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

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2017

OR

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

For the transition period from to

Commission file number: **001-14236** *(FelCor Lodging Trust Incorporated)*
Commission file number: **333-39595-01** *(FelCor Lodging Limited Partnership)*

FelCor Lodging Trust Incorporated
FelCor Lodging Limited Partnership

(Exact Name of Registrant as Specified in Its Charter)

Maryland	*(FelCor Lodging Trust Incorporated)*	**75-2541756**
Delaware	*(FelCor Lodging Limited Partnership)*	**75-2544994**
(State or Other Jurisdiction of Incorporation or Organization)		(I.R.S. Employer Identification No.)

125 E. John Carpenter Freeway, Suite 1600, 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.

FelCor Lodging Trust Incorporated		☑ Yes	☐ No
FelCor Lodging Limited Partnership	(see Note)	☐ Yes	☑ No

Note: As a voluntary filer not subject to the filing requirements of the Securities Exchange Act of 1934, the registrant has filed all reports pursuant to Section 13 or 15(d) for the preceding 12 months as if it were subject to such filing requirements.

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

FelCor Lodging Trust Incorporated	☑ Yes	☐ No
FelCor Lodging Limited Partnership	☑ Yes	☐ No

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

FelCor Lodging Trust Incorporated:

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

FelCor Lodging Limited Partnership:

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

FelCor Lodging Trust Incorporated	☐ Yes	☑ No
FelCor Lodging Limited Partnership	☐ Yes	☑ No

At August 4, 2017, FelCor Lodging Trust Incorporated had issued and outstanding 138,421,753 shares of common stock.

EXPLANATORY NOTE

This quarterly report on Form 10-Q for the quarter ended June 30, 2017, combines the filings for FelCor Lodging Trust Incorporated, or FelCor, and FelCor Lodging Limited Partnership, or FelCor LP. Where it is important to distinguish between the two, we either refer specifically to FelCor or FelCor LP. Otherwise we use the terms "we" or "our" to refer to FelCor and FelCor LP, collectively (including their consolidated subsidiaries), unless the context indicates otherwise.

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

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

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

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

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

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

FELCOR LODGING TRUST INCORPORATED and
FELCOR LODGING LIMITED PARTNERSHIP

INDEX

PART I -- FINANCIAL INFORMATION

Item 1. Financial Statements.

FELCOR LODGING TRUST INCORPORATED
CONSOLIDATED BALANCE SHEETS
(unaudited, in thousands, except par values)

	June 30, 2017	December 31, 2016
Assets		
Investment in hotels, net of accumulated depreciation of $932,184 and $932,886 at June 30, 2017 and December 31, 2016, respectively	$ 1,448,346	$ 1,566,823
Investment in unconsolidated entities	7,657	8,312
Hotels held for sale	77,937	—
Cash and cash equivalents	58,135	47,317
Restricted cash	24,199	19,491
Accounts receivable, net of allowance for doubtful accounts of $184 and $177 at June 30, 2017 and December 31, 2016, respectively	43,923	42,080
Deferred expenses, net of accumulated amortization of $3,895 and $2,959 at June 30, 2017 and December 31, 2016, respectively	3,591	4,527
Other assets	20,240	18,542
Total assets	$ 1,684,028	$ 1,707,092
Liabilities and Equity		
Debt, net of unamortized debt issuance costs of $14,803 and $15,967 at June 30, 2017 and December 31, 2016, respectively	$ 1,360,071	$ 1,338,326
Distributions payable	14,887	14,858
Accrued expenses and other liabilities	135,792	116,437
Total liabilities	1,510,750	1,469,621
Commitments and contingencies		
Redeemable noncontrolling interests in FelCor LP, 610 units issued and outstanding at June 30, 2017 and December 31, 2016	4,400	4,888
Equity:		
Preferred stock, $0.01 par value, 20,000 shares authorized:		
Series A Cumulative Convertible Preferred Stock, 12,879 shares, liquidation value of $321,987, issued and outstanding at June 30, 2017 and December 31, 2016	309,337	309,337
Common stock, $0.01 par value, 200,000 shares authorized; 138,412 and 137,990 shares issued and outstanding at June 30, 2017 and December 31, 2016, respectively	1,384	1,380
Additional paid-in capital	2,580,539	2,576,988
Accumulated deficit	(2,774,178)	(2,706,408)
Total FelCor stockholders' equity	117,082	181,297
Noncontrolling interests in other partnerships	7,365	7,503
Preferred equity in consolidated joint venture, liquidation value of $45,373 and $44,667 at June 30, 2017 and December 31, 2016, respectively	44,431	43,783
Total equity	168,878	232,583
Total liabilities and equity	$ 1,684,028	$ 1,707,092

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

FELCOR LODGING TRUST INCORPORATED

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

For the Three and Six Months Ended June 30, 2017 and 2016

(unaudited, in thousands, except for per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	**2016**	**2017**	**2016**
Revenues:				
Hotel operating revenue	$ 219,116	$ 236,761	$ 406,812	$ 446,218
Other revenue	1,324	1,145	1,732	1,832
Total revenues	220,440	237,906	408,544	448,050
Expenses:				
Hotel departmental expenses	75,711	81,379	146,144	158,817
Other property-related costs	52,220	56,007	103,075	111,573
Management and franchise fees	7,726	8,501	15,276	17,726
Taxes, insurance and lease expense	15,454	14,864	29,356	28,446
Corporate expenses	6,281	6,047	13,221	14,447
Depreciation and amortization	27,528	29,177	55,366	58,360
Impairment	10,271	6,333	35,109	6,333
Other expenses	7,331	2,142	8,591	2,970
Total operating expenses	202,522	204,450	406,138	398,672
Operating income	17,918	33,456	2,406	49,378
Interest expense, net	(19,416)	(19,907)	(38,702)	(39,627)
Other gains, net	100	100	100	100
Income (loss) before equity in income from unconsolidated entities	(1,398)	13,649	(36,196)	9,851
Equity in income from unconsolidated entities	648	726	518	572
Income (loss) from continuing operations before income tax	(750)	14,375	(35,678)	10,423
Income tax	(503)	25	(1,050)	(390)
Income (loss) from continuing operations before loss on sale of hotels	(1,253)	14,400	(36,728)	10,033
Loss on sale of hotels	(207)	(630)	(873)	(1,344)
Net income (loss) and comprehensive income (loss)	(1,460)	13,770	(37,601)	8,689
Net loss attributable to noncontrolling interests in other partnerships	33	16	437	487
Net loss (income) attributable to redeemable noncontrolling interests in FelCor LP	35	(31)	221	17
Preferred distributions - consolidated joint venture	(367)	(364)	(727)	(724)
Net income (loss) and comprehensive income (loss) attributable to FelCor	(1,759)	13,391	(37,670)	8,469
Preferred dividends	(6,279)	(6,279)	(12,558)	(12,558)
Net income (loss) attributable to FelCor common stockholders	$ (8,038)	$ 7,112	$ (50,228)	$ (4,089)
Basic and diluted per common share data:				
Net income (loss)	$ (0.06)	$ 0.05	$ (0.36)	$ (0.03)
Basic weighted average common shares outstanding	137,866	138,182	137,820	138,930
Diluted weighted average common shares outstanding	137,866	138,678	137,820	138,930
Dividends declared per common share	$ 0.06	$ 0.06	$ 0.12	$ 0.12

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

FELCOR LODGING TRUST INCORPORATED

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the Six Months Ended June 30, 2017 and 2016
(unaudited, in thousands, except for per share data)

	Preferred Stock		Common Stock						
	Number of Shares	Amount	Number of Shares	Amount	Additional Paid-in Capital	Accumulated Deficit	Noncontrolling Interests in Other Partnerships	Preferred Equity in Consolidated Joint Venture	Total Equity
Balance at December 31, 2015	12,879	$ 309,337	141,808	$ 1,418	$ 2,567,515	$ (2,618,117)	$ 7,806	$ 43,186	$ 311,145
Repurchase of common stock	—	—	(4,133)	(41)	—	(27,386)	—	—	(27,427)
Issuance of stock awards	—	—	648	6	728	—	—	—	734
Cumulative effect of change in accounting for stock compensation forfeitures	—	—	—	—	185	(185)	—	—	—
Stock awards - amortization	—	—	—	—	3,677	—	—	—	3,677
Stock compensation shares withheld	—	—	(98)	(1)	—	(591)	—	—	(592)
Allocation to redeemable noncontrolling interests	—	—	—	—	563	—	—	—	563
Contribution from noncontrolling interests	—	—	—	—	—	—	530	—	530
Distribution to noncontrolling interests	—	—	—	—	—	—	(1)	—	(1)
Dividends declared:									
$0.12 per common share	—	—	—	—	—	(16,666)	—	—	(16,666)
$0.975 per Series A preferred share	—	—	—	—	—	(12,558)	—	—	(12,558)
Preferred distributions - consolidated joint venture	—	—	—	—	—	—	—	(724)	(724)
Issuance of preferred equity - consolidated joint venture	—	—	—	—	—	—	—	597	597
Net income (loss) and comprehensive income (loss) (attributable to FelCor and noncontrolling interests in other partnerships)	—	—	—	—	—	8,469	(487)	724	8,706
Balance at June 30, 2016	12,879	$ 309,337	138,225	$ 1,382	$ 2,572,668	$ (2,667,034)	$ 7,848	$ 43,783	$ 267,984
Balance at December 31, 2016	12,879	$ 309,337	137,990	$ 1,380	$ 2,576,988	$ (2,706,408)	$ 7,503	$ 43,783	$ 232,583
Issuance of stock awards	—	—	541	5	180	—	—	—	185
Stock awards - amortization	—	—	—	—	3,178	—	—	—	3,178
Stock compensation shares withheld	—	—	(119)	(1)	—	(880)	—	—	(881)
Allocation to redeemable noncontrolling interests	—	—	—	—	193	—	—	—	193
Contribution from noncontrolling interests	—	—	—	—	—	—	299	—	299
Dividends declared:									
$0.12 per common share	—	—	—	—	—	(16,662)	—	—	(16,662)
$0.975 per Series A preferred share	—	—	—	—	—	(12,558)	—	—	(12,558)
Preferred distributions - consolidated joint venture	—	—	—	—	—	—	—	(727)	(727)
Issuance of preferred equity - consolidated joint venture	—	—	—	—	—	—	—	648	648
Net income (loss) and comprehensive income (loss) (attributable to FelCor and noncontrolling interests in other partnerships)	—	—	—	—	—	(37,670)	(437)	727	(37,380)
Balance at June 30, 2017	12,879	$ 309,337	138,412	$ 1,384	$ 2,580,539	$ (2,774,178)	$ 7,365	$ 44,431	$ 168,878

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

FELCOR LODGING TRUST INCORPORATED

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Six Months Ended June 30, 2017 and 2016
(unaudited, in thousands)

	Six Months Ended June 30,	
	2017	**2016**
Cash flows from operating activities:		
Net income (loss)	$ (37,601)	$ 8,689
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	55,366	58,360
Loss on sale of hotels and other assets, net	773	1,244
Amortization of deferred financing fees	2,100	1,897
Amortization of fixed stock and directors' compensation	2,988	3,627
Equity in income from unconsolidated entities	(518)	(572)
Distributions of income from unconsolidated entities	333	339
Impairment	35,109	6,333
Changes in assets and liabilities:		
Accounts receivable	(6,781)	(10,599)
Other assets	(1,873)	(5,255)
Accrued expenses and other liabilities	17,353	7,502
Net cash flow provided by operating activities	67,249	71,565
Cash flows from investing activities:		
Improvements and additions to hotels	(41,921)	(31,909)
Net payments related to asset sales	(1,296)	(1,461)
Change in restricted cash	(4,709)	(6,004)
Insurance proceeds	—	94
Distributions from unconsolidated entities in excess of earnings	840	386
Net cash flow used in investing activities	(47,086)	(38,894)
Cash flows from financing activities:		
Proceeds from borrowings	51,000	50,000
Repayment of borrowings	(30,419)	(27,145)
Payment of deferred financing fees	—	(12)
Distributions paid to noncontrolling interests	—	(1)
Contributions from noncontrolling interests	299	530
Distributions paid to FelCor LP limited partners	(74)	(75)
Distributions paid to preferred stockholders	(12,558)	(12,558)
Repurchase of common stock	—	(27,427)
Stock compensation withholding	(881)	(592)
Preferred distributions - consolidated joint venture	(729)	(729)
Distributions paid to common stockholders	(16,631)	(16,848)
Net proceeds from issuance of preferred equity - consolidated joint venture	648	597
Net cash flow used in financing activities	(9,345)	(34,260)
Effect of exchange rate changes on cash	—	(9)
Net change in cash and cash equivalents	10,818	(1,598)
Cash and cash equivalents at beginning of periods	47,317	59,786
Cash and cash equivalents at end of periods	$ 58,135	$ 58,188
Supplemental cash flow information – interest paid, net of capitalized interest	$ 36,984	$ 37,581
Supplemental cash flow information – income taxes paid	$ 1,105	$ 105

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

FELCOR LODGING LIMITED PARTNERSHIP

CONSOLIDATED BALANCE SHEETS
(unaudited, in thousands)

	June 30, 2017	December 31, 2016
Assets		
Investment in hotels, net of accumulated depreciation of $932,184 and $932,886 at June 30, 2017 and December 31, 2016, respectively	$ 1,448,346	$ 1,566,823
Investment in unconsolidated entities	7,657	8,312
Hotels held for sale	77,937	—
Cash and cash equivalents	58,135	47,317
Restricted cash	24,199	19,491
Accounts receivable, net of allowance for doubtful accounts of $184 and $177 at June 30, 2017 and December 31, 2016, respectively	43,923	42,080
Deferred expenses, net of accumulated amortization of $3,895 and $2,959 at June 30, 2017 and December 31, 2016, respectively	3,591	4,527
Other assets	20,240	18,542
Total assets	$ 1,684,028	$ 1,707,092
Liabilities and Partners' Capital		
Debt, net of unamortized debt issuance costs of $14,803 and $15,967 at June 30, 2017 and December 31, 2016, respectively	$ 1,360,071	$ 1,338,326
Distributions payable	14,887	14,858
Accrued expenses and other liabilities	135,792	116,437
Total liabilities	1,510,750	1,469,621
Commitments and contingencies		
Redeemable units, 610 units issued and outstanding at June 30, 2017 and December 31, 2016	4,400	4,888
Capital:		
Preferred units:		
Series A Cumulative Convertible Preferred Units, 12,879 units issued and outstanding at June 30, 2017 and December 31, 2016	309,337	309,337
Common units, 138,412 and 137,990 units issued and outstanding at June 30, 2017 and December 31, 2016, respectively	(192,255)	(128,040)
Total FelCor LP partners' capital	117,082	181,297
Noncontrolling interests	7,365	7,503
Preferred capital in consolidated joint venture	44,431	43,783
Total partners' capital	168,878	232,583
Total liabilities and partners' capital	$ 1,684,028	$ 1,707,092

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

FELCOR LODGING LIMITED PARTNERSHIP

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
For the Three and Six Months Ended June 30, 2017 and 2016
(unaudited, in thousands, except for per unit data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	**2016**	**2017**	**2016**
Revenues:				
Hotel operating revenue	$ 219,116	$ 236,761	$ 406,812	$ 446,218
Other revenue	1,324	1,145	1,732	1,832
Total revenues	220,440	237,906	408,544	448,050
Expenses:				
Hotel departmental expenses	75,711	81,379	146,144	158,817
Other property-related costs	52,220	56,007	103,075	111,573
Management and franchise fees	7,726	8,501	15,276	17,726
Taxes, insurance and lease expense	15,454	14,864	29,356	28,446
Corporate expenses	6,281	6,047	13,221	14,447
Depreciation and amortization	27,528	29,177	55,366	58,360
Impairment	10,271	6,333	35,109	6,333
Other expenses	7,331	2,142	8,591	2,970
Total operating expenses	202,522	204,450	406,138	398,672
Operating income	17,918	33,456	2,406	49,378
Interest expense, net	(19,416)	(19,907)	(38,702)	(39,627)
Other gains, net	100	100	100	100
Income (loss) before equity in income from unconsolidated entities	(1,398)	13,649	(36,196)	9,851
Equity in income from unconsolidated entities	648	726	518	572
Income (loss) from continuing operations before income tax	(750)	14,375	(35,678)	10,423
Income tax	(503)	25	(1,050)	(390)
Income (loss) from continuing operations before loss on sale of hotels	(1,253)	14,400	(36,728)	10,033
Loss on sale of hotels	(207)	(630)	(873)	(1,344)
Net income (loss) and comprehensive income (loss)	(1,460)	13,770	(37,601)	8,689
Net loss attributable to noncontrolling interests	33	16	437	487
Preferred distributions - consolidated joint venture	(367)	(364)	(727)	(724)
Net income (loss) and comprehensive income (loss) attributable to FelCor LP	(1,794)	13,422	(37,891)	8,452
Preferred distributions	(6,279)	(6,279)	(12,558)	(12,558)
Net income (loss) attributable to FelCor LP common unitholders	$ (8,073)	$ 7,143	$ (50,449)	$ (4,106)
Basic and diluted per common unit data:				
Net income (loss)	$ (0.06)	$ 0.05	$ (0.36)	$ (0.03)
Basic weighted average common units outstanding	138,476	138,793	138,430	139,541
Diluted weighted average common units outstanding	138,476	139,289	138,430	139,541
Distributions per common unit	$ 0.06	$ 0.06	$ 0.12	$ 0.12

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

FELCOR LODGING LIMITED PARTNERSHIP

CONSOLIDATED STATEMENTS OF PARTNERS' CAPITAL
For the Six Months Ended June 30, 2017 and 2016
(unaudited, in thousands)

