Hyatt Hotels Corp
Form S-1/A
October 01, 2009
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**As filed with the Securities and Exchange Commission on October 1, 2009**

**Registration No. 333-161068**

# SECURITIES AND EXCHANGE COMMISSION

**Washington, D.C. 20549**

**Pre-effective**

**AMENDMENT NO. 2**

**to**

# FORM S-1

# REGISTRATION STATEMENT

***UNDER***

***THE SECURITIES ACT OF 1933***

# HYATT HOTELS CORPORATION

**(Exact name of registrant as specified in its charter)**

| | | |
|---|---|---|
| **Delaware** | **7011** | **20-1480589** |
| **(State or other jurisdiction of** | **(Primary Standard Industrial** | **(I.R.S. Employer** |

| | | |
|---|---|---|
| **incorporation or organization)** | **Classification Code Number)** | **Identification Number)** |

**71 South Wacker Drive, 12th Floor**

**Chicago, Illinois 60606**

**(312) 750-1234**

**(Address, including zip code, and telephone number, including area code, of registrant s principal executive offices)**

**Mark S. Hoplamazian**

**President and Chief Executive Officer**

**Hyatt Hotels Corporation**

**71 South Wacker Drive, 12th Floor**

**Chicago, Illinois 60606**

**(312) 750-1234**

**(Name, address, including zip code, and telephone number, including area code, of agent for service)**

***With copies to:***

| | | |
|---|---|---|
| **Michael A. Pucker, Esq.** | **Harmit J. Singh** | **Andrew J. Pitts, Esq.** |
| **Cathy A. Birkeland, Esq.** | **Chief Financial Officer** | **Craig F. Arcella, Esq.** |
| **Latham & Watkins LLP** | **Hyatt Hotels Corporation** | **Cravath, Swaine & Moore LLP** |
| **233 S. Wacker Drive, Suite 5800** | **71 South Wacker Drive, 12th Floor** | **Worldwide Plaza** |
| **Chicago, Illinois 60606** | **Chicago, Illinois 60606** | **825 Eighth Avenue** |
| **(312) 876-7700** | **(312) 750-1234** | **New York, New York 10019** |
| | | **(212) 474-1000** |

**Approximate date of commencement of proposed sale to the public:**

**As soon as practicable after this Registration Statement becomes effective.**

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. ¨

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

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

| | | | |
|---|---|---|---|
| Large accelerated filer | ¨ | Accelerated filer | ¨ |
| Non-accelerated filer | x (Do not check if a smaller reporting company) | Smaller reporting company | ¨ |

**CALCULATION OF REGISTRATION FEE**

| Title of Each Class of Securities to be Registered | Proposed Maximum Aggregate Offering Price(1)(2) | Amount of Registration Fee |
|---|---|---|
| Class A Common Stock, par value $0.01 per share | $1,150,000,000 | $64,170(3) |

(1) Includes additional shares that the underwriters have the option to purchase. See Underwriting.
(2) Estimated solely for the purpose of computing the amount of the registration fee pursuant to Rule 457(o) under the Securities Act of 1933, as amended (the Securities Act).
(3) The registration fee has been previously paid.

**The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act or until this registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.**

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The information in this preliminary prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell nor does it seek an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Subject to Completion. Dated October 1, 2009.

Shares

# Hyatt Hotels Corporation

## Class A Common Stock

This is an initial public offering of shares of Class A common stock of Hyatt Hotels Corporation.

Hyatt Hotels Corporation is offering shares of Class A common stock to be sold in the offering. The selling stockholders identified in this prospectus are offering an additional shares of Class A common stock. Hyatt Hotels Corporation will not receive any of the proceeds from the sale of the shares of Class A common stock by the selling stockholders.

Prior to this offering, there has been no public market for the Class A common stock. It is currently estimated that the initial public offering price per share will be between $ and $ . Hyatt Hotels Corporation intends to list the Class A common stock on the New York Stock Exchange under the symbol H.

Following this offering, Hyatt Hotels Corporation will have two classes of authorized common stock, Class A common stock and Class B common stock. The rights of the holders of Class A common stock and Class B common stock are identical, except with respect to voting and conversion. The Class A common stock is entitled to one vote per share. The Class B common stock is entitled to ten votes per share. Each share of Class B common stock is convertible at any time into one share of Class A common stock.

***See Risk Factors beginning on page 16 to read about factors you should consider before buying shares of the Class A common stock.***

**Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.**

| | Per Share | Total |
|---|---|---|
| Initial public offering price | $ | $ |
| Underwriting discount | $ | $ |
| Proceeds, before expenses, to Hyatt Hotels Corporation | $ | $ |
| Proceeds, before expenses, to the selling stockholders | $ | $ |

If the underwriters sell more than shares of Class A common stock, the underwriters have the option to purchase up to an additional shares of Class A common stock from certain existing stockholders at the initial public offering price less the underwriting discount.

The underwriters expect to deliver the shares against payment in New York, New York on or about , 2009.

**Goldman, Sachs & Co.**

**Deutsche Bank Securities** **J.P. Morgan**

Prospectus dated , 2009.

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## PROSPECTUS SUMMARY

*This summary highlights information contained elsewhere in this prospectus. This summary does not contain all of the information you should consider in making your investment decision. You should read this entire prospectus carefully, including the section entitled Risk Factors and our financial statements and the related notes included elsewhere in this prospectus, before making an investment decision. Unless otherwise specified or the context otherwise requires, references in this prospectus to we, our, us, Hyatt and the Company refer to Hyatt Hotels Corporation and its consolidated subsidiaries. On June 30, 2009, we changed our name from Global Hyatt Corporation to Hyatt Hotels Corporation.*

### *Our Company*

We are a global hospitality company with widely recognized, industry leading brands and a tradition of innovation developed over our more than fifty-year history. Our mission is to provide authentic hospitality by making a difference in the lives of the people we touch every day. We focus on this mission in pursuit of our goal of becoming the most preferred brand in each segment that we serve for our associates, guests and owners. We support our mission and goal by adhering to a set of core values of mutual respect, intellectual honesty and integrity, humility, fun, creativity and innovation that characterize our culture. We believe that our mission, goal and values, together with the strength of our brands, strong capital and asset base and opportunities for expansion, provide us with a platform for long-term value creation.

We manage, franchise, own and develop Hyatt-branded hotels, resorts and residential and vacation ownership properties around the world. As of June 30, 2009, our worldwide portfolio consisted of 413 Hyatt-branded properties (119,509 rooms and units), including:

- 158 managed properties (60,934 rooms), all of which we operate under management agreements with third-party property owners;
- 100 franchised properties (15,322 rooms), all of which are owned by third parties that have franchise agreements with us and are operated by third parties;
- 96 owned properties (including 4 consolidated hospitality ventures) (25,786 rooms) and 6 leased properties (2,851 rooms), all of which we manage;
- 28 managed properties owned or leased by unconsolidated hospitality ventures (12,361 rooms);
- 15 vacation ownership properties (933 units), all of which we manage; and
- 10 residential properties (1,322 units), all of which we manage and some of which we own.

Our full service hotels operate under four world-recognized brands, Park Hyatt, Grand Hyatt, Hyatt Regency and Hyatt. We recently introduced our fifth full service brand, Andaz. Our two select service brands are Hyatt Place and Hyatt Summerfield Suites (an extended stay brand). We develop, sell and manage vacation ownership properties in select locations as part of the Hyatt Vacation Club.

Our associates, whom we also refer to as members of the Hyatt family, consist of over 80,000 individuals working at our corporate and regional offices and our managed, franchised and owned properties in 45 countries around the world. Substantially all of our hotel general managers are trained professionals in the hospitality industry with extensive hospitality experience in their local markets and host countries. The general managers of our managed properties are empowered to manage their properties on an independent basis based on their market knowledge, management experience and

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understanding of our brands. Our associates and hotel general managers are supported by our divisional management teams located in cities around the world and our executive management team, headquartered in Chicago.

We primarily derive our revenues from hotel operations, management and franchise fees, other revenues from managed properties and sales of vacation ownership properties. For the year ended December 31, 2008, revenues totaled $3.8 billion, net income attributable to Hyatt Hotels Corporation totaled $168 million and Adjusted EBITDA totaled $687 million. For the six months ended June 30, 2009, revenues totaled $1.6 billion, net loss attributable to Hyatt Hotels Corporation totaled $36 million and Adjusted EBITDA totaled $210 million. See Summary Consolidated Financial Data for our definition of Adjusted EBITDA and why we present it and Summary Consolidated Financial Data for a reconciliation of our consolidated Adjusted EBITDA to net income attributable to Hyatt Hotels Corporation for the periods presented. For the year ended December 31, 2008 and the six months ended June 30, 2009, 79.9% and 81.3% of our revenues were derived from operations in the United States, respectively. As of June 30, 2009, 76.9% of our long-lived assets were located in the United States. As of June 30, 2009, and after giving effect to the August 2009 issuance and sale of $500 million aggregate principal amount of senior notes and the use of a portion of the proceeds from the sale of the senior notes to repay certain outstanding secured debt and settle certain related swap agreements as described under Recent Developments, we had total debt of $858 million and cash and cash equivalents of $1.2 billion. As of June 30, 2009 and after giving effect to the July 2009 amendment and extension of our revolving credit facility, we had undrawn borrowing capacity of $1.4 billion. These sources provide us with significant liquidity and resources for future growth.

***Our History***

Hyatt was founded by Jay Pritzker in 1957 when he purchased the Hyatt House motel adjacent to the Los Angeles International Airport. Over the following decade, Jay Pritzker and his brother Donald Pritzker, working together with other Pritzker family business interests, grew the company into a North American management and hotel ownership company, which became a public company in 1962. In 1968, Hyatt International was formed and subsequently became a separate public company. Hyatt Corporation and Hyatt International Corporation were taken private by the Pritzker family business interests in 1979 and 1982, respectively. On December 31, 2004, substantially all of the hospitality assets owned by Pritzker family business interests, including Hyatt Corporation and Hyatt International Corporation, were consolidated under a single entity, now named Hyatt Hotels Corporation. For more information about this transaction, see Corporate Information.

Commencing in 2007, third parties, including affiliates of Goldman, Sachs & Co. and Madrone GHC, LLC, made long-term investments in Hyatt. Pritzker family business interests, affiliates of Goldman Sachs and Madrone GHC, LLC and affiliates (Madrone GHC) currently own approximately 85.0%, 7.5% and 6.1%, respectively, of our common stock, and immediately following completion of this offering will own approximately %, % and %, respectively, of our common stock, assuming no exercise of the underwriters option to purchase additional shares.

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***Our Competitive Strengths***

We have significant competitive strengths that support our goal of being the most preferred brand for our associates, guests and owners.

***World Class Brands.*** We believe that our widely recognized, industry leading brands provide us with a competitive advantage in attracting and driving preference for our associates, guests and owners. We have consistently received top rankings, awards and accolades for service and guest experience from independent publications and surveys, including Condé Nast Traveler, Travel and Leisure, Mobil and AAA. As an example, 54 properties across our Park Hyatt, Grand Hyatt and Hyatt Regency brands received the AAA four diamond lodging award in 2009.

***Deep Culture and Experienced Management Teams.*** Hyatt has a strong culture rooted in values that have supported our past and form the foundation for our future. The members of the Hyatt family are united by shared values, a common mission and a common goal. The associates at our properties are led by an experienced group of general managers. For example, the general managers at our full service owned and managed hotels have an average tenure of more than 21 years. Regional and divisional management teams located around the world support our hotel general managers by providing corporate resources, mentorship and coaching, owner support and other assistance necessary to help them achieve their goals. Senior operating management has an average of 27 years of experience in the industry. Our experienced executive management team sets overall policies for our company, supports our regional and divisional teams and our associates around the world, provides strategic direction and leads our growth initiatives worldwide.

***Global Platform with Compelling Growth Potential.*** Our existing global presence is widely distributed and we operate in 20 of the 25 most populous urban centers around the globe based on demographic research. We believe that our existing hotels around the world provide us with a strong platform from which to selectively pursue new growth opportunities in markets where we are under-represented. We have a long history of executing on growth opportunities. Our dedicated global development executives in offices around the world apply their experience, judgment and knowledge to ensure that new Hyatt branded hotels enhance preference for our brands. An important aspect of our compelling growth potential is our strong brand presence in higher growth markets around the world such as India, China, Russia, the Middle East and Brazil. The combination of our existing presence and brands, experienced development team, established third-party relationships and significant access to capital provides us with a strong foundation for future growth and long-term value creation.

***Strong Capital Base and Disciplined Financial Approach.*** As of June 30, 2009, we had cash and cash equivalents of $1.2 billion, after giving effect to the August 2009 issuance and sale of the senior notes and the use of a portion of the net proceeds from the sale of the senior notes to repay certain outstanding secured debt and settle certain related swap agreements, as described under Recent Developments. As of such date and after giving effect to the July 2009 amendment and extension of our revolving credit facility, we had undrawn borrowing capacity of $1.4 billion. We have a modest level of debt and no significant debt maturities through 2012. We believe that as a result of our balance sheet strength, we are uniquely positioned to take advantage of strategic opportunities to develop or acquire properties and brands, even in economic downturns such as the one we are currently experiencing.

***Diverse Exposure to Hotel Management, Franchising and Ownership.*** We believe that our experience as a multi-brand manager, franchisor and owner of hotels makes us one of the best positioned lodging companies in the world. Our mix of managed, franchised and owned hotels provides a broad and diverse base of revenues, profits and cash flows and gives us flexibility to evaluate growth opportunities across these three lines of business.

