

Sustainability

Sustainability, for FelCor, is about environmental stewardship and social responsibility. These issues interest our investors, employees and business partners. We think they're pretty important, too.

Environmental Stewardship

Our business is primarily ownership and development of hotels and related real estate. From an environmental perspective, we consider how the operation of our properties and, in some cases, the development or redevelopment of our properties, can impact the environment. We also take great interest in the environmental health of our properties. Like any citizen, FelCor is concerned by the prospect of long-term environmental damage and, where economically reasonable and technically feasible, we embrace opportunities to limit – and even repair – some of that damage.

Coordinating Environmental Strategies. Our hotels are generally managed by branded lodging management companies, such as Hilton Hotels Corporation, InterContinental Hotels Group, Marriott International, Inc. and Starwood Hotels & Resorts Worldwide, Inc. Many of the green initiatives at our hotels are developed and implemented through cooperation between the brands, the individual hotels and FelCor's asset management team. The environmental and other sustainability programs that are developed by our brand-managers drive a significant part of FelCor's strategy:

Hilton Hotels (Hilton, Embassy Suites and Doubletree Hotels):

http://hiltonworldwide1.hilton.com/en_US/ww/business/environmental.do

Marriott International (Marriott Hotels and Renaissance Hotels & Resorts):

<http://www.marriott.com/marriott.mi?page=environmentalInitiatives>,

<http://www.marriott.com/corporateinfo/culture/communityInvolvement.mi>,

<http://www.marriott.com/corporateinfo/culture/Diversity.mi>

Intercontinental Hotel Group (Holiday Inn Hotels): <http://www.ihgplc.com/index.asp?pageid=8>

FelCor's Blend of Theory and Practice

Our "green" strategy is to marry green practices, which help to protect the environment through sustainable behaviors, and economic benefits with the goal of increasing shareholder value. Every hotel within our portfolio participates in some form of a green program, which can include such things as water conservation, increasing energy efficiency and waste reduction. Management at each property tailors its efforts based on the property's particular needs, local programs and brand-wide support. We are not limited to what our brand-managers may implement or recommend; we may well reach beyond brand standards. For example, we are evaluating solar energy systems for our Napa Valley property. Similarly, during the 2007

drought, at one of our Georgia hotels, we changed an air-conditioning system from a water-cooled to an air-cooled.

Recent and Ongoing Programs

Here are some of the recent programs at our properties that illustrate FelCor's practical and substantive commitment to environmental issues:

Energy-Efficient Lighting – In May 2007, our Board of Directors approved energy-efficient lighting installed across the portfolio. This is a great example of where sustainability and economic interests are complementary – the projected annual savings is \$5.23 million, which means we expect to recover our initial capital outlay within 10 months, after which we start to see significant ongoing savings.

Guestroom Energy Management Systems/Digital Thermostats – By the end of 2008, all of our hotels will have digital thermostats with programmable set-back temperatures. In addition, about 20 percent of our hotels have full guestroom energy management systems with sensors to determine guest occupancy. We expect to recover our initial capital outlay for guestroom EMS within 2.7 years following installation, on average.

Ozone Laundry System – In January 2007, we installed a new laundry system at our Westin Park Central Hotel in Dallas that resulted in a 21 percent reduction in natural gas usage (a \$30,000 saving over the first 12-month period). Similar laundry systems have recently been installed at our Sheraton Suites Galleria hotel in Atlanta and at our Myrtle Beach resort, and are under consideration for our Sheraton Society Hill Hotel in Philadelphia. We will also consider installing these systems at our other large hotels to take advantage of the economies of scale, where there are both high energy costs and high laundry volume.

Water Treatment Systems – We have installed water treatment systems at the Sheraton Premiere at Tyson's Corner and the Doubletree Guest Suites in the Walt Disney World Resort, as well as at our Embassy Suites Hotels at Los Angeles International Airport, Mandalay Beach Resort and Napa Valley. These systems eliminate chemical treatments; so far, they have produced average annual energy savings of \$35,000 at these hotels (i.e., a 13-month payback). We are currently considering whether to install similar systems at other properties.

Dual Flush Toilets – In connection with the renovation of our Holiday Inn property at San Antonio Airport, we installed dual flush toilets in all the guest-bath rooms. As another example of how environmental and economic priorities can be aligned, the San Antonio Water System provided a full rebate for the project cost and installation. On a going forward basis, we expect annual water costs to drop by up to 30 percent. We are now planning to make similar equipment changes at our two Embassy Suites hotels in San Antonio and will evaluate making similar changes at hotels in other areas where water costs and usage are high and to take advantage of similar rebate opportunities.

Demand Response – Hotels in California, Delaware, Florida, Illinois, Massachusetts, Maryland, New Jersey, Pennsylvania, Virginia and Vermont may qualify for participation in regional

demand response/load curtailment programs. There is no cost to participate. Hotels generate revenues quarterly based on amount of electric usage they are willing to reduce during periods of peak demand, thereby increasing available load on the electric grid. We are currently analyzing the potential benefits and merits of participating in these programs.