	Preferred Units	Common Units	Noncontrolling Interests	Preferred Capital in Consolidated Joint Venture	Total Partners' Capital
Balance at December 31, 2015	$ 309,337	$ (49,184)	$ 7,806	$ 43,186	$ 311,145
Repurchase of common units	—	(27,427)	—	—	(27,427)
FelCor restricted stock compensation	—	3,819	—	—	3,819
Contributions	—	—	530	—	530
Distributions	—	(29,299)	(1)	(724)	(30,024)
Allocation to redeemable units	—	655	—	—	655
Issuance of preferred capital - consolidated joint venture	—	—	—	597	597
Net income (loss) and comprehensive income (loss)	—	8,452	(487)	724	8,689
Balance at June 30, 2016	$ 309,337	$ (92,984)	$ 7,848	$ 43,783	$ 267,984
Balance at December 31, 2016	$ 309,337	$ (128,040)	$ 7,503	$ 43,783	$ 232,583
FelCor restricted stock compensation	—	2,482	—	—	2,482
Contributions	—	—	299	—	299
Distributions	—	(29,294)	—	(727)	(30,021)
Allocation to redeemable units	—	488	—	—	488
Issuance of preferred capital - consolidated joint venture	—	—	—	648	648
Net income (loss) and comprehensive income (loss)	—	(37,891)	(437)	727	(37,601)
Balance at June 30, 2017	$ 309,337	$ (192,255)	$ 7,365	$ 44,431	$ 168,878

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

FELCOR LODGING LIMITED PARTNERSHIP

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Six Months Ended June 30, 2017 and 2016
(unaudited, in thousands)

	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016
Cash flows from operating activities:		
Net income (loss)	$ (37,601)	$ 8,689
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	55,366	58,360
Loss on sale of hotels and other assets, net	773	1,244
Amortization of deferred financing fees	2,100	1,897
Amortization of fixed stock and directors' compensation	2,988	3,627
Equity in income from unconsolidated entities	(518)	(572)
Distributions of income from unconsolidated entities	333	339
Impairment	35,109	6,333
Changes in assets and liabilities:		
Accounts receivable	(6,781)	(10,599)
Other assets	(1,873)	(5,255)
Accrued expenses and other liabilities	17,353	7,502
Net cash flow provided by operating activities	67,249	71,565
Cash flows from investing activities:		
Improvements and additions to hotels	(41,921)	(31,909)
Net payments related to asset sales	(1,296)	(1,461)
Change in restricted cash	(4,709)	(6,004)
Insurance proceeds	—	94
Distributions from unconsolidated entities in excess of earnings	840	386
Net cash flow used in investing activities	(47,086)	(38,894)
Cash flows from financing activities:		
Proceeds from borrowings	51,000	50,000
Repayment of borrowings	(30,419)	(27,145)
Payment of deferred financing fees	—	(12)
Distributions paid to noncontrolling interests	—	(1)
Contributions from noncontrolling interests	299	530
Distributions paid to FelCor LP limited partners	(74)	(75)
Distributions paid to preferred unitholders	(12,558)	(12,558)
Repurchase of common units	—	(27,427)
FelCor stock compensation withholding	(881)	(592)
Preferred distributions - consolidated joint venture	(729)	(729)
Distributions paid to common unitholders	(16,631)	(16,848)
Net proceeds from issuance of preferred capital - consolidated joint venture	648	597
Net cash flow used in financing activities	(9,345)	(34,260)
Effect of exchange rate changes on cash	—	(9)
Net change in cash and cash equivalents	10,818	(1,598)
Cash and cash equivalents at beginning of periods	47,317	59,786
Cash and cash equivalents at end of periods	$ 58,135	$ 58,188
Supplemental cash flow information – interest paid, net of capitalized interest	$ 36,984	$ 37,581
Supplemental cash flow information – income taxes paid	$ 1,105	$ 105

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

1. Organization

FelCor Lodging Trust Incorporated (NYSE:FCH), or FelCor, is a Maryland corporation operating as a real estate investment trust, or REIT. FelCor is the sole general partner of, and the owner of a greater than 99.5% partnership interest in, FelCor Lodging Limited Partnership, or FelCor LP, through which we held ownership interests in 39 hotels as of June 30, 2017, two of which were held for sale. At June 30, 2017, we had an aggregate of 139,021,939 shares and units outstanding, consisting of 138,411,756 shares of FelCor common stock and 610,183 FelCor LP units not owned by FelCor. Felcor LP is a variable interest entity of FelCor.

Of our 37 hotels as of June 30, 2017 (excluding the two hotels held for sale), we owned 100% interests in 34 hotels, a 95% interest in one hotel (The Knickerbocker) and 50% interests in entities owning two hotels. We consolidate our real estate interests in the 35 hotels in which we hold majority interests, and we record the real estate interests of the two hotels in which we hold indirect 50% interests using the equity method. We lease 36 of the 37 hotels to our taxable REIT subsidiaries, of which we own a controlling interest. We operate one 50% owned hotel without a lease. Because we own controlling interests in our operating lessees, we consolidate our interests in all 36 leased hotels (which we refer to as our Consolidated Hotels) and reflect their operating revenues and expenses in our statements of operations and comprehensive income (loss). We own 50% of the real estate interest in one Consolidated Hotel (we account for our real estate interest in this hotel by the equity method) and majority real estate interests in our remaining 35 Consolidated Hotels (we consolidate our real estate interests in these hotels).

The following table reflects the distribution by brand of our 36 Consolidated Hotels at June 30, 2017:

Brand	Hotels	Rooms
Embassy Suites by Hilton®	18	4,982
Wyndham® and Wyndham Grand®	8	2,528
Marriott® and Renaissance®	2	761
Holiday Inn®	1	585
DoubleTree by Hilton® and Hilton®	3	802
Sheraton®	2	673
Fairmont®	1	383
The Knickerbocker®	1	330
Total	36	11,044

At June 30, 2017, our Consolidated Hotels were located in 14 states, with concentrations in California (10 hotels), Florida (six hotels) and Massachusetts (three hotels). We generated approximately 61% of our revenue from hotels in these three states during the first six months of 2017.

At June 30, 2017, of our Consolidated Hotels: (i) subsidiaries of Hilton Worldwide managed 20 hotels; (ii) subsidiaries of Wyndham Worldwide managed eight hotels; (iii) subsidiaries of Marriott International managed four hotels; (iv) subsidiaries of InterContinental Hotels Group managed one hotel; (v) Fairmont, a subsidiary of AccorHotels Group, managed one hotel; (vi) a subsidiary of Highgate Hotels managed one hotel; and (vii) Aimbridge Hospitality managed one hotel.

1. Organization — (continued)

The information in our consolidated financial statements for the three and six months ended June 30, 2017 and 2016 is unaudited. Preparing financial statements in conformity with accounting principles generally accepted in the United States of America, or GAAP, requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. The accompanying financial statements for the three and six months ended June 30, 2017 and 2016, include adjustments based on management's estimates (consisting of normal and recurring accruals), which we consider necessary for a fair statement 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, 2016, included in our Annual Report on Form 10-K. Operating results for the three and six months ended June 30, 2017 are not necessarily indicative of actual operating results for the entire year.

2. Investment in Unconsolidated Entities

At June 30, 2017 and December 31, 2016, we owned 50% interests in joint ventures that owned two hotels. We also own 50% interests in entities that own real estate in Myrtle Beach, South Carolina and provide condominium management services at these locations. We account for our investments in these unconsolidated entities under the equity method. We consolidate all of our majority-owned subsidiaries 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):

	June 30, 2017	December 31, 2016
Investment in hotels and other properties, net of accumulated depreciation	$ 19,817	$ 20,898
Total assets	$ 26,777	$ 27,052
Debt, net of unamortized debt issuance costs	$ 21,801	$ 22,065
Total liabilities	$ 24,960	$ 24,311
Equity	$ 1,817	$ 2,741

Our unconsolidated entities' debt at June 30, 2017 and December 31, 2016 consisted entirely of non-recourse mortgage debt.

2. Investment in Unconsolidated Entities — (continued)

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Total revenues	$ 10,461	$ 10,175	$ 15,687	$ 15,678
Net income	$ 1,489	$ 1,644	$ 1,422	$ 1,530
Net income attributable to FelCor	$ 744	$ 822	$ 711	$ 765
Depreciation of cost in excess of book value	(96)	(96)	(193)	(193)
Equity in income from unconsolidated entities	$ 648	$ 726	$ 518	$ 572

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

	June 30, 2017	December 31, 2016
Equity basis of hotel joint venture investments	$ (4,497)	$ (4,533)
Cost of hotel investments in excess of joint venture book value	6,749	6,942
Equity basis of land and condominium joint venture investments	5,405	5,903
Investment in unconsolidated entities	$ 7,657	$ 8,312

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Hotel investments	$ 575	$ 653	$ 1,016	$ 1,028
Other investments	73	73	(498)	(456)
Equity in income from unconsolidated entities	$ 648	$ 726	$ 518	$ 572

3. Debt

Consolidated debt consisted of the following (dollars in thousands) at the dates shown:

	Encumbered Hotels	Interest Rate (%)	Maturity Date	June 30, 2017	December 31, 2016
Senior unsecured notes	—	6.00	June 2025	$ 475,000	$ 475,000
Senior secured notes	9	5.625	March 2023	525,000	525,000
Mortgage debt[(a)]	4	4.95	October 2022	118,971	120,109
Mortgage debt	1	4.94	October 2022	29,903	30,184
Line of credit[(b)]	7	LIBOR + 2.75	June 2019	141,000	119,000
Mortgage debt[(c)]	1	LIBOR + 3.00	November 2017	85,000	85,000
Total	22			$ 1,374,874	$ 1,354,293
Unamortized debt issuance costs				(14,803)	(15,967)
Debt, net of unamortized debt issuance costs				$ 1,360,071	$ 1,338,326

(a) This debt is comprised of separate non-cross-collateralized loans, each secured by a mortgage encumbering a separate hotel.

(b) Our line of credit can be extended for one year, subject to satisfying certain conditions. We may borrow up to $400 million under our line of credit.

(c) This loan can be extended for one year, subject to satisfying certain conditions.

We reported $19.4 million and $19.9 million of interest expense for the three months ended June 30, 2017 and 2016, respectively, which is net of: (i) interest income of $47,000 and $16,000 and (ii) capitalized interest of $429,000 and $205,000, respectively. We reported $38.7 million and $39.6 million of interest expense for the six months ended June 30, 2017 and 2016, respectively, which is net of: (i) interest income of $80,000 and $28,000 and (ii) capitalized interest of $791,000 and $347,000, respectively.

4. FelCor Capital Stock/FelCor LP Partners' Capital

During the first six months of 2016, FelCor repurchased 4.1 million shares of common stock for $27.4 million (including commissions) at an average price of $6.61 per share. Since FelCor's Board of Directors authorized the $100 million repurchase program, which expires October 2017, FelCor has repurchased 6.6 million shares of common stock for $44.8 million (including commissions) at an average price of $6.78 per share. All repurchased shares have been retired and have been re-designated as authorized but unissued.

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

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

	Three Months Ended June 30, 2017	Three Months Ended June 30, 2016	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016
Room revenue	$ 168,772	$ 181,318	$ 313,705	$ 340,394
Food and beverage revenue	37,921	43,697	69,995	83,229
Other operating departments	12,423	11,746	23,112	22,595
Total hotel operating revenue	$ 219,116	$ 236,761	$ 406,812	$ 446,218

Nearly all of our revenue is comprised of hotel operating revenues. These revenues are recorded net of any sales or occupancy taxes collected from our guests. We record all rebates or discounts, 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. We make appropriate allowances for doubtful accounts, which we record as bad debt expense. The remainder of our revenue is from condominium management fee income and other sources.

Hotel departmental expenses were comprised of the following (in thousands, except for percentages):

	Three Months Ended June 30, 2017		2016	
	Amount	% of Total Hotel Operating Revenue	Amount	% of Total Hotel Operating Revenue
Room	$ 43,483	19.8%	$ 44,748	18.9%
Food and beverage	28,281	12.9	32,592	13.8
Other operating departments	3,947	1.9	4,039	1.7
Total hotel departmental expenses	$ 75,711	34.6%	$ 81,379	34.4%

	Six Months Ended June 30, 2017		2016	
	Amount	% of Total Hotel Operating Revenue	Amount	% of Total Hotel Operating Revenue
Room	$ 84,161	20.7%	$ 87,447	19.6%
Food and beverage	54,503	13.4	63,548	14.2
Other operating departments	7,480	1.8	7,822	1.8
Total hotel departmental expenses	$ 146,144	35.9%	$ 158,817	35.6%

5. Hotel Operating Revenue, Departmental Expenses, and Other Property-Related Costs — (continued)

Other property-related costs were comprised of the following amounts (in thousands, except for percentages):

	Three Months Ended June 30,			
	2017		2016	
	Amount	% of Total Hotel Operating Revenue	Amount	% of Total Hotel Operating Revenue
Hotel general and administrative expense	$ 18,919	8.6%	$ 21,042	8.9%
Marketing	18,407	8.4	19,157	8.1
Repair and maintenance	8,665	4.0	9,391	4.0
Utilities	6,229	2.8	6,417	2.7
Total other property-related costs	$ 52,220	23.8%	$ 56,007	23.7%

	Six Months Ended June 30,			
	2017		2016	
	Amount	% of Total Hotel Operating Revenue	Amount	% of Total Hotel Operating Revenue
Hotel general and administrative expense	$ 37,482	9.2%	$ 41,500	9.3%
Marketing	35,779	8.8	38,030	8.5
Repair and maintenance	17,494	4.3	19,096	4.3
Utilities	12,320	3.0	12,947	2.9
Total other property-related costs	$ 103,075	25.3%	$ 111,573	25.0%

Wyndham guarantees minimum levels of annual net operating income at each of the hotels it manages for us. We recorded $2.4 million and $1.5 million with respect to the pro rata portions of the projected aggregate full-year guaranties for the six months ended June 30, 2017 and 2016, respectively (of which $1.4 million and $1.5 million is attributable to the three months ended June 30, 2017 and 2016, respectively). We record these amounts as a reduction of Wyndham's contractual management and other fees.

6. Taxes, Insurance and Lease Expense

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Hotel lease expense[(a)]	$ 1,430	$ 1,359	$ 2,245	$ 2,161
Land lease expense[(b)]	3,685	3,757	7,089	7,019
Real estate and other taxes	8,532	7,784	16,447	15,359
Property insurance, general liability insurance and other	1,807	1,964	3,575	3,907
Total taxes, insurance and lease expense	$ 15,454	$ 14,864	$ 29,356	$ 28,446

(a) We record hotel lease expense for the consolidated operating lessees of hotels owned by unconsolidated entities and partially offset this expense through noncontrolling interests in other partnerships (generally 49%). We record our 50% share of the corresponding lease income through equity in income (loss) from unconsolidated entities. We include in hotel lease expense percentage rent of $615,000 and $557,000 for the three and six months ended June 30, 2017 and 2016, respectively.

(b) We include in land lease expense percentage rent of $1.6 million and $1.5 million for the three months ended June 30, 2017 and 2016, respectively, and $2.9 million and $2.6 million for the six months ended June 30, 2017 and 2016, respectively.

7. Impairment Charges

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

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

In March 2017, we recorded a $24.8 million impairment charge for a hotel. The impairment charge was based on both third-party offers to purchase the hotel and observable market data on a price per room basis from transactions involving hotels in similar locations (a Level 2 input under authoritative guidance for fair value measurements).

In June 2017, two hotels, including the hotel impaired during the first quarter of 2017, were classified as held for sale. The basis for these hotels had previously been written down to reflect the respective fair market value of the properties based on both third-party offers to purchase the hotels and observable market data on a price per room basis from transactions involving hotels in similar locations (a Level 2 input under authoritative guidance for fair value measurements). During the current period, we recorded additional impairment charges of $10.3 million for these hotels to reflect the current contract prices less estimated costs of sales.

7. Impairment Charges — (continued)

In June 2016, we recorded a $6.3 million impairment charge, based on an accepted third-party offer to purchase a hotel (a Level 2 input under authoritative guidance for fair value measurements) at a price below our previously estimated fair market value for the property. The hotel was subsequently sold in the third quarter of 2016.

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

8. Hotel Dispositions

At June 30, 2017, we had two hotels held for sale, both of which were subsequently sold in the third quarter of 2017. In 2016, we sold two hotels. We included operations for the held for sale and sold hotels in income (loss) from continuing operations as shown in the statements of operations and comprehensive income (loss) for the three and six months ended June 30, 2017 and 2016, as disposition of these hotels does not represent a strategic shift in our business. Additionally, we included selling costs, which we expense as they are incurred, in the gain (loss) on the sale of hotels.

We designate a hotel as held for sale when the sale is probable within the next twelve months. Generally, we consider a sale to be probable when a buyer completes its due diligence review, we have an executed contract for sale and we have received a substantial non-refundable deposit.

