hotel revenues in excess of base rent) offset by increases in real estate and other taxes, as well as property and general liability insurance. Taxes, insurance, and lease expense remained essentially unchanged, relative to total revenue.

- *Corporate expenses* increased $3.7 million and increased as a percentage of total revenue from 2.7% to 4.3%. This increase primarily reflects a temporary change in how FelCor's long term compensation program is implemented. Because of the impact of the recession on the trading price of FelCor's common stock, its Board of Directors determined that issuing restricted stock at exceptionally low trading prices would be unduly dilutive to its stockholders. In lieu of issuing restricted stock, restricted cash, with which employees could purchase stock, was granted. To the extent those grants were subject to payroll tax withholding, amounts withheld were recognized as an expense in the first quarter of 2010, rather than expensed over the normal three-year vesting period.

- *Depreciation and amortization expense* increased $947,000, compared to the same period in 2009, which is attributable to increased depreciation related to hotel capital expenditures completed in 2009.

- *Impairment charge.* During the quarter ended March 31, 2010, we determined that we would be unable to negotiate satisfactory modifications or reductions on loans secured by two hotels that make sense for our unitholders. Therefore, we recorded a $21.1 million impairment charge in connection with our decision to transfer these hotels to the lenders in full satisfaction of the debt secured by that hotel. These hotels' cash flows did not cover debt service, and we stopped funding shortfalls in December 2009. We consider these hotels as part of continuing operations until the hotels are transferred, and the debt satisfied, whereupon we expect to record gains on extinguishment of debt aggregating approximately $12 million.

- *Net interest expense* increased $14.9 million compared to the same period in 2009. This increase is primarily attributable to our $636 million senior secured notes issued in October 2009.

- *Equity in loss of unconsolidated entities* decreased $2.0 million compared to the same period in 2009 because one of our unconsolidated joint ventures recorded a $2.1 million impairment in the prior year.

- *Discontinued operations* relates to two hotels sold in December 2009. We recorded a $1.4 million impairment charge in the first quarter of 2009 with respect to one of those hotels.

Non-GAAP Financial Measures

We refer in this report to certain "non-GAAP financial measures." These measures, including 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 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 Hotel EBITDA, Hotel EBITDA margin, hotel operating expenses and the reconciliation of hotel operating expenses to total operating expenses with respect to our Consolidated Hotels at the dates presented.

Hotel EBITDA and Hotel EBITDA Margin
(dollars in thousands)

	Three Months Ended March 31, 2010	Three Months Ended March 31, 2009
Total revenues	$ 226,404	$ 228,019
Other revenue	(365)	(286)
Hotel operating revenue	226,039	227,733
Hotel operating expenses	(174,996)	(172,276)
Hotel EBITDA	$ 51,043	$ 55,457
Hotel EBITDA margin[(a)]	22.6%	24.4%

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

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

	Three Months Ended March 31 2010 — 2010	Three Months Ended March 31 2010 — 2009
Total operating expenses	$ 251,667	$ 223,871
Unconsolidated taxes, insurance and lease expense	1,888	1,934
Consolidated hotel lease expense	(9,493)	(10,060)
Corporate expenses	(9,847)	(6,122)
Depreciation and amortization	(37,598)	(36,651)
Impairment loss	(21,060)	-
Other expenses	(561)	(696)
Hotel operating expenses	$ 174,996	$ 172,276

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

Reconciliation of Net Loss to Hotel EBITDA
(in thousands)

	Three Months Ended March 31, 2010	Three Months Ended March 31, 2009
Net loss	$ (62,942)	$ (21,422)
Discontinued operations	(35)	854
Equity in loss (income) from unconsolidated entities	1,474	3,424
Consolidated hotel lease expense	9,493	10,060
Unconsolidated taxes, insurance and lease expense	(1,888)	(1,934)
Interest expense, net	36,240	21,292
Corporate expenses	9,847	6,122
Depreciation and amortization	37,598	36,651
Impairment loss	21,060	-
Other expenses	561	696
Other revenue	(365)	(286)
Hotel EBITDA	$ 51,043	$ 55,457

Reconciliation of Ratio of Operating Income (Loss) to Total Revenues to Hotel EBITDA Margin

