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PRESENTATION

Operator

Good afternoon. My name is Kyle, and I'll be your conference operator today. At this time, I'd like to welcome everyone to FelCor 2Q earnings release conference call.

(Operator Instructions)

Thank you. Mr. Schafer, you may begin your conference.

Stephen Schafer - *FelCor Lodging Trust Incorporated - IR*

Thank you and good morning. On be half of the management team, I would like to welcome you to our second quarter earnings conference call. With me today are members of our management team including Rick Smith, our President and CEO, and Michael Hughes, our Chief Financial Officer. Following their remarks, we will take your questions.

Before I turn the call over to Rick, let me remind you that with the exception of historical information, the matters discussed on this conference call may include forward-looking statements within the meaning of the Federal Securities laws. These forward-looking statements are expressions of current expectations and are not guarantees of future performance. Numerous risks and uncertainties in the occurrence of future events may cause actual results to differ materially from those current it expected. These risks and uncertainties are described in FelCor's filings with the SEC. Although we believe our current expectations to be based upon a reasonable assumptions, we cannot assure you that those expectations will be attained or that actual results will not differ materially, and with that, I will turn the call over to Rick.

Rick Smith - *FelCor Lodging Trust Incorporated - CEO & President*

Thanks, Steve. Good morning. Before I jump into the quarter this time, I'd like to address some recent commentary regarding industry weakness and corporate profits. By and large, we are just not seeing that. While corporate profits overall were down, when you exclude the energy sector corporate profits are actually up, not as strong as Q1 but still solid. Further, industry supply and demand fundamentals remain strong. Thus we remain bullish on the industry and RevPAR growth prospects. Occupancy is at an all-time high which will continue to bolster pricing power until supply and demand fundamentals reverse. We did see volatility in April, absolutely, but May bounced back strong. June and thus far in July were even stronger. RevPAR growth for June was 9.4%, and the first 25 days of July ran roughly 10%.

Now on with the quarter, we had a solid quarter operationally and accomplished a great deal otherwise. Our portfolio outperformed the industry once again with a 7.3% RevPAR increase, and our FFO and EBITDA met the high end of our expectations. We essentially completed our portfolio repositioning program. We sold three hotels during the quarter and one more in July. The lone remaining hotel is under contract and will be sold during the third quarter. We finalized the balance sheet restructuring and also completed several next step initiatives that have further improved the health of our balance sheet. The Knickerbocker is off to a good start. We continue to focus on rate positioning for the hotel as we move into RFP and budget season to insure a successful 2016. The roof top bar, St. Cloud, opened in June and has been extremely well received.

The multi-year transformation of the Company is largely complete. All that remains is completed the last asset sale, effectively positioning the Knickerbocker and stabilizing its performance, and insuring our Wyndham hotels achieved their stabilization targets, which of course backed by the guarantee. There are many catalysts that will continue to produce sustained growth in earnings, portfolio value, and cash flow better than the industry and any of our peers providing meaningful incremental value for our shareholders, and I'll briefly touch on these.

Portfolio, as I mentioned earlier we have essentially completed our repositioning program. We've sold 7 hotels this year, and have 1 left to sell during Q3. We have sold 40 hotels since 2010, and 98 since we began the transformation. Executing this program successfully has allowed us to diversify our portfolio with hotels located in high performing submarkets that are insulated from new supply. We will continue to reap the benefits of this program for years to come as we enjoy higher RevPAR growth than our peers in the industry overall.

Now let me update you on the Knick. The hotel opened in February. We passed the final construction inspection for the 16th and final floor two weeks ago; however, we are still waiting for the TCO from the DOB. There's been a bit of a holdup at the DOB. Once it is received which we expect within the next couple of weeks the entire building will have a TCO. St. Cloud, the roof top bar, opened in May for private events and to the public in June. Customer feedback continues to be extremely positive. Business is booming with 31 private events in May and June and 29 future buyout dates. From a rooms perspective, we have been testing to insure all channels are open in June and July, prior to opening up the final floors and named suites. This was resulted in high occupancy in the low to mid 80%, but the resulting rate was below our expectations. This is typical for a new hotel ramping up and is easily correctable going forward. Once we receive the final TCO, we will finalize the mix plan which will allow us to achieve our overall target rate. We continue to be very excited about the next potential and still expect the hotel to generate roughly $25 million of EBITDA as stabilization.