Green Power – FelCor’s Energy Committee routinely evaluates the costs and benefits of alternative power solutions in deregulated electric markets.

On a more general basis, **working** with our brand-managers, we’ve made progress on a number of conservation fronts, including:

Water conservation, which includes such things as installing low-flow faucets and toilets and more efficient laundry equipment, as well as implementing a towel and linen reuse program, which asks guests when they would like their sheets and towels changed. For example, as part of Hilton’s “Conserve to Preserve” program, guests are informed at check in that their sheets are clean and will be changed on each third night of their stay unless otherwise requested. In addition, an information card is placed on the towel rack alongside clean towels. If a guest elects, they can re-hang used towels (which then will not be laundered daily).

Energy conservation, including installation of programmable thermostats and sensor lighting in low traffic areas, upgraded energy-efficient heating, ventilation, air conditioning and other mechanical systems, and energy-efficient lighting.

Waste reduction and recycling was one of the first industry-wide green initiatives, and in-room recycling is an area that continues to generate significant industry interest. For example, Doubletree Hotels (a Hilton brand-affiliate) is current evaluating placing a second waste receptacle in each guest room, since most of the waste materials collected in guest rooms are recyclable.

Industry and Other Recognition

A number of our hotels have been recognized for their conservation efforts. For example:

Every FelCor-owned hotel in the Orlando, Florida area, as well as the Renaissance Vinoy Resort & Golf Club in St. Petersburg, has been designated a “Green Lodge” by the Florida Department of Environmental Protection. Our remaining Florida hotels have pending applications, but there is an administrative backlog delaying additional designations. For more information about Florida’s green lodging program, [visit their website](#).

Similarly, all of our Embassy Suites Hotels in northern California, the Embassy Suites – Anaheim-North, and the Doubletree Guest Suites – Doheny Beach are official members of California’s Green Lodging Program. For more information about California’s green lodging program, [visit their website](#).

Our Embassy Suites Chicago – North Shore/Deerfield, along with several other local businesses, has been recognized by the Lake Cook Demonstration Corridor for removing 267 tons of air pollution.

Community Engagement Service and Giving

Autism Speaks. Beginning in 2007, FelCor teamed up with Autism Speaks as a corporate sponsor. As with juvenile diabetes, autism became particularly relevant to FelCor because a number of employees have children or other family members who live with autism. This year, FelCor has committed to raise at least \$100,000 for its 2008 Dallas-Ft. Worth walk. Autism Speaks, formed in 2006, is the world's largest autism advocacy organization. For more information about Autism Speaks, [visit their website](#).

Support for U.S. Troops Serving Overseas. Typical of FelCor and our family-styled culture, when the son of one of our employees was deployed to serve in Iraq, FelCor deployed. We've adopted his unit and, through periodic care packages (to Iraq and to the soldiers' families back home) and letters, we regularly remind these brave soldiers of our admiration and regard for their courage, honor and sacrifice. The program isn't political – it's about respect and support for some really dedicated and brave people.

Local Social Service Organizations. FelCor also supports two local charities in Dallas: the [Family Place](#) and the [Austin Street Centre](#).

Austin Street Centre exists to provide emergency shelter and related services to the homeless. Our support for the Austin Street Centre includes food donations, thrift store contributions, and contributions of out-of-service linens and towels.

The Family Place provides support for victims of family violence. Every year, FelCor participates in its holiday season adopt-a-family program, as well as a well-received back-to-school school supplies program. As an illustration of how our affiliates and properties often coordinate with our corporate efforts, our locally-owned hotels have begun providing out-of-service linens and towels to the Family Place.

Matching Gifts Program; Individual Commitments. FelCor's culture emphasizes the power and value of individual contributions and leadership. In 2007, we implemented a matching charitable gift program. FelCor stands shoulder-to-shoulder with its employees in their efforts to improve our community. The effect is viral and infectious. The range of community programs, services and organizations helped by FelCor has expanded significantly, while the impact of our employees has been enhanced.

Juvenile Diabetes Research Foundation. From the beginning, FelCor maintained a long-term commitment to the Juvenile Diabetes Research Foundation, because a child of a FelCor employee had juvenile diabetes. Since that time, through leadership and sponsor participation in various walk-a-thons, lunches, auctions and other events, FelCor has been one of the largest Dallas supporters of JDRF, having raised, directly and through its various properties, over \$1 million for diabetes research. For more information about JDRF, [visit their website](#)

Commitment to Evolving Best Sustainability Practices

FelCor continually reviews and analyzes successful sustainability practices in our industry to determine whether they could work for FelCor and its investors. At the same time, the lodging industry's green efforts are at an early stage, with the various hotel brands largely driving the process based upon client demand and system-wide opportunities. We work closely with our brand managers to identify opportunities to adopt best practices and enhance our sustainability efforts. This report (which we anticipate revising from time to time to ensure its currency) is intended to provide our investors a sense of that process and our commitment and accomplishments.