	Three Months Ended March 31,	
	2010	**2009**
Ratio of operating income (loss) to total revenues	(11.2)%	1.8%
Other revenue	(0.2)	(0.1)
Unconsolidated taxes, insurance and lease expense	(0.8)	(0.8)
Consolidated hotel lease expense	4.2	4.4
Other expenses	0.3	0.3
Corporate expenses	4.4	2.7
Depreciation and amortization	16.6	16.1
Impairment loss	9.3	-
Hotel EBITDA margin	22.6%	24.4%

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 from continuing operations all revenues and expenses not directly associated with hotel operations including corporate-level expenses, depreciation and amortization and expenses related to our capital structure. We eliminate corporate-level costs and expenses because we believe property-level results provide investors with supplemental information into the ongoing operational performance of our hotels and the effectiveness of management on a property-level basis. We eliminate depreciation and amortization because, even though depreciation and amortization are property-level expenses, we do not believe that these non-cash expenses, which are based on historical cost accounting for real estate assets and implicitly assume that the value of real estate assets diminishes predictably over time, accurately reflect an adjustment in the value of our assets. We also eliminate consolidated percentage rent paid to unconsolidated entities, which is effectively eliminated by noncontrolling interests and equity in income from unconsolidated subsidiaries, and include the cost of unconsolidated taxes, insurance and lease expense, to reflect the entire operating costs applicable to our hotels.

Limitations of Non-GAAP Measures

FelCor's management and Board of Directors use Hotel EBITDA and Hotel EBITDA margin to evaluate the performance of our hotels and to facilitate comparisons between us and other hotel owners, in evaluating hotel-level performance and the operating efficiency of our hotel managers.

The use of these non-GAAP financial measures has certain limitations. Hotel EBITDA and Hotel EBITDA margin, as presented by us, may not be comparable to these measures as calculated by other companies. These measures do not reflect certain expenses that we incurred and will incur, such as depreciation and amortization, interest and capital expenditures. FelCor's 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. 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. We strongly encourage investors to review our financial information in its entirety and not to rely on a single financial measure.

Pro Rata Share of Rooms Owned

The following table sets forth, at March 31, 2010, the pro rata share of hotel rooms owned by us after giving consideration to the portion of rooms owned by our partners in our consolidated and unconsolidated joint ventures:

	Hotels	Room Count at March 31, 2010
Consolidated Hotels	83	23,854
Unconsolidated hotel operations	1	171
Total hotels	84	24,025
50% joint ventures	14	(1,795)
60% joint venture	1	(214)
81% joint venture	1	(42)
90% joint ventures	3	(68)
97% joint venture	1	(10)
Total rooms owned by joint venture partners		(2,129)
Pro rata share of rooms owned		21,896

Hotel Portfolio Composition

The following table illustrates the distribution of our 83 Consolidated Hotels by brand, market and location at March 31, 2010.

Brand	Hotels	Rooms	% of Total Rooms	% of 2009 Hotel EBITDA[(a)]
Embassy Suites Hotels	47	12,132	51	60
Holiday Inn	15	5,154	22	18
Sheraton and Westin	9	3,217	13	9
Doubletree	7	1,471	6	7
Renaissance and Marriott	3	1,321	6	3
Hilton	2	559	2	3
Market				
South Florida	5	1,439	6	8
Los Angeles area	4	899	4	6
Atlanta	5	1,462	6	6
Orlando	4	1,038	4	4
Philadelphia	2	729	3	4
Minneapolis	3	736	3	4
San Francisco area	6	2,138	9	4
Dallas	4	1,333	6	4
Central California Coast	2	408	2	4
San Antonio	3	874	4	3
Myrtle Beach	2	640	3	3
Boston	2	532	2	3
San Diego	1	600	3	3
Northern New Jersey	3	756	3	3
Other	37	10,270	42	41
Location				
Suburban	35	8,781	37	32
Urban	20	6,358	27	27
Airport	18	5,788	24	24
Resort	10	2,927	12	17

(a) Hotel EBITDA is a non-GAAP financial measure. A detailed reconciliation and further discussion of Hotel EBITDA is contained in the "Non-GAAP Financial Measures" section of Management's Discussion and Analysis of Financial Condition and Results of Operations in Item 2 of this Quarterly Report on Form 10-Q.

Hotel Operating Statistics

The following tables set forth occupancy, ADR and RevPAR for three months ended March 31, 2010 and 2009, and the percentage changes thereto between the periods presented, for our Consolidated Hotels.