The following table includes condensed financial information primarily related to the two hotels held for sale at June 30, 2017 and the hotels sold in 2016 included in continuing operations (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Hotel operating revenue	$ 7,197	$ 24,026	$ 12,773	$ 48,859
Operating expenses	(18,687)	(28,569)	(51,935)	(51,633)
Operating loss from continuing operations	(11,490)	(4,543)	(39,162)	(2,774)
Loss on sale of hotels	(207)	(630)	(873)	(1,344)
Net loss	(11,697)	(5,173)	(40,035)	(4,118)
Net loss attributable to redeemable noncontrolling interests in FelCor LP	50	22	172	18
Net loss attributable to FelCor	$ (11,647)	$ (5,151)	$ (39,863)	$ (4,100)

9. Income (Loss) Per Share/Unit

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

FelCor Income (Loss) Per Share

	Three Months Ended June 30, 2017	Three Months Ended June 30, 2016	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016
Numerator:				
Net income (loss) attributable to FelCor	$ (1,759)	$ 13,391	$ (37,670)	$ 8,469
Less: Preferred dividends	(6,279)	(6,279)	(12,558)	(12,558)
Less: Dividends declared on unvested restricted stock	(36)	(35)	(73)	(73)
Numerator for basic and diluted income (loss) attributable to FelCor common stockholders	$ (8,074)	$ 7,077	$ (50,301)	$ (4,162)
Denominator:				
Denominator for basic income (loss) per share	137,866	138,182	137,820	138,930
FelCor restricted stock units, less shares assumed purchased at market	—	496	—	—
Denominator for diluted income (loss) per share	137,866	138,678	137,820	138,930
Basic and diluted income (loss) per share data:				
Net income (loss)	$ (0.06)	$ 0.05	$ (0.36)	$ (0.03)

FelCor LP Income (Loss) Per Unit

	Three Months Ended June 30, 2017	Three Months Ended June 30, 2016	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016
Numerator:				
Net income (loss) attributable to FelCor LP	$ (1,794)	$ 13,422	$ (37,891)	$ 8,452
Less: Preferred distributions	(6,279)	(6,279)	(12,558)	(12,558)
Less: Distributions declared on FelCor unvested restricted stock	(36)	(35)	(73)	(73)
Numerator for basic and diluted income (loss) attributable to FelCor common unitholders	$ (8,109)	$ 7,108	$ (50,522)	$ (4,179)
Denominator:				
Denominator for basic income (loss) per unit	138,476	138,793	138,430	139,541
FelCor restricted stock units, less shares assumed purchased at market	—	496	—	—
Denominator for diluted income (loss) per unit	138,476	139,289	138,430	139,541
Basic and diluted income (loss) per unit data:				
Net income (loss)	$ (0.06)	$ 0.05	$ (0.36)	$ (0.03)

The income (loss) attributable to FelCor/FelCor LP share/unit in the above calculations includes the net loss on sale of hotels attributable to FelCor/FelCor LP.

9. Income (Loss) Per Share/Unit — (continued)

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Series A convertible preferred shares/units	9,984	9,984	9,984	9,984
FelCor restricted stock units, less shares assumed purchased at market	287	—	239	451

Series A preferred dividends (distributions) that would be excluded from net income (loss) attributable to FelCor common stockholders (or FelCor LP common unitholders), if these preferred shares/units were dilutive, were $6.3 million for the three months ended June 30, 2017 and 2016, and $12.6 million for the six months ended June 30, 2017 and 2016.

We grant our executive officers restricted stock units each year, which provides them with the potential to earn shares of our common stock. We amortize the fixed cost of these grants over the vesting period. We calculate the potential dilutive impact of these awards on our earnings per share using the treasury stock method.

10. Fair Value of Financial Instruments

We base disclosures about fair value of our financial instruments on pertinent information available to management as of June 30, 2017 and December 31, 2016. We exercise considerable judgment when interpreting market data and developing 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. Different market assumptions and/or estimation methodologies may have a material effect on estimated fair value amounts.

We base our estimates of the fair value of: (i) cash and cash equivalents, restricted cash, accounts receivable, accounts payable and accrued expenses on their carrying values due to their relatively short maturity; (ii) our debt for which trading prices are publicly available on observable market data (a Level 2 input) (that debt had an estimated fair value of $1.1 billion and $1.0 billion at June 30, 2017 and December 31, 2016, respectively); and (iii) our debt for which trading prices are not publicly available on a discounted cash flow model using effective borrowing rates for debt with similar terms, loan to estimated fair value of collateral and remaining maturities (a Level 3 input) (that debt had an estimated fair value of $384.6 million and $364.6 million at June 30, 2017 and December 31, 2016, respectively). The estimated fair value of all our debt was $1.4 billion at June 30, 2017 and December 31, 2016. The carrying value of our debt was $1.4 billion and $1.3 billion at June 30, 2017 and December 31, 2016, respectively.

11. Redeemable Noncontrolling Interests in FelCor LP/Redeemable Units

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

At June 30, 2017 and December 31, 2016, we carried 610,183 outstanding limited partnership units at $4.4 million and $4.9 million, respectively. We base the value of these outstanding units on the closing price of FelCor's common stock at June 30, 2017 ($7.21 per share) and December 31, 2016 ($8.01 per share).

Changes in redeemable noncontrolling interests (or redeemable units) for the six months ended June 30, 2017 and 2016 are shown below (in thousands):

	Six Months Ended June 30,	
	2017	**2016**
Balance at beginning of period	$ 4,888	$ 4,464
Redemption value allocation	(193)	(563)
Distributions paid to unitholders	(74)	(75)
Net loss	(221)	(17)
Balance at end of period	$ 4,400	$ 3,809

12. Consolidated Joint Venture Preferred Equity/Capital

Our joint venture that redeveloped The Knickerbocker raised $45.0 million through the sale of redeemable preferred equity under the EB-5 Immigrant Investor Program. The purchasers receive a 3.25% current annual return (which increases to 8% if we do not redeem this equity interest before the fifth anniversary of its issuance), plus a 0.25% non-compounding annual return payable at redemption. Through June 30, 2017, the venture received $45.0 million in gross proceeds ($44.4 million net of issuance costs), including $650,000 in gross proceeds received in the first six months of 2017 and $600,000 in gross proceeds received in the first six months of 2016.

13. Contingency

In April 2016, an affiliate of InterContinental Hotels Group PLC, or IHG, which had formerly operated three hotels on our behalf (two of which we sold in 2006, and one of which we converted to Wyndham operation and brand in 2013), notified us that the pension fund in which the employees at those hotels had participated has assessed $8.3 million in withdrawal liability in connection with the termination of IHG's operation of those hotels. Under our hotel management agreements with IHG, we

13. Contingency — (continued)

may be obligated to indemnify and hold IHG harmless for some or all of any amount ultimately contributed to the pension fund with respect to these hotels.

Because of the rules and regulations governing the pension trust, we have paid $1.7 million through June 30, 2017 (of which $570,000 was paid in the six months ended June 30, 2017) and expect to continue making such payments, on a quarterly basis, while the dispute is ongoing, subject to an overall contribution limit corresponding to the amount sought by the pension trust. While we aggressively oppose the pension trust's position, we believe that resolution of this matter may not occur until mid-2018. Accordingly, in the third quarter of 2016, we accrued approximately $2.3 million for payments to be made through that time. The accrual recorded in the third quarter of 2016, in addition to payments made prior to that time, was recorded as a loss on the sale of hotels included in discontinued operations (because it primarily relates to hotels sold prior to 2013).

Despite these payments and accruals, we believe that (i) the pension trust was in error in assessing the withdrawal liability in this situation and (ii) even if the pension trust was not in error, we are not responsible for a significant portion (or perhaps any) of the withdrawal liability assessed by the pension trust for other reasons and that we are likely to recover a significant portion (if not all) of what we have paid, and may pay in the future, to the pension trust with respect to its claim. Consequently, we are vigorously disputing the underlying claims and, if appropriate, IHG's demand for indemnification. The matter involves significant legal, actuarial and factual analysis with respect to each hotel, and we have not determined whether any loss to us is probable or that any such loss is estimable (other than the payments and accrual noted in the previous paragraph, for which we intend to seek recovery).

14. Recently Issued Accounting Standards

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers. ASU 2014-09 is a comprehensive new revenue recognition model requiring a company to recognize revenue to depict the transfer of goods or services to a customer at an amount reflecting the consideration it expects to receive in exchange for those goods or services. In adopting ASU 2014-09, companies may use either a full retrospective or a modified retrospective approach.

Additionally, this guidance requires improved disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. ASU 2014-09 is effective for the first interim period within annual reporting periods beginning after December 15, 2017, and early adoption is permitted but not before the original effective date (for annual reporting periods beginning after December 15, 2016). The Company will adopt this guidance on January 1, 2018, on a modified retrospective basis. Based on the company's assessment of this standard, it is not expected to have a material effect on the amount of revenue, or the timing of recognizing revenue, from our hotel operations.

In February 2016, the FASB issued ASU 2016-02 - Leases (ASC 842), which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e., lessees and lessors). The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. The new standard requires lessors to

14. Recently Issued Accounting Standards — (continued)

account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases and operating leases. The ASU is expected to impact our consolidated financial statements as we have certain operating lease arrangements. ASC 842 supersedes the previous leases standard, ASC 840 Leases. The standard is effective on January 1, 2019, with early adoption permitted. While we are still in the process of evaluating the impact of this new guidance, we do expect that the application of this standard will result in the recording of a right-of-use asset and a related lease liability on our ground leases.

In August 2016, the FASB issued ASU 2016-18, Restricted Cash, which addresses classification issues related to the statement of cash flows which may impact our classification of cash activity related to restricted cash. The standard is effective for fiscal years beginning after December 15, 2017, with early adoption permitted. We are in the process of evaluating the impact of this new guidance.

15. Proposed Merger

On April 23, 2017, FelCor, FelCor LP, RLJ Lodging Trust (“RLJ”), RLJ Lodging Trust, L.P. (the “Operating Partnership”) and certain subsidiaries thereof entered into a definitive Agreement and Plan of Merger (the “Merger Agreement”).

The Merger Agreement provides for the merger of an indirect wholly-owned subsidiary of the Operating Partnership with and into FelCor LP, with FelCor LP surviving as a wholly-owned subsidiary of the Operating Partnership (the “Partnership Merger”), and immediately thereafter, the merger of FelCor with and into another wholly-owned subsidiary of the Operating Partnership, with such subsidiary surviving as a wholly-owned subsidiary of the Operating Partnership (the “REIT Merger” and, together with the Partnership Merger, the “Mergers”). The Mergers are expected to close on or about August 31, 2017.

At the effective time of the REIT Merger, each outstanding share of FelCor common stock will be converted into the right to receive 0.362 (the “Common Exchange Ratio”) common shares of RLJ, and each share of FelCor Series A preferred stock will be converted into the right to receive one share of newly created Series A cumulative convertible preferred shares of RLJ with equivalent terms and conditions as the existing FelCor Series A preferred stock. Each external limited partner of FelCor LP will be entitled to redeem or exchange its outstanding common limited partnership units in FelCor LP for shares of FelCor common stock, which will in turn be converted into the right to receive RLJ common shares. Each outstanding FelCor LP common unit of any holder who does not make the foregoing election will be converted into the right to receive a number of common limited partnership units in the Operating Partnership based on the Common Exchange Ratio.

In connection with the Mergers, each outstanding share of FelCor restricted stock and each outstanding restricted stock unit of FelCor will vest in accordance with the applicable award agreement, and the holders of such vested shares will receive common shares of RLJ in exchange therefor based on the Common Exchange Ratio.

15. Proposed Merger — (continued)

The parties to the Merger Agreement have made certain customary representations and warranties in the Merger Agreement and have agreed to customary covenants, including a "no-shop" provision. The completion of the Mergers is subject to customary closing conditions, including the approval of the REIT Merger by FelCor's stockholders and approval of the issuance of RLJ common shares by RLJ's shareholders. The Merger Agreement may be terminated under certain circumstances, including by either party if the Mergers have not been consummated on or before December 28, 2017. In connection with the termination of the Merger Agreement under specified circumstances, RLJ may be required to pay to FelCor a termination fee of $95 million or reimburse FelCor's transaction expenses in an amount equal to $20 million, or FelCor may be required to pay to RLJ a termination fee of $39 million or reimburse RLJ's transaction expenses in an amount equal to $20 million. If either party pays the expense reimbursement amount and subsequently becomes obligated to pay the termination fee, the termination fee is reduced by the expense reimbursement amount previously paid.

Through the six months ended June 30, 2017, we have incurred $6.3 million in transaction costs primarily related to the proposed merger, including $5.8 million incurred during the three months ended June 30, 2017 (of which $5.6 million was accrued at June 30, 2017). The costs are included in other expenses in our statement of operations.

Four putative class actions have been filed by purported stockholders of FelCor challenging the Mergers. The first suit, styled as *George Assad v. FelCor Lodging Trust Inc., et al.*, No. 1:17-cv-01744-ELH, was filed in the United States District Court for the District of Maryland on June 26, 2017 and is against FelCor, its directors (including Steven R. Goldman, who is also an officer), FelCor LP, RLJ, the Operating Partnership, the REIT Merger Sub, and the Partnership Merger Sub (the "Assad Lawsuit"). The second suit, styled as *Martin Johnson v. FelCor Lodging Trust Inc., et al.*, No. 1:17-cv-01786-ELH, was filed in the United States District Court for the District of Maryland on June 28, 2017, and is against FelCor and its directors (including Steven R. Goldman, who is also an officer) (the "Johnson Lawsuit"). The third suit, styled as *Sachs Investment Group v. FelCor Lodging Trust Inc., et al.*, No. 1:17-cv-01933-ELH, was filed in the United States District Court for the District of Maryland on July 11, 2017, and is against FelCor and its directors (including Steven R. Goldman, who is also an officer) (the "Sachs Lawsuit"). The fourth suit, styled as *Judy G. Bagheri v. FelCor Lodging Trust Inc., et al.*, No. 3:17-cv-01892-C, was filed in the United States District Court for the Northern District of Texas on July 17, 2017 and is against FelCor, its directors (including Steven R. Goldman, who is also an officer), FelCor LP, RLJ, the Operating Partnership, the REIT Merger Sub, and the Partnership Merger Sub (the "Bagheri Lawsuit," and with the Assad, Johnson, and Sachs Lawsuits, the "Lawsuits").

The Lawsuits allege that FelCor and its directors violated Section 14(a) of the Exchange Act and Rule 14a-9 promulgated thereunder by disseminating a false and misleading Form S-4 containing a joint proxy statement/prospectus. The Lawsuits further allege that FelCor's directors violated Section 20(a) of the Exchange Act by failing to exercise proper control over the person(s) who violated Section 14(a) of the Exchange Act. The Assad and Bagheri Lawsuits further allege that RLJ violated Section 20(a) of the Exchange Act.

The Lawsuits seek, among other things, injunctive relief preventing the parties from consummating the Mergers, rescission of the transactions contemplated by the Merger Agreement should they be consummated, and litigation costs, including attorneys' fees. The Johnson Lawsuit and Sachs Lawsuit also seek damages to be awarded to the plaintiff and any class in the event the transactions contemplated by the Merger Agreement are consummated. The Assad Lawsuit also seeks injunctive relief directing the defendants to disseminate a true and complete joint proxy statement/prospectus and

15. Proposed Merger — (continued)

declaratory relief that defendants violated Sections 14(a) and/or 20(a) of the Exchange Act and Rule 14a-9 promulgated thereunder.

We dispute the allegations raised in the Lawsuits and will vigorously defend ourselves and related defendants. Because these matters are in the early stages, the timing and resolution of them is uncertain.

In connection with the proposed Mergers, RLJ has filed with the SEC a registration statement on Form S-4 (File No. 333-218439), and RLJ and FelCor have filed with the SEC a definitive joint proxy statement/prospectus, which was first mailed to security holders of RLJ and FelCor on July 18, 2017. RLJ and FelCor also filed a supplement to the joint proxy statement/prospectus on August 7, 2017 and plan to file other relevant documents with the SEC regarding the proposed transaction. See “Important Information for Investors and Stockholders” and “Participants in the Solicitation” included elsewhere in this Quarterly Report on Form 10-Q. The Mergers are subject to certain risks and uncertainties, and we cannot assure you that we will be able to complete the Mergers on the expected timeline or at all. See “Item 1A. Risk Factors” included elsewhere in this Quarterly Report on Form 10-Q.

16. FelCor LP's Consolidating Financial Information

Certain of FelCor LP's 100% owned subsidiaries (FCH/PSH, L.P.; FelCor/CMB Buckhead Hotel, L.L.C.; FelCor/CMB Marlborough Hotel, L.L.C.; FelCor/CMB Orsouth Holdings, L.P.; FelCor/CMB SSF Holdings, L.P.; FelCor/CSS Holdings, L.P.; FelCor Dallas Love Field Owner, L.L.C.; FelCor Milpitas Owner, L.L.C.; FelCor TRS Borrower 4, L.L.C.; FelCor TRS Holdings, L.L.C.; FelCor Hotel Asset Company, L.L.C.; FelCor St. Pete (SPE), L.L.C.; FelCor Esmeralda (SPE), L.L.C.; FelCor S-4 Hotels (SPE), L.L.C.; Madison 237 Hotel, L.L.C.; Myrtle Beach Owner, L.L.C.; and Royalton 44 Hotel, L.L.C., collectively, "Subsidiary Guarantors"), together with FelCor, guaranty, fully and unconditionally, except where subject to customary release provisions as described below, and jointly and severally, our senior debt.

The guaranties by the Subsidiary Guarantors may be automatically and unconditionally released upon (i) the sale or other disposition of all of the capital stock of the Subsidiary Guarantor or the sale or disposition of all or substantially all of the assets of the Subsidiary Guarantor, if, in each case, as a result of such sale or disposition, such Subsidiary Guarantor ceases to be a subsidiary of FelCor LP, (ii) the consolidation or merger of any such Subsidiary Guarantor with any person other than FelCor LP, or a subsidiary of FelCor LP, if, as a result of such consolidation or merger, such Subsidiary Guarantor ceases to be a subsidiary of FelCor LP, (iii) a legal defeasance or covenant defeasance of the indenture, (iv) the unconditional and complete release of such Subsidiary Guarantor in accordance with the modification and waiver provisions of the indenture, or (v) the designation of a restricted subsidiary that is a Subsidiary Guarantor as an unrestricted subsidiary under and in compliance with the indenture.

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

The following tables present consolidating information for the Subsidiary Guarantors.