The 8 Wyndham hotels continue to perform very well and in line with our expectations. RevPAR for the eight hotels grew 19% during the quarter to $152, the highest RevPAR in the history of those hotels. EBITDA margins were 43%, the highest in 15 years. The guarantee stepped up about 25% this year, so EBITDA at these hotels is expected to be about $54 million in 2015 or roughly $11 million higher than in 2014. The guarantee increases roughly another 10% in 2016 to $59 million, so the guaranteed two-year growth of these assets is $16 million or 37%. Please note that our guidance reflects the guaranteed level.

During the quarter, we completed the balance sheet restructuring as we repaid the last of our near term debt maturities, we also took advantage of the robust capital markets and completed several important next step balance sheet initiatives, redeeming the Series C preferred stock, and refinancing the 6.75% senior secured notes with new 10-year 6% unsecured notes. We also expanded the line of credit with the lower rate and unencumbered additional hotels. Today, we have the lowest rate in the history of the Company at 5%, and the best maturity profile of any peer. As our EBITDA improves, our interest coverage and leverage are projected to improve to near 4 times and 3.5 times, respectively, providing us with tremendous flexibility during the next downturn and capacity to take advantage of future opportunities.

Now let's talk a little bit about going forward value. When we began the first phase of the strategic plan, our central thesis was that we had an opportunity to create more value than any of our peers if we executed our plan as presented to investors. We have done that. We have completely transformed the portfolio. Today, we own a high quality, well diversified portfolio in our same-store RevPAR growth continues to outperform our peer group and the industry.

Our portfolio is in excellent shape. It is well insulated from new supply and actually experiencing lower supply growth than the industry. We also have more exposure to outperforming markets than our peers. Executing our plan has created significant value to date. However, there is still significant value to come, both on an absolute basis and relative to our peers. The ramp up of the Knickerbocker, final step up of the Wyndham guarantee, and organic growth add substantial value over the course of the next two years. This will be augmented by declining leverage and interest expense and increased FAD, thus we have significant above market growth potential just from what we have already executed. By reducing leverage even more and maintaining our best-in-class maturity profile, we are creating an even stronger and more flexible balance sheet. This allows for even greater future growth opportunities. Going forward we have significant value creation opportunities as we execute the second phase of our plan, high ROI redevelopment opportunities within our portfolio, and further and continued improvement in overall portfolio quality all represent opportunities for above market growth. As always and most importantly, we remain completely focused on delivering superior shareholder value, and with that, I will turn the call over to Michael.

Michael Hughes - *FelCor Lodging Trust Incorporated - CFO*

Thanks, Rick, and good morning. We completed several significant transactions during the second quarter that further improve our balance sheet. We raised $199 million in proceeds by selling common stock at $11.25 per share. Using the equity proceeds, we redeemed all of our 8% Series C cumulative preferred stock. This transaction removed the highest fixed cost component of our capital structure, lowered our weighted average cost of capital and increased our FFO and FAD.

We took advantage of historically low interest rates to redeem our $525 million 6.75% Senior Notes due 2019 with proceeds from selling $475 million of unsecured 6% 10-year Senior Notes, as well as funds drawn under our line of credit. We also amended and had restated our line of credit to expand our borrowing capacity from $225 million to $400 million and reduced the interest rate spread by 62.5 basis points. The spread is calculated based on a tiered leverage matrix between 225 and 275 basis points, allowing the spread to reduce further as our leverage declines. The amended facility matures in June 2020 including a one-year extension option.

Using assets sale proceeds and funds drawn under our line of credit, we prepaid two mortgage loans totaling $189 million. Both loans would have otherwise matured in 2017. These transactions reduce our average cost of debt to 5%, 125 basis points lower than at the end of 2013 and the lowest in FelCor's history. We also increased our unencumbered hotels to 19 from nine hotels at the end of the first quarter and extended our weighted average maturity to 8 years. We have the best maturity profile of any public hotel REIT. With EBITDA expansion our leverage continues to decline. Our leverage is currently 6 times reduced from 8.4 time at the end of 2013, and we expect it to stabilize near 4 times.