Operating Statistics by Brand

	Occupancy (%)		
	Three Months Ended March 31,		
	2010	2009	%Variance
Embassy Suites Hotels	70.2	66.5	5.6
Holiday Inn	67.6	62.5	8.1
Sheraton and Westin	63.4	55.0	15.2
Doubletree	70.0	63.6	10.1
Renaissance and Marriott	65.3	56.3	16.0
Hilton	46.2	47.3	(2.3)
Total hotels	67.9	62.9	7.9

	ADR ($)		
	Three Months Ended March 31,		
	2010	2009	%Variance
Embassy Suites Hotels	128.79	138.64	(7.1)
Holiday Inn	104.30	110.45	(5.6)
Sheraton and Westin	104.88	118.11	(11.2)
Doubletree	118.75	139.17	(14.7)
Renaissance and Marriott	183.84	201.68	(8.8)
Hilton	95.75	97.59	(1.9)
Total hotels	122.06	132.37	(7.8)

	RevPAR ($)		
	Three Months Ended March 31,		
	2010	2009	%Variance
Embassy Suites Hotels	90.43	92.22	(1.9)
Holiday Inn	70.52	69.06	2.1
Sheraton and Westin	66.51	65.01	2.3
Doubletree	83.12	88.47	(6.0)
Renaissance and Marriott	120.08	113.55	5.8
Hilton	44.21	46.13	(4.2)
Total hotels	82.87	83.30	(0.5)

Operating Statistics for Our Top Markets

	Occupancy (%)		
	Three Months Ended March 31,		
	2010	2009	% Variance
South Florida	85.1	79.3	7.4
Los Angeles area	70.5	68.6	2.7
Atlanta	75.2	65.6	14.7
Orlando	80.9	75.1	7.7
Philadelphia	60.4	49.4	22.3
Minneapolis	67.0	60.9	10.1
San Francisco area	65.3	55.9	16.8
Dallas	65.4	59.4	10.0
Central California Coast	69.7	76.6	(8.9)
San Antonio	74.7	69.6	7.4
Myrtle Beach	44.1	48.2	(8.5)
Boston	77.1	70.6	9.2
San Diego	71.5	64.0	11.7
Northern New Jersey	59.9	59.6	0.5

	ADR ($)		
	Three Months Ended March 31,		
	2010	2009	% Variance
South Florida	163.64	170.57	(4.1)
Los Angeles area	132.32	138.48	(4.4)
Atlanta	105.48	111.22	(5.2)
Orlando	114.47	131.55	(13.0)
Philadelphia	111.42	129.62	(14.0)
Minneapolis	125.73	131.14	(4.1)
San Francisco area	122.73	120.64	1.7
Dallas	112.99	126.94	(11.0)
Central California Coast	138.16	136.52	1.2
San Antonio	98.33	105.65	(6.9)
Myrtle Beach	96.37	98.43	(2.1)
Boston	120.19	126.00	(4.6)
San Diego	115.09	132.31	(13.0)
Northern New Jersey	132.26	151.68	(12.8)

	RevPAR ($)		
	Three Months Ended March 31,		
	2010	2009	% Variance
South Florida	139.33	135.25	3.0
Los Angeles area	93.23	95.04	(1.9)
Atlanta	79.36	72.99	8.7
Orlando	92.65	98.84	(6.3)
Philadelphia	67.34	64.05	5.1
Minneapolis	84.26	79.80	5.6
San Francisco area	80.11	67.43	18.8
Dallas	73.89	75.44	(2.1)
Central California Coast	96.33	104.53	(7.8)
San Antonio	73.46	73.48	-
Myrtle Beach	42.53	47.49	(10.4)
Boston	92.67	88.95	4.2
San Diego	82.33	84.72	(2.8)
Northern New Jersey	79.22	90.37	(12.3)

Hotel Portfolio

The following table sets forth certain descriptive information regarding the 84 hotels in which we held ownership interest at March 31, 2010.