FELCOR LODGING LIMITED PARTNERSHIP

CONDENSED CONSOLIDATING BALANCE SHEET
June 30, 2017
(in thousands)

	FelCor LP	Subsidiary Guarantors	Non-Guarantor Subsidiaries	Eliminations	Total Consolidated
Net investment in hotels	$ —	$ 366,763	$ 1,081,583	$ —	$ 1,448,346
Equity investment in consolidated entities	1,129,658	—	—	(1,129,658)	—
Investment in unconsolidated entities	2,252	4,209	1,196	—	7,657
Hotels held for sale	—	77,937	—	—	77,937
Cash and cash equivalents	14,681	41,341	2,113	—	58,135
Restricted cash	—	18,503	5,696	—	24,199
Accounts receivable, net	2,887	39,442	1,594	—	43,923
Deferred expenses, net	—	—	3,591	—	3,591
Other assets	6,591	9,920	3,729	—	20,240
Total assets	$ 1,156,069	$ 558,115	$ 1,099,502	$ (1,129,658)	$ 1,684,028
Debt, net	$ 986,573	$ —	$ 408,991	$ (35,493)	$ 1,360,071
Distributions payable	14,765	—	122	—	14,887
Accrued expenses and other liabilities	33,249	92,683	9,860	—	135,792
Total liabilities	1,034,587	92,683	418,973	(35,493)	1,510,750
Redeemable units, at redemption value	4,400	—	—	—	4,400
Preferred units	309,337	—	—	—	309,337
Common units	(192,255)	466,348	627,817	(1,094,165)	(192,255)
Total FelCor LP partners' capital	117,082	466,348	627,817	(1,094,165)	117,082
Noncontrolling interests	—	(916)	8,281	—	7,365
Preferred capital in consolidated joint venture	—	—	44,431	—	44,431
Total partners' capital	117,082	465,432	680,529	(1,094,165)	168,878
Total liabilities and partners' capital	$ 1,156,069	$ 558,115	$ 1,099,502	$ (1,129,658)	$ 1,684,028

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

FELCOR LODGING LIMITED PARTNERSHIP

CONDENSED CONSOLIDATING BALANCE SHEET
December 31, 2016
(in thousands)

	FelCor LP	Subsidiary Guarantors	Non-Guarantor Subsidiaries	Eliminations	Total Consolidated
Net investment in hotels	$ —	$ 488,528	$ 1,078,295	$ —	$ 1,566,823
Equity investment in consolidated entities	1,190,737	—	—	(1,190,737)	—
Investment in unconsolidated entities	2,410	4,800	1,102	—	8,312
Cash and cash equivalents	13,532	29,141	4,644	—	47,317
Restricted cash	—	16,433	3,058	—	19,491
Accounts receivable, net	2,804	33,338	5,938	—	42,080
Deferred expenses, net	—	—	4,527	—	4,527
Other assets	5,634	10,009	2,899	—	18,542
Total assets	$ 1,215,117	$ 582,249	$ 1,100,463	$ (1,190,737)	$ 1,707,092
Debt, net	$ 985,767	$ —	$ 391,995	$ (39,436)	$ 1,338,326
Distributions payable	14,734	—	124	—	14,858
Accrued expenses and other liabilities	28,431	79,439	8,567	—	116,437
Total liabilities	1,028,932	79,439	400,686	(39,436)	1,469,621
Redeemable units, at redemption value	4,888	—	—	—	4,888
Preferred units	309,337	—	—	—	309,337
Common units	(128,040)	503,765	647,536	(1,151,301)	(128,040)
Total FelCor LP partners' capital	181,297	503,765	647,536	(1,151,301)	181,297
Noncontrolling interests	—	(955)	8,458	—	7,503
Preferred capital in consolidated joint venture	—	—	43,783	—	43,783
Total partners' capital	181,297	502,810	699,777	(1,151,301)	232,583
Total liabilities and partners' capital	$ 1,215,117	$ 582,249	$ 1,100,463	$ (1,190,737)	$ 1,707,092

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

FELCOR LODGING LIMITED PARTNERSHIP

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS AND COMPREHENSIVE LOSS

For the Three Months Ended June 30, 2017
(in thousands)

	FelCor LP	Subsidiary Guarantors	Non-Guarantor Subsidiaries	Eliminations	Total Consolidated
Revenues:					
Hotel operating revenue	$ —	$ 219,116	$ —	$ —	$ 219,116
Percentage lease revenue	—	—	46,486	(46,486)	—
Other revenue	36	1,146	142	—	1,324
Total revenues	36	220,262	46,628	(46,486)	220,440
Expenses:					
Hotel operating expenses	—	135,657	—	—	135,657
Taxes, insurance and lease expense	66	55,630	6,244	(46,486)	15,454
Corporate expenses	—	3,396	2,885	—	6,281
Depreciation and amortization	116	10,712	16,700	—	27,528
Impairment	—	10,271	—	—	10,271
Other expenses	5,844	1,412	75	—	7,331
Total operating expenses	6,026	217,078	25,904	(46,486)	202,522
Operating income	(5,990)	3,184	20,724	—	17,918
Interest expense, net	(14,405)	23	(5,034)	—	(19,416)
Other gains, net	—	—	100	—	100
Loss before equity in income from unconsolidated entities	(20,395)	3,207	15,790	—	(1,398)
Equity in income from consolidated entities	18,056	—	—	(18,056)	—
Equity in income from unconsolidated entities	575	84	(11)	—	648
Loss from continuing operations before income tax	(1,764)	3,291	15,779	(18,056)	(750)
Income tax	(30)	(473)	—	—	(503)
Loss from continuing operations before loss on sale of hotels	(1,794)	2,818	15,779	(18,056)	(1,253)
Loss on sale of hotels	—	(126)	(81)	—	(207)
Net loss and comprehensive loss	(1,794)	2,692	15,698	(18,056)	(1,460)
Loss attributable to noncontrolling interests	—	(6)	39	—	33
Preferred distributions - consolidated joint venture	—	—	(367)	—	(367)
Net loss and comprehensive loss attributable to FelCor LP	(1,794)	2,686	15,370	(18,056)	(1,794)
Preferred distributions	(6,279)	—	—	—	(6,279)
Net loss attributable to FelCor LP common unitholders	$ (8,073)	$ 2,686	$ 15,370	$ (18,056)	$ (8,073)

FELCOR LODGING TRUST INCORPORATED AND FELCOR LODGING LIMITED PARTNERSHIP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FELCOR LODGING LIMITED PARTNERSHIP

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS AND COMPREHENSIVE INCOME

For the Three Months Ended June 30, 2016
(in thousands)

	FelCor LP	Subsidiary Guarantors	Non-Guarantor Subsidiaries	Eliminations	Total Consolidated
Revenues:					
Hotel operating revenue	$ —	$ 236,761	$ —	$ —	$ 236,761
Percentage lease revenue	—	—	46,953	(46,953)	—
Other revenue	1	1,022	122	—	1,145
Total revenues	1	237,783	47,075	(46,953)	237,906
Expenses:					
Hotel operating expenses	—	145,887	—	—	145,887
Taxes, insurance and lease expense	26	56,112	5,679	(46,953)	14,864
Corporate expenses	—	3,360	2,687	—	6,047
Depreciation and amortization	93	12,030	17,054	—	29,177
Impairment	—	6,333	—	—	6,333
Other expenses	187	1,661	294	—	2,142
Total operating expenses	306	225,383	25,714	(46,953)	204,450
Operating income	(305)	12,400	21,361	—	33,456
Interest expense, net	(14,601)	9	(5,315)	—	(19,907)
Other gains, net	—	—	100	—	100
Income before equity in income from unconsolidated entities	(14,906)	12,409	16,146	—	13,649
Equity in income from consolidated entities	27,974	—	—	(27,974)	—
Equity in income from unconsolidated entities	652	85	(11)	—	726
Income from continuing operations before income tax	13,720	12,494	16,135	(27,974)	14,375
Income tax	(48)	73	—	—	25
Income from continuing operations before loss on sale of hotels	13,672	12,567	16,135	(27,974)	14,400
Loss on sale of hotels	(250)	(300)	(80)	—	(630)
Net income and comprehensive income	13,422	12,267	16,055	(27,974)	13,770
Loss attributable to noncontrolling interests	—	(57)	73	—	16
Preferred distributions - consolidated joint venture	—	—	(364)	—	(364)
Net income and comprehensive income attributable to FelCor LP	13,422	12,210	15,764	(27,974)	13,422
Preferred distributions	(6,279)	—	—	—	(6,279)
Net income attributable to FelCor LP common unitholders	$ 7,143	$ 12,210	$ 15,764	$ (27,974)	$ 7,143

FELCOR LODGING LIMITED PARTNERSHIP

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS AND COMPREHENSIVE LOSS
For the Six Months Ended June 30, 2017
(in thousands)

	FelCor LP	Subsidiary Guarantors	Non-Guarantor Subsidiaries	Eliminations	Total Consolidated
Revenues:					
Hotel operating revenue	$ —	$ 406,812	$ —	$ —	$ 406,812
Percentage lease revenue	—	—	84,530	(84,530)	—
Other revenue	39	1,490	203	—	1,732
Total revenues	39	408,302	84,733	(84,530)	408,544
Expenses:					
Hotel operating expenses	—	264,495	—	—	264,495
Taxes, insurance and lease expense	106	101,582	12,198	(84,530)	29,356
Corporate expenses	—	7,025	6,196	—	13,221
Depreciation and amortization	231	21,570	33,565	—	55,366
Impairment	—	35,109	—	—	35,109
Other expenses	6,317	2,152	122	—	8,591
Total operating expenses	6,654	431,933	52,081	(84,530)	406,138
Operating income	(6,615)	(23,631)	32,652	—	2,406
Interest expense, net	(28,857)	37	(9,882)	—	(38,702)
Other gains, net	—	—	100	—	100
Loss before equity in income from unconsolidated entities	(35,472)	(23,594)	22,870	—	(36,196)
Equity in loss from consolidated entities	(3,379)	—	—	3,379	—
Equity in income from unconsolidated entities	1,016	(475)	(23)	—	518
Loss from continuing operations before income tax	(37,835)	(24,069)	22,847	3,379	(35,678)
Income tax	(56)	(994)	—	—	(1,050)
Loss from continuing operations before loss on sale of hotels	(37,891)	(25,063)	22,847	3,379	(36,728)
Loss on sale of hotels	—	(652)	(221)	—	(873)
Net loss and comprehensive loss	(37,891)	(25,715)	22,626	3,379	(37,601)
Loss attributable to noncontrolling interests	—	260	177	—	437
Preferred distributions - consolidated joint venture	—	—	(727)	—	(727)
Net loss and comprehensive loss attributable to FelCor LP	(37,891)	(25,455)	22,076	3,379	(37,891)
Preferred distributions	(12,558)	—	—	—	(12,558)
Net loss attributable to FelCor LP common unitholders	$ (50,449)	$ (25,455)	$ 22,076	$ 3,379	$ (50,449)

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

FELCOR LODGING LIMITED PARTNERSHIP

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS AND COMPREHENSIVE INCOME

For the Six Months Ended June 30, 2016

(in thousands)

	FelCor LP	Subsidiary Guarantors	Non-Guarantor Subsidiaries	Eliminations	Total Consolidated
Revenues:					
Hotel operating revenue	$ —	$ 446,218	$ —	$ —	$ 446,218
Percentage lease revenue	—	—	90,498	(90,498)	—
Other revenue	187	1,454	191	—	1,832
Total revenues	187	447,672	90,689	(90,498)	448,050
Expenses:					
Hotel operating expenses	—	288,116	—	—	288,116
Taxes, insurance and lease expense	53	107,595	11,296	(90,498)	28,446
Corporate expenses	—	7,695	6,752	—	14,447
Depreciation and amortization	144	24,027	34,189	—	58,360
Impairment	—	6,333	—	—	6,333
Other expenses	419	2,213	338	—	2,970
Total operating expenses	616	435,979	52,575	(90,498)	398,672
Operating income	(429)	11,693	38,114	—	49,378
Interest expense, net	(29,262)	18	(10,383)	—	(39,627)
Other gains, net	—	—	100	—	100
Income before equity in income from unconsolidated entities	(29,691)	11,711	27,831	—	9,851
Equity in income from consolidated entities	37,841	—	—	(37,841)	—
Equity in income from unconsolidated entities	716	(121)	(23)	—	572
Income from continuing operations before income tax	8,866	11,590	27,808	(37,841)	10,423
Income tax	(164)	(226)	—	—	(390)
Income from continuing operations before loss on sale of hotels	8,702	11,364	27,808	(37,841)	10,033
Loss on sale of hotels	(250)	(757)	(337)	—	(1,344)
Net income and comprehensive income	8,452	10,607	27,471	(37,841)	8,689
Loss attributable to noncontrolling interests	—	313	174	—	487
Preferred distributions - consolidated joint venture	—	—	(724)	—	(724)
Net income and comprehensive income attributable to FelCor LP	8,452	10,920	26,921	(37,841)	8,452
Preferred distributions	(12,558)	—	—	—	(12,558)
Net loss attributable to FelCor LP common unitholders	$ (4,106)	$ 10,920	$ 26,921	$ (37,841)	$ (4,106)

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

FELCOR LODGING LIMITED PARTNERSHIP

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
For the Six Months Ended June 30, 2017
(in thousands)

	FelCor LP	Subsidiary Guarantors	Non-Guarantor Subsidiaries	Eliminations	Total Consolidated
Operating activities:					
Cash flows from operating activities	$ (33,170)	$ 41,039	$ 59,380	$ —	$ 67,249
Investing activities:					
Improvements and additions to hotels	5	(12,604)	(29,322)	—	(41,921)
Net payments related to asset sales	(623)	(524)	(149)	—	(1,296)
Change in restricted cash - investing	—	(2,070)	(2,639)	—	(4,709)
Distributions from unconsolidated entities	840	—	—	—	840
Intercompany financing	64,241	—	—	(64,241)	—
Cash flows from investing activities	64,463	(15,198)	(32,110)	(64,241)	(47,086)
Financing activities:					
Proceeds from borrowings	—	—	51,000	—	51,000
Repayment of borrowings	—	—	(30,419)	—	(30,419)
Contributions from noncontrolling interests	—	299	—	—	299
Distributions paid to preferred unitholders	(12,558)	—	—	—	(12,558)
Distributions paid to common unitholders	(16,631)	—	—	—	(16,631)
Net proceeds from issuance of preferred capital - consolidated joint venture	—	—	648	—	648
Intercompany financing	—	(13,940)	(50,301)	64,241	—
Other	(955)	—	(729)	—	(1,684)
Cash flows from financing activities	(30,144)	(13,641)	(29,801)	64,241	(9,345)
Change in cash and cash equivalents	1,149	12,200	(2,531)	—	10,818
Cash and cash equivalents at beginning of period	13,532	29,141	4,644	—	47,317
Cash and cash equivalents at end of period	$ 14,681	$ 41,341	$ 2,113	$ —	$ 58,135

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

FELCOR LODGING LIMITED PARTNERSHIP

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
For the Six Months Ended June 30, 2016
(in thousands)

	FelCor LP	Subsidiary Guarantors	Non-Guarantor Subsidiaries	Eliminations	Total Consolidated
Operating activities:					
Cash flows from operating activities	$ (34,655)	$ 41,661	$ 64,559	$ —	$ 71,565
Investing activities:					
Improvements and additions to hotels	(7)	(15,093)	(16,809)	—	(31,909)
Net payments related to asset sales	(723)	(533)	(205)	—	(1,461)
Insurance proceeds	—	—	94	—	94
Change in restricted cash - investing	—	(3,540)	(2,464)	—	(6,004)
Distributions from unconsolidated entities	386	—	—	—	386
Intercompany financing	87,950	—	—	(87,950)	—
Cash flows from investing activities	87,606	(19,166)	(19,384)	(87,950)	(38,894)
Financing activities:					
Proceeds from borrowings	—	—	50,000	—	50,000
Repayment of borrowings	—	—	(27,145)	—	(27,145)
Payment of deferred financing fees	—	—	(12)	—	(12)
Distributions paid to preferred unitholders	(12,558)	—	—	—	(12,558)
Distributions paid to common unitholders	(16,848)	—	—	—	(16,848)
Repurchase of common units	(27,427)	—	—	—	(27,427)
Distributions paid to noncontrolling interests	—	—	(1)	—	(1)
Contributions from noncontrolling interests	—	313	217	—	530
Net proceeds from issuance of preferred capital-consolidated joint venture	—	—	597	—	597
Intercompany financing	—	(17,208)	(70,742)	87,950	—
Other	(667)	—	(729)	—	(1,396)
Cash flows from financing activities	(57,500)	(16,895)	(47,815)	87,950	(34,260)
Effect of exchange rate changes on cash	—	—	(9)	—	(9)
Change in cash and cash equivalents	(4,549)	5,600	(2,649)	—	(1,598)
Cash and cash equivalents at beginning of period	21,219	33,873	4,694	—	59,786
Cash and cash equivalents at end of period	$ 16,670	$ 39,473	$ 2,045	$ —	$ 58,188

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

General

Revenue per available room, or RevPAR, for our 36 same-store hotels decreased 1.0% in the second quarter of 2017 compared to the same period last year, driven by a 0.4% increase in occupancy offset by a 1.4% decrease in average daily rate, or ADR.

In our continuing effort to increase long-term stockholder value, we look for opportunities to redeploy capital to achieve higher returns and strengthen our balance sheet. At June 30, 2017, two hotels were held for sale, both of which sold in the third quarter of 2017. Based on the associated selling costs for the transactions, we recorded additional impairments for the properties totaling $10.3 million in the second quarter of 2017.

On April 23, 2017, FelCor, FelCor LP, RLJ Lodging Trust ("RLJ"), RLJ Lodging Trust, L.P. (the "Operating Partnership") and certain subsidiaries thereof entered into a definitive Agreement and Plan of Merger (the "Merger Agreement").