As Rick mentioned, we had another strong quarter operationally. RevPAR at our same-store hotels increased 7.3%, and most of our largest markets continue to produce strong RevPAR growth. Boston and San Francisco continue to perform extremely well, with 13% and 12% RevPAR growth, respectively. San Diego and Philadelphia were also particularly strong with 29% and 21% RevPAR growth, respectively. Our California resorts and Phoenix averaged 9% RevPAR growth, and Atlanta is finally sustaining good RevPAR growth which was 10% for the quarter, while our Los Angeles and Tampa sales performed at the portfolio average. Conversely, Myrtle Beach was down 0.3% mostly related to Tropical Storm Ana, and South Florida was up 2.3%. Orlando was down 0.7% due to a slower city-wide calendar. We were able to contain costs effectively in all areas and departments resulting in strong revenue to EBITDA flow-through of roughly 50% and 106 basis points of hotel EBITDA margin growth. Same-store adjusted EBITDA grew 11.9%.

Occupancy for the US is at an all-time high, allowing us to be aggressive on rates. ADR growth continues to be the largest component of our RevPAR growth, driving improving profitability. We raised the midpoint of our 2015 RevPAR guidance and expect RevPAR will increase between 8.75% and 9.5%. As a result of second quarter performance we raised the low end and midpoint of our same-store adjusted EBITDA guidance by $1 million and $500,000, respectively. We also updated our guidance for asset sales. While the midpoint of adjusted EBITDA remains unchanged, we tightened the high and low ends to reflect selling two hotels ahead of schedule and having only one hotel remain to sell. We also increased the low end and midpoint of our adjusted FFO guidance to account for interest expense savings after the recent balance sheet transactions. We forecast adjusted FFO per share between $0.86 and $0.90, and adjusted EBITDA between $242 million and $247.5 million.

With that, we're ready to take questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Your first question comes from the line of Shaun Kelley from Bank of America Merrill Lynch.

Shaun Kelley - *Bank of America Merrill Lynch - Analyst*

Hi. Good afternoon, guys. Thank you for taking my question. Rick, you started off with I think a pretty clear set of comments as it relates to the I think the broader health of the industry, but maybe we could just dig in there a little bit further in terms of what you're seeing. The question that we're getting from lots of investors both re-dedicated and I think more broad that may be listening to this call is how much of any recent softness that the industry may have been experiencing is Company specific versus industry-wide? Any additional nuggets or clarity you could provide to us would be really helpful.

Rick Smith - *FelCor Lodging Trust Incorporated - CEO & President*

Based on what we're seeing it's all Company specific. I'm not seeing an industry-wide trend in any way, shape, or form. We haven't seen anything with any of our corporate customers or anything to that nature, any indication that things are trailing off from a demand standpoint. Like I mentioned June, May, bounced back. We had a soft period in April. Some of that was due to holiday shifting and things of that nature. We don't really know exactly what created the rest of it, but May bounced back pretty strong.

June was extremely strong, and July has held that line. We've been talking to our customers. Group is typically a little slower in summer, and you see some of that available but it's nothing unusual, and it's certainly nothing industry trending, industry-wide trending going on. We haven't seen anything from that perspective.

Fundamentals are still very good both from, outside of energy, a corporate profit standpoint and from a supply and demand standpoint, general economy, and so I think things remain on track. We really don't see anything from that perspective, and we are experiencing stronger bookings for September post summer, so April was an aberration. I would say anything coming out is Company specific.

Shaun Kelley - *Bank of America Merrill Lynch - Analyst*

Perfect. Then my follow-up would just be, and you alluded to this in the prepared remarks a little bit, just what you're seeing on the rate ramp at the Knick. Again maybe help us parse that a little bit in terms of do you think any of that softness near term has to do with just where the market is right now, and your ability to push rate there? Do you think this really has to do with the timing of the COs, and when you're able to get all of your yield management programs working?

Rick Smith - *FelCor Lodging Trust Incorporated - CEO & President*

Yes, part of that might be season timing, but most of it is what you go through with any hotel when you open a new hotel. It is getting your mix right. We opened up all the channels, and it filled. It filled very quickly, and it filled with a lot of lower end leisure, depending on the channel and what the rates were on that channel. That was really what brought it down.

It wasn't anything to do with absolute rates or where we are setting our absolute rates, where we are targeting, where we want to get. It had to do with the channels and to get them moving, to get the channels moving, and to get things moving in the right direction. As soon as we get the final rooms open at the mid to end of August after we get that last TCO, we are going to have a sit down with the entire team and go line by line through the segmentation and the mix plan to make sure that we are doing the right thing and our manager is doing the right thing from a standpoint of setting up the mix.