	Brand	State	Rooms	% Owned[(a)]
Consolidated Hotels				
Birmingham	Embassy Suites Hotel	AL	242	
Phoenix – Biltmore	Embassy Suites Hotel	AZ	232	
Phoenix – Crescent	Sheraton	AZ	342	
Phoenix – Tempe	Embassy Suites Hotel	AZ	224	
Anaheim – North	Embassy Suites Hotel	CA	222	
Dana Point – Doheny Beach	Doubletree Guest Suites	CA	196	
Indian Wells – Esmeralda Resort & Spa	Renaissance Resort	CA	560	
Los Angeles – International Airport/South	Embassy Suites Hotel	CA	349	97%
Milpitas – Silicon Valley	Embassy Suites Hotel	CA	266	
Napa Valley	Embassy Suites Hotel	CA	205	
Oxnard – Mandalay Beach – Hotel & Resort	Embassy Suites Hotel	CA	248	
San Diego – On the Bay	Holiday Inn	CA	600	
San Francisco – Airport/Burlingame	Embassy Suites Hotel	CA	340	
San Francisco – Airport/South San Francisco	Embassy Suites Hotel	CA	312	
San Francisco – Fisherman's Wharf	Holiday Inn	CA	585	
San Francisco – Union Square	Marriott	CA	400	
San Rafael – Marin County	Embassy Suites Hotel	CA	235	50%
Santa Barbara – Goleta	Holiday Inn	CA	160	
Santa Monica Beach – at the Pier	Holiday Inn	CA	132	
Wilmington	Doubletree	DE	244	90%
Boca Raton	Embassy Suites Hotel	FL	263	
Deerfield Beach – Resort & Spa	Embassy Suites Hotel	FL	244	
Ft. Lauderdale – 17th Street	Embassy Suites Hotel	FL	361	
Ft. Lauderdale – Cypress Creek	Sheraton Suites	FL	253	
Jacksonville – Baymeadows	Embassy Suites Hotel	FL	277	
Miami – International Airport	Embassy Suites Hotel	FL	318	
Orlando – International Airport	Holiday Inn	FL	288	
Orlando – International Drive South/Convention	Embassy Suites Hotel	FL	244	
Orlando– North	Embassy Suites Hotel	FL	277	
Orlando – Walt Disney World Resort	Doubletree Guest Suites	FL	229	
St. Petersburg – Vinoy Resort & Golf Club	Renaissance Resort	FL	361	
Tampa – Tampa Bay	Doubletree Guest Suites	FL	203	
Atlanta – Airport	Embassy Suites Hotel	GA	232	
Atlanta – Buckhead	Embassy Suites Hotel	GA	316	
Atlanta – Galleria	Sheraton Suites	GA	278	
Atlanta – Gateway – Atlanta Airport	Sheraton	GA	395	
Atlanta – Perimeter Center	Embassy Suites Hotel	GA	241	50%
Chicago – Lombard/Oak Brook	Embassy Suites Hotel	IL	262	50%
Chicago – North Shore/Deerfield	Embassy Suites Hotel	IL	237	
Chicago – Gateway – O'Hare	Sheraton Suites	IL	296	
Indianapolis – North	Embassy Suites Hotel	IN	221	81%
Kansas City – Overland Park	Embassy Suites Hotel	KS	199	50%
Lexington – Lexington Green	Hilton Suites	KY	174	
Baton Rouge	Embassy Suites Hotel	LA	223	

Hotel Portfolio (continued)