***High Quality Owned Hotels Located in Desirable Markets.*** We own and operate a high quality portfolio of 96 owned properties and 28 managed properties owned or leased by unconsolidated hospitality ventures consisting of luxury and upper-upscale full service and select service hotels in key markets. A number of these hotels are unique assets with high recognition and a strong position in their local markets. As a significant owner of hotel assets, we believe we are well positioned for a recovery of demand as we expect earnings growth from owned properties to outpace growth in revenues due to their high fixed-cost structure. This benefit can be achieved either through increased earnings from our owned assets or through value realized from select asset sales.

***A Track Record of Innovation.*** Successful innovation has been a hallmark of Hyatt since its founding. More than forty years ago, we opened the Hyatt Regency Atlanta, which was the first- ever large-scale atrium lobby hotel. We also have a long track record of creative approaches to food and beverage outlets at our hotels throughout the world, which have led to highly profitable venues that create demand for our hotel properties, particularly in Asian markets. We launched our Hyatt Place brand in 2006 and our Andaz brand in 2007, each of which features a unique internally developed service model that eliminates a number of de-personalized aspects of the hotel experience. We believe that our commitment to fostering a culture of innovation throughout Hyatt positions us as an industry leader.

***Our Business Strategy***

Our goal is to be the most preferred brand in each customer segment that we serve for our associates, guests and owners. We enhance brand preference by understanding who our customers are and by focusing on what they need and want and how we can deliver value to them. This understanding and focus informs our strategy for improving the performance of our existing hotels and expanding the presence of the Hyatt brand in markets worldwide.

***Focus on Improvement in the Performance of Existing Hotels***

A key component of our strategy is to maximize revenues and manage costs at existing hotel properties. We strive to enhance revenues by focusing on increasing our share of hotel stays by our existing guests and increasing the number of new guests we serve on a regular basis, with the ultimate goal of establishing and increasing guest loyalty to our brands. We manage costs by setting performance goals for our hotel management teams and granting our general managers operational autonomy, which we believe leads to improved efficiency.

*Increase Share of Hotel Stays.* We intend to expand Hyatt s share of hotel stays by continuously striving to provide genuine guest service and delivering value to our guests. We aim to provide differentiated service and product offerings targeted at each customer segment within each of our brands in order to satisfy our customers specific needs. Our Hyatt Gold Passport guest loyalty program is designed to attract new guests and to demonstrate our loyalty to our best guests. In 2009, we launched an initiative called The Big Welcome, which was targeted at increasing enrollment in our Hyatt Gold Passport program. During the six-month period ended June 30, 2009, new membership enrollment in our Hyatt Gold Passport program has increased by approximately 39% compared to new membership enrollment during the same period last year.

*Emphasize Associate Engagement.* Our brands are defined, in large part, by the authentic hospitality that is delivered to our guests by our associates. We believe that while a great product is necessary for success, a service model that promotes genuine service for our guests and that is focused on our customers particular

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needs is the key to a sustainable long-term advantage. Therefore, we strive to involve our associates in deciding how we serve our guests and what we can do to improve guest satisfaction. We align our associates interests with our goal of becoming the most preferred brand in each segment that we serve. We rely on our hotel general managers to lead by example and foster associate engagement.

*Enhance Operational Efficiency.* We strive to align our staffing levels and expenses with demand without compromising our commitment to authentic hospitality and high levels of guest satisfaction. We have made significant changes in operations in response to recent declines in demand for hospitality products and services. We will continue to incentivize and assist our hotel general managers as they proactively manage both the customer experience and the operating costs at each of their properties.

***Expanding Our Presence in Attractive Markets***

We intend to drive brand preference by expanding the presence of all of our brands in attractive markets worldwide. We believe that the scale of our presence around the world is small relative to the recognition of our brands and our excellent reputation for service and, therefore, we have a unique opportunity to expand. We believe that our mission, goal and values, together with the strength of our brands, people, strong capital and asset base and opportunities for expansion provide us with a platform for long-term value creation.

*Increase Market Presence.* We will focus our expansion efforts on under-penetrated markets where we already have an established presence. We will also seek to expand into locations where our guests are traveling but where we do not have a presence. We believe our extensive focus on the different customer groups that we serve and our understanding of how we can serve them in new locations will facilitate our growth.

*Expand our Select Service Presence*. We intend to establish and expand Hyatt Place and Hyatt Summerfield Suites worldwide, which we believe will support our overall growth and enhance the performance of all of our brands. To pursue this strategy, we have a dedicated select service development team. We believe that the opportunity for properties that provide a select offering of services at a lower price point is particularly compelling in certain emerging markets, such as India, China, Russia and Brazil, where there is a large and growing middle class along with a meaningful number of local business travelers.

*Increase Focus on Franchising.* We intend to increase our franchised hotel presence for our select service brands and our Hyatt Regency brand. By increasing our focus on franchising, we believe that we will gain access to capital from developers and property owners that specifically target franchising business opportunities. To pursue this strategy, we have established an internal team dedicated to supporting our franchise owners and driving the expansion of our franchised hotel presence. We plan to expand existing relationships and develop new relationships with franchise owners who demonstrate an ability to provide excellent customer service while maintaining our brand standards.

*Utilize our Capital and Asset Base for Targeted Growth.* We intend to use our liquidity and strong capital base along with select asset dispositions to selectively redeploy capital to opportunities that will allow us to strengthen our management presence in key markets worldwide. We will continue to commit capital to fund the

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renovation of certain assets in our existing owned portfolio. Given our focus and expertise as an owner, we expect to maintain significant ownership of hotel properties over time.

*Pursue Strategic Acquisitions and Alliances.* We expect to evaluate potential acquisitions of other brands or hospitality management or franchising companies as a part of our efforts to expand our presence. These acquisitions may include hotel real estate. We expect to focus on acquisitions that complement our ability to serve our existing customer base and enhance customer preference by providing a greater selection of locations, properties and services. Furthermore, we may pursue these opportunities in alliance with existing or prospective owners of managed or franchised properties to strengthen our brand presence.

***Risk Related to the Hospitality Industry and Our Business***

Investing in our Class A common stock involves a high degree of risk. You should consider carefully the risks and uncertainties summarized below, the risks described under Risk Factors, the other information contained in this prospectus and our consolidated financial statements and the related notes before you decide whether to purchase our Class A common stock.

The hospitality industry is cyclical, and macroeconomic and other factors beyond our control such as hostilities, travel-related accidents and natural disasters can adversely affect and reduce demand for our hospitality products and services.

If the global economic downturn continues or worsens, our revenues and profitability could decline further.

Because we operate in a highly competitive industry, our revenues, profits or market share could be harmed if we are unable to compete effectively.

We are exposed to the risks resulting from significant investments in owned and leased real estate, which could increase our costs, reduce our profits, limit our ability to respond to market conditions or restrict our growth strategy.

In any particular period, our expenses may not decrease at the same rate that our revenues may decrease, which could have an adverse effect on our net cash flows, margins and profits.

If we or our third-party property owners are unable to repay or refinance mortgages secured by the related properties, our revenues could be reduced and our business could be harmed.

If we or our third-party owners, franchisees or development partners are unable to access the capital necessary to fund current operations or implement our plans for growth, our profits could be reduced and our ability to compete effectively could be diminished.

Because we derive a portion of our revenues from operations outside the United States, the risks of doing business internationally could lower our revenues, increase our costs, reduce our profits or disrupt our business.

We are exposed to risks related to our franchisees and third-party property owners, including risks relating to their ability or willingness to invest in properties, the risk of disagreements, risks associated with maintaining our relationships with these parties and the risks of contract termination.

Factors outside of our control, such as market conditions and the availability of financing, may adversely affect our ability to invest in, acquire or dispose of properties.

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- Disputes among Pritzker family members and among Pritzker family members and the trustees of the Pritzker family trusts may result in significant distractions to our management, disrupt our business, have a negative effect on the trading price of our Class A common stock and/or generate negative publicity about Hyatt and the Pritzker family.

These risks and the other risks described under Risk Factors could materially adversely affect our business, financial condition and results of operations.

***Related Party Transactions with Pritzker Family Business Interests***

As described under Certain Relationships and Related Party Transactions, we have entered into a number of related party transactions with various Pritzker family business interests, some of which will continue following completion of this offering. Examples of such transactions include:

- agreements related to our corporate headquarters at the Hyatt Center, such as our office lease, sublease and office sharing agreements for space at the Hyatt Center and an omnibus office services agreement for services provided by third parties to certain tenants of the Hyatt Center;
- aircraft timeshare agreements;
- certain tax sharing, transition services and employee benefits agreements; and
- leases and other agreements with respect to certain gaming facilities and the related hotels located at, or adjacent to, such gaming facilities.

For additional information, see Certain Relationships and Related Party Transactions.

***Recent Developments***

On August 14, 2009, we issued $250 million aggregate principal amount of 5.750% Senior Notes due 2015 (the 2015 notes) and $250 million aggregate principal amount of 6.875% Senior Notes due 2019 (the 2019 notes and, together with the 2015 notes, the senior notes). We used a portion of the net proceeds from the sale of the senior notes to repay $252 million of outstanding secured debt and settle certain related swap agreements. See Description of Principal Indebtedness.

***Corporate Information***

Prior to June 30, 2004, Hyatt Corporation, which primarily consisted of the North American hotel management and franchise companies, was owned by HG, Inc. (HG). H Group Holding, Inc. (H Group), which is owned by Pritzker family business interests, owns HG. In addition to owning Hyatt Corporation, HG owned various other North American hospitality related businesses (primarily consisting of hotel properties and the vacation ownership business) and on June 30, 2004 contributed these hospitality related businesses to Hyatt Corporation. Following such contribution, the stock of Hyatt Corporation was distributed to the Pritzker family business interests that owned H Group. We refer to this transaction as the June 2004 Transaction.

On August 4, 2004, Global Hyatt, Inc. was incorporated in Delaware and subsequently changed its name to Global Hyatt Corporation. On December 31, 2004, pursuant to a Master Contribution Agreement, the stock of Hyatt Corporation and the stock of AIC Holding Co. (AIC), the owner of Hyatt International Corporation and other international hospitality related assets and operations, as well as hospitality related assets and operations held by certain other entities owned by Pritzker family business interests, were contributed to Global Hyatt Corporation by their respective owners in exchange for shares of Global Hyatt Corporation common stock. As a result of this transaction, Hyatt Corporation, AIC and Hyatt International Corporation became wholly-owned subsidiaries of Global

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Hyatt Corporation. The contribution was reflected as a transaction between entities under common control as of January 1, 2004. On June 30, 2009, Global Hyatt Corporation changed its name to Hyatt Hotels Corporation.

Our principal executive offices are located at 71 South Wacker Drive, 12th Floor, Chicago, Illinois 60606. Our telephone number is (312) 750-1234. Our website address is www.hyatt.com. The information on, or that may be accessed through, our website is not a part of this prospectus.

Hyatt®, Park Hyatt®, Grand Hyatt®, Hyatt Regency®, Hyatt Place®, Hyatt Summerfield Suites , Hyatt Vacation Club®, Andaz®, Hyatt Gold Passport®, Hyatt Resorts and related trademarks, trade names and service marks of Hyatt appearing in this prospectus are the property of Hyatt. Unless otherwise noted, all other trademarks, trade names or service marks appearing in this prospectus are the property of their respective owners.

***Terms Used In This Prospectus***

As used in this prospectus, the term Pritzker family business interests means (1) various lineal descendants of Nicholas J. Pritzker (deceased) and spouses and adopted children of such descendants; (2) various trusts for the benefit of the individuals described in clause (1) and trustees thereof; and (3) various entities owned and/or controlled, directly and/or indirectly, by the individuals and trusts described in (1) and (2).

As used in this prospectus, the term properties refers to hotels that we manage, franchise, own or lease and our residential and vacation ownership units that we develop, sell and manage. Hyatt-branded refers to properties operated under our brands, including Park Hyatt, Grand Hyatt, Andaz, Hyatt Regency, Hyatt, Hyatt Place and Hyatt Summerfield Suites. Our Hyatt-branded property, room and unit counts exclude one non-Hyatt branded property that we own in California. Residential ownership units refers to Hyatt-branded residential units that we manage (such as serviced apartments), some of which we own, that are part of mixed-use projects and are often adjacent to a Hyatt-branded full service hotel. Vacation ownership units refers to the fractional and timeshare units that we develop, sell and manage that are part of the Hyatt Vacation Club. Hospitality ventures refers to entities in which we own less than a 100% equity interest.

As used in this prospectus, the term associates refers to the over 80,000 individuals working at our corporate and regional offices and our managed, franchised and owned properties. Of these 80,000 associates, we directly employ approximately 45,000. The remaining associates are employed by certain third-party owners and franchisees of our hotels.

***Industry and Market Data***

Market data and industry statistics and forecasts used throughout this prospectus are based on independent industry publications, reports by market research firms and other published independent sources. Smith Travel Research and the International Monetary Fund are the primary sources for third-party market data and industry statistics and forecasts. Some data and other information are also based on our good faith estimates, which are derived from our review of internal surveys and independent sources. Although we believe these sources are credible, we have not independently verified the data or information obtained from these sources.