The Merger Agreement provides for the merger of an indirect wholly-owned subsidiary of the Operating Partnership with and into FelCor LP, with FelCor LP surviving as a wholly-owned subsidiary of the Operating Partnership (the "Partnership Merger"), and immediately thereafter, the merger of FelCor with and into another wholly-owned subsidiary of the Operating Partnership, with such subsidiary surviving as a wholly-owned subsidiary of the Operating Partnership (the "REIT Merger" and, together with the Partnership Merger, the "Mergers"). We expect the Mergers to close on or about August 31, 2017, assuming all conditions to closing are satisfied (including obtaining the requisite approval of the shareholders of both companies at their respective special meetings on August 15, 2017).

When the REIT Merger is effective, each outstanding share of FelCor common stock will be converted into the right to receive 0.362 (the "Common Exchange Ratio") common shares of RLJ, and each share of FelCor Series A preferred stock will be converted into the right to receive one share of newly created Series A cumulative convertible preferred shares of RLJ, with equivalent terms and conditions as the existing FelCor Series A preferred stock. Each external limited partner of FelCor LP will be entitled to redeem or exchange its outstanding common limited partnership units in FelCor LP for shares of FelCor common stock, which will in turn be converted into the right to receive RLJ common shares. Each outstanding FelCor LP common unit holder who does not make the foregoing election will be converted into the right to receive a number of common limited partnership units in the Operating Partnership based on the Common Exchange Ratio.

In connection with the Mergers, all outstanding FelCor restricted stock and restricted stock units of FelCor will vest in accordance with the applicable award agreements, and the grantees will receive common shares of RLJ in exchange for their newly-vested shares based on the Common Exchange Ratio.

The parties to the Merger Agreement have made certain customary representations and warranties in the Merger Agreement and have agreed to customary covenants, including a "no-shop" provision. The completion of the Mergers is subject to customary closing conditions, including the approval of the REIT Merger by FelCor's stockholders and approval of the issuance of RLJ common shares by RLJ's shareholders at special meetings scheduled to be convened on August 15, 2017. The Merger Agreement may be terminated under certain circumstances, including by either party if the Mergers have not been consummated on or before December 28, 2017. In connection with terminating the Merger Agreement under specified circumstances, RLJ may be required to pay to FelCor a termination fee of $95 million or reimburse FelCor's transaction expenses in an amount equal to $20 million, or FelCor may be required to pay to RLJ a termination fee of $39 million or reimburse RLJ's transaction expenses in an amount equal to $20 million. If either party pays the expense reimbursement amount and subsequently becomes obligated to pay the termination fee, the termination fee is reduced by the expense reimbursement amount previously paid.

For more information regarding the Mergers and the Merger Agreement, see “Important Information for Investors and Stockholders” and “Participants in the Solicitation” included elsewhere in this Quarterly Report on Form 10-Q. The Mergers are subject to certain risks and uncertainties, and we cannot assure you that we will be able to complete the Mergers on the expected timeline or at all. See “Item 1A. Risk Factors” included elsewhere in this Quarterly Report on Form 10-Q.

Results of Operations

Comparison of the Three Months ended June 30, 2017 and 2016

For the three months ended June 30, 2017, we recorded a $1.5 million net loss, compared to net income of $13.8 million for the same period last year. Our 2017 net loss includes an impairment charge of $10.3 million related to two hotels held for sale at June 30, 2017 and $5.8 million of transaction costs primarily related to the merger with RLJ. Our 2016 net income includes a $6.3 million impairment charge.

For the three months ended June 30, 2017:

- *Hotel operating revenue* decreased $17.6 million, including a $16.8 million net reduction in revenue for held for sale and sold hotels. Excluding these hotels, hotel operating revenue decreased 0.4% from last year. We attribute the decrease primarily to the 1.0% decrease in same-store RevPAR, reflecting a 0.4% increase in occupancy offset by a 1.4% decrease in ADR.
- *Hotel departmental expenses* decreased $5.7 million, which includes a $6.3 million net reduction in expense for held for sale and sold hotels. Excluding these hotels, hotel departmental expenses increased to 33.6% of hotel operating revenue from 33.2% for the same period last year, primarily attributable to increased labor costs for certain brands and markets in the current period.
- *Other property-related costs* decreased $3.8 million, including a $4.8 million net reduction in expense for held for sale and sold hotels. Excluding these hotels, other property-related costs increased to 23.6% of hotel operating revenue from 23.1% for the same period last year, primarily attributable to a decrease in rates with no significant change in occupancy.
- *Management and franchise fees* decreased $775,000, including a $716,000 net reduction in expense for held for sale and sold hotels. Excluding these hotels, these costs decreased to 3.6% of hotel operating revenue from 3.7% for the same period last year. The decrease as a percent of hotel operating revenue is primarily attributable to our new management agreements with Hilton, which shift a substantial portion of fees from base fees as a percent of revenue to incentive fees based on hotel profitability and also eliminate separate franchise fees. The reduction to management fees attributable to Wyndham’s guaranty was $535,000 lower in the current period compared to the same period last year. The decrease in the current period guaranty (which increases base management fees) partially offsets the reduction in management fees due to new management agreements.
- *Taxes, insurance and lease expense* increased $590,000, including a $209,000 net reduction in expense for held for sale and sold hotels. Excluding these hotels, these expenses increased to 6.9% of hotel operating revenue from 6.5% for the same period last year. This increase is primarily attributable to increased taxable values for certain hotels in the current period and successful property tax appeals during the same period last year.
- *Depreciation and amortization expense* decreased $1.6 million, including a $1.8 million net reduction in expense for held for sale and sold hotels.

- *Impairment* was $10.3 million in the current period and $6.3 million for the same period last year. At June 30 2017, two hotels were classified as held for sale. Our basis in these hotels had previously been written down to the respective fair market value for each hotel. During the current period, we recorded an additional impairment to write down the respective bases for these hotels to the applicable contract price, less the estimated selling costs which are comprised primarily of management termination fees, union severance costs, union pension withdrawal fees, and transfer taxes. The 2016 charge resulted from an accepted third-party offer to purchase a hotel, which we subsequently sold in 2016.
- *Other expenses* increased $5.2 million from the same period last year. This change is primarily attributable to transaction costs incurred for the merger with RLJ.

Comparison of the Six Months ended June 30, 2017 and 2016

For the six months ended June 30, 2017, we recorded a net loss of $37.6 million, compared to net income of $8.7 million for the same period last year. Our 2017 net loss includes a $35.1 million impairment charge related to two hotels held for sale at June 30, 2017 and $6.3 million of transaction costs primarily related to the merger with RLJ. Our 2016 net income includes a $6.3 million impairment charge.

For the six months ended June 30, 2017:

- *Hotel operating revenue* decreased $39.4 million, including a $36.1 million net reduction in revenue for held for sale and sold hotels. Excluding these hotels, hotel operating revenue decreased 0.8% from last year. We attribute the decrease primarily to a 1.0% decrease in same-store RevPAR, reflecting a 0.4% decrease in occupancy and a 0.6% decrease in ADR.
- *Hotel departmental expenses* decreased $12.7 million, which includes a $13.4 million net reduction in expense for held for sale and sold hotels. Excluding these hotels, hotel departmental expenses increased to 34.9% of hotel operating revenue from 34.4% for the same period last year, primarily attributable to increased labor costs for certain brands and markets in the current period.
- *Other property-related costs* decreased $8.5 million, including a $9.5 million net reduction in expense for held for sale and sold hotels. Excluding these hotels, other property-related costs increased to 25.1% of hotel operating revenue from 24.6% for the same period last year, primarily attributable to a decrease in rates with no significant change in occupancy.
- *Management and franchise fees* decreased $2.5 million, including a $1.4 million net reduction in expense for held for sale and sold hotels. Excluding these hotels, these costs decreased to 3.8% of hotel operating revenue from 4.1% for the same period last year. The decrease as a percent of hotel operating revenue is primarily attributable to our new management agreements with Hilton, which shift a substantial portion of fees from base fees as a percent of revenue to incentive fees based on hotel profitability and also eliminate separate franchise fees.
- *Taxes, insurance and lease expense* increased $910,000, including a $727,000 net reduction in expense for held for sale and sold hotels. Excluding these hotels, these expenses increased to 7.0% of hotel operating revenue from 6.6% for the same period last year. This increase is primarily attributable to increased taxable values for certain hotels in the current period and successful property tax appeals during the same period last year.
- *Corporate expenses* decreased $1.2 million, primarily reflecting cost reduction efforts in general and administrative expenses compared to the same period last year.
- *Depreciation and amortization expense* decreased $3.0 million, including a $3.5 million net reduction in expense for held for sale and sold hotels.

- *Impairment* was $35.1 million in the current period and $6.3 million for the same period last year. At June 30 2017, two hotels were classified as held for sale. One of these hotels was impaired during the first quarter of 2017 to reflect a reduction in the fair value of the hotel based on a third-party offer to purchase the hotel. During the current period, we recorded an additional impairment for the two hotels to write down the bases of the hotels to reflect the contract prices, less the estimated selling costs which are comprised primarily of management termination fees, union severance costs, union pension withdrawal fees, and transfer taxes. The 2016 charge resulted from an accepted third-party offer to purchase a hotel, which we subsequently sold in 2016.
- *Other expenses* increased $5.6 million from the same period last year. This change is primarily attributable to transaction costs incurred for the merger with RLJ.

Non-GAAP Financial Measures

We refer in this report to certain "non-GAAP financial measures." These measures, including FFO (Funds from Operations), Adjusted FFO, EBITDA (Earnings before Interest, Taxes, Depreciation and Amortization), Adjusted EBITDA, Same-store Adjusted EBITDA, Hotel EBITDA, and Hotel EBITDA margin, are measures of our financial performance that are not calculated and presented in accordance with GAAP. The following tables reconcile 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.

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

	Three Months Ended June 30,					
	2017			2016		
	Dollars	Shares	Per Share Amount	Dollars	Shares	Per Share Amount
Net income (loss)	$ (1,460)			$ 13,770		
Noncontrolling interests	68			(15)		
Preferred dividends	(6,279)			(6,279)		
Preferred distributions - consolidated joint venture	(367)			(364)		
Net income (loss) attributable to FelCor common stockholders	(8,038)			7,112		
Less: Dividends declared on unvested restricted stock	(36)			(35)		
Basic and diluted earnings per share data	(8,074)	137,866	(0.06)	7,077	138,182	0.05
Restricted stock units	—	—	—	—	496	—
Diluted earnings per share data	(8,074)	137,866	(0.06)	7,077	138,678	0.05
Depreciation and amortization	27,528	—	0.20	29,177	—	0.21
Depreciation, unconsolidated entities and other partnerships	464	—	—	469	—	—
Impairment	10,271	—	0.07	6,333	—	0.05
Loss on sale of hotels	207	—	0.01	630	—	—
Other gains	(100)	—	—	(100)	—	—
Noncontrolling interests in FelCor LP	(35)	610	—	31	611	—
Dividends declared on unvested restricted stock	36	65	—	35	66	—
Conversion of unvested restricted stock units	—	287	—	—	—	—
FFO*	30,297	138,828	0.22	43,652	139,355	0.31
Severance costs	—	—	—	27	—	—
Variable stock compensation	—	—	—	(789)	—	(0.01)
Transaction costs	5,844	—	0.04	—	—	—
Abandoned projects	—	—	—	383	—	0.01
Litigation settlement	—	—	—	650	—	0.01
Pre-opening costs	532	—	—	191	—	—
Adjusted FFO*	$ 36,673	138,828	$ 0.26	$ 44,114	139,355	$ 0.32

* FFO and Adjusted FFO are attributable to FelCor common stockholders and FelCor LP common unitholders other than FelCor.

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

	Six Months Ended June 30,					
	2017			2016		
	Dollars	Shares	Per Share Amount	Dollars	Shares	Per Share Amount
Net income (loss)	$ (37,601)			$ 8,689		
Noncontrolling interests	658			504		
Preferred dividends	(12,558)			(12,558)		
Preferred distributions - consolidated joint venture	(727)			(724)		
Net loss attributable to FelCor common stockholders	(50,228)			(4,089)		
Less: Dividends declared on unvested restricted stock	(73)			(73)		
Basic and diluted earnings per share data	(50,301)	137,820	$ (0.36)	(4,162)	138,930	$ (0.03)
Depreciation and amortization	55,366	—	0.39	58,360	—	0.42
Depreciation, unconsolidated entities and other partnerships	918	—	0.01	936	—	0.01
Impairment	35,109	—	0.25	6,333	—	0.05
Loss on sale of hotels	873	—	0.01	1,344	—	—
Other gains	(100)	—	—	(100)	—	—
Noncontrolling interests in FelCor LP	(221)	610	—	(17)	611	—
Dividends declared on unvested restricted stock	73	47	—	73	22	—
Conversion of unvested restricted stock units	—	239	—	—	451	—
FFO*	41,717	138,716	0.30	62,767	140,014	0.45
Hurricane loss	17	—	—	—	—	—
Hurricane loss, unconsolidated entities	4	—	—	—	—	—
Severance costs	—	—	—	27	—	—
Variable stock compensation	—	—	—	(27)	—	—
Litigation settlement	—	—	—	650	—	0.01
Transaction costs	6,317	—	0.05	—	—	—
Abandoned projects	—	—	—	615	—	—
Pre-opening costs	665	—	—	245	—	—
Adjusted FFO*	$ 48,720	138,716	$ 0.35	$ 64,277	140,014	$ 0.46

* FFO and Adjusted FFO are attributable to FelCor common stockholders and FelCor LP common unitholders other than FelCor.

Reconciliation of Net Income (Loss) to EBITDA, Adjusted EBITDA and Same-store Adjusted EBITDA
(in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Net income (loss)	$ (1,460)	$ 13,770	$ (37,601)	$ 8,689
Depreciation and amortization	27,528	29,177	55,366	58,360
Depreciation, unconsolidated entities and other partnerships	464	469	918	936
Interest expense	19,462	19,923	38,782	39,655
Interest expense, unconsolidated entities and other partnerships	81	90	165	190
Income tax	503	(25)	1,050	390
Noncontrolling interests in preferred distributions, consolidated joint venture	(18)	(18)	(36)	(36)
Noncontrolling interests in other partnerships	33	16	437	487
EBITDA*	46,593	63,402	59,081	108,671
Impairment	10,271	6,333	35,109	6,333
Hurricane loss	—	—	17	—
Hurricane loss, unconsolidated entities	—	—	4	—
Loss on sale of hotels	207	630	873	1,344
Other gains	(100)	(100)	(100)	(100)
Amortization of fixed stock and directors' compensation	1,394	1,693	2,988	3,627
Severance costs	—	27	—	27
Transaction costs	5,844	—	6,317	—
Abandoned projects	—	383	—	615
Variable stock compensation	—	(789)	—	(27)
Litigation settlement	—	650	—	650
Pre-opening costs	532	191	665	245
Adjusted EBITDA*	64,741	72,420	104,954	121,385
Adjusted EBITDA from held for sale and sold hotels	293	(4,516)	2,014	(9,011)
Same-store Adjusted EBITDA*	$ 65,034	$ 67,904	$ 106,968	$ 112,374

* EBITDA, Adjusted EBITDA and Same-store Adjusted EBITDA are attributable to FelCor common stockholders and FelCor LP unitholders other than FelCor.

Hotel EBITDA and Hotel EBITDA Margin
(dollars in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	**2016**	**2017**	**2016**
Same-store operating revenue:				
Room	$ 162,792	$ 164,439	$ 303,817	$ 308,439
Food and beverage	36,977	37,501	67,912	68,195
Other operating departments	12,150	10,795	22,310	20,725
Same-store operating revenue[(a)]	211,919	212,735	394,039	397,359
Same-store operating expense:				
Room	40,467	39,585	78,298	77,135
Food and beverage	26,948	27,395	51,790	52,372
Other operating departments	3,834	3,613	7,250	7,025
Other property-related costs	50,058	49,074	98,894	97,894
Management and franchise fees	7,727	7,786	15,151	16,245
Taxes, insurance and lease expense	13,693	12,946	26,409	24,851
Same-store operating expense[(a)]	142,727	140,399	277,792	275,522
Hotel EBITDA	$ 69,192	$ 72,336	$ 116,247	$ 121,837
Hotel EBITDA Margin	32.7%	34.0%	29.5%	30.7%

(a) Excludes two hotels held for sale at June 30, 2017.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Same-store operating revenue	$ 211,919	$ 212,735	$ 394,039	$ 397,359
Other revenue	1,324	1,145	1,732	1,832
Revenue from held for sale and sold hotels[a]	7,197	24,026	12,773	48,859
Total revenue	220,440	237,906	408,544	448,050
Same-store operating expense	142,727	140,399	277,792	275,522
Consolidated hotel lease expense[b]	1,430	1,359	2,245	2,161
Unconsolidated taxes, insurance and lease expense	(536)	(517)	(973)	(969)
Corporate expenses	6,281	6,047	13,221	14,447
Depreciation and amortization	27,528	29,177	55,366	58,360
Impairment	10,271	6,333	35,109	6,333
Expenses from held for sale and sold hotels[a]	7,490	19,510	14,787	39,848
Other expenses	7,331	2,142	8,591	2,970
Total operating expense	202,522	204,450	406,138	398,672
Operating income	$ 17,918	$ 33,456	$ 2,406	$ 49,378

(a) Under GAAP, we include the operating performance for held for sale and sold hotels in continuing operations in our statements of operations. However, for purposes of our Non-GAAP reporting metrics, we have excluded the results of these hotels to provide a meaningful same-store comparison.

(b) Consolidated hotel lease expense represents the lease expense of our 51% owned operating lessees. The offsetting lease revenue is included in equity in income from unconsolidated entities.

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

FFO and EBITDA

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

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

Adjustments to FFO and EBITDA

We adjust FFO and EBITDA when evaluating our performance because management believes that the exclusion of certain additional items provides useful supplemental information to investors regarding our ongoing operating performance and that the presentation of Adjusted FFO, and Adjusted EBITDA when combined with GAAP net income (loss) attributable to FelCor, EBITDA and FFO, is beneficial to an investor's better understanding of our operating performance.