	Brand	State	Rooms	% Owned[a]
New Orleans – Convention Center	Embassy Suites Hotel	LA	370	
New Orleans – French Quarter	Holiday Inn	LA	374	
Boston – at Beacon Hill	Holiday Inn	MA	303	
Boston – Marlborough	Embassy Suites Hotel	MA	229	
Baltimore – at BWI Airport	Embassy Suites Hotel	MD	251	90%
Bloomington	Embassy Suites Hotel	MN	218	
Minneapolis – Airport	Embassy Suites Hotel	MN	310	
St. Paul – Downtown	Embassy Suites Hotel	MN	208	
Kansas City – Plaza	Embassy Suites Hotel	MO	266	50%
Charlotte	Embassy Suites Hotel	NC	274	50%
Charlotte – SouthPark	Doubletree Guest Suites	NC	208	
Raleigh/Durham	Doubletree Guest Suites	NC	203	
Raleigh – Crabtree	Embassy Suites Hotel	NC	225	50%
Parsippany	Embassy Suites Hotel	NJ	274	50%
Piscataway – Somerset	Embassy Suites Hotel	NJ	221	
Secaucus – Meadowlands	Embassy Suites Hotel	NJ	261	50%
Philadelphia – Historic District	Holiday Inn	PA	364	
Philadelphia – Society Hill	Sheraton	PA	365	
Pittsburgh – at University Center (Oakland)	Holiday Inn	PA	251	
Charleston – Mills House	Holiday Inn	SC	214	
Myrtle Beach – Oceanfront Resort	Embassy Suites Hotel	SC	255	
Myrtle Beach Resort	Hilton	SC	385	
Nashville – Airport – Opryland Area	Embassy Suites Hotel	TN	296	
Nashville – Opryland – Airport (Briley Parkway)	Holiday Inn	TN	383	
Austin	Doubletree Guest Suites	TX	188	90%
Austin – Central	Embassy Suites Hotel	TX	260	50%
Corpus Christi	Embassy Suites Hotel	TX	150	
Dallas – DFW International Airport South	Embassy Suites Hotel	TX	305	
Dallas – Love Field	Embassy Suites Hotel	TX	248	
Dallas – Market Center	Embassy Suites Hotel	TX	244	
Dallas – Park Central	Westin	TX	536	60%
Houston – Medical Center	Holiday Inn	TX	287	
San Antonio – International Airport	Embassy Suites Hotel	TX	261	50%
San Antonio – International Airport	Holiday Inn	TX	397	
San Antonio – NW I-10	Embassy Suites Hotel	TX	216	50%
Burlington Hotel & Conference Center	Sheraton	VT	309	
Vienna – Premiere at Tysons Corner	Sheraton	VA	443	50%
Canada				
Toronto – Airport	Holiday Inn	Ontario	446	
Toronto – Yorkdale	Holiday Inn	Ontario	370	
Unconsolidated Hotel				
New Orleans – French Quarter – Chateau LeMoyne	Holiday Inn	LA	171	50%

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

Liquidity and Capital Resources

Operating Activities

During the first quarter of 2010, cash from hotel operations satisfied most of our cash requirements. For the quarter, cash provided by operating activities (primarily hotel operations) was $28.5 million, which reflects a $4.1 million increase, from the same period in 2009, due primarily to increases in accrued expenses (largely from a change in interest payment dates and increased rates on our senior debt), partially offset by declining hotel revenues. At March 31, 2010, we had $276.0 million of cash on hand, including approximately $46.7 million held under management agreements to meet working capital needs.

Travel spending has fallen sharply in the face of the global recession. Lodging demand was weak in 2009, which adversely affected our Consolidated Hotel RevPAR. In the first quarter of 2010, occupancy strengthened but was offset by weaker ADR. We expect our 2010 RevPAR will range from flat to a 3% improvement compared to 2009, which assumes growth in occupancy and a decline in ADR (creating pressure on operating margins). We expect our cash from operating activities in 2010 to range from $20 million to $30 million.

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

Investing Activities

During the first quarter of 2010 cash used in investing activities decreased $13.4 million, compared to the same period in 2009, due primarily to lower spending on hotel capital expenditures. We made extensive capital investments in our hotels from 2006 to 2008, and now nearly all of our hotels have been renovated. We expect to spend a normal amount of capital going forward to maintain the quality of our hotels. As a result, we were able to limit capital spending significantly in 2009, and we expect to spend a limited amount of capital in the near future without compromising the value and quality of our hotels. In the first quarter of 2010, we completed approximately $8.2 million of capital improvements at our hotels and we expect to spend approximately $42 million in 2010.

Our liquidity-preservation efforts also extend to acquisitions and redevelopment projects. We did not acquire any hotels during 2008 or 2009 and postponed spending on redevelopment projects, other than to advance ongoing approval and entitlement processes.

In order to enhance long-term unitholder value, as part of our strategic plan (as in the past and as market conditions allow), we intend to sell lower-growth hotels that no longer meet our investment criteria, thereby freeing our capital for redeployment (*e.g.*, reduce overall leverage, acquire other hotels and invest in remaining FelCor properties). We regularly evaluate demand and supply trends for each hotel, portfolio concentration risk and future capital needs. We expect to identify additional hotels for sale when hotel cash flows recover and the hotel transaction market improves.

Financing Activities

During the first quarter of 2010, cash provided by financing activities decreased by $8.4 million compared to the same period in 2009, due primarily to first quarter 2009 borrowing under our line of credit. We expect to pay approximately $13 million in normally occurring principal payments in 2010, which will be funded from operating cash flow and cash on hand.