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## THE OFFERING

| | |
|---|---|
| Class A common stock offered by Hyatt Hotels Corporation | shares |
| Class A common stock offered by the selling stockholders | shares |
| Class A common stock to be outstanding after this offering | shares |
| Class B common stock to be outstanding after this offering | shares |
| Total common stock to be outstanding after this offering | shares |
| Voting rights | Holders of our Class A common stock and our Class B common stock will vote together as a single class on all matters submitted to a vote of our stockholders. The holders of Class A common stock are entitled to one vote per share and the holders of Class B common stock are entitled to ten votes per share. Following this offering, assuming no exercise of the underwriters over-allotment option, (1) holders of Class A common stock will control approximately % of our total voting power and will own % of our total outstanding shares of common stock and (2) holders of Class B common stock will control approximately % of our total voting power and will own % of our total outstanding shares of common stock. However, if on any record date for determining the stockholders entitled to vote at an annual or special meeting of stockholders, the aggregate number of shares of our Class A common stock and Class B common stock owned, directly or indirectly, by the holders of our Class B common stock is less than 15% of the aggregate number of shares of Class A common stock and Class B common stock then outstanding, then at such time all shares of Class B common stock will automatically convert into shares of Class A common stock and all outstanding common stock will be entitled to one vote per share on all matters submitted to a vote of our stockholders. With the exception of voting rights and conversion rights, holders of Class A and Class B common stock have identical rights. See Description of Capital Stock for a description of the material terms of our common stock. |

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| Option to purchase additional shares of Class A common stock | Certain of our existing stockholders have granted the underwriters an option to purchase up to an additional shares of Class A common stock. |
| Use of proceeds | We intend to use the net proceeds from this offering for working capital and other general corporate purposes, including capital expenditures. We may also use a portion of the net proceeds to acquire or invest in new properties or other businesses that complement our business. There are no agreements or commitments with respect to any such transaction at this time. We will not receive any proceeds from the sale of shares by the selling stockholders. See Use of Proceeds. |
| Risk factors | You should read the Risk Factors section of this prospectus for a discussion of factors to consider carefully before deciding to invest in shares of our Class A common stock. |
| Proposed New York Stock Exchange symbol | H |

The total number of shares of common stock to be outstanding after this offering is based on 336,079,674 shares of our common stock outstanding immediately prior to this offering. This number excludes 18,905,470 shares of Class A common stock reserved for issuance under our Amended and Restated Hyatt Hotels Corporation Long-Term Incentive Plan, as amended (the LTIP), and pursuant to a restricted stock unit agreement. See Compensation Discussion and Analysis Employee Benefits and Compensation Discussion and Analysis Long-Term Incentive.

Except as otherwise indicated, information in this prospectus:

- assumes the underwriters have not exercised their option to purchase additional shares of Class A common stock; and

- gives effect to the filing of our amended and restated certificate of incorporation, which will occur prior to the consummation of this offering, and which provides for, among other things, (1) the authorization of 1,000,000,000 shares of Class A common stock and 500,000,000 shares of Class B common stock; (2) the reclassification of 67,958 outstanding shares of our common stock into 67,958 shares of Class A common stock; and (3) the reclassification of 336,011,716 outstanding shares of our common stock into 336,011,716 shares of Class B common stock, of which shares will convert into shares of Class A common stock at the time that they are sold by the selling stockholders in this offering.

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## SUMMARY CONSOLIDATED FINANCIAL DATA

### Overview

The following tables summarize our consolidated financial data for the periods presented. We derived the summary consolidated statements of income data for the years ended December 31, 2008, 2007 and 2006 and the summary consolidated balance sheet data as of December 31, 2008 and 2007 from our audited consolidated financial statements included elsewhere in this prospectus. We derived the summary consolidated statements of income data for the years ended December 31, 2005 and 2004 from our audited consolidated financial statements which are not included in this prospectus. We derived the summary consolidated statements of income data for the six months ended June 30, 2009 and June 30, 2008 and the summary consolidated balance sheet data as of June 30, 2009 from our unaudited consolidated interim financial statements included elsewhere in this prospectus. We have prepared the unaudited consolidated interim financial statements on the same basis as our audited financial statements and, in our opinion, have included all adjustments, which include only normal recurring adjustments, necessary to present fairly in all material respects our financial position and results of operations. The results for any interim period are not necessarily indicative of the results that may be expected for the full year. Additionally, our historical results are not necessarily indicative of the results expected for any future period.

### Adjusted EBITDA

We use the term Adjusted EBITDA throughout this prospectus. Adjusted EBITDA, as we define it, is not presented in accordance with generally accepted accounting principles in the United States of America (GAAP). We use Adjusted EBITDA as a supplement to our GAAP results in evaluating certain aspects of our business, as described below.

We define consolidated Adjusted EBITDA as net income (loss) attributable to Hyatt Hotels Corporation plus our pro-rata share of unconsolidated hospitality ventures Adjusted EBITDA based on our ownership percentage of each venture, adjusted to exclude the following items:

- equity earnings (losses) from unconsolidated hospitality ventures;
- gains on sales of real estate;
- asset impairments;
- other income (loss), net;
- a 2008 charge resulting from the termination of our supplemental executive defined benefit plans;
- discontinued operations and changes in accounting principles, net of tax;
- net (income) loss attributable to noncontrolling interests;
- depreciation and amortization;

- interest expense; and

- benefit (provision) for income taxes.

We calculate consolidated Adjusted EBITDA by adding the Adjusted EBITDA of each of our reportable segments to corporate and other Adjusted EBITDA. See Management s Discussion and Analysis of Financial Condition and Results of Operations Results of Operations.

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***Our Use of Adjusted EBITDA***

Our board of directors and executive management team focus on Adjusted EBITDA as a key performance and compensation measure both on a segment and on a consolidated basis. Adjusted EBITDA assists us in comparing our performance over various reporting periods on a consistent basis because it removes from our operating results the impact of items that do not reflect our core operating performance both on a segment and on a consolidated basis.

Our President and Chief Executive Officer, who is our chief operating decision maker, also evaluates the performance of each of our reportable segments and determines how to allocate resources to those segments, in significant part, by assessing the Adjusted EBITDA of each segment.

In addition, the annual variable compensation for certain members of our management is based in part on consolidated Adjusted EBITDA, segment Adjusted EBITDA or some combination of both.

***Presentation to Investors***

We believe Adjusted EBITDA is useful to investors because it provides investors the same information that we use internally for purposes of assessing our core operating performance and making compensation decisions.

***Limitations of Adjusted EBITDA***

Adjusted EBITDA is not a substitute for net income attributable to Hyatt Hotels Corporation, income from continuing operations, cash flows from operating activities or any other measure prescribed by GAAP. There are limitations to using non-GAAP measures such as Adjusted EBITDA. Although we believe that Adjusted EBITDA can make an evaluation of our operating performance more consistent because it removes items that do not reflect our core operations, other companies in our industry may define Adjusted EBITDA differently than we do. As a result, it may be difficult to use Adjusted EBITDA or similarly named non-GAAP measures that other companies may use to compare the performance of those companies to our performance.

Because of these limitations, Adjusted EBITDA should not be considered as a measure of the income generated by our business or discretionary cash available to us to invest in the growth of our business. Our management compensates for these limitations by relying primarily on our GAAP results and using Adjusted EBITDA supplementally. See our consolidated statements of income and consolidated statements of cash flows in our consolidated financial statements included elsewhere in this prospectus.

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You should read the summary historical financial data below together with the consolidated financial statements and related notes appearing elsewhere in this prospectus, as well as Selected Consolidated Financial Data, Management s Discussion and Analysis of Financial Condition and Results of Operations and Description of Principal Indebtedness and the other financial information included elsewhere in this prospectus.

| (in millions, except per share data) | Six Months Ended June 30, 2009 | 2008 | Year Ended December 31, 2008 | 2007 | 2006 | 2005 | 2004(1) |
|---|---|---|---|---|---|---|---|
| | (Unaudited) | | | | | | |
| **Consolidated statements of income data:** | | | | | | | |
| Owned and leased hotel revenues | $ 876 | $ 1,125 | $ 2,139 | $ 2,039 | $ 1,860 | $ 1,748 | $ 1,472 |
| Management and franchise fee revenues | 109 | 162 | 290 | 315 | 294 | 227 | 202 |
| Other revenues | 29 | 48 | 83 | 103 | 110 | 112 | 88 |
| Other revenues from managed properties (2) | 623 | 674 | 1,325 | 1,281 | 1,207 | 1,080 | 920 |
| Total revenues | 1,637 | 2,009 | 3,837 | 3,738 | 3,471 | 3,167 | 2,682 |
| Direct and selling, general and administrative expenses | 1,593 | 1,759 | 3,473 | 3,353 | 3,119 | 2,880 | 2,494 |
| Income (loss) from continuing operations | (38) | 175 | 114 | 266 | 331 | 278 | 175 |
| Net income (loss) attributable to Hyatt Hotels Corporation | (36) | 173 | 168 | 270 | 315 | 336 | 227 |
| Income (loss) from continuing operations per common share, basic and diluted | $ (0.14) | $ 0.68 | $ 0.45 | $ 0.98 | $ 1.20 | $ 1.20 | $ 0.84 |
| Weighted average shares used in computing basic net income per share | 265,673,636 | 256,057,671 | 256,074,029 | 269,170,628 | 275,117,476 | 231,756,431 | 208,224,397 |
| Weighted average shares used in computing diluted net income per share | 265,673,636 | 256,057,671 | 256,122,294 | 269,268,039 | 275,117,476 | 231,756,431 | 208,224,397 |
| **Other financial metric:** | | | | | | | |
| Adjusted EBITDA(3) | $ 210 | $ 417 | $ 687 | $ 708 | $ 628 | $ 519 | $ 363 |

| (in millions) | As of June 30, 2009 Actual | As Adjusted(4) (Unaudited) | As Further Adjusted(5)(6) | As of December 31, 2008 | 2007 |
|---|---|---|---|---|---|
| **Consolidated balance sheet data:** | | | | | |
| Cash and cash equivalents | $ 968 | $ 1,220 | $ | $ 428 | $ 409 |
| Total current assets | 1,529 | 1,781 | | 1,057 | 1,065 |
| Property and equipment, net | 3,616 | 3,616 | | 3,495 | 3,518 |
| Intangibles, net | 276 | 276 | | 256 | 359 |
| Total assets | 6,739 | 6,976 | | 6,119 | 6,248 |
| Total current liabilities | 574 | 559 | | 653 | 697 |
| Long-term debt | 595 | 847 | | 1,209 | 1,288 |
| Other long-term liabilities | 670 | 668 | | 665 | 794 |
| Total liabilities | 1,839 | 2,074 | | 2,527 | 2,779 |
| Total stockholders equity | 4,874 | 4,876 | | 3,564 | 3,434 |
| Total liabilities and stockholders equity | 6,739 | 6,976 | | 6,119 | 6,248 |

(1) The consolidated statement of income for 2004 reflects the combined and consolidated full year operating results of Hyatt Corporation, AIC Holding Co. and various hospitality related entities owned, prior to their contribution to our predecessor, Global Hyatt Corporation, in 2004, by Pritzker family business interests. See Corporate Information and note 1 to our consolidated financial statements included elsewhere in this prospectus.

(2) Represents revenues that we receive from third-party property owners who reimburse us for costs that we incur on their behalf, with no added margin. These costs relate primarily to payroll at managed properties where we are the employer. As a result, these revenues have no effect on our profit, although they do increase our total revenues and the corresponding costs increase our total expenses. See Management s Discussion and Analysis of Financial Condition and Results of Operations Principal Factors Affecting our Results of Operations Revenues.

(3) The table below provides a reconciliation of consolidated Adjusted EBITDA to EBITDA and a reconciliation of EBITDA to net income (loss) attributable to Hyatt Hotels Corporation.

| (in millions) | Six Months Ended June 30, 2009 (Unaudited) | 2008 | Twelve Months Ended December 31, 2008 | 2007 | 2006 | 2005 | 2004 |
|---|---|---|---|---|---|---|---|
| **Adjusted EBITDA** | $ 210 | $ 417 | $ 687 | $ 708 | $ 628 | $ 519 | $ 363 |
| Equity earnings (losses) from unconsolidated hospitality ventures(a) | (13) | 12 | 14 | 11 | 13 | (3) | 14 |
| Gains on sales of real estate(b) | | | | 22 | 57 | 94 | 26 |
| Asset impairments(b) | (8) | | (86) | (61) | | | |
| Other income (loss), net(c) | (56) | 55 | 23 | 145 | 126 | 112 | 80 |
| Charge resulting from the termination of our supplemental executive defined benefit plans | | | (20) | | | | |
| Discontinued operations and changes in accounting principles, net of tax(b) | | | 56 | 5 | (2) | 69 | 50 |
| Net (income) loss attributable to noncontrolling interests(d) | 2 | (2) | (2) | (1) | (14) | (11) | 2 |
| Pro rata share of unconsolidated hospitality ventures Adjusted EBITDA(a) | (28) | (49) | (90) | (94) | (69) | (51) | (35) |
| **EBITDA** | 107 | 433 | 582 | 735 | 739 | 729 | 500 |
| Depreciation and amortization | (130) | (125) | (249) | (214) | (195) | (174) | (134) |
| Interest expense | (27) | (28) | (75) | (43) | (36) | (46) | (60) |
| Benefit (provision) for income taxes | 14 | (107) | (90) | (208) | (193) | (173) | (79) |
| **Net income (loss) attributable to Hyatt Hotels Corporation** | $ (36) | $ 173 | $ 168 | $ 270 | $ 315 | $ 336 | $ 227 |

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(a) Because management uses Adjusted EBITDA as a key performance and compensation measure for our business as a whole, we include our share of Adjusted EBITDA generated by our unconsolidated hospitality ventures in our calculation of segment and consolidated Adjusted EBITDA. Therefore, Adjusted EBITDA excludes equity earnings from unconsolidated hospitality ventures and includes our pro rata share of Adjusted EBITDA from unconsolidated hospitality ventures. Our pro rata share of Adjusted EBITDA from unconsolidated hospitality ventures represents our share of Adjusted EBITDA from these ventures, which is based on our ownership percentage in each respective unconsolidated hospitality venture.