- *Gains and losses related to extinguishment of debt and interest rate swaps* - We exclude gains and losses related to extinguishment of debt and interest rate swaps from Adjusted FFO and Adjusted EBITDA because we believe that it is not indicative of ongoing operating performance of our hotel assets. This also represents an acceleration of interest expense or a reduction of interest expense, and interest expense is excluded from EBITDA.

- *Cumulative effect of a change in accounting principle* - Infrequently, the Financial Accounting Standards Board promulgates new accounting standards that require the consolidated statements of operations to reflect the cumulative effect of a change in accounting principle. We exclude these one-time adjustments in computing Adjusted FFO and Adjusted EBITDA because they do not reflect our actual performance for that period.

- *Other expenses and costs* - From time to time, we periodically incur expenses or transaction costs that are not indicative of ongoing operating performance. Such costs include, but are not limited to, conversion costs, acquisition costs, pre-opening costs, severance costs and certain non-cash adjustments. We exclude these costs from the calculation of Adjusted FFO and Adjusted EBITDA.

- *Variable stock compensation* - We exclude the cost associated with our variable stock compensation. This cost is subject to volatility related to the price and dividends of our common stock that does not necessarily correspond to our operating performance.

In addition, to derive Adjusted EBITDA, we exclude gains or losses on the sale of depreciable assets and impairment losses because including them in EBITDA is inconsistent with reporting the *ongoing* performance of our remaining assets. Additionally, the gain or loss on sale of depreciable assets and impairment losses represents either accelerated depreciation or excess depreciation in previous periods, and depreciation is excluded from EBITDA. We also exclude the amortization of our fixed stock and directors' compensation, which is included in corporate expenses and is not separately stated on our statements of operations. Excluding amortization of our fixed stock and directors' compensation maintains consistency with the EBITDA definition.

Hotel EBITDA and Hotel EBITDA Margin

Hotel EBITDA and Hotel EBITDA margin are commonly used measures of performance in the hotel industry and give investors a more complete understanding of the operating results over which our individual hotels and brand/managers have direct control. We believe that Hotel EBITDA and Hotel EBITDA margin are useful to investors by providing greater transparency with respect to two significant measures that we use in our financial and operational decision-making. Additionally, using these measures facilitates comparisons with other hotel REITs and hotel owners. We present Hotel EBITDA and Hotel EBITDA margin in a manner consistent with Adjusted EBITDA, however, we also eliminate all revenues and expenses from continuing operations not directly associated with hotel operations, including other income and corporate-level expenses. We eliminate these additional items because we believe property-level results provide investors with supplemental information regarding the ongoing operational performance of our hotels and the effectiveness of management on a property-level basis. We also eliminate consolidated percentage rent paid to unconsolidated entities, which is effectively eliminated by noncontrolling interests and equity in income from unconsolidated subsidiaries, and include the cost of unconsolidated taxes, insurance and lease expense, to reflect the entire operating costs applicable to our Consolidated Hotels. Hotel EBITDA and Hotel EBITDA margins are presented on a same-store basis.

Use and Limitations of Non-GAAP Measures

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

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

These non-GAAP financial measures are used in addition to and in conjunction with results presented in accordance with GAAP. They should not be considered as alternatives to operating profit, cash flow from operations or any other operating performance measure prescribed by GAAP. These non-GAAP financial measures reflect additional ways of viewing our operations that we believe, when viewed with our GAAP results and the reconciliations to the corresponding GAAP financial measures, provide a more complete understanding of factors and trends affecting our business than could be obtained absent this disclosure. 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 June 30, 2017, our *pro rata* share of hotel rooms (excluding two hotels held for sale) after giving consideration to the portion of rooms attributed to our partners in our consolidated and unconsolidated joint ventures:

	Hotels	Room Count at June 30, 2017
Consolidated Hotels	36	11,044
Unconsolidated hotel operations	1	171
Total hotels	37	11,215
50% joint ventures	2	(216)
95% joint venture	1	(17)
Pro rata rooms attributed to joint venture partners		(233)
Pro rata share of rooms owned		10,982

Hotel Operating Statistics

Same-store Hotels	Occupancy (%) Three Months Ended June 30, 2017	2016	%Change	ADR ($) Three Months Ended June 30, 2017	2016	%Change	RevPAR ($) Three Months Ended June 30, 2017	2016	%Change
Embassy Suites Atlanta-Buckhead	71.7	80.7	(11.2)	144.71	154.42	(6.3)	103.77	124.66	(16.8)
DoubleTree Suites by Hilton Austin	87.1	88.6	(1.7)	224.51	217.74	3.1	195.64	193.01	1.4
Embassy Suites Birmingham	80.6	80.3	0.4	142.04	143.14	(0.8)	114.46	114.88	(0.4)
The Fairmont Copley Plaza, Boston	87.7	83.2	5.4	359.69	366.02	(1.7)	315.32	304.57	3.5
Wyndham Boston Beacon Hill	89.5	86.9	3.0	264.45	258.35	2.4	236.77	224.62	5.4
Embassy Suites Boston-Marlborough	77.1	77.2	(0.1)	164.34	175.60	(6.4)	126.66	135.52	(6.5)
Sheraton Burlington Hotel & Conference Center	73.0	72.0	1.3	125.14	123.44	1.4	91.29	88.86	2.7
The Mills House Wyndham Grand Hotel, Charleston	88.2	91.7	(3.8)	273.10	262.48	4.0	240.95	240.67	0.1
Embassy Suites Dallas-Love Field(1)	81.3	78.5	3.5	147.42	141.99	3.8	119.89	111.52	7.5
Embassy Suites Deerfield Beach-Resort & Spa	83.1	81.3	2.2	172.33	174.71	(1.4)	143.14	142.02	0.8
Embassy Suites Fort Lauderdale 17th Street	82.0	79.9	2.7	152.60	157.06	(2.8)	125.20	125.52	(0.3)
Wyndham Houston-Medical Center Hotel & Suites	74.0	80.3	(7.9)	140.49	152.72	(8.0)	103.98	122.70	(15.3)
The Knickerbocker- New York	84.9	89.9	(5.5)	352.19	336.79	4.6	299.11	302.77	(1.2)
Embassy Suites Los Angeles-International Airport/South	91.5	85.5	7.0	171.29	173.74	(1.4)	156.76	148.63	5.5
Embassy Suites Mandalay Beach-Hotel & Resort	87.9	86.4	1.8	219.95	233.46	(5.8)	193.44	201.60	(4.0)
Embassy Suites Miami-International Airport	80.4	84.5	(4.9)	125.45	130.21	(3.6)	100.88	110.04	(8.3)
Embassy Suites Milpitas-Silicon Valley	82.8	84.8	(2.3)	209.86	203.16	3.3	173.81	172.20	0.9
Embassy Suites Minneapolis-Airport	79.3	78.6	0.8	144.48	157.60	(8.3)	114.55	123.91	(7.6)
Embassy Suites Myrtle Beach-Oceanfront Resort	91.5	85.5	7.0	171.29	173.74	(1.4)	156.76	148.63	5.5
Hilton Myrtle Beach Resort	74.5	74.3	0.2	169.01	158.89	6.4	125.91	118.12	6.6
Embassy Suites Napa Valley	83.2	83.6	(0.4)	264.84	257.77	2.7	220.48	215.39	2.4
Wyndham New Orleans-French Quarter	81.6	81.2	0.4	137.06	151.61	(9.6)	111.82	123.14	(9.2)
Embassy Suites Orlando-International Drive South/Convention Center	83.7	73.3	14.2	164.86	138.31	19.2	137.94	101.34	36.1
DoubleTree Suites by Hilton Orlando-Lake Buena Vista	87.4	91.7	(4.6)	149.69	138.99	7.7	130.84	127.39	2.7
Wyndham Philadelphia Historic District	84.0	85.3	(1.5)	171.11	163.19	4.9	143.78	139.25	3.3
Sheraton Philadelphia Society Hill Hotel	77.9	81.4	(4.3)	192.03	193.05	(0.5)	149.65	157.15	(4.8)
Embassy Suites Phoenix-Biltmore	74.7	70.5	6.0	160.29	159.69	0.4	119.75	112.58	6.4
Wyndham Pittsburgh University Center	79.8	77.7	2.7	146.85	153.69	(4.5)	117.20	119.43	(1.9)
Wyndham San Diego Bayside	80.1	77.9	2.7	162.83	161.97	0.5	130.39	126.25	3.3
Embassy Suites San Francisco Airport-South San Francisco	91.8	89.4	2.8	190.76	208.42	(8.5)	175.21	186.23	(5.9)
Embassy Suites San Francisco Airport-Waterfront	91.7	92.0	(0.3)	206.58	207.43	(0.4)	189.41	190.75	(0.7)
Holiday Inn San Francisco-Fisherman's Wharf	92.3	89.8	2.7	186.00	207.18	(10.2)	171.63	186.12	(7.8)
San Francisco Marriott Union Square	87.2	90.8	(3.9)	266.56	291.00	(8.4)	232.40	264.08	(12.0)
Wyndham Santa Monica At the Pier	90.2	87.1	3.5	265.81	273.84	(2.9)	239.63	238.44	0.5
Embassy Suites Secaucus-Meadowlands	82.2	79.5	3.5	183.10	188.41	(2.8)	150.56	149.73	0.5
The Vinoy Renaissance St. Petersburg Resort & Golf Club	83.3	83.9	(0.8)	218.24	220.88	(1.2)	181.79	185.39	(1.9)
Same-store Hotels	**83.2**	**82.8**	**0.4**	**194.81**	**197.55**	**(1.4)**	**161.98**	**163.62**	**(1.0)**

Hotel Operating Statistics

	Occupancy (%)			ADR ($)			RevPAR ($)		
	Six Months Ended June 30,			Six Months Ended June 30,			Six Months Ended June 30,		
Same-store Hotels	**2017**	**2016**	**%Change**	**2017**	**2016**	**%Change**	**2017**	**2016**	**%Change**
Embassy Suites Atlanta-Buckhead	72.5	80.8	(10.3)	155.37	156.78	(0.9)	112.68	126.72	(11.1)
DoubleTree Suites by Hilton Austin	86.2	85.7	0.6	237.86	228.52	4.1	205.14	195.94	4.7
Embassy Suites Birmingham	80.0	80.5	(0.6)	138.03	138.46	(0.3)	110.37	111.40	(0.9)
The Fairmont Copley Plaza, Boston	75.1	73.6	2.0	312.43	316.53	(1.3)	234.51	232.97	0.7
Wyndham Boston Beacon Hill	81.4	75.4	8.0	212.86	218.60	(2.6)	173.23	164.74	5.2
Embassy Suites Boston-Marlborough	67.1	71.0	(5.5)	162.69	171.95	(5.4)	109.17	122.04	(10.5)
Sheraton Burlington Hotel & Conference Center	68.3	70.3	(2.8)	109.71	108.67	0.9	74.95	76.36	(1.8)
The Mills House Wyndham Grand Hotel, Charleston	82.7	84.9	(2.6)	248.11	236.39	5.0	205.07	200.65	2.2
Embassy Suites Dallas-Love Field	80.1	81.9	(2.2)	150.50	142.78	5.4	120.62	116.94	3.1
Embassy Suites Deerfield Beach-Resort & Spa	83.3	84.8	(1.8)	212.82	224.15	(5.1)	177.22	189.99	(6.7)
Embassy Suites Fort Lauderdale 17th Street	84.7	86.6	(2.3)	195.54	197.07	(0.8)	165.59	170.75	(3.0)
Wyndham Houston-Medical Center Hotel & Suites	75.8	83.2	(8.8)	152.40	156.30	(2.5)	115.58	130.01	(11.1)
The Knickerbocker- New York	77.3	74.2	4.1	315.56	308.22	2.4	243.85	228.75	6.6
Embassy Suites Los Angeles-International Airport/South	90.7	87.8	3.3	171.21	168.08	1.9	155.26	147.52	5.2
Embassy Suites Mandalay Beach-Hotel & Resort	81.2	81.5	(0.4)	204.75	221.16	(7.4)	166.29	180.29	(7.8)
Embassy Suites Miami-International Airport	83.1	88.0	(5.6)	154.89	165.04	(6.1)	128.65	145.23	(11.4)
Embassy Suites Milpitas-Silicon Valley	81.3	82.8	(1.7)	205.14	207.29	(1.0)	166.83	171.56	(2.8)
Embassy Suites Minneapolis-Airport	72.9	73.7	(1.1)	140.61	151.13	(7.0)	102.48	111.36	(8.0)
Embassy Suites Myrtle Beach-Oceanfront Resort	90.7	87.8	3.3	171.21	168.08	1.9	155.26	147.52	5.2
Hilton Myrtle Beach Resort	60.1	61.2	(1.9)	145.95	138.46	5.4	87.72	84.79	3.5
Embassy Suites Napa Valley	78.3	81.8	(4.3)	230.71	220.76	4.5	180.54	180.47	—
Wyndham New Orleans-French Quarter	79.9	77.5	3.1	148.36	153.40	(3.3)	118.49	118.84	(0.3)
Embassy Suites Orlando-International Drive South/Convention Center	82.4	80.7	2.1	175.29	159.03	10.2	144.48	128.35	12.6
DoubleTree Suites by Hilton Orlando-Lake Buena Vista	88.6	92.0	(3.6)	156.28	152.24	2.7	138.54	140.00	(1.0)
Wyndham Philadelphia Historic District	72.0	70.2	2.6	151.78	148.58	2.1	109.23	104.26	4.8
Sheraton Philadelphia Society Hill Hotel	67.2	68.2	(1.5)	174.96	176.18	(0.7)	117.59	120.20	(2.2)
Embassy Suites Phoenix-Biltmore	75.9	74.3	2.1	195.33	203.61	(4.1)	148.16	151.23	(2.0)
Wyndham Pittsburgh University Center	70.4	66.6	5.7	140.27	144.69	(3.1)	98.73	96.32	2.5
Wyndham San Diego Bayside	79.6	77.7	2.5	160.36	149.61	7.2	127.71	116.28	9.8
Embassy Suites San Francisco Airport-South San Francisco	88.7	87.4	1.5	195.28	202.90	(3.8)	173.19	177.31	(2.3)
Embassy Suites San Francisco Airport-Waterfront	88.2	88.6	(0.5)	210.24	205.97	2.1	185.40	182.50	1.6
Holiday Inn San Francisco-Fisherman's Wharf	88.6	85.9	3.2	185.73	201.21	(7.7)	164.62	172.85	(4.8)
San Francisco Marriott Union Square	85.2	89.7	(5.0)	293.18	305.12	(3.9)	249.90	273.65	(8.7)
Wyndham Santa Monica at the Pier	87.1	87.4	(0.3)	261.00	266.11	(1.9)	227.41	232.64	(2.2)
Embassy Suites Secaucus-Meadowlands	71.3	67.0	6.3	176.34	181.51	(2.8)	125.66	121.68	3.3
The Vinoy Renaissance St. Petersburg Resort & Golf Club	84.7	86.0	(1.5)	241.55	239.00	1.1	204.70	205.65	(0.5)
Same-store Hotels	**79.1**	**79.4**	**(0.4)**	**192.20**	**193.36**	**(0.6)**	**151.99**	**153.45**	**(1.0)**

Hotel Portfolio

The following table provides room counts for the hotels in which we held an ownership interest at June 30, 2017.

Consolidated Hotels	Rooms
Embassy Suites Atlanta-Buckhead	316
DoubleTree Suites by Hilton Austin	188
Embassy Suites Birmingham	242
The Fairmont Copley Plaza, Boston	383
Wyndham Boston Beacon Hill	304
Embassy Suites Boston-Marlborough	229
Sheraton Burlington Hotel & Conference Center	309
The Mills House Wyndham Grand Hotel, Charleston	216
Embassy Suites Dallas-Love Field	248
Embassy Suites Deerfield Beach-Resort & Spa	244
Embassy Suites Fort Lauderdale 17th Street	361
Wyndham Houston-Medical Center Hotel & Suites	287
Embassy Suites Los Angeles-International Airport/South	349
Embassy Suites Mandalay Beach-Hotel & Resort	250
Embassy Suites Miami-International Airport	318
Embassy Suites Milpitas-Silicon Valley	266
Embassy Suites Minneapolis-Airport	310
Embassy Suites Myrtle Beach-Oceanfront Resort	255
Hilton Myrtle Beach Resort	385
Embassy Suites Napa Valley	205
Wyndham New Orleans-French Quarter	374
The Knickerbocker New York[(a)]	330
Embassy Suites Orlando-International Drive South/Convention Center	244
DoubleTree Suites by Hilton Orlando-Lake Buena Vista	229
Wyndham Philadelphia Historic District	364
Sheraton Philadelphia Society Hill Hotel	364
Embassy Suites Phoenix-Biltmore	232
Wyndham Pittsburgh University Center	251
Wyndham San Diego Bayside	600
Embassy Suites San Francisco Airport-South San Francisco	312
Embassy Suites San Francisco Airport-Waterfront	340
Holiday Inn San Francisco-Fisherman's Wharf	585
San Francisco Marriott Union Square	400
Wyndham Santa Monica At the Pier	132
Embassy Suites Secaucus-Meadowlands[(b)]	261
The Vinoy Renaissance St. Petersburg Resort & Golf Club	361
	11,044
Unconsolidated Hotel	
Chateau LeMoyne-French Quarter, New Orleans[(b)]	171
Hotels Held for Sale	
Morgans New York	117
Royalton New York	168

(a) We own a 95% interest in this property.
(b) We own a 50% interest in this property.

Liquidity and Capital Resources

Operating Activities

For the six months ended June 30, 2017, RevPAR at our same-store hotels decreased 1.0%, as compared to the same period in 2016, driven by a 0.4% decrease in occupancy and a 0.6% decrease in ADR.