We suspended payment of our common distribution in December 2008 and our preferred distribution in March 2009 (we paid approximately $10 million of preferred distributions in January 2009). Our ability to pay cash distributions is limited by the indenture governing our senior secured notes whenever we fail to meet a defined financial ratio threshold, as in the current circumstances; consequently, we do not expect to pay any common or preferred cash distributions during 2010. Distributions are not paid unless declared by FelCor's Board of Directors; however, any unpaid preferred distributions continue to accrue, and accrued and current preferred distributions must be paid in full prior to reinstatement of common distributions. FelCor's Board of Directors will determine whether to declare future distributions based upon various factors, including operating results, economic conditions, other operating trends, its financial condition including the outcome of refinancing debt maturities and capital requirements, as well as FelCor's minimum REIT distribution requirements.

Capital markets, and our access to financing on reasonably acceptable terms, have historically been affected by external events and circumstances, such as recessions, major bank failures, rising unemployment, shrinking GDP, acts of terrorism, etc. Events or circumstances of similar magnitude or impact could adversely affect the availability and cost of our capital going forward.

Secured Debt. At March 31, 2010, we had a total of $1.7 billion of consolidated secured debt with 67 encumbered consolidated hotels with a $2.0 billion aggregate net book value (including 14 hotels that are encumbered by our senior secured notes). In May 2010, we obtained a new five-year loan for approximately $212 million secured by nine hotels. The loan proceeds were used to repay $210 million in loans scheduled to mature in May 2010, secured by 11 hotels (including the nine hotels securing the new loan). The new loan bears interest at LIBOR (subject to a 3% floor) plus 5.10%. With this new financing, we resolved all of our remaining 2010 maturities on terms that are significantly more favorable than the refinanced debt, and we were able to unencumber two previously mortgaged hotels. In February 2010, we extended the maturity of a loan secured by a hotel from May 2010 to May 2013. Two remaining loans (totaling $32 million) mature in May 2010. The cash flows for the hotels that secure those loans do not cover debt service, and we stopped funding the shortfalls in December 2009. We have been unable to negotiate an acceptable debt modification or reduction that made sense for our stockholders, with regard to these loans. Therefore, these two hotels will be transferred to the lenders in full satisfaction of the debt.

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

Some of our secured debt includes lock-box arrangements under certain circumstances. We are generally permitted to retain an amount required to cover our budgeted hotel operating expenses, taxes, debt service, insurance and capital expenditure reserves, but the remaining revenues flow through a lock-box if a specified debt service coverage ratio is not met. With the exception of one hotel, all of our hotels subject to lock-box provisions currently exceed the applicable minimum debt service coverage ratios.

Senior Notes. In October 2009, we issued $636 million in aggregate principal amount of our 10% senior secured notes due 2014. These notes require that we satisfy total leverage, secured leverage and interest coverage tests in order to: (i) incur additional indebtedness except to refinance maturing debt with replacement debt, as defined under our indentures; (ii) pay distributions in excess of the minimum distributions required to meet FelCor's REIT qualification test; (iii) repurchase FelCor's capital stock; or (iv) merge. We are currently prohibited from paying distributions on our preferred or common units, except to the extent necessary to satisfy FelCor's REIT qualification requirement that it distribute currently at least 90% of its taxable income. These notes are guaranteed by us, and payment of those obligations is secured by a pledge of FelCor's limited partnership interest in us, a combination of first lien mortgages and related security interests and/or negative pledges on up to 14 hotels, and pledges of equity interests in certain of our subsidiaries. In addition, we redeemed all of our floating-rate senior notes and all but $87 million of our 8½% senior notes and amended the indenture governing the latter to eliminate substantially all of the restrictive covenants, guarantees, collateral and certain events of default provisions.

Interest Rate Caps. To fulfill requirements under certain loans, we entered into interest rate cap agreements with aggregate notional amounts of $427.2 million at March 31, 2010 and December 31, 2009. These interest rate caps were not designated as hedges and had insignificant fair values at both March 31, 2010 and December 31, 2009, resulting in no significant net earnings impact.