(b) Adjusted EBITDA excludes gains on sales of real estate, asset impairments and discontinued operations and changes in accounting principles, net of tax from Adjusted EBITDA because they are not related to the performance of our core business.

(c) The below table provides a breakdown of items included in other income, net for the six months ended June 30, 2009 and 2008, and for the years ended December 31, 2008, 2007, 2006, 2005 and 2004:

| (in millions) | Six Months Ended June 30, 2009 | Six Months Ended June 30, 2008 | Year Ended December 31, 2008 | 2007 | 2006 | 2005 | 2004 |
|---|---|---|---|---|---|---|---|
| | (Unaudited) | | | | | | |
| Interest income on interest-bearing cash and cash equivalents | $ 10 | $ 9 | $ 23 | $ 43 | $ 49 | $ 36 | $ 31 |
| Gains (losses) on other marketable securities | 2 | (13) | (37) | | | | 7 |
| Income from cost method investments(i) | 22 | 62 | 64 | 87 | 72 | 60 | 23 |
| Foreign currency gains (losses) | 7 | (3) | (23) | 17 | 11 | (11) | 17 |
| Debt settlement costs(ii) | (93) | | | | | | |
| Gain on extinguishment of hotel property debt | | | | | | 28 | |
| Other | (4) | | (4) | (2) | (6) | (1) | 2 |
| Other income (loss), net | $ (56) | $ 55 | $ 23 | $ 145 | $ 126 | $ 112 | $ 80 |

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(i) Includes cash distributions received on investments accounted for under the cost method. See Management s Discussion and Analysis of Financial Condition and Results of Operations Results of Operations and note 3 to our consolidated financial statements.

(ii) Reflects costs incurred in connection with the repurchase of senior subordinated notes and early settlement of a subscription agreement as described in Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources. The costs include $88 million of make-whole interest payments and early settlement premiums and a $5 million write-off of deferred financing costs.

(d) Adjusted EBITDA includes net income (loss) attributable to noncontrolling interests, which represents the income or loss attributable to noncontrolling partners in an entity that we consolidate in our financial results, given the controlling nature of our interests in these entities.

(4) Reflects the August 2009 issuance and sale of the senior notes and the use of a portion of the net proceeds from the sale of the senior notes to repay certain outstanding secured debt and settle certain related swap agreements. See Recent Developments and Description of Principal Indebtedness.

(5) Reflects the issuance and sale of shares of our Class A common stock in this offering at an assumed initial public offering price of $ per share, the midpoint of the range set forth on the front cover of this prospectus, and our receipt of the net proceeds from this offering, after deducting the underwriting discount and estimated offering expenses payable by us.

(6) A $1.00 increase or decrease in the assumed initial public offering price of $ per share, the midpoint of the range set forth on the front cover of this prospectus, would result in an approximately $ million increase or decrease in each of the as further adjusted cash and cash equivalents, total assets and total stockholders equity, assuming that the number of shares offered by us set forth on the front cover of this prospectus, remains the same, and after deducting the underwriting discount and estimated offering expenses payable by us. Each increase or decrease of 1.0 million shares in the number of shares offered by us would increase or decrease the as further adjusted cash and cash equivalents, total assets and total stockholders equity by approximately $ million, assuming that the assumed initial public offering price of $ per share, the midpoint of the range set forth on the front cover of this prospectus, remains the same, and after deducting the underwriting discount and estimated offering expenses payable by us. The as further adjusted information discussed above is illustrative only and will adjust based on the actual initial public offering price and other terms of this offering.

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## RISK FACTORS

*Investing in our Class A common stock involves a high degree of risk. You should consider carefully the risks and uncertainties described below and the other information contained in this prospectus, including our consolidated financial statements and the related notes, before you decide whether to purchase our Class A common stock. These risks could materially adversely affect our business, financial condition and results of operations. As a result, the market price of our Class A common stock could decline, and you may lose part or all of your investment.*

### Risks Related to the Hospitality Industry

***The hospitality industry is cyclical, and macroeconomic and other factors beyond our control can adversely affect and reduce demand for our hospitality products and services.***

The hospitality industry is cyclical. For example, the last two business cycles in the hospitality industry, which we define as the period starting with the first calendar year of negative revenue per available room (RevPAR) growth and ending with the last calendar year of positive RevPAR growth, took place from 1991 to 2000 and 2001 to 2007. See The Lodging Industry Annual RevPAR Growth. During the declining stages of these two business cycles, RevPAR growth was negative for one calendar year (1991) and two calendar years (2001 and 2002), respectively.

Macroeconomic and other factors beyond our control can reduce demand for hospitality products and services, including demand for rooms at properties that we manage, franchise, own and develop and for sales of vacation ownership properties. These factors include:

- changes and volatility in general economic conditions, including the severity and duration of any downturn in the U.S. or global economy and financial markets;
- war, terrorist activities (such as the recent terrorist attacks in Jakarta, Indonesia and Mumbai, India) or threats and heightened travel security measures instituted in response to these events;
- outbreaks of pandemic or contagious diseases, such as avian flu, severe acute respiratory syndrome (SARS) and H1N1 (swine) flu;
- natural disasters, such as earthquakes, tsunamis, tornados, hurricanes and floods;
- changes in the desirability of particular locations or travel patterns of customers;
- decreased corporate budgets and spending and cancellations, deferrals or renegotiations of group business (e.g., industry conventions);
- low consumer confidence;
- depressed housing prices;

- the financial condition of the airline, automotive and other transportation-related industries and its impact on travel;
- decreased airline capacities and routes;
- travel-related accidents;
- oil prices and travel costs;
- statements, actions or interventions by governmental officials related to travel and corporate travel-related activities and the resulting negative public perception of such travel and activities;
- domestic and international political and geo-political conditions;
- cyclical over-building in the hotel and vacation ownership industries; and
- organized labor activities, which could cause a diversion of business from hotels involved in labor negotiations and loss of group business.

These factors can adversely affect, and from time to time have adversely affected, individual properties, particular regions or our business as a whole. In particular, lower consumer demand resulting from the current industry downturn resulted in a decline in RevPAR for the fourth quarter of 2008 and some of the most significant RevPAR declines we have experienced in recent history during the first half of 2009. Our RevPAR declines in this business cycle have been more severe compared to those of the last two business cycles, and have had a greater negative impact on our profitability. See If the global economic downturn continues or worsens, our revenues and profitability could decline further and Management s Discussion and Analysis of Financial Condition and Results of Operations Principal Factors Affecting our Results of Operations Factors Affecting our Revenues Consumer demand and global economic conditions. Any one or more of these factors could limit or reduce the demand, or the rates our properties are able to charge for rooms or services or the prices at which we are able to sell our vacation ownership properties, which could adversely affect our business, results of operations and financial condition.

***If the global economic downturn continues or worsens, our revenues and profitability could decline further.***

Consumer demand for our products and services is closely linked to the performance of the general economy and is sensitive to business and personal discretionary spending levels. Declines in consumer demand due to adverse general economic conditions, risks affecting or reducing travel patterns, lower consumer confidence or adverse political conditions can lower the revenues and profitability of our owned properties and the amount of management and franchising fee revenues we are able to generate from our managed and franchised properties. Declines in hotel profitability during an economic downturn directly impact the incentive portion of our management fees, which is based on hotel profit measures. Outside of the United States, our fees are often more dependent on hotel profitability measures, either through a single management fee that is based on a profitability measure, or because our two-tier fee structure is more heavily weighted toward the incentive fee than the base fee. Because RevPAR depends directly on average daily rate (ADR) and occupancy, declines in ADR and occupancy relating to declines in consumer demand will lower RevPAR. For additional information regarding RevPAR and ADR, see Management s Discussion and Analysis of Financial Condition and Results of Operations Key Business Metrics Evaluated by Management. Our vacation ownership business is also linked to cycles in the general economy and consumer discretionary spending. As a result, changes in consumer demand and general business cycles can subject and have subjected our revenues to significant volatility.

Accordingly, the current global economic downturn has led to a significant decline in demand for hospitality products and services, lower occupancy levels and significantly reduced room rates, all of which has lowered our revenues and negatively affected our profitability. For the six months ended June 30, 2009, compared to the six months ended June 30, 2008, our revenues decreased by $372 million, driven by a 24% decline in RevPAR at comparable systemwide properties. See Management s Discussion and Analysis of Results of Operations Principal Factors Affecting Our Results of Operations Revenues Factors Affecting our Revenues.

We anticipate that recovery of demand for hospitality products and services will lag an improvement in economic conditions. We cannot predict how severe or prolonged the global economic downturn will be. Furthermore, current global economic conditions have significantly impacted consumer confidence and behavior and, as a result, historical marketing information that we have collected may be less effective as a means of predicting future demand and operating results. We cannot assure you that we will be able to increase room rates and RevPAR at the same rate at which they have recently declined, even after the current downturn ends. An extended period of economic weakness would likely have a further adverse impact on our revenues and negatively affect our profitability.

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***We are subject to the business, financial and operating risks inherent to the hospitality industry, any of which could reduce our profits and limit our opportunities for growth.***

Our business is subject to a number of business, financial and operating risks inherent to the hospitality industry, including:

- changes in taxes and governmental regulations that influence or set wages, prices, interest rates or construction and maintenance procedures and costs;
- the costs and administrative burdens associated with complying with applicable laws and regulations;
- the costs or desirability of complying with local practices and customs;
- the availability and cost of capital necessary for us and potential hotel owners to fund investments, capital expenditures and service debt obligations;
- delays in or cancellations of planned or future development projects;
- foreign exchange rate fluctuations;
- changes in operating costs, including, but not limited to, energy, food, workers compensation, benefits, insurance and unanticipated costs resulting from force majeure events;
- significant increases in cost for healthcare coverage for employees and potential government regulation in respect of health coverage;
- shortages of labor or labor disruptions;
- shortages of desirable locations for development;
- the financial condition of third-party property owners, franchisees, developers and hospitality venture partners, which may impact our ability to recover payments owed to us or their ability to fund operational costs, perform under management, franchise, development and hospitality venture agreements or satisfy other contractual commitments and obligations that may impact us;
- relationships with our third-party property owners, franchisees and hospitality venture partners; and
- the ability of third-party internet travel intermediaries to attract and retain customers.

Any of these factors could limit or reduce the prices we charge for our hospitality products or services, including the rates our properties charge for rooms or the prices for which we are able to sell our vacation ownership properties. These factors can also increase our costs or affect our ability to develop new properties or maintain and operate our existing properties. As a result, any of these factors can reduce our profits and limit our opportunities for growth.

**Risks Related to Our Business**

***Because we operate in a highly competitive industry, our revenues, profits or market share could be harmed if we are unable to compete effectively.***

The segments of the hospitality industry in which we operate are subject to intense competition. Our principal competitors are other operators of full service and select service properties, including other major hospitality chains with well established and recognized brands. We also compete against smaller hotel chains and independent and local hotel owners and operators. If we are unable to compete successfully, our revenues or profits may decline or our ability to maintain or increase our market share may be diminished.

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### *Competition for Guests*

We compete for guests based primarily on brand name recognition and reputation, location, customer satisfaction, room rates, quality of service, amenities, quality of accommodations and the ability to earn and redeem loyalty program points. Some of our competitors are larger than we are based on the number of properties they manage, franchise or own or based on the number of rooms or geographic locations where they operate. Some of our competitors also have significantly more members participating in their guest loyalty programs which may enable them to attract more customers and more effectively retain such guests. Our competitors may also have greater financial and marketing resources than we do, which could allow them to improve their properties and expand and improve their marketing efforts in ways that could affect our ability to compete for guests effectively. In addition, industry consolidation may exacerbate these risks.

### *Competition for Management and Franchise Agreements*

We compete for management agreements based primarily on the value and quality of our management services, our brand name recognition and reputation, our ability and willingness to invest our capital in third-party owned or hospitality venture projects, the level of our management fees, the terms of our management agreements and the economic advantages to the property owner of retaining our management services and using our brand name. We compete for franchise agreements based primarily on brand name recognition and reputation, the room rate that can be realized and royalty fees charged. Other competitive factors for management and franchise agreements include relationships with property owners and investors, including institutional owners of multiple properties, marketing support, reservation and e-commerce system capacity and efficiency and the ability to make investments that may be necessary to obtain management and franchise agreements.

We believe that our ability to compete for management and franchise agreements primarily depends on the success of the properties that we currently manage or franchise. The terms of any new management or franchise agreements that we obtain also depend on the terms that our competitors offer for those agreements. In addition, if the availability of suitable locations for new properties decreases, planning or other local regulations change or the availability or affordability of financing is limited, the supply of suitable properties for our management or franchising could be diminished. We may also be required to agree to limitations on the expansion of one or more of our brands in certain geographic areas in order to obtain a management agreement for a property under development. We may be prohibited from managing, franchising or owning properties in areas where opportunities exist due to these restrictions. If the properties that we manage or franchise perform less successfully than those of our competitors, if we are unable to offer terms as favorable as those offered by our competitors or if the availability of suitable properties is limited, our ability to compete effectively for new management or franchise agreements could be reduced.

### *Competition for Sales of Vacation Ownership Properties*

We compete for sales of our vacation ownership properties based principally on location, quality of accommodations, price, financing terms, quality of service, terms of property use, opportunity to exchange into time at other vacation properties and brand name recognition and reputation. In addition to competing with other hotel and resort properties, our vacation ownership properties compete with national and independent vacation ownership club operators as well as with owners reselling their interests in these properties. Our ability to attract and retain purchasers of our vacation ownership properties depends on our success in distinguishing the quality and value of our vacation ownership products and services from those offered by others. If we are unable to do so, our ability to compete effectively for sales of vacation ownership properties could be adversely affected.