We expected this kind of transition as we went through. I'm not at all concerned about it at this point. If we start selling all the rooms in that fashion, then that would be a huge mistake and a tragic mistake but we will not allow that to happen. We're already setting up for 2016, and that's really where we're focused. The RFP season and the budget process, the whole mix management piece heading through the end of this year, and into 2016 to make sure that we are positioned appropriately, that is the most critical thing and really not the only critical thing but far and away the most critical thing.

Shaun Kelley - *Bank of America Merrill Lynch - Analyst*

Great. Thank you for all the color, guys.

Rick Smith - *FelCor Lodging Trust Incorporated - CEO & President*

Thanks, Shaun.

Operator

Your next question comes from the line of Chris Woronka from Deutsche Bank.

Chris Woronka - *Deutsche Bank - Analyst*

Hi. Good morning, guys.

Rick Smith - *FelCor Lodging Trust Incorporated - CEO & President*

Hi, Chris.

Chris Woronka - *Deutsche Bank - Analyst*

I want to ask a quick question about on your Q2 RevPAR growth. If we were to take out the Wyndham portfolio and also your New York area hotels, did you do about 5%? Is that math basically correct?

Rick Smith - *FelCor Lodging Trust Incorporated - CEO & President*

Yes, it's in that ballpark.

Chris Woronka - *Deutsche Bank - Analyst*

Okay. That's still --

Rick Smith - *FelCor Lodging Trust Incorporated - CEO & President*

Five to 6%, somewhere in that range. There were some markets were stronger. Some had some anomalies because of big groups in the previous year and things of that nature. It wasn't anything that was out of the norm of what we expected or anything of that nature. Without Wyndham, June was about 8%. It's all in line with what our expectations have been.

Chris Woronka - *Deutsche Bank - Analyst*

Okay, that's helpful. As we're thinking about the back half, I assume the industry rules apply to you guys in terms of Q3 looking maybe a little bit softer. I know you don't have a ton of groups, but what you do have is going to be weaker and the comp is also I think for you guys tough in the third quarter. Should we see re-acceleration for you guys for your portfolio in the fourth quarter?

Rick Smith - *FelCor Lodging Trust Incorporated - CEO & President*

The thing you've got to keep in mind is the Wyndham side because Wyndham is going to be stepping down each quarter. As last year occurred in 2014, they grew really strong, so the comp year-over-year get tougher as you go through on the quarters. We had 20% and 19% in Q1 and Q2. That's going to be around 13% and 8% for Q3 and Q4. The remainder of the portfolio is going to be very stable whether you're looking at the comp 31, the same-store 39, you're in the 7% to 8% range for both quarters. Does that get you where you need to be?

Chris Woronka - *Deutsche Bank - Analyst*

Yes, that makes sense. I just want to ask a follow-up on the Knick. I guess as you think about the buildup, and I know what you just said about 2016, but do you think you have the visibility you expected? Is the booking curve inline, or would you say that maybe it's a little bit booking window is maybe a little bit shorter than you might have thought?

Rick Smith - *FelCor Lodging Trust Incorporated - CEO & President*

I think that it's pretty much in-line. I don't think it's a great deal shorter. Group demand is actually higher than we initially expected at the Knick, so we feel pretty good about where things are going. Again, it's keeping pace with market trend. The biggest thing for us is just what I said. The biggest thing for us when we sit down in early September is making sure that we have a plan that gets the mix where it needs to be. That is going to be the thing that makes us or breaks us at the Knick. That's what it all about.

There's been new supply a lot of that came in to the immediate submarket where we are, is west toward the River, or maybe a little south of us, it's also not as high end, most of it. There's a couple of exceptions to that, but most of it's not as high end. We've got a phenomenal product, and we've got good word of mouth. We've got good pre-marketing both internationally and domestically going into this thing. If we don't shoot ourselves in the foot by mixing the business wrong, then we're going to be hugely successful at that hotel.

Chris Woronka - *Deutsche Bank - Analyst*

Got you. Very good and one final one, Rick, I guess if you hypothetically ran into some additional money in terms of asset sales in the second half that's not backed into your guidance, would you think there are suitable acquisition opportunities out there? The market, we're hearing expectations are continuing to go up. Do you think you could realistically find something that fits your mold if you needed to put some proceeds to work?