At June 30, 2017, we had $58.1 million of cash and cash equivalents, including $41.3 million held by third-party management companies. During the first six months of 2017, our operations (primarily hotel operations) provided $67.2 million in cash compared to $71.6 million for the same period last year. The decline in cash received compared to the prior period is primarily attributable to a decline in our hotel operations (primarily reflecting selling two hotels in the third quarter of 2016), partially offset by a $3.9 million increase in cash received from Wyndham in the current year under Wyndham's annual adjusted net operating income guaranty, in addition to an increase in operating cash flow reflecting a change in the timing of property taxes made for certain properties.

As discussed herein, on April 23, 2017, we agreed to merge with RLJ, pending stockholder approval. Through the six months ended June 30, 2017, we have incurred $6.3 million in transaction costs, primarily related to the merger, including $5.8 million incurred during the second quarter of 2017 (of which $5.6 million was accrued at June 30, 2017). We expect to incur additional significant costs in connection with completing the mergers.

Investing Activities

During the six months ended June 30, 2017, cash used in investing activities was $47.1 million compared to $38.9 million during the same period last year. Through June 30, 2017, we spent $10.0 million more on renovation and redevelopment projects at our hotels compared to the same period last year, primarily at our Embassy Suites Myrtle Beach-Oceanfront Resort and The Vinoy Renaissance St. Petersburg Resort & Golf Club.

Any future renovations and redevelopments will be funded using operating cash flow, cash on hand and borrowings under our line of credit.

We received gross proceeds of $92 million from the sale of two hotels in the third quarter of 2017, and we incurred approximately $14.0 million in aggregate selling costs.

Financing Activities

During the six months ended June 30, 2017, cash used in financing activities was $9.3 million, $24.9 million less than cash used for the same period last year.

In 2015, our Board approved a stock repurchase program, under which we may spend up to $100 million repurchasing shares of our common stock through October 2017, in accordance with applicable securities laws and other restrictions. During the first six months of 2016, we repurchased 4.1 million shares of common stock for $27.4 million (including commissions) at an average price of $6.61 per share. We did not repurchase any shares during the first six months of 2017. Since the program was authorized, FelCor has repurchased 6.6 million shares for a total of $44.8 million (including commissions) at an average share price of $6.78 per share.

In the current period, we repaid $3.3 million more in debt and drew $1.0 million more under our line of credit compared to the same period last year.

In 2017, we expect to make approximately $3 million of scheduled principal payments and pay $25 million of preferred dividends and $33 million in common dividends (assuming no change to our current quarterly dividend), all of which we expect to fund with operating cash flow and cash on hand.

FelCor LP, our operating partnership, distributes funds to FelCor to pay common and preferred dividends. Our Board determines the amount of common and preferred dividends for each quarter, if any, based upon various factors including operating results, economic conditions, other operating trends, our financial condition and capital requirements, as well as the minimum REIT distribution requirements.

Except for our 5.625% senior secured notes due 2023 and our line of credit, our secured debt is generally recourse solely to the specific hotels securing the debt, except in case of fraud, misapplication of funds and certain other customary limited recourse carve-out provisions that could extend recourse to us. Much of our secured debt allows us to substitute collateral under certain conditions and is freely prepayable, subject in some instances to various prepayment, yield maintenance or defeasance obligations.

Most of our secured debt (other than our 5.625% senior secured notes) is subject to lock-box arrangements under certain circumstances. We are permitted to spend an amount required to cover our hotel operating expenses, taxes, debt service, insurance and capital expenditure reserves, even if revenues are flowing through a lock-box triggered by a specified debt service coverage ratio not being met. All of our consolidated loans subject to lock-box provisions currently exceed the applicable minimum debt service coverage ratios.

Senior Notes. Our senior notes, which are guaranteed by FelCor, 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 dividends in excess of the minimum distributions required to qualify as a REIT; (iii) repurchase capital stock; or (iv) merge. We currently exceed all minimum thresholds. In addition, our 5.625% senior secured notes are secured by a combination of first lien mortgages and related security interests on nine hotels, as well as pledges of equity interests in certain subsidiaries of FelCor LP, and our 6.0% senior unsecured notes require us to maintain a minimum amount of unencumbered assets.

Interest Rate Caps. To fulfill requirements under one of our loans, we entered into an interest rate cap agreement with an aggregate notional amount of $140 million at June 30, 2016. We did not designate the interest rate cap as a hedge, and it had an insignificant fair value at June 30, 2016, resulting in no significant impact on earnings. We had no outstanding interest rate caps at June 30, 2017 or December 31, 2016.

Inflation and Competition

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

The information presented herein may contain forward-looking statements. These forward-looking statements, which are based on current expectations, estimates and projections about the industry and markets in which FelCor and RLJ operate and beliefs of and assumptions made by FelCor management and RLJ management, involve significant risks and uncertainties, which are difficult to predict and are not guarantees of future performances, that could significantly affect the financial results of FelCor or RLJ or the combined company. Words such as “projects,” “will,” “could,” “continue,” “expects,” “anticipates,” “intends,” “plans,” “believes,” “seeks,” “estimates,” “forecast,” “guidance,” “outlook,” “may,” and “might” and variations of such words and similar expressions are intended to identify such forward-looking statements, which generally are not historical in nature. Such forward-looking statements may include, but are not limited to, statements about the anticipated benefits of the proposed merger between FelCor and RLJ, including future financial and operating results, the attractiveness of the value to be received by FelCor stockholders, the attractiveness of the value to be received by RLJ, the combined company’s plans, objectives, expectations and intentions, the timing of future events, anticipated administrative and operating synergies, the anticipated impact of the merger on net debt ratios, cost of capital, future dividend payment rates, forecasts of FFO accretion, projected capital improvements, expected sources of financing, and descriptions relating to these expectations. All statements that address operating performance, events or developments that FelCor expects or anticipates will occur in the future - including statements relating to expected synergies, improved liquidity and balance sheet strength - are forward-looking statements. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions that are difficult to predict. FelCor’s ability to predict results or the actual effect of future events, actions, plans or strategies is inherently uncertain. Although FelCor believes the expectations reflected in any forward-looking statements are based on reasonable assumptions, FelCor can give no assurance that our expectations will be attained and therefore, actual outcomes and results may differ materially from what is expressed or forecasted in such forward-looking statements. Some of the factors that may materially and adversely affect FelCor’s or the combined company’s business, financial condition, liquidity, results of operations and prospects, as well as the ability to make distributions to shareholders, include, but are not limited to: (i) national, regional and local economic climates, (ii) changes in the real estate industry, financial markets and interest rates, or to the business or financial condition of either company or business, (iii) increased or unanticipated competition for the companies’ properties, (iv) risks associated with acquisitions, including the integration of the combined companies’ businesses, (v) the potential liability for the failure to meet regulatory requirements, including the maintenance of REIT status, (vi) availability of financing and capital, (vii) risks associated with achieving expected revenue synergies or cost savings, (viii) risks associated with the companies’ ability to consummate the merger and the timing of the closing of the merger, (ix) the outcome of any claims and litigation involving or affecting either company, (x) applicable regulatory changes, and (xi) those additional risks and factors discussed in reports filed with the SEC by FelCor and RLJ from time to time, including those discussed under the heading “Risk Factors” in this Quarterly Report on Form 10-Q and our and RLJ’s other filings with the SEC. Neither FelCor nor RLJ, except as required by law, undertakes any duty to update any forward-looking statements appearing in this document or any other document, whether as a result of new information, future events or otherwise. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof.

Important Information for Investors and Stockholders

In connection with the proposed Mergers described elsewhere in this Quarterly Report on Form 10-Q, RLJ has filed with the SEC a registration statement on Form S-4 (File No. 333-218439), and RLJ and FelCor have filed with the SEC a definitive joint proxy statement/prospectus, which was first mailed to security holders of RLJ and FelCor on July 18, 2017. RLJ and FelCor filed a supplement to the joint proxy statement/prospectus on August 7, 2017 and plan to file other relevant documents with the SEC regarding the proposed transaction. **INVESTORS AND SECURITY HOLDERS ARE URGED TO READ THE JOINT PROXY STATEMENT/PROSPECTUS AND ALL RELATED SUPPLEMENTS AND AMENDMENTS THERETO AND ALL OTHER RELEVANT DOCUMENTS FILED WITH THE SEC IF AND WHEN THEY BECOME AVAILABLE BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION**. You may obtain a free copy of the joint proxy statement/prospectus and all related supplements and amendments and all other relevant documents (if and when they become available) filed by RLJ and FelCor with the SEC at the SEC's website at www.sec.gov. Copies of the documents filed by RLJ with the SEC will be available free of charge on RLJ's website at www.rljlodgingtrust.com or by contacting RLJ Investor Relations at ir@rljlodgingtrust.com or at 301-280-7774. Copies of the documents filed by FelCor with the SEC will be available free of charge on FelCor's website at www.felcor.com or by contacting FelCor Investor Relations at asalami@felcor.com or at 972-444-4967.

This document shall not constitute an offer to sell or the solicitation of an offer to buy any securities, nor shall there be any sale of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. No offering of securities shall be made except by means of a prospectus meeting the requirements of Section 10 of the U.S. Securities Act of 1933, as amended.

Participants in the Solicitation

RLJ and FelCor and their respective trustees, directors and executive officers and other members of management and employees may be deemed to be participants in the solicitation of proxies in respect of the proposed merger. You can find information about RLJ's executive officers and trustees in RLJ's definitive proxy statement filed with the SEC on March 28, 2017 in connection with its 2017 annual meeting of shareholders and in Form 4s of RLJ's trustees and executive officers filed with the SEC. You can find information about FelCor's executive officers and directors in Amendment No. 1 to FelCor's Annual Report on Form 10-K for the year ended December 31, 2016 on Form 10-K/A filed with the SEC on April 28, 2017 and in Form 4s of FelCor's directors and executive officers filed with the SEC. Additional information regarding the interests of such potential participants is included in the joint proxy statement/prospectus and other relevant documents filed with the SEC in connection with the proposed merger. You may obtain free copies of these documents from RLJ or FelCor using the sources indicated above.

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

At June 30, 2017, approximately 84% of our consolidated debt bears fixed-rate interest.

The following table provides information about our financial instruments that are sensitive to changes in interest rates. For debt obligations, the table presents scheduled maturities and weighted average interest rates by maturity dates. The fair value of our 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 yields.

Expected Maturity Date
at June 30, 2017
(dollars in thousands)

	Expected Maturity Date							
	2017	**2018**	**2019**	**2020**	**2021**	**Thereafter**	**Total**	**Fair Value**
Liabilities								
Fixed-rate:								
Debt	$ 1,314	$ 2,954	$ 3,106	$ 3,245	$ 3,432	$ 1,134,823	$ 1,148,874	$ 1,212,965
Average interest rate	4.95%	4.95%	4.95%	4.95%	4.95%	5.70%	5.69%	
Floating-rate:								
Debt	$ 85,000	—	$ 141,000	—	—	—	$ 226,000	$ 227,280
Average interest rate [(a)]	4.34%	—	4.63%	—	—	—	4.52%	
Total debt	$ 86,314	$ 2,954	$ 144,106	$ 3,245	$ 3,432	$ 1,134,823	$ 1,374,874	
Average interest rate	4.35%	4.95%	4.63%	4.95%	4.95%	5.70%	5.50%	
Unamortized debt issuance costs							$ (14,803)	
Debt, net of unamortized debt issuance costs							$ 1,360,071	

(a) The average floating interest rate considers the implied forward rates in the yield curve at June 30, 2017.

Item 4. Controls and Procedures.

FelCor Lodging Trust Incorporated

Controls and Procedures

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we have evaluated the effectiveness of our disclosure controls and procedures pursuant to Exchange Act Rule 13a-15(b) as of the end of the period covered by this report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that these disclosure controls and procedures are effective.

Changes to Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting during our most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

FelCor Lodging Limited Partnership

Controls and Procedures

Under the supervision and with the participation of our management, including FelCor's Chief Executive Officer and Chief Financial Officer, we have evaluated the effectiveness of our disclosure controls and procedures pursuant to Exchange Act Rule 13a-15(b) as of the end of the period covered by this report. Based on that evaluation, FelCor's Chief Executive Officer and Chief Financial Officer have concluded that these disclosure controls and procedures are effective.

Changes to Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting during our most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings.

Four putative class actions have been filed by purported stockholders of FelCor challenging the Mergers. The first suit, styled as *George Assad v. FelCor Lodging Trust Inc., et al.*, No. 1:17-cv-01744-ELH, was filed in the United States District Court for the District of Maryland on June 26, 2017 and is against FelCor, its directors (including Steven R. Goldman, who is also an officer), FelCor LP, RLJ, the Operating Partnership, the REIT Merger Sub, and the Partnership Merger Sub (the "Assad Lawsuit"). The second suit, styled as *Martin Johnson v. FelCor Lodging Trust Inc., et al.*, No. 1:17-cv-01786-ELH, was filed in the United States District Court for the District of Maryland on June 28, 2017, and is against FelCor and its directors (including Steven R. Goldman, who is also an officer) (the "Johnson Lawsuit"). The third suit, styled as *Sachs Investment Group v. FelCor Lodging Trust Inc., et al.*, No. 1:17-cv-01933-ELH, was filed in the United States District Court for the District of Maryland on July 11, 2017, and is against FelCor and its directors (including Steven R. Goldman, who is also an officer) (the "Sachs Lawsuit"). The fourth suit, styled as *Judy G. Bagheri v. FelCor Lodging Trust Inc., et al.*, No. 3:17-cv-01892-C, was filed in the United States District Court for the Northern District of Texas on July 17, 2017 and is against FelCor, its directors (including Steven R. Goldman, who is also an officer), FelCor LP, RLJ, the Operating Partnership, the REIT Merger Sub, and the Partnership Merger Sub (the "Bagheri Lawsuit," and with the Assad, Johnson, and Sachs Lawsuits, the "Lawsuits").

The Lawsuits allege that FelCor and its directors violated Section 14(a) of the Exchange Act and Rule 14a-9 promulgated thereunder by disseminating a false and misleading Form S-4 containing a joint proxy statement/prospectus. The Lawsuits further allege that FelCor's directors violated Section 20(a) of the Exchange Act by failing to exercise proper control over the person(s) who violated Section 14(a) of the Exchange Act. The Assad and Bagheri Lawsuits further allege that RLJ violated Section 20(a) of the Exchange Act.

The Lawsuits seek, among other things, injunctive relief preventing the parties from consummating the Mergers, rescission of the transactions contemplated by the Merger Agreement should they be consummated, and litigation costs, including attorneys' fees. The Johnson Lawsuit and Sachs Lawsuit also seek damages to be awarded to the plaintiff and any class in the event the transactions contemplated by the Merger Agreement are consummated. The Assad Lawsuit also seeks injunctive relief directing the defendants to disseminate a true and complete joint proxy statement/prospectus and declaratory relief that defendants violated Sections 14(a) and/or 20(a) of the Exchange Act and Rule 14a-9 promulgated thereunder.

We dispute the allegations raised in the Lawsuits and will vigorously defend ourselves and related defendants. Because these matters are in the early stages, the timing and resolution of them is uncertain.

Item 1A. Risk Factors.

Risks Related to the Mergers

The Mergers are subject to a number of conditions which, if not satisfied or waived in a timely manner, would delay the Mergers or adversely impact our ability to complete the transactions.

The completion of the Mergers is subject to the satisfaction or waiver of a number of conditions. In addition, under circumstances specified in the Merger Agreement, we or RLJ may terminate the Merger Agreement. In particular, completion of the Mergers requires (i) the approval of the REIT Merger by our common stockholders, or the REIT Merger Proposal, and (ii) the approval of the proposed issuance of RLJ common shares in connection with the REIT Merger by RLJ's common shareholders, or the RLJ Share Issuance Proposal. If either of these required votes is not obtained at the applicable special meeting (including any adjournment or postponement thereof), either we or RLJ may terminate the Merger Agreement. While it is currently anticipated that the Mergers will be completed shortly after our stockholder meeting to approve the REIT Merger Proposal and RLJ's shareholder meeting to approve the RLJ Share Issuance Proposal, there can be no assurance that the conditions to closing will be satisfied in a timely manner or at all, or that an effect, event, circumstance, occurrence, development or change will not transpire that could delay or prevent these conditions from being satisfied. Accordingly, we cannot provide any assurances with respect to the timing of the closing of the Mergers, whether the Mergers will be completed at all and when FelCor's stockholders would receive the consideration for the Mergers, if at all.

Failure to consummate the Mergers as currently contemplated or at all could adversely affect the price of our stock and our future business and financial results.

Completion of the Mergers is subject to the satisfaction or waiver of a number of conditions, including approval by RLJ's shareholders of the RLJ Share Issuance Proposal and approval by FelCor's stockholders of the REIT Merger Proposal. We cannot guarantee when or if these conditions will be satisfied or that the Mergers will be successfully completed. The consummation of the Mergers may be delayed, the Mergers may be consummated on terms different than those contemplated by the Merger Agreement, or the Mergers may not be consummated at all. If the Mergers are not completed, or are completed on different terms than as contemplated by the Merger Agreement, we could be adversely affected and subject to a variety of risks associated with the failure to complete the Mergers, or to complete the Mergers as contemplated by the Merger Agreement, including the following:

- our stockholders may be prevented from realizing the anticipated benefits of the Mergers;
- the market price of our stock could decline significantly;
- we may experience reputational harm due to the adverse perception of any failure to successfully complete the Mergers;
- we may be required, under certain circumstances, to pay to RLJ a termination fee or expense amount;
- we may incur substantial costs relating to the Mergers, such as legal, accounting, financial advisor, filing, printing and mailing fees; and
- the attention of our management and employees may be diverted from their day-to-day business and operational matters and our relationships with our hotel properties may be disrupted as a result of efforts relating to attempting to consummate the Mergers.