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***If third-party property owners or franchisees of the properties we manage or franchise fail to make investments necessary to maintain or improve their properties, preference for our brands and our reputation could suffer or our management or franchise agreements with those parties could terminate.***

We manage and franchise properties owned by third parties under the terms of management and franchise agreements. Substantially all of these agreements require third-party property owners to comply with standards that are essential to maintaining our brand integrity and reputation. We depend on third-party property owners to comply with these requirements by maintaining and improving properties through investments, including investments in furniture, fixtures, amenities and personnel.

Third-party property owners or franchisees may be unable to access capital or unwilling to spend available capital when necessary, even if required by the terms of our management or franchise agreements. If our third-party property owners or franchisees fail to make investments necessary to maintain or improve the properties we manage or franchise, our brand preference and reputation could suffer. In addition, if third-party property owners or franchisees breach the terms of our agreements with them, we may elect to exercise our termination rights, which would eliminate our revenues from these properties and cause us to incur expenses related to terminating these relationships. These risks become more pronounced during economic downturns.

***If our management or franchise agreements terminate prematurely due to failures to meet performance tests, at the request of third parties or upon the occurrence of other stated events, our revenues could decrease and our costs could increase.***

Our management and franchise agreements may terminate prematurely in certain cases. Some of our management agreements provide early termination rights to owners of the hotels we manage upon the occurrence of a stated event, such as the sale of the hotel or our failure to meet a specified performance test.

Generally, termination rights under performance tests are based upon the property s individual performance, its performance when compared to a specified set of competitive hotels branded by other hotel operators, or both. Some agreements require a failure of one test, and other agreements require a failure of more than one test, before termination rights are triggered. These termination rights are usually triggered if we do not meet the performance tests over multiple years. Generally, we have the option to cure performance failures by making an agreed upon cure payment. However, our cure rights may be limited in some cases and the failure to meet the performance tests may result in the termination of our management agreement. In the past we have (1) failed performance tests, received notices of termination and elected to cure and (2) failed performance tests and negotiated an alternative resolution. When any termination notice is received, we evaluate all relevant facts and circumstances at the time in deciding whether to cure or allow termination.

In addition, some of our management agreements give third-party property owners the right to terminate upon payments of a termination fee to us after a certain period of time or upon sale of the property or another stated event. In some of those cases, hotel owners may be obligated to pay a termination fee to us upon termination of the management agreement. Our franchise agreements typically require franchisees to pay a fee to us before terminating. In addition, if an owner files for bankruptcy, our management and franchise agreements may be terminable under applicable law. If a management or franchise agreement terminates, we could lose the revenues we derive from that agreement or incur costs related to ending our relationship with the third party and exiting the related property.

***If we are unable to maintain good relationships with third-party property owners and franchisees, our revenues could decrease and we may be unable to expand our presence.***

We earn fees for managing and franchising hotels and other properties. Our management agreements typically provide a two-tiered fee structure that compensates us both for the volume of business we generate for the property as well as for the profitability of hotel operations. Our base compensation is a base fee that is usually an agreed upon percentage of gross revenues from hotel operations. We also earn an incentive fee that is typically calculated as a percentage of a hotel profitability measure, such as gross operating profit, adjusted profit or the amount by which gross operating profit or adjusted profit exceeds a fixed threshold. Outside of the United States, our fees are often more dependent on hotel profitability measures, either through a single management fee that is based on a profitability measure or because our two-tier fee structure is more heavily weighted toward the incentive fee than the base fee. Our franchisees pay us an initial application fee and ongoing royalty and marketing fees.

The viability of our management and franchising business depends on our ability to establish and maintain good relationships with third-party property owners and franchisees. Third-party developers, property owners and franchisees are focused on maximizing the value of their investment and working with a management company or franchisor that can help them be successful. The effectiveness of our management, the value of our brands and the rapport that we maintain with our third-party property owners and franchisees impact renewals and are all important factors for new third-party property owners or franchisees considering doing business with us. Our relationships with these third parties generate additional property development opportunities that support our growth. If we are unable to maintain good relationships with our third-party property owners and franchisees, we may be unable to renew existing agreements or expand our relationships with these owners. Additionally, our opportunities for developing new relationships with additional third parties may be adversely impacted.

***Contractual and other disagreements with third-party property owners or franchisees could make us liable to them or result in litigation costs or other expenses, which could lower our profits.***

Our management and franchise agreements require us and third-party property owners or franchisees to comply with operational and performance conditions that are subject to interpretation and could result in disagreements. Additionally, some courts have applied principles of agency law and related fiduciary standards to managers of third-party hotel properties such as us, which means, among other things, that property owners may assert the right to terminate management agreements even where the agreements do not expressly provide for termination. In the event of any such termination, we may need to negotiate or enforce our right to a termination payment that may not equal expected profitability over the term of the agreement. These types of disagreements are more likely during an economic downturn.

We generally seek to resolve any disagreements with our third-party property owners or franchisees amicably. Formal dispute resolution occurs through arbitration, if provided under the applicable management or franchise agreement, or through litigation. Litigation often leads to higher expenses. We cannot predict the outcome of any such arbitration or litigation, the effect of any adverse judgment of a court or arbitrator against us or the amount of any settlement that we may be forced to enter into with any third party.

***We are exposed to the risks resulting from significant investments in owned and leased real estate, which could increase our costs, reduce our profits, limit our ability to respond to market conditions or restrict our growth strategy.***

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Our proportion of owned properties, as compared to the number of properties that we manage or franchise for third-party owners, is larger than that of some of our competitors. Real estate ownership and leasing is subject to risks not applicable to managed or franchised properties, including:

- governmental regulations relating to real estate ownership;
- real estate, insurance, zoning, tax, environmental and eminent domain laws;
- the ongoing need for owner funded capital improvements and expenditures to maintain or upgrade properties;
- risks associated with mortgage debt, including the possibility of default, fluctuating interest rate levels and the availability of replacement financing;
- fluctuations in real estate values or potential impairments in the value of our assets; and
- the relative illiquidity of real estate compared to other assets.

The negative impact on profitability and cash flow generation from a decline in revenues is significant in owned properties due to their high fixed-cost structure. The need to maintain and renovate owned properties can present challenges, especially when cash generated from operations has declined. The effectiveness of any cost-cutting efforts is limited by the fixed-cost nature of our business. As a result, we may not be able to offset further revenue reductions through cost cutting, which could further reduce our margins. During times of economic distress, declining demand and declining earnings often result in declining asset values.

In an unfavorable market, we may not be able to sell properties in the short term. Accordingly, we may not be able to adjust our portfolio promptly in response to economic or other conditions. In addition, because our strategy to use proceeds from sales of real property to support our growth partly depends on our ability to sell properties, any inability to do so could impair our growth strategy.

***We have a limited ability to manage third-party risks associated with our hospitality venture investments, which could reduce our revenues, increase our costs and lower our profits.***

We participate in hospitality ventures with third parties. In the future, we may also buy and develop properties in hospitality ventures with the sellers of the properties, affiliates of the sellers, developers or other third parties. Our hospitality venture partners may have shared or majority control over the operations of our hospitality ventures. As a result, our investments in hospitality ventures involve risks that are different from the risks involved in investing in real estate independently. These risks include the possibility that our hospitality ventures or our partners:

- go bankrupt or otherwise are unable to meet their capital contribution obligations;
- have economic or business interests or goals that are or become inconsistent with our business interests or goals;
- are in a position to take action contrary to our instructions, requests, policies or objectives;

- subject the property to liabilities exceeding those contemplated;
- take actions that reduce our return on investment; or
- take actions that harm our reputation or restrict our ability to run our business.

For these and other reasons, it could be more difficult for us to sell our interest in any hospitality venture, which could reduce our ability to address any problems we may have with those properties or respond to market conditions in the future. As a result, our investments in hospitality ventures could lead to impasses or situations that could harm the hospitality venture, which could reduce our revenues, increase our costs and lower our profits.

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***If our hospitality ventures fail to provide information that is required to be included in our financial statements, we may be unable to accurately report our financial results.***

Preparing our financial statements requires us to have access to information regarding the results of operations, financial position and cash flows of our hospitality ventures. Any deficiencies in our hospitality ventures internal controls over financial reporting may affect our ability to report our financial results accurately or prevent fraud. Such deficiencies could also result in restatements of, or other adjustments to, our previously reported or announced operating results, which could diminish investor confidence and reduce the market price for our shares. Additionally, if our hospitality ventures are unable to provide this information for any meaningful period or fail to meet expected deadlines, we may be unable to satisfy our financial reporting obligations or timely file our periodic reports.

***Cash distributions from our hospitality ventures could be limited by factors outside our control that could reduce our return on investment and our ability to generate liquidity from these hospitality ventures.***

Although our hospitality ventures may generate positive cash flow, in some cases these hospitality ventures may be unable to distribute that cash to the hospitality venture partners. Additionally, in some cases our hospitality venture partners control distributions, and may choose to leave capital in the hospitality venture rather than distribute it. Because our ability to generate liquidity from our hospitality ventures depends on the hospitality ventures ability to distribute capital to us, tax restrictions or decisions of our hospitality venture partners could reduce our return on these investments. We include our pro rata share of Adjusted EBITDA attributable to our unconsolidated hospitality ventures in our owned and leased hotels segment Adjusted EBITDA and our consolidated Adjusted EBITDA regardless of whether the cash flow of those ventures is, or can be, distributed to us.

***We may seek to expand through acquisitions of and investments in other businesses and properties, or through alliances; and we may also seek to divest some of our properties and other assets, any of which may be unsuccessful or divert our management s attention.***

We intend to consider strategic and complementary acquisitions of and investments in other businesses, properties or other assets. Furthermore, we may pursue these opportunities in alliance with existing or prospective owners of managed or franchised properties. In many cases, we will be competing for these opportunities with third parties that may have substantially greater financial resources than we do. Acquisitions or investments in businesses, properties or assets as well as these alliances are subject to risks that could affect our business, including risks related to:

- issuing shares of stock that could dilute the interests of our existing stockholders;
- spending cash and incurring debt;
- assuming contingent liabilities;
- creating additional expenses; or
- high barriers to entry in many key markets and scarcity of available development and investment opportunities.

We cannot assure you that we will be able to identify opportunities or complete transactions on commercially reasonable terms or at all, or that we will actually realize any anticipated benefits from such acquisitions, investments or alliances. Similarly, we cannot assure you that we will be able to obtain financing for acquisitions or investments on attractive terms or at all, or that the ability to obtain financing will not be restricted by the terms of our revolving credit facility or other indebtedness we may incur.

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The success of any such acquisitions or investments will also depend, in part, on our ability to integrate the acquisition or investment with our existing operations. We may experience difficulty with integrating acquired businesses, properties or other assets, including difficulties relating to:

- coordinating sales, distribution and marketing functions;

- integrating technology information systems; and

- preserving the important licensing, distribution, marketing, customer, labor and other relationships of the acquired assets.

Divestment of some of our properties or assets may yield returns below our investment criteria. In some circumstances, sales may result in investment losses.

In addition, any such acquisitions, investments, dispositions or alliances could demand significant attention from our management that would otherwise be available for our regular business operations, which could harm our business.

***We may not be successful in executing our strategy of disposing of selected assets, which could hinder our ability to expand our presence in markets that will enhance and expand our brand preference.***

We regularly review our business to identify properties or other assets that we believe are in markets or of a property type that may not benefit us as much as other markets or property types. One of our strategies is to selectively dispose of hotel properties and use sale proceeds to fund our growth in markets that will enhance and expand our brand presence. We cannot assure you that we will be able to consummate any such sales on commercially reasonable terms or at all, or that we will actually realize any anticipated benefits from such sales. Dispositions of real estate assets are particularly difficult during the current economic downturn, as financing alternatives are extremely limited for potential buyers. The current economic downturn and credit crisis have adversely affected the real estate market and caused a significant reduction in sales of hotel properties. Our inability to sell assets, or to sell such assets at attractive prices, could have an adverse impact on our ability to realize proceeds for reinvestment.

***Timing, budgeting and other risks could delay our efforts to develop, redevelop or renovate the properties that we own, or make these activities more expensive, which could reduce our profits or impair our ability to compete effectively.***

We must maintain and renovate the properties that we own in order to remain competitive, maintain the value and brand standards of our properties and comply with applicable laws and regulations. These efforts are subject to a number of risks, including:

- construction delays or cost overruns (including labor and materials) that may increase project costs;

- obtaining zoning, occupancy and other required permits or authorizations;

- governmental restrictions on the size or kind of development;

- force majeure events, including earthquakes, tornados, hurricanes, floods or tsunamis; and

- design defects that could increase costs.

Developing new properties typically involves lengthy development periods during which significant amounts of capital must be funded before the properties can begin to operate. If the cost of funding these developments or renovations exceeds budgeted amounts, profits could be reduced.

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Similarly, the timing of capital improvements can affect property performance, including occupancy and average daily rate, particularly if we need to close a significant number of rooms or other facilities, such as ballrooms, meeting spaces or restaurants. Moreover, the investments that we make may fail to improve the performance of the properties in the manner that we expect.

If we are not able to begin operating properties as scheduled, or if investments adversely affect or fail to improve performance, our ability to compete effectively would be diminished and our revenues could be reduced.