Rick Smith - *FelCor Lodging Trust Incorporated - CEO & President*

I think so, but it's not in a conventional way. The way that I think about acquisitions right now are even though we've lowered our cost of capital dramatically over the course of time, we still have a cost of capital that is higher than some of our peers. With where pricing has gotten at this point in the cycle, I'm not sure that it makes sense for us to go bid on stabilized assets that are on the market against our peers that have lower cost of capital. That's not going to make sense for us. It's not going to be the best use of funds for our shareholders, and getting a return for our shareholders.

What we are going to do is with a little more leg work so to speak and elbow grease, we're going to look at identifying within our top markets, and very importantly within the strongest submarkets, within those top markets, we are going to be looking at hotels where we can create opportunity. Undermanaged, undercapitalized, underbranded, and therefore, underperforming hotels that we can pay an owner who is not currently marketing their hotel a number that makes sense for them to get out. It's a huge bargain for us. Let me give you an example of that. The best way to illustrate what I'm talking about is what we did with our own Crowne Plaza in the previous cycle. At the previous peak, we had an underbranded, undermanaged, considering what that hotel was and the location, undercapitalized hotel that made $1.5 million. We went out, and we spent $43 million transforming that hotel. It's now making $13 million.

Massive home run. Massive returns and those are the opportunities we're looking for. If we can find those kinds of assets in those markets, and we could pay a huge multiple on that $1.5 million it still would have been a massive home run for us if we had been buying it. If we find those opportunities and allow owners to not only monetize now, but avoid the volatility of the next downturn where an underperforming asset might have trouble meeting interest coverage, then we may be able to make some hay with that.

Now we might have 100 conversations, and they might all say no. To the extent that we're acquiring now that's the kind of opportunities that we're trying to create because those kinds of opportunities are phenomenal for our shareholders. If we can't get any of that done, we will simply go into the next downturn with a huge amount of capacity, and take advantage of that downturn.

Chris Woronka - *Deutsche Bank - Analyst*

Okay. Very good. Thanks, Rick.

Rick Smith - *FelCor Lodging Trust Incorporated - CEO & President*

Thanks, Chris.

Operator

Your next question comes from the line of Patrick Scholes from SunTrust.

Patrick Scholes - *SunTrust - Analyst*

Couple questions here. One just a bit of clarification, are the Wyndham hotels included in the full year same-store RevPAR guidance of 8.75% to 9.5%?

Rick Smith - *FelCor Lodging Trust Incorporated - CEO & President*

Yes.

Patrick Scholes - *SunTrust - Analyst*

They are? I see now that they're considered same-store. Had they been in the previous guidance for RevPAR?

Rick Smith - *FelCor Lodging Trust Incorporated - CEO & President*

Yes, they had.

Patrick Scholes - *SunTrust - Analyst*

Okay. Secondly here, thinking back three months ago, did you really expect that the Morgans and Royalton would have been down as much as they were in Q2, or did that come as a surprise?

Rick Smith - *FelCor Lodging Trust Incorporated - CEO & President*

I've learned to not be surprised by anything that happens there.

Patrick Scholes - *SunTrust - Analyst*

Same here. Then lastly, your guidance assumes that the Wyndham hotels perform at the guarantee level. Do you think there's a possibility of upside for this above that guarantee level, based on where things are currently have done and currently trending?

Rick Smith - *FelCor Lodging Trust Incorporated - CEO & President*

Probably not this year because the increase is so substantial. I think that as we get into next year and certainly on years beyond that, outside of any downturn years of course, I think there's huge opportunity for that. We hope we have some upside to that. We are going to continue to guide to the guarantee level until we do get to that point, but certainly in out years after the step up is complete, we have a lot of opportunity there.

Patrick Scholes - *SunTrust - Analyst*

Okay. Thank you, and then just one last question here, going back to one of the earlier questions asking about industry trends and you folks certainly being a bit more optimistic than is other companies we've heard about. Do you think that may have had to do with the mix of your hotels? A lot of Hiltons, Embassy Suite brands, and lower exposure to group business which is likely tracking lower than transients?

Rick Smith - *FelCor Lodging Trust Incorporated - CEO & President*

No, I don't think so. I think that there's been some situations where folks have lost share. That is not the case with us. If we were not continuing to make good movement in share, and then the fact that you're getting into summer, although you really weren't there before the end of June, and the numbers that we're talking about, in July and August with groups down a little bit does that maybe add a little bit. Yes, maybe, but that's not that material.