Any delay in the consummation of the Mergers or any uncertainty about the consummation of the Mergers on terms other than those contemplated by the Merger Agreement, or if the Mergers are not completed, could materially adversely affect our business, financial results and share price.

If the Mergers do not occur, we may incur significant payment obligations to RLJ.

Under the terms of the Merger Agreement, we may be required to pay to RLJ a termination fee of $39 million or an expense amount equal to $20 million if the Merger Agreement is terminated under certain circumstances. Circumstances that may require the payment by us of the termination fee include the following: (i) if we terminate to enter into an alternative acquisition agreement with respect to a superior proposal; (ii) if an acquisition proposal to us is pending and the Merger Agreement is terminated because (a) the REIT Merger Proposal was not approved by our stockholders or (b) of a material uncured breach of the Merger Agreement, and, with respect to each of clauses (a) and (b), within 12 months we consummate a transaction regarding or enter into an alternative acquisition agreement with respect to any acquisition proposal; and (iii) if our Board changes its recommendation regarding the REIT Merger Proposal in a manner adverse to RLJ or we enter into an alternative acquisition agreement (with respect to an acquisition proposal or superior proposal). Circumstances that may require the payment by us of the expense amount include the following: (i) if RLJ terminates the Merger Agreement because the REIT Merger Proposal was not approved by our stockholders and (ii) if RLJ terminates the Merger Agreement due only to our material uncured breach. If we pay the expense amount and subsequently become obligated to pay the termination fee, the termination fee will be reduced by the amount of the previously paid expense amount. For purposes of these termination provisions, the term “acquisition proposal” means a proposal for more than 50% of FelCor and the term “superior proposal” means a proposal for more than 50% of FelCor that our Board determines in good faith is more favorable to FelCor and our stockholders from a financial point of view than the transactions contemplated by the Merger Agreement.

These provisions could discourage a potential competing acquirer that might have an interest in acquiring all or a significant part of us from considering or proposing a competing acquisition, even if the potential competing acquirer was prepared to pay consideration with a higher per share cash value than that market value proposed to be received or realized in the Mergers, or might result in a potential competing acquirer proposing to pay a lower price than it might otherwise have proposed to pay because of the added expense of the termination fee or expense amount that may become payable in certain circumstances under the Merger Agreement.

We have incurred substantial expenses related to the Mergers and expect to incur additional expenses.

We have incurred substantial legal, accounting, financial advisory and other costs, and our management team has devoted considerable time and effort in connection with the Mergers. We may incur significant additional costs in connection with the completion of the Mergers or in connection with any delay in completing the Mergers or termination of the Merger Agreement, in addition to the other costs we have already incurred. If the Mergers are not completed, we will separately bear certain fees and expenses associated with the Mergers without realizing the benefits of the Mergers. If the Mergers are completed, the combined company expects to incur substantial expenses in connection with integrating the business, operations, network, systems, technologies, policies and procedures of the two companies. The fees and expenses may be significant and could have an adverse impact on the combined company’s results of operations.

Although we have assumed that a certain level of transaction and integration expenses would be incurred, there are a number of factors beyond the control of either RLJ or FelCor that could affect the total amount or the timing of the integration expenses. Many of the expenses that will be incurred, by their nature, are difficult to estimate accurately at the present time. As a result, the transaction and integration expenses associated with the Mergers could, particularly in the near term, exceed the savings that the combined company expects to achieve from the elimination of duplicative expenses and the realization of economies of scale and cost savings related to the integration of the businesses following the completion of the Mergers.

The pendency of the Mergers could adversely affect our business and operations.

In connection with the pending Mergers, some of our current or prospective hotel management companies or lenders may delay or defer decisions, which could negatively impact our revenues, earnings, cash flows and expenses, regardless of whether the Mergers are completed. In addition, under the Merger Agreement, we are subject to certain restrictions on the conduct of our business prior to completing the Mergers. These restrictions may prevent us from pursuing certain strategic transactions, acquiring and disposing assets, undertaking certain capital projects, undertaking certain financing transactions and otherwise pursuing other actions that are not in the ordinary course of business, even if such actions could prove beneficial. These restrictions may impede our growth which could negatively impact our revenue, earnings and cash flows. Additionally, the pendency of the Mergers may make it more difficult for us to effectively retain and incentivize key personnel.

An adverse judgment in any litigation challenging the Mergers may prevent the Mergers from becoming effective or from becoming effective within the expected timeframe.

Four putative class actions have been filed by purported stockholders of FelCor challenging the Mergers. For more information regarding the four putative class actions, see "Item 1. Legal Proceedings" above. It is possible that the shareholders of either party may file additional lawsuits challenging the Mergers or the other transactions contemplated by the Merger Agreement, which may name us and/or our board of directors as defendants. We cannot assure you as to the outcome of such lawsuits, including the amount of costs associated with defending these claims or any other liabilities that may be incurred in connection with the litigation of these claims. If plaintiffs are successful in obtaining an injunction prohibiting the parties from completing the Mergers on the agreed-upon terms, such an injunction may delay the consummation of the Mergers in the expected timeframe, or may prevent the Mergers from being consummated altogether. Whether or not any plaintiff's claim is successful, this type of litigation may result in significant costs and divert management's attention and resources, which could adversely affect the operation of our business.

Following the Mergers, the combined company may be unable to integrate RLJ's business and FelCor's business successfully and realize the anticipated synergies and other expected benefits of the Mergers on the anticipated timeframe or at all.

The Mergers involve the combination of two companies that currently operate as independent public companies. The combined company expects to benefit from the elimination of duplicative costs associated with supporting a public company platform and the resulting economies of scale. These savings are expected to be realized upon full integration, which is expected to occur in 2018. The combined company will be required to devote significant management attention and resources to the integration of RLJ's and FelCor's business practices and operations. The potential difficulties the combined company may encounter in the integration process include the following:

- the inability to successfully combine RLJ's and FelCor's business in a manner that permits it to achieve the cost savings anticipated to result from the Mergers, which would result in the anticipated benefits of the Mergers not being realized in the timeframe currently anticipated or at all;
- the complexities associated with integrating personnel from the two companies;
- the complexities of combining two companies with different histories, cultures, geographic footprints and hotel properties;

- potential unknown liabilities and unforeseen increased expenses, delays or conditions associated with the Mergers; and
- performance shortfalls as a result of the diversion of management's attention caused by completing the Mergers and integrating the companies' operations.

For all these reasons, you should be aware that it is possible that the integration process could result in the distraction of the combined company's management, the disruption of the combined company's ongoing business or inconsistencies in its operations, services, standards, controls, policies and procedures, any of which could adversely affect the combined company's ability to deliver exceptional service to its hotel guests, to maintain relationships with its guests, vendors and employees, to achieve the anticipated benefits of the Mergers, or could otherwise materially and adversely affect its business and financial results.

Because the number of common shares of RLJ exchanged per share of our common stock is fixed and will not be adjusted in the event of any change in RLJ's share price or FelCor's stock price, the value of the RLJ common shares issued by RLJ and received by FelCor's stockholders may be higher or lower at the closing of the Mergers than when the Merger Agreement was executed.

Upon the consummation of the REIT Merger, each share of our common stock (other than shares, if any, held by RLJ, any of RLJ's subsidiaries or any wholly-owned subsidiaries of FelCor) will be converted into 0.362 common shares of RLJ, or the Common Exchange Ratio, and each share of FelCor Series A Preferred Stock will be converted into one Series A Preferred Share of RLJ, or the Preferred Exchange Ratio. The Common Exchange Ratio and the Preferred Exchange Ratio are referred to herein as the "Exchange Ratios." The Exchange Ratios are fixed in the Merger Agreement and will not be adjusted for changes in the market price of either RLJ's common shares or our common stock. Changes in the market price of RLJ's common shares prior to the REIT Merger will affect the market value of the consideration that our stockholders will receive on the closing date of the Mergers. Stock price changes may result from a variety of factors (many of which are beyond the control of either RLJ or FelCor), including the following factors:

- market reaction to the announcement of the Mergers;
- changes in RLJ's or FelCor's respective businesses, operations, assets, liabilities and prospects;
- changes in market assessments of the business, operations, financial position and prospects of either RLJ or FelCor or the combined company;
- market assessments of the likelihood that the Mergers will be completed;
- interest rates, general market and economic conditions and other factors generally affecting the market prices of RLJ's common shares and our common stock;
- the actual or perceived impact of U.S. monetary policy;
- federal, state and local legislation, governmental regulation and legal developments in the businesses in which we and RLJ operate; and
- other factors beyond the control of either RLJ or FelCor, including those described or referred to elsewhere in this "Risk Factors" section.

The market price of RLJ's common shares at the closing of the REIT Merger may vary from its price on the date the Merger Agreement was executed, on the date of the joint proxy statement/prospectus prepared in connection with the Mergers, and on the dates of the RLJ's and FelCor's special meetings. As a result, the market value of the consideration for the REIT Merger, represented by the Common Exchange Ratio, also will vary.

Therefore, while the number of RLJ common shares to be issued per share of our common stock is fixed, our stockholders cannot be sure of the market value of the consideration they will receive upon completion of the Mergers. Neither we nor RLJ have the right to terminate the Merger Agreement based on an increase or decrease in the market price of RLJ's common shares.

The REIT Merger and related transactions are subject to approval by RLJ's shareholders and FelCor's stockholders.

The REIT Merger cannot be completed unless (i) FelCor's stockholders approve the REIT Merger Proposal by the affirmative vote of the holders of at least a majority of all outstanding shares of FelCor common stock and (ii) RLJ's shareholders approve the RLJ Share Issuance Proposal by the affirmative vote of a majority of the votes cast. If shareholder approval is not obtained by FelCor's stockholders or RLJ's shareholders, the REIT Merger and related transactions cannot be completed.

If the Mergers are not consummated by December 28, 2017 (unless extended under certain circumstances), we or RLJ may terminate the Merger Agreement.

Either we or RLJ may terminate the Merger Agreement under certain circumstances, including if the Mergers have not been consummated by December 28, 2017. However, this termination right will not be available to a party if that party failed to fulfill its obligations under the Merger Agreement and that failure was the cause of, or resulted in, the failure to consummate the Mergers.

The combined company's future results will suffer if it does not effectively manage its expanded operations following the Mergers.

Following the Mergers, RLJ and FelCor expect that the combined company will expand its operations through additional acquisitions of properties, some of which may involve complex challenges. The combined company's future success will depend, in part, upon its ability to manage its expansion opportunities, which may pose substantial challenges for it to integrate new operations into its existing business in an efficient and timely manner, and upon its ability to successfully monitor its operations, costs, regulatory compliance and service quality, and to maintain other necessary internal controls. There is no assurance that the combined company's expansion or acquisition opportunities will be successful, or that it will realize its expected operating efficiencies, cost savings, revenue enhancements, synergies or other benefits.

The market price of RLJ's common shares may decline as a result of the Mergers and the market price of RLJ's common shares after the consummation of the Mergers may be affected by factors different from those affecting the price of RLJ's common shares or our common stock before the Mergers.

The market price of RLJ's common shares may decline as a result of the Mergers if the combined company does not achieve the perceived benefits of the Mergers or the effect of the Mergers on the combined company's financial results is not consistent with the expectations of financial or industry analysts.

In addition, upon consummation of the Mergers, RLJ's shareholders and FelCor's stockholders will own interests in the combined company operating an expanded business with a different mix of properties, risks and liabilities. RLJ's current shareholders and FelCor's current stockholders may not wish to continue to invest in the combined company, or for other reasons may wish to dispose of some or all of their RLJ common shares. If, following the effective time of the Mergers, large amounts of RLJ common shares are sold, the price of RLJ common shares could decline.

Further, the combined company's results of operations, as well as the market price of RLJ common shares after the Mergers may be affected by factors in addition to those currently affecting RLJ's or FelCor's results of operations and the market prices of RLJ common shares and our common stock, particularly the increase in the combined company's leverage compared to that in place for RLJ and FelCor today, and other differences in assets and capitalization. Accordingly, RLJ's and FelCor's historical market prices and financial results may not be indicative of these matters for the combined company after the Mergers.

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
2.1	Agreement and Plan of Merger, dated April 23, 2017, by and among RLJ Lodging Trust, RLJ Lodging Trust, L.P., Rangers Sub I, LLC, Rangers Sub II, LP, FelCor Lodging Trust Incorporated ("FelCor"), and FelCor Lodging Limited Partnership ("FLLP") (filed as Exhibit 2.1 to FelCor's and FLLP's Form 8-K, dated April 23, 2017, and incorporated herein by reference).
10.1	Form of Amendment to Change in Control and Severance Agreement, dated as of April 23, 2017, by and between FelCor and each of Steven R. Goldman, Troy A. Pentecost, Thomas C. Hendrick, Michael C. Hughes, and Jonathan H. Yellen (filed as Exhibit 10.1 FelCor's Form 8-K, dated April 23, 2017, and incorporated herein by reference).
31.1*	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 for FelCor.
31.2*	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 for FelCor.
31.3*	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 for FelCor LP.
31.4*	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 for FelCor LP.
32.1†*	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 for FelCor.
32.2†*	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 for FelCor LP.
101.INS	XBRL Instance Document. *Submitted electronically with this report.*
101.SCH	XBRL Taxonomy Extension Schema Document. *Submitted electronically with this report.*
101.CAL	XBRL Taxonomy Calculation Linkbase Document. *Submitted electronically with this report.*
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document. *Submitted electronically with this report.*
101.LAB	XBRL Taxonomy Label Linkbase Document. *Submitted electronically with this report.*
101.PRE	XBRL Taxonomy Presentation Linkbase Document. *Submitted electronically with this report.*

----
* Filed herewith.

† This certificate is being furnished solely to accompany the report pursuant to 18 U.S.C. 1350 and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

Attached as Exhibit 101 to this report are the following documents formatted in XBRL (Extensible Business Reporting Language): (i) FelCor's Consolidated Balance Sheets at June 30, 2017 and December 31, 2016; (ii) FelCor's Consolidated Statements of Operations and Comprehensive Income (Loss) for the three and six months ended June 30, 2017 and 2016; (iii) FelCor's Consolidated Statements of Changes in Equity for the six months ended June 30, 2017 and 2016; (iv) FelCor's Consolidated Statements of Cash Flows for the six months ended June 30, 2017 and 2016; (v) FelCor LP's Consolidated Balance Sheets at June 30, 2017 and December 31, 2016; (vi) FelCor LP's Consolidated Statements of Operations and Comprehensive Income (Loss) for the three and six months ended June 30, 2017 and 2016; (vii) FelCor LP's Consolidated Statements of Partners' Capital for the six months ended June 30, 2017 and 2016; (viii) FelCor LP's Consolidated Statements of Cash Flows for the six months ended June 30, 2017 and 2016; and (ix) the Notes to Consolidated Financial Statements.

SIGNATURES

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

FELCOR LODGING TRUST INCORPORATED
a Maryland corporation

Date: August 9, 2017

By: /s/ Jeffrey D. Symes

Name: Jeffrey D. Symes
Title: Senior Vice President, Chief Accounting Officer and Treasurer

FELCOR LODGING LIMITED PARTNERSHIP
a Delaware limited partnership

By: FelCor Lodging Trust Incorporated
Its General Partner

Date: August 9, 2017

By: /s/ Jeffrey D. Symes

Name: Jeffrey D. Symes
Title: Senior Vice President, Chief Accounting Officer and Treasurer

Exhibit 31.1

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

I, Steven R. Goldman, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: August 9, 2017

/s/ Steven R. Goldman

Steven R. Goldman
President and Chief Executive Officer

Exhibit 31.2

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

I, Michael C. Hughes, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: August 9, 2017

/s/ Michael C. Hughes

Michael C. Hughes
Chief Financial Officer

Exhibit 31.3

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

I, Steven R. Goldman, 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: August 9, 2017

/s/ Steven R. Goldman

Steven R. Goldman
President and Chief Executive Officer of
FelCor Lodging Trust Incorporated, as
general partner of FelCor Lodging Limited Partnership

Exhibit 31.4

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

I, Michael C. Hughes, 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: August 9, 2017

/s/ Michael C. Hughes

Michael C. Hughes
Chief Financial Officer of FelCor Lodging Trust Incorporated, as
general partner of FelCor Lodging Limited Partnership

Exhibit 32.1

Section 906 Certification

Certification of Chief Executive Officer and Chief Financial Officer Pursuant to
18 U.S.C. § 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Pursuant to 18 U.S.C. § 1350, adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officers of FelCor Lodging Trust Incorporated (the "Company") hereby certify, to such officers' knowledge, that:

(i) the accompanying Quarterly Report on Form 10-Q of the Company for the period ended June 30, 2017 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, as amended;

and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 9, 2017

/s/ Steven R. Goldman

Steven R. Goldman
President and Chief Executive Officer

/s/ Michael C. Hughes

Michael C. Hughes
Chief Financial Officer

Exhibit 32.2

Section 906 Certification

Certification of Chief Executive Officer and Chief Financial Officer Pursuant to
18 U.S.C. § 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Pursuant to 18 U.S.C. § 1350, adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officers of FelCor Lodging Trust Incorporated as general partner of FelCor Lodging Limited Partnership (the "Company") hereby certify, to such officers' knowledge, that:

(i) the accompanying Quarterly Report on Form 10-Q of the Company for the period ended June 30, 2017 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, as amended;

and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 9, 2017

/s/ Steven R. Goldman

Steven R. Goldman
President and Chief Executive Officer of FelCor Lodging Trust Incorporated,
as general partner of FelCor Lodging Limited Partnership

/s/ Michael C. Hughes

Michael C. Hughes
Chief Financial Officer of FelCor Lodging Trust Incorporated,
as general partner of FelCor Lodging Limited Partnership