***If we or our third-party property owners, including our hospitality venture partners, are unable to repay or refinance mortgages secured by the related properties, our revenues could be reduced and our business could be harmed.***

Many of the properties that our third-party property owners and our hospitality venture partners own, and a small number of properties that we own, are pledged as collateral for mortgage loans entered into when the related properties were purchased or refinanced. If we, our third-party property owners or our hospitality venture partners are unable to repay or refinance maturing indebtedness on favorable terms or at all, the lenders could declare a default, accelerate the related debt and repossess the related property. In 2008, we made a $278 million loan to an entity in order to finance its purchase of the Hyatt Regency Waikiki Beach Resort and Spa. In the current economic environment, an increasing number of property owners are experiencing financial difficulties and the properties they own are increasingly vulnerable to financial stress. Debt defaults could lead third-party property owners or our hospitality venture partners to sell the property on unfavorable terms or, in the case of secured debt, to convey the mortgaged property to the lender. Any such sales or repossessions could, in certain cases, result in the termination of our management agreements or eliminate any anticipated income and cash flows from, and, if applicable, our invested capital in, such property, which could significantly harm our business.

***If we or our third-party owners, franchisees or development partners are unable to access the capital necessary to fund current operations or implement our plans for growth, our profits could be reduced and our ability to compete effectively could be diminished.***

The hospitality industry is a capital intensive business that requires significant capital expenditures to develop, operate, maintain and renovate properties. Access to the capital that we or our third-party owners, franchisees or development partners need to finance the construction of new properties or to maintain and renovate existing properties is critical to the continued growth of our business and our revenues.

Over the past twelve months, the credit markets and the financial services industry have experienced a period of significant disruption characterized by the bankruptcy, failure, collapse or sale of various financial institutions, increased volatility in securities prices, severely diminished liquidity and credit availability and a significant level of intervention by the governments of the United States and other countries. As a result of these market conditions, the cost and availability of capital has been and may continue to be adversely affected by illiquid credit markets and wider credit spreads. In particular, in the current environment, available capital for new development is extremely limited if available at all. The availability of capital or the conditions under which we or our third-party owners, franchisees or development partners can obtain capital can have a significant impact on the overall level and pace of future development and therefore the ability to grow our revenues. The recent disruption in the capital markets has diminished the ability and desire of existing and potential development partners to access capital necessary to develop properties actively. These disruptions could also result in reductions of our credit ratings, which would increase our cost of borrowing. Our ability to access additional capital could also be limited by the terms of our revolving credit facility, which restricts our ability to incur debt under certain circumstances. Additionally, if one or more of the financial institutions that support our revolving credit facility fails, we may not be able to find a replacement, which would reduce the availability of funds that we can borrow under the facility.

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If we are forced to spend larger amounts of cash from operating activities than anticipated to operate, maintain or renovate existing properties, then our ability to use cash for other purposes, including acquisition or development of properties, could be limited and our profits could be reduced. Similarly, if we cannot access the capital we need to fund our operations or implement our growth strategy, we may need to postpone or cancel planned renovations or developments, which could impair our ability to compete effectively and harm our business.

***If we fail to meet performance standards under a contractual performance obligation, our profits could be reduced.***

In connection with the acquisition of the AmeriSuites brand in 2005, we assumed obligations under a management agreement with a third-party owner of multiple properties to make payments based on specified thresholds for those properties. As a result of the removal of rooms from inventory during renovation of the subject properties upon conversion to the Hyatt Place brand and due to the decline for lodging products and services as a result of the economic downturn, we have had to make payments under this agreement and may be obligated to make additional payments under this agreement up to a maximum of $50.0 million (including the $15.0 million paid through June 30, 2009). These payments could lower our profits and reduce our cash flows.

***If we become liable for losses related to loans we have provided or guaranteed to third parties, our profits could be reduced.***

When we enter into management or franchise agreements with third parties, including hospitality ventures, from time to time we make loans for selected pre-opening expenses. Weak performance of or delays in operating properties that we may invest in through loans to third parties, particularly as a result of the economic recession or the financial condition of third-party property owners or franchisees, could result in losses if third-party property owners or franchisees default on loans that we provide.

To secure financing for four of our unconsolidated hospitality ventures, we have provided to third-party lenders financial guarantees related to the timely completion of the construction of the hotel or the timely repayment of the associated debt. The guarantees are limited to our portion of the underlying obligation. As of June 30, 2009 our maximum contingent liability was $22 million.

In one instance in the past, we incurred a significant loss as a result of a mezzanine loan we made to a developer of a hotel property. In 2005, in connection with the development of a hotel in Las Vegas, we provided a $50.0 million mezzanine loan to the developer of the property. In 2007, the entity that owned the hotel property defaulted on bank loans, which triggered a default on the mezzanine loan. In the fourth quarter of 2008, the loan was fully written off.

If we are liable for losses related to loans we have provided or guaranteed to third parties, our costs could increase and our profits could fall.

***In any particular period, our expenses may not decrease at the same rate that our revenues may decrease, which could have an adverse effect on our net cash flows, margins and profits.***

Many of the expenses associated with managing, franchising or owning hotels and residential and vacation ownership properties are relatively fixed. These expenses include:

- personnel costs;
- interest;
- rent;
- property taxes;

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insurance; and

utilities.

If we are unable to decrease these costs significantly or rapidly when demand for our hotels and other properties decreases, the decline in our revenues can have a particularly adverse effect on our net cash flows and profits. This effect can be especially pronounced during periods of economic contraction or slow economic growth, such as the current economic recession. Economic downturns generally affect the results derived from owned property more significantly than those derived by managers and franchisors given the greater exposure that the owners have to the properties performance. During the recent economic downturn, our revenues have declined at a greater rate than our costs. During the six months ended June 30, 2009, our consolidated revenues declined by 19% while our direct and selling, general and administrative expenses declined by 9%, compared to the same period in 2008. During the six months ended June 30, 2009, the revenues of our owned and leased hotels declined by 22%, while corresponding direct and selling, general and administrative expenses declined by 12%, compared to the same period in 2008. Where cost-cutting efforts are insufficient to offset declines in revenues, we could experience in a material decline in margins and potentially negative cash flows.

***If we are unable to establish and maintain key distribution arrangements for our properties, the demand for our rooms and our revenues could fall.***

Some of the rooms at hotels and resorts that we manage, franchise or own are booked through third-party internet travel intermediaries and online travel service providers. We also engage third-party intermediaries who collect fees by charging our hotels and resorts a commission on room revenues, including travel agencies and meeting and event management companies. A failure by our distributors to attract or retain their customer bases would lower demand for hotel rooms and, in turn, reduce our revenues.

If bookings by these third-party intermediaries increase, these intermediaries may be able to obtain higher commissions or other significant contract concessions from us, increasing the overall cost of these third-party distribution channels. Some of our distribution agreements are not exclusive, have a short term, are terminable at will, or are subject to early termination provisions. The loss of distributors, increased distribution costs, or the renewal of distribution agreements on significantly less favorable terms could adversely impact our business.

***If the amount of sales made through third-party internet travel intermediaries increases significantly, consumer loyalty to our brand could decrease and our revenues could fall.***

We expect to derive most of our business from traditional channels of distribution and our website. However, consumers now use internet travel intermediaries regularly. Some of these intermediaries are attempting to increase the importance of price and general indicators of quality (such as four-star downtown hotel ) at the expense of brand identification. These agencies hope that consumers will eventually develop brand loyalties to their reservation system rather than to our brands. If the amount of sales made through internet travel intermediaries increases significantly and consumers develop stronger loyalties to these intermediaries rather than to our brands, our business and revenues could be harmed.

***If we are not able to develop new initiatives, including new brands, successfully, our business and profitability could be harmed.***

We often develop and launch new initiatives, including new brands or marketing programs, which can be a time-consuming and expensive process. For example, we launched our Andaz brand in 2007.

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Since then, we have invested capital and resources in owned real estate, property development, brand development and brand promotion. If such initiatives are not well received by our associates, guests and owners, they may not have the intended effect. We may not be able to recover the costs incurred in developing Andaz or other development projects and initiatives or to realize their intended or projected benefits, which could lower our profits.

***Labor shortages could restrict our ability to operate our properties or grow our business or result in increased labor costs that could reduce our profits.***

Our success depends in large part on our ability to attract, retain, train, manage and engage our associates. Our properties are staffed 24 hours a day, seven days a week by approximately 80,000 associates around the world. If we and our franchisees are unable to attract, retain, train and engage skilled associates, our ability to manage and staff our properties adequately could be impaired, which could reduce customer satisfaction. Staffing shortages could also hinder our ability to grow and expand our business. Because payroll costs are a major component of the operating expenses at our properties, a shortage of skilled labor could also require higher wages that would increase our labor costs, which could reduce our profits and the profits of our third-party owners.

***Negotiations of collective bargaining agreements, or changes in labor legislation, could disrupt our operations, increase our labor costs or interfere with the ability of our management to focus on executing our business strategies.***

Certain of our properties are subject to collective bargaining agreements, similar agreements or regulations enforced by governmental authorities. If relationships with our associates, other field personnel or the unions that represent them become adverse, the properties we manage, franchise or own could experience labor disruptions such as strikes, lockouts and public demonstrations. Labor disruptions, which are generally more likely when collective bargaining agreements are being renegotiated, could harm our relationship with our associates or cause us to lose guests. Additionally, labor regulation could lead to higher wage and benefit costs, changes in work rules that raise operating expenses, legal costs and limitations on our ability or the ability of our third-party property owners and franchisees to take cost saving measures during economic downturns. We do not have the ability to control the negotiations of collective bargaining agreements covering unionized labor employed by third-party property owners and franchisees.

We and our third-party property owners and franchisees may also become subject to additional collective bargaining agreements in the future. Proposed legislation in Congress known as the Employee Free Choice Act could increase the likelihood of a union obtaining recognition by increasing the use of card check authorization and avoiding a secret ballot election. This legislation could also give third-party arbitrators the ability to impose collective bargaining agreement terms on us or our third-party property owners and franchisees, and our associates, if we, our third-party property owners or franchisees and a labor union are unable to agree upon a collective bargaining agreement. If this legislation or similar laws are passed, more of our associates or other field personnel could be subject to increased organizational efforts, which could potentially lead to disruptions or require more of our management s time to address unionization issues. These or similar agreements or legislation could disrupt our operations, hinder our ability to cross-train and cross-promote our associates due to prescribed work rules and job classifications, reduce our profitability, or interfere with the ability of our management to focus on executing our business strategies.

***The loss of our senior executives or key field personnel, such as our general managers, could significantly harm our business.***

Our ability to maintain our competitive position is dependent to a large degree on the efforts and skills of our senior executives. We have entered into employment letter agreements with certain of our

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senior executives. However, we cannot guarantee that these individuals will remain with us. Finding suitable replacements for our senior executives could be difficult. We currently do not have a life insurance policy or key person insurance policy with respect to any of our senior executives. Losing the services of one or more of these senior executives could adversely affect our strategic relationships, including relationships with our third-party property owners, franchisees, hospitality venture partners and vendors, and limit our ability to execute our business strategies. See Management.

We also rely on the general managers at each of our owned and managed properties to run daily operations and oversee our associates. These general managers are trained professionals in the hospitality industry and have extensive experience in many markets worldwide. The failure to retain, train or successfully manage our general managers for our properties could negatively affect our operations.

***Because we derive a portion of our revenues from operations outside the United States, the risks of doing business internationally could lower our revenues, increase our costs, reduce our profits or disrupt our business.***

We currently manage, franchise or own hotels and resorts in 45 countries located on six continents around the world. Our operations outside the United States represented approximately 19% of our revenues for the six months ended June 30, 2009. We expect that revenues from our international operations will continue to account for an increasing portion of our total revenues.

As a result, we are subject to the risks of doing business outside the United States, including:

- the laws, regulations and policies of foreign governments relating to investments and operations, as well as U.S. laws affecting the activities of U.S. companies abroad;
- limitations/penalties on the repatriation of non-U.S. earnings;
- changes in regulatory requirements, including imposition of tariffs or embargoes, export controls and other trade restrictions;
- the difficulty of managing an organization doing business in many jurisdictions;
- import and export licensing requirements and regulations, as well as unforeseen changes in export regulations;
- uncertainties as to local laws and enforcement of contract and intellectual property rights and occasional requirements for onerous contract clauses; and
- rapid changes in government, economic and political policies, political or civil unrest, acts of terrorism or the threat of international boycotts or U.S. anti-boycott legislation.

While these factors and the impact of these factors are difficult to predict, any one or more of them could lower our revenues, increase our costs, reduce our profits or disrupt our business.

***Exchange rate fluctuations could result in significant foreign currency gains and losses or lead to costs and risks related to exchange rate hedging activities.***

Conducting business in currencies other than U.S. dollars subjects us to fluctuations in currency exchange rates that could have a negative impact on our financial results. We translate the value of foreign currency-denominated amounts into U.S. dollars and we report our consolidated financial results of operations in U.S. dollars. Because the value of the U.S. dollar fluctuates relative to other currencies, revenues that we generate or expenses that we incur in other currencies could significantly increase or decrease our revenues or expenses as reported in U.S. dollars. Our exposure to foreign currency exchange rate fluctuations will continue to grow if the relative contribution of our operations outside the United States increases.

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We enter into foreign exchange agreements with financial institutions to reduce our exposure to fluctuations in currency exchange rates referred to as hedging activities. However, these hedging activities may not eliminate foreign currency risk entirely and involve costs and risks of their own, such as ongoing management time and expertise and external costs related to executing hedging activities.