We are performing well because of the things we've been saying for I don't know how many years. We have built a portfolio with the core portfolio, the strength of the submarkets within those portfolios, and relative to the demand generators, and relative to barriers to entry.. We have outperformed the sector, the industry from an upper upscale perspective, and overall industry, and every one of our peers since the beginning of 2008 after we made all of the changes. It's only gotten better as we have finalized the disposition plan. I don't think it has anything to do with the Embassy.

Patrick Scholes - *SunTrust - Analyst*

Okay, one last question. Do you think you have picked up any share in San Francisco?

Rick Smith - *FelCor Lodging Trust Incorporated - CEO & President*

Have we picked up market share in San Francisco? Yes. Yes, we have, actually at both places, I believe.

Patrick Scholes - *SunTrust - Analyst*

Okay, thank you. That's all.

Rick Smith - *FelCor Lodging Trust Incorporated - CEO & President*

Thanks.

Operator

Your next question comes from the line of Stephen Kent from Goldman Sachs.

Anto Savarirajan - *Goldman Sachs - Analyst*

Hi, good afternoon. This is Anto Savarirajan on for Steve Kent. First off, on the New York City market, if you could update us on two fronts. One is can you give us any updated thoughts on the timeline around the Morgans and Royalton, and what you would do with those assets? That would be helpful, and second, can you talk about, you are quite positive on market-wide trends elsewhere, but if you could talk about what you're seeing in your core Manhattan markets for New York that would be very much helpful.

Rick Smith - *FelCor Lodging Trust Incorporated - CEO & President*

Okay, first question, we're closer. Morgans and Royalton, we're closer. There are a couple of things that have to get done before we can start the process that we would like to start, and we are closing in. I certainly expect to be able to start the process. It's probably not going to be over, but I expect to start the process in the third quarter. I fully expect to be able to do that unless something weird were to happen between now and the end of the third quarter. I look forward to starting that process, and we look forward to moving forward with those assets.

As for the New York market in general, one general comment before I get into the market. We have a unique situation from a New York perspective. One is Morgans and Royalton. It's just different because of the things that we're dealing with, and the other one has a brand new hotel. Frankly, I'm less concerned about the market right now than I am about us doing what we need to be doing within that market. I would say as a market we expect to pick up in the second half of the year for sure in New York. We are certainly long term we are extraordinarily bullish on New York City and on the markets and the submarkets that we are in within the city. I don't know if that answers fully your question.

Anto Savarirajan - *Goldman Sachs - Analyst*

That definitely is helpful. A couple of quick ones. One is Orlando had pretty good RevPAR numbers for the second quarter. You noted some difficult city-wide trends. If you could elaborate a little bit more, that will be helpful, and second one for Michael, you have taken a lot of good steps on the balance sheet. I'm curious just what more you have in terms of the next six to nine months.

Rick Smith - *FelCor Lodging Trust Incorporated - CEO & President*

In Orlando, I would say that it's mostly related to shift in calendars, convention calendars. That's pretty much it, but Michael why don't you go ahead and take the second part?

Michael Hughes - *FelCor Lodging Trust Incorporated - CFO*

Yes, we've obviously accomplished a lot of balance sheet. There's not a lot left to do frankly absent an acquisition or some other event, but where we have the balance sheet now is good. The next step for us is really to deal with the Knickerbocker. We have a pretty inefficient construction loan in place now, and that will be something that we'll look to refinance next year, right size the loan balance, the interest rate, etc., and create capacity there. We are down to the end of it, so one more loan opportunity with Knickerbocker, and absent anything else we're in good shape for awhile.

Rick Smith - *FelCor Lodging Trust Incorporated - CEO & President*

Anto, the only other thing that I'd add and this is very small, but to the extent that we are having opportunities in the future to maybe go after some of the A's on the open market, obviously we can't call them or anything. We've created capacity and it makes sense to go after it, then we would take a look at that as well.

Anto Savarirajan - *Goldman Sachs - Analyst*

Thank you very much.

Rick Smith - *FelCor Lodging Trust Incorporated - CEO & President*

Thanks.

Operator

Your next question comes from the line of Susan Berliner from JPMorgan.

Susan Berliner - *JPMorgan - Analyst*

Hi, good afternoon.

Rick Smith - *FelCor Lodging Trust Incorporated - CEO & President*

Hi, Susan.

Susan Berliner - *JPMorgan - Analyst*

Michael, I just wanted to follow-up on the previous question and ask it a little bit differently. With the revolver balance I guess a little bit higher than you historically run, would it make sense to term that out with the Knickerbocker loan next year?