Inflation

Operators of hotels, in general, possess the ability to adjust room rates daily to reflect the effects of inflation. Competition may, however, require us to reduce room rates in the near term and may limit our ability to raise room rates in the future. We are also subject to the risk that inflation will cause increases in hotel operating expenses disproportionately to revenues. If competition requires us to reduce room rates or limits our ability to raise room rates in the future, we may not be able to adjust our 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.

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. 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, or the SEC.

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 deviations from these plans, intentions or expectations will not be material. 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 to the SEC. We undertake no obligation to publicly update any forward-looking statements to reflect future circumstances or changes in our expectations.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Quantitative and Qualitative Disclosures About Market Risk

At March 31, 2010, approximately 65% of our consolidated debt had fixed interest rates.

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 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.

Expected Maturity Date
at March 31, 2010
(dollars in thousands)

	Expected Maturity Date							
	2010	**2011**	**2012**	**2013**	**2014**	**Thereafter**	**Total**	**Fair Value**
Liabilities								
Fixed-rate:								
Debt	$ 247,918	$ 105,965	$ 4,544	$ 32,690	$ 805,052	$ 9,376	$ 1,205,545	1,234,079
Average interest rate	8.70%	8.62%	7.68%	8.61%	9.61%	5.81%	9.27%	
Floating-rate:								
Debt	1,809	448,300	177,225	-	-	-	627,334	558,681
Average interest rate[(a)]	5.20%	3.76%	4.26%	-	-	-	3.91%	
Total debt	$ 249,727	$ 554,265	$ 181,769	$ 32,690	$ 805,052	$ 9,376	$ 1,832,879	
Average interest rate	8.67%	4.69%	4.35%	8.61%	9.61%	5.81%	7.43%	
Net discount							(61,764)	
Total debt							$ 1,771,115	

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

Item 4. Controls and Procedures

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

We have no employees. 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) promulgated 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 5. Other Information

On May 3, 2010, certain of our subsidiaries entered into a Credit Agreement (the "Loan Agreement") with Fortress Credit Corp., as the administrative agent and lender, and the other lenders thereto, providing for a loan in the original principal amount of $212,000,000 (the "Loan"). The Loan has a term of five years and bears a variable interest rate (LIBOR, subject to a floor of 3%, plus 5.10%). The Loan is secured by first priority mortgages on nine hotel properties owned by certain of the borrowers and a pledge of the equity interests of the borrowers. The Loan Agreement, which contains no corporate-level financial covenants, includes prepayment rights and allows for partial release of collateral, subject to certain conditions. The Loan is subject to acceleration upon the occurrence of certain events of default. The Loan is nonrecourse, except for certain customary recourse carveouts. FelCor LP has guaranteed the recourse carveouts. The proceeds from the Loan were used to repay existing $210 million in loans maturing in May 2010, which were secured by 11 hotels, including the nine hotels securing the new loan, leaving two hotels unencumbered.

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
4.1	Third Supplemental Indenture, dated as of March 23, 2010, by and among FelCor Lodging Trust Incorporated, FelCor Lodging Limited Partnership, certain of their subsidiaries, as guarantors, and U.S. Bank National Association, as trustee and collateral agent, relating to the 10% Senior Secured Notes due 2014 (filed as Exhibit 4.1 to FelCor's Form 10-Q for the period ended March 31, 2010, and incorporated herein by reference).
10.1	Form of Mortgage, Deed of Trust, Assignment of Leases and Rents, Security Agreement and Fixture Filing by and among FelCor Lodging Trust Incorporated, FelCor Lodging Limited Partnership, certain of their subsidiaries, as guarantors, and U.S. Bank National Association, as trustee and collateral agent, relating to the 10% Senior Secured Notes due 2014 (filed as Exhibit 10.1 to FelCor's Form 10-Q for the period ended March 31, 2010, and incorporated herein by reference).
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

Date: May 3, 2010

By: /s/ Lester C. Johnson
Name: Lester C. Johnson
Title: Senior Vice President and Chief Accounting Officer

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 report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

    a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 3, 2010

/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 report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

    a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 3, 2010

/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 on Form 10-Q of FelCor Lodging Limited Partnership (the “Registrant”) for the three months ended March 31, 2010, 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.

May 3, 2010

/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 on Form 10-Q of FelCor Lodging Limited Partnership (the “Registrant”) for the three months ended March 31, 2010, 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.

May 3, 2010

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