***If purchasers default on the loans we provide to finance their purchases of our vacation ownership properties, the revenues and profits we derive from our vacation ownership business could be reduced.***

We provide secured financing to some of the purchasers of our vacation ownership properties in respect of which we are subject to the risk of purchaser default. If a purchaser defaults under the financing we provide, we could be forced to write off the loan and reclaim ownership of the property. If the property has declined in value, we may incur impairment charges or losses as a result. In addition, we may be unable to resell the property in a timely manner or at the same price. As of June 30, 2009, we had $57 million of mortgage receivables, net of allowances associated with these activities. In addition, if a purchaser of a vacation ownership property defaults on the related loan during the early part of the amortization period, we may not have recovered the marketing, selling and general and administrative costs associated with the sale of such vacation ownership property. If we are unable to recover any of the principal amount of the loan from a defaulting purchaser, or if our allowances for losses from such defaults are inadequate, the profits we derive from our vacation ownership business could be reduced.

***Private resales of our vacation ownership interests could lower the demand or prices for our vacation ownership properties, which could reduce our revenues and our profits.***

We develop, sell and manage vacation ownership properties in select locations as part of the Hyatt Vacation Club. Private resales by owners of these vacation ownership interests in the secondary market could reduce demand or prices for new vacation ownership interests, particularly if the owners sell their interests at a significant discount. Lower demand or prices for our vacation ownership interests could reduce our revenues and our profits.

***Our failure to comply with applicable laws and regulations may increase our costs, reduce our profits or limit our growth.***

Our business, properties and associates are subject to a variety of laws and regulations. Generally, these laws and regulations address our sales and marketing efforts, our handling of privacy issues and customer data, our ability to obtain licenses for business operations such as sales of food and liquor, immigration matters, environmental, health and safety, gaming, competition and trade laws, among other things.

Our franchising and vacation ownership businesses and our operations outside the United States are also subject to particular laws and regulation affecting those businesses:

***Franchising***

Our franchising business is subject to various state laws as well as to regulations enacted by the Federal Trade Commission (FTC). A number of states require franchisors to register with the state or to make extensive disclosures to potential franchisees in connection with offers and sales in those states. The FTC also regulates the manner and substance of our disclosures to prospective franchisees. In addition, several states have franchise relationship laws or business opportunity laws that limit the ability of franchisors to terminate franchise agreements or to withhold consent to the renewal or transfer of those agreements.

***Vacation Ownership***

Our vacation ownership properties are subject to extensive state regulation in both the state in which the property is located and the states in which the property is marketed and sold. Our marketing for these properties is also subject to federal regulation of certain marketing practices, including federal telemarketing regulations. In addition, the laws of most states in which we sell fractional vacation ownership interests give the purchaser the right to rescind the purchase contract within a specified time period.

***International Operations***

Our business operations in countries outside the United States are subject to a number of U.S. federal laws and regulations, including restrictions imposed by the Foreign Corrupt Practices Act (FCPA) as well as trade sanctions administered by the Office of Foreign Assets Control (OFAC) and the Commerce Department. The FCPA is intended to prohibit bribery of foreign officials or parties and requires public companies in the United States to keep books and records that accurately and fairly reflect those companies transactions. OFAC and the Commerce Department administer and enforce economic and trade sanctions based on U.S. foreign policy and national security goals against targeted foreign states, organizations and individuals.

If we fail to comply with these laws and regulations, we could be exposed to claims for damages, financial penalties, reputational harm, incarceration of our employees or restrictions on our operation or ownership of hotels and other properties, including the termination of our management, franchising and ownership rights. These restrictions could increase our costs of operations, reduce our profits or cause us to forgo development opportunities that would otherwise support our growth.

***The extensive environmental requirements to which we are subject could increase our environmental costs and liabilities, reduce our profits or limit our ability to run our business.***

Our operations and the properties we manage, own and develop are subject to extensive environmental laws and regulations of various federal, state, local and foreign governments, including requirements addressing:

- health and safety;
- the use, management and disposal of hazardous substances and wastes;
- discharges of waste materials into the environment, such as refuse or sewage; and
- air emissions.

We could be subject to liability under some of these laws for the costs of investigating or remediating hazardous substances or wastes on, under, or in real property we currently or formerly manage, own or develop, or third-party sites where we sent hazardous substances or wastes for disposal. We could be held liable under these laws regardless of whether we knew of, or were at fault in connection with, the presence or release of any such hazardous or toxic substances or wastes. Some of these laws make each covered person responsible for all of the costs involved, even if more than one person may have been responsible for the contamination. Furthermore, a person who arranges for hazardous substances or wastes to be transported, disposed of or treated offsite, such as at disposal or treatment facilities, may be liable for the costs of removal or remediation if those substances are released into the environment by third parties at such disposal or treatment facilities. The presence or release of hazardous or toxic substances or wastes, or the failure to properly clean up such materials, could cause us to incur significant costs, or jeopardize our ability to develop, use, sell or rent real property we own or operate or to borrow using such property as collateral.

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Other laws and regulations require us to manage, abate or remove materials containing hazardous substances such as mold, lead or asbestos during demolitions, renovations or remodeling at properties that we manage, own or develop or to obtain permits for certain of our equipment or operations. The costs of such management, abatement, removal or permitting could be substantial. Complying with these laws and regulations, or addressing violations arising under them, could increase our environmental costs and liabilities, reduce our profits or limit our ability to run our business. Existing environmental laws and regulations may be revised or new laws and regulations related to global climate change, air quality, or other environmental and health concerns may be adopted or become applicable to us. The identification of new areas of contamination, a change in the extent or known scope of contamination or changes in cleanup requirements, or the adoption of new requirements governing our operations could have a material adverse effect on our results or operations, financial condition and business.

***If the insurance that we carry does not sufficiently cover damage or other potential losses involving properties that we manage or own, our profits could be reduced.***

We carry insurance from solvent insurance carriers that we believe is adequate for foreseeable losses and with terms and conditions that are reasonable and customary. Nevertheless, market forces beyond our control could limit the scope of the insurance coverage that we can obtain or restrict our ability to buy insurance coverage at reasonable rates. In addition, the recent disruption in the financial markets makes it more difficult to evaluate the stability of insurance companies or their ability to meet their payment obligations. In the event of a substantial loss, the insurance coverage that we carry may not be sufficient to pay the full value of our financial obligations or the replacement cost of any lost investment. Because certain types of losses are significantly uncertain, they can be uninsurable or too expensive to insure. In some cases, these factors could result in certain losses being completely uninsured. As a result, we could lose some or all of the capital we have invested in a property, as well as the anticipated future revenues from the property, we could remain obligated for performance guarantees in favor of third-party property owners or for their debt or other financial obligations and we may not have sufficient insurance to cover awards of damages resulting from our liabilities. If the insurance that we carry does not sufficiently cover damages or other losses, our profits could be adversely affected.

***Any failure to protect our trademarks and intellectual property could reduce the value of our brand names and harm our business.***

The reputation and perception of our brands is critical to our success in the hospitality industry. If our trademarks or intellectual property are copied or used without authorization, the value of our brands, their reputation, our competitive advantages and our goodwill could be harmed. We regularly apply to register our trademarks in the United States and other countries. However, we cannot assure you that those trademark registrations will be granted or that the steps we take to protect our trademarks or intellectual property in the United States and other countries will be adequate to prevent others, including third parties or former employees, from copying or using our trademarks or intellectual property without authorization. Our intellectual property is also vulnerable to unauthorized use in some countries outside the United States, where local law may not adequately protect it.

Monitoring the unauthorized use of our intellectual property is difficult. As we have in the past, we may need to resort to litigation to enforce our intellectual property rights. Litigation of this type could be costly, force us to divert our resources, lead to counterclaims or other claims against us or otherwise harm our business. Any failure to maintain and protect our trademarks and other intellectual property could reduce the value of our brands and harm our business.

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***Third-party claims that we infringe their intellectual property rights could subject us to damages and other costs and expenses.***

Third parties may make claims against us for infringing their intellectual property rights. Any such claims, even those without merit, could:

- be expensive and time consuming to defend;
- force us to stop providing products or services that use the intellectual property that is being challenged;
- force us to redesign or rebrand our products or services;
- divert our management s attention and resources;
- force us to enter into royalty or licensing agreements to obtain the right to use a third party s intellectual property; or
- force us to pay significant damages.

In addition, we may be required to indemnify third-party owners of the hotels we manage or franchisees for any losses they incur as a result of any such infringement claims. Any necessary royalty or licensing agreements may not be available to us on acceptable terms. Any costs, lost revenues, changes to our business or management attention related to intellectual property claims against us, whether successful or not, could impact our business.

***Adverse litigation judgments or settlements resulting from legal proceedings in which we may be involved in the normal course of our business could reduce our profits or limit our ability to operate our business.***

In the normal course of our business, we are often involved in various legal proceedings. The outcome of these proceedings cannot be predicted. If any of these proceedings were to be determined adversely to us or a settlement involving a payment of a material sum of money were to occur, there could be a material adverse effect on our financial condition and results of operations. Additionally, we could become the subject of future claims by third parties, including current or former third-party property owners, guests who use our properties, our employees, our investors or regulators. Any significant adverse litigation judgments or settlements would reduce our profits and could limit our ability to operate our business.

***Information technology system failures, delays in the operation of our information technology systems or system enhancement failures could reduce our revenues and profits and harm the reputation of our brands and our business.***

Our success depends on the efficient and uninterrupted operation of our information technology systems. For example, we internally developed the technology for our central reservation system, which allows bookings by hotels directly, via telephone through our call centers, by travel agents, online through our website *www.hyatt.com*, and through our online reservations partners. In addition, we depend on information technology to run our day-to-day operations, including, among others, hotel services and amenities such as guest check-in and check-out, housekeeping and room service and systems for tracking and reporting financial results of our hotels and the company.

Our information technology systems are vulnerable to damage or interruption from fire, floods, hurricanes, power loss, telecommunications failures, computer viruses, break-ins and similar events. The occurrence of any of these natural disasters or unanticipated problems at any of our information technology facilities or any of our call centers could cause interruptions or delays in our business or loss of data, or render us unable to process reservations.

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In addition, if our information technology systems are unable to provide the information communications capacity that we need, or if our information technology systems suffer problems caused by installing system enhancements, we could experience similar failures or interruptions. If our information technology systems fail and our redundant systems or disaster recovery plans are not adequate to address such failures, or if our property and business interruption insurance does not sufficiently compensate us for any losses that we may incur, our revenues and profits could be reduced and the reputation of our brands and our business could be harmed.

***Failure to maintain the integrity of internal or customer data could result in faulty business decisions, harm to our reputation or subject us to costs, fines or lawsuits.***

We are required to collect and retain large volumes of internal and customer data, including credit card numbers and other personally identifiable information as our various information technology systems enter, process, summarize and report such data. We also maintain personally identifiable information about our employees. The integrity and protection of our customer, employee and company data is critical to our business. Our customers expect that we will adequately protect their personal information, and the regulations applicable to security and privacy is increasingly demanding, both in the United States and in other jurisdictions where we operate. A theft, loss, fraudulent or unlawful use of customer, employee or company data could harm our reputation or result in remedial and other costs, fines or lawsuits.

***If we fail to stay current with developments in technology necessary for our business, our operations could be harmed and our ability to compete effectively could be diminished.***

Sophisticated information technology and other systems are instrumental for the hospitality industry, including systems used for our central reservations, revenue management, property management and our Hyatt Gold Passport program, as well as technology systems that we make available to our guests. These information technology and other systems must be refined, updated, or replaced with more advanced systems on a regular basis. Developing and maintaining these systems may require significant capital. If we are unable to replace or introduce information technology and other systems as quickly as our competitors or within budgeted costs or schedules when these systems become outdated or need replacing, or if we are unable to achieve the intended benefits of any new information technology or other systems, our operations could be harmed and our ability to compete effectively could be diminished.

***We may be liable for proposed tax liabilities and the final amount of taxes paid may exceed the amount of applicable reserves, which could reduce our profits.***

The Internal Revenue Service (IRS) recently completed its examinations of the consolidated federal income tax returns of Hyatt Hotels Corporation, Hyatt Corporation, AIC and H Group for the taxable years ended December 31, 2003, 2004 and 2005. Based on these examinations (and on examination adjustments for the taxable year ended January 31, 2001), we could be liable for up to $42 million of additional taxes and penalties (plus accrued interest). We and our affiliates have filed protests with the IRS Appeals Office contesting these proposed tax liabilities. We are also subject to ongoing tax audits and disputes in various state, local and foreign jurisdictions. We believe we have established adequate reserves for potential tax liabilities, but the final amount of taxes assessed and paid could exceed the amount of such reserves, which could reduce our profits.

***Changes in federal, state, local or foreign tax law, interpretations of existing tax law or agreements with tax authorities could affect our profitability and financial condition by increasing our tax costs.***

We are subject to taxation at the federal, state or provincial and local levels in the United States and various other countries and jurisdictions. Our future tax rates could be affected by changes in the composition of earnings in jurisdictions with differing tax rates, changes in the valuation of our deferred tax assets and liabilities, or changes in determinations regarding the jurisdictions in which we are subject to tax. From time to time the U.S. federal, state, local and foreign governments make substantive changes to tax rules and the application thereof, which could result in materially higher corporate taxes than would be incurred under existing tax law or interpretation and could adversely impact profitability. The current U.S. administration has put forth several revenue raising proposals, some of which target tax provisions that benefit us, including proposals to limit the ability of U.S. companies to continue to defer U.S. taxes on foreign income. State and local tax authorities have also increased their efforts to increase revenues through changes in tax law and audits. Such changes and proposals, if enacted, could increase our future effective income tax rates.