Michael Hughes - *FelCor Lodging Trust Incorporated - CFO*

No, with the revolver balance, it's going to be coming down pretty quickly. Obviously, we drew it up to --we did a smaller bond deal to take out the $525 million bonds, and we did that purposely to give us prepayable debt going forward. With the Knickerbocker proceeds, the remaining asset sale proceeds, and really a ton of free cash flow generation we expect that revolver to come down quickly and probably be gone by end of next year, thus giving us access to the entire $400 million launch for capacity, so really no need to term it out. I want to get the debt down, but also want to maintain the flexibility and capacity by having an undrawn revolver.

Susan Berliner - *JPMorgan - Analyst*

Great. That's all I had, thank you.

Rick Smith - *FelCor Lodging Trust Incorporated - CEO & President*

Thank you.

Operator

(Operator Instructions)

Your next question comes from the line of Lukas Hartwich from Green Street Advisors.

Rick Smith - *FelCor Lodging Trust Incorporated - CEO & President*

Hi, Lucas.

Lukas Hartwich - *Green Street Advisors - Analyst*

Hi. The Wyndham conversion has gone really well, and I'm just curious if you guys are looking at doing similar opportunities with your other hotels.

Rick Smith - *FelCor Lodging Trust Incorporated - CEO & President*

Yes, we would do all of our hotels that way if we could, but unfortunately, those deals aren't really available. I think that we struck lightning so to speak, or grabbed lightning in a bottle so to speak, for that deal. It was a great deal, and it was a very good deal for them.

Wyndham's going to end up making a lot of money on this deal. It is a very good deal for them, and a lot of people don't see that. For us, it was a phenomenal deal so yes, we would absolutely. If we could do this deal where our bottom line was guaranteed, we didn't lose the upside, and they were guaranteed at a point that was 25% higher than the best of those hotels had ever done in their life, we would do that all day. Those are difficult deals to come by. We're very fortunate and very happy that we have the deal that we have with Wyndham, and certainly if we had that opportunity we would do it, but I don't anticipate there being a lot more opportunity for that.

Lukas Hartwich - *Green Street Advisors - Analyst*

All right. That's helpful, and then on the margin front, I was just curious if you could touch on what you think the margin upside, the opportunity, is there with EBITDA margins?

Rick Smith - *FelCor Lodging Trust Incorporated - CEO & President*

Sorry, the upside for EBITDA margin for the remainder of the year?

Lukas Hartwich - *Green Street Advisors - Analyst*

Yes, sorry. Maybe I don't know where margins are relative to the prior peak. Maybe talk about how much growth you think there is over the next couple years on the margin front.

Rick Smith - *FelCor Lodging Trust Incorporated - CEO & President*

We are currently on margins above the prior peak. We're expecting 2015 to be at like close to 30%, 29.9%. Prior peak we were at 28.7%, and that has to do with first of all we've moved off a lot of lower margin hotels. We have really tightened up the ship from an operational perspective from a mix management perspective and from a cost side perspective, all of which drives margins. We're already above it, but we certainly expect further growth.

Lukas Hartwich - *Green Street Advisors - Analyst*

Great. Then lastly for me, just group pace, can you comment maybe on the remainder this year and maybe 2016 as you have the numbers?

Rick Smith - *FelCor Lodging Trust Incorporated - CEO & President*

Yes, we can give you a little bit of color on that, 3% to 4% up, is what we're looking at now for the remainder. It is fairly steady and ADR up pretty significantly on that, another 10%.

Lukas Hartwich - *Green Street Advisors - Analyst*

Then that's 2015 right?

Rick Smith - *FelCor Lodging Trust Incorporated - CEO & President*

Yes, 2015.

Lukas Hartwich - *Green Street Advisors - Analyst*

Do you have any visibility on 2016, or would you prefer to hold off to a later quarter to talk about that?

Rick Smith - *FelCor Lodging Trust Incorporated - CEO & President*

It's trending up, but before I give you any specific numbers on 2016 I'd prefer to wait.

Lukas Hartwich - *Green Street Advisors - Analyst*

Okay. That's helpful, thank you.

Rick Smith - *FelCor Lodging Trust Incorporated - CEO & President*

Thanks.

Operator

There are no further questions at this time.

Rick Smith - *FelCor Lodging Trust Incorporated - CEO & President*

Okay, thank you all very much for joining us, and we'll talk to you next quarter.

Operator

This concludes today's conference call. You may now disconnect.