We are a party to certain agreements with foreign tax authorities that reduce or defer the amount of tax we pay. The expiration of such agreements, or changes in circumstances or in interpretation of such agreements, could increase our tax costs.

***The terms of our revolving credit facility and the indenture governing our senior notes place restrictions on us and certain of our subsidiaries, reducing operational flexibility and creating default risks.***

The terms of our revolving credit facility and the indenture governing our senior notes contain covenants that place restrictions on us and certain of our subsidiaries. The covenants under our revolving credit facility restrict, among other things, our ability to:

- incur additional debt, due to a requirement that we satisfy a maximum leverage ratio test, a minimum interest coverage ratio test and a maximum secured debt ratio test;
- engage in other business activities or engage in certain transactions with affiliates; and
- change our fiscal year or change our organizational documents.

Similarly, the covenants under our revolving credit facility and the indenture governing our senior notes restrict, among other things, our ability to:

- create any liens on certain assets to secure debt;
- enter into certain sale and leaseback transactions; or
- enter into mergers or consolidations or transfer all or substantially all of our assets.

Failure to comply with these restrictive covenants could result in an event of default that, if not waived or cured, if applicable, could result in the acceleration of all or a substantial portion of our outstanding debt under our revolving credit facility and our senior notes. For a detailed description of the covenants and restrictions imposed by the documents governing our indebtedness, see Description of Principal Indebtedness.

***An increase in interest rates would increase interest costs on our revolving credit facility and any variable rate debt we incur, which could adversely impact our ability to refinance existing debt or acquire assets.***

Borrowings under our revolving credit facility bear interest at the London Interbank Offered Rate (LIBOR) or an alternative base rate (defined as the greatest of (a) the federal funds rate plus 0.5%, (b) the prime rate and (c) one-month LIBOR plus 1.0%) plus an additional margin that is based on our credit ratings. To the extent we borrow under the revolving credit facility, any increase in the interest rate applicable to such borrowings will reduce our cash flows available for other corporate purposes including investments in our portfolio. Further, rising interest rates could limit our ability to refinance

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existing debt when it matures and increase interest costs on any debt that is refinanced. We may from time to time enter into agreements such as interest rate swaps or other interest rate hedging contracts. While these agreements may lessen the impact of rising interest rates, they also expose us to the risk that other parties to the agreements will not perform or that the agreements will be unenforceable. In addition, an increase in interest rates could decrease the amount third parties are willing to pay for our assets, thereby limiting our ability to dispose of assets as part of our business strategy. Our revolving credit facility also imposes an additional fee paid to revolving lenders whose loans mature on June 29, 2012 if the calculation of LIBOR falls below 1.00% in the case of LIBOR-based borrowings (including alternative base rate borrowings based on the one-month LIBOR). For a detailed description of the interest margin and fees imposed by the documents governing our indebtedness, see Description of Principal Indebtedness.

***Rating agency downgrades may increase our cost of capital.***

The interest rate of borrowings and the facility fee under our revolving credit facility are determined by a pricing grid which is dependent on our credit ratings by Standard & Poor s Rating Group and Moody s Investors Service, Inc. Lower ratings result in a higher cost of funds. Therefore, if these independent rating agencies were to downgrade our credit ratings or if we no longer have a credit rating from either agency, the cost of our borrowing and the amount of the facility fee under our revolving credit facility will increase as specified in the pricing grid. Additionally, any future downgrade of our credit ratings by the rating agencies could reduce or limit our access to capital and increase our cost of capital. We and a number of our competitors have had either a rating or outlook downgrade by the rating agencies as a result of the economic downturn and decreased demand for hospitality products and services. Given the cyclical nature of the hospitality industry and its dependence on the underlying health of the economy, we could be subject to frequent changes in our credit rating. As the economic recovery is expected to be slow in the near term there is a heightened risk of our credit ratings being revised downward.

***We have a large amount of cash and cash equivalents and are exposed to counterparty risk with respect to these deposits.***

All of our cash that is not required to fund our daily operating activities is invested in interest bearing investments with a greater focus placed on capital preservation than on investment return. The majority of our cash balances are held on deposit with high quality financial institutions that hold long-term ratings of at least A or A2 from Standard & Poor s Rating Group or Moody s Investor Service, Inc., respectively, and in AAA-rated money market funds. As such, we are exposed to counterparty risk on our $1.2 billion of cash and cash equivalents as of June 30, 2009, after giving effect to the August 2009 issuance and sale of the senior notes and the use of a portion of the net proceeds from the sale of the senior notes to repay certain outstanding secured debt and settle certain related swap agreements, as described under Prospectus Summary Recent Developments.

**Risks Related to Share Ownership and this Offering**

***Our stock price is likely to be volatile, and you may not be able to resell shares of your Class A common stock at or above the price you paid.***

The stock market in general, and hospitality companies in particular, have experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of the underlying businesses. These fluctuations may be even more pronounced in the trading market for our stock shortly following this offering. In addition, the financial services industry recently experienced a period of significant disruption characterized by the bankruptcy, failure, collapse or sale of various financial institutions, which led to increased volatility in securities prices and a significant level of intervention from the U.S. and other governments in securities markets. These

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broad market and industry factors may seriously harm the market price of our Class A common stock, regardless of our actual operating performance.

In addition to the risks described in this section, several factors that could cause the price of our Class A common stock in the public market to fluctuate significantly include, among others, the following:

- quarterly variations in our operating results compared to market expectations;
- announcements of new services or products or significant price reductions by us or our competitors;
- size of the public float;
- stock price performance of our competitors;
- fluctuations in stock market prices and volumes;
- default on our indebtedness or foreclosure of our properties;
- changes in senior management or key personnel;
- changes in financial estimates by securities analysts;
- negative earnings or other announcements by us or other hospitality companies;
- downgrades in our credit ratings or the credit ratings of our competitors;
- issuances of capital stock; and
- global economic, legal and regulatory factors unrelated to our performance.

The initial public offering price of our Class A common stock will be determined by negotiations between us and the underwriters based upon a number of factors and may not be indicative of prices that will prevail following the consummation of this offering. Volatility in the market price of our Class A common stock may prevent investors from being able to sell their Class A common stock at or above the initial public offering price. As a result, you may suffer a loss on your investment.

Securities class action litigation has often been instituted against companies following periods of volatility in the overall market and in the market price of a company s securities. This litigation, if instituted against us, could result in substantial costs, reduce our profits, divert our management s attention and resources and harm our business.

***After this offering, Pritzker family business interests will continue to have substantial control over us and will maintain the ability to control the election of directors and other matters submitted to stockholders for approval, which will limit your ability to influence corporate matters or result in actions that you do not believe to be in our interests or your interests.***

Our Class B common stock is entitled to ten votes per share and our Class A common stock is entitled to one vote per share. Following this offering, Pritzker family business interests will beneficially own, in the aggregate, approximately % of our Class B common stock, representing approximately % of the outstanding shares of our common stock and approximately % of the total voting power of our outstanding common stock. As a result, Pritzker family business interests will be able to exert a significant degree of influence or actual control over our management and affairs and over matters requiring stockholder approval, including the election of directors, a merger, consolidation or sale of all or substantially all of our assets and any other significant transaction. Because of our dual class ownership structure, Pritzker family business interests will continue to exert a significant degree of influence or actual control over matters requiring stockholder approval, even if they own less than 50%

of the outstanding shares of our common stock. This concentrated control will limit your ability to influence corporate matters, and the interests of Pritzker family business interests may not coincide with our interests or your interests. As a result, we may take actions that you do not believe to be in our interests or your interests and that could depress our stock price.

In addition, the difference in the voting rights between our Class A common stock and Class B common stock could diminish the value of the Class A common stock to the extent that investors or any potential future purchasers of our common stock ascribe value to the superior voting rights of the Class B common stock.

***Disputes among Pritzker family members and among Pritzker family members and the trustees of the Pritzker family trusts may result in significant distractions to our management, disrupt our business, have a negative effect on the trading price of our Class A common stock and/or generate negative publicity about Hyatt and the Pritzker family.***

In the past, disputes have arisen between and among certain Pritzker family members, and between and among beneficiaries of the Pritzker family trusts and the trustees of such trusts, with respect to, among other things, the ownership, operation, governance, and management of certain Pritzker family business interests. In connection with certain of these disputes, claims were alleged, and in certain cases, proceedings were initiated, against certain Pritzker family members, including Thomas J. Pritzker, our executive chairman, and other Pritzker family members, some of whom have been or are our directors, and against the trustees, including Thomas J. Pritzker in his capacity as a co-trustee of the U.S. situs trusts. Such past allegations related to, among others, trust management and administration, and violations of certain trustee duties, including fiduciary duties. Some of these disputes led to significant negative publicity for the Pritzker family. These disputes have been resolved with no admissions or finding of any misconduct. Recently, with respect to Hyatt, disputes arose between and among certain Pritzker family members and the trustees of trusts with respect to, among other things, our dual class structure, which will become effective prior to the completion of this offering. In connection with these disputes, the Global Hyatt Agreement and the Foreign Global Hyatt Agreement were amended and restated, as described under Stockholder Agreements. Disputes among Pritzker family members, and between and among beneficiaries of the Pritzker family trusts and the trustees of such trusts, including with respect to Hyatt, may arise or continue in the future. If such disputes occur, they may result in significant distractions to our management, disrupt our business, have a negative effect on the trading price of our Class A common stock and/or generate negative publicity about Hyatt and Pritzker family members, including Pritzker family members involved with Hyatt.

***Voting agreements entered into with or among our major stockholders, including Pritzker family business interests, will result in a substantial number of our shares being voted consistent with the recommendation of our board of directors, and may limit your ability to influence the election of directors and other matters submitted to stockholders for approval.***

Pritzker family business interests have entered into (or in the case of common stock owned indirectly by non-U.S. situs trusts, have expressed their desire that the trustee of such trusts and the directors of IHE, INC. and its subsidiaries act in accordance with) a voting agreement with respect to all shares of common stock beneficially owned by Pritzker family business interests. During the term of the voting agreement, which expires on the later to occur of January 1, 2015, and the date upon which more than 75% of the company s fully diluted shares of common stock is owned by non-Pritzker family business interests, Pritzker family business interests have agreed to vote (or in the case of common stock owned indirectly by non-U.S. situs trusts, have expressed their desire that the trustee of such trusts and the directors of IHE, INC. and its subsidiaries act in accordance with) their shares of our common stock consistent with the recommendation of our board of directors, assuming that a majority of our independent directors (excluding for such purposes any Pritzker) agree with the recommendation. In addition, following this offering, other existing stockholders, including entities affiliated with Goldman Sachs & Co. and Madrone GHC, will beneficially own, in the aggregate, approximately % of our outstanding Class B common stock, representing approximately % of the outstanding shares of our common stock and approximately % of the total voting power of our outstanding common stock. These entities have entered into a voting agreement with us, with respect to the shares of Class B common stock that they beneficially own, and have agreed to vote their shares of Class B common stock consistent with the recommendation of our board of directors, without any separate requirement that our independent directors agree with the recommendation. These voting agreements expire on the later to occur of December 31, 2013 and the date that Thomas J. Pritzker is no longer chairman of our board of directors. See Stockholder Agreements and Principal and Selling Stockholders.

While the voting agreements are in effect, they may provide our board of directors with effective control over matters requiring stockholder approval, including the election of directors, a merger, consolidation or sale of all or substantially all of our assets and any other significant transaction. This is because the number of our shares that are required by the voting agreements to be voted consistent with the recommendation of our board of directors will be sufficient to determine the outcome of the election of directors and other matters submitted to stockholders for approval. This will limit your ability to influence the election of directors and other matters submitted to stockholders for approval, even if you do not believe those actions to be in our interests or your interests. For instance, the voting agreements may have the effect of delaying or preventing a transaction that would result in a change of control, if our board of directors does not recommend that our stockholders vote in favor of the transaction, even if you or some or all of our major stockholders believe that the transaction is in our interests or your interests. On the other hand, the voting agreements may result in our stockholders approving a transaction that would result in a change of control, if our board of directors recommends that our stockholders vote in favor of the transaction, even if you or some or all of our major stockholders believe that the transaction is not in our interests or your interests.

***You will experience immediate and substantial dilution in the book value of your investment.***

The initial public offering price of our Class A common stock is higher than the net tangible book value per share of our outstanding Class A common stock immediately after this offering. Therefore, if you purchase our Class A common stock in this offering, you will incur an immediate dilution of $ in net tangible book value per share based on an assumed initial public offering price of $ per share, the midpoint of the range set forth on the front cover of this prospectus. Further dilution will result if rights to purchase our Class A common stock that we have issued or may issue in the future are exercised, or if we issue additional shares of our Class A common stock, at prices lower than our net tangible book value at such time. For additional information regarding the dilution effects of this offering, see Dilution.

***We have broad discretion in the use of the net proceeds from this offering and may not use them in ways that enhance the value of your investment.***

Our management will have broad discretion in the application of the net proceeds from this offering and could spend the proceeds in ways that do not necessarily improve our results of operations or enhance the value of our Class A common stock. We cannot predict with certainty all of the particular uses for the proceeds from this offering. Any failure by our management to apply these funds effectively could result in financial losses that could harm our business and depress the price of our Class A common stock. Pending their use, we may invest the net proceeds from this offering in a manner that does not produce income or that loses value. Regardless of whether our application of the net proceeds results in financial losses, our stock price could drop if the market does not view our use of the net proceeds favorably.

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***A significant number of shares of our Class A common stock could be sold into the market, which could depress our stock price even if our business is doing well.***

Future sales of our Class A common stock in the public market, or the perception in the market that the holders of a large number of shares intend to sell shares, could reduce the market price of our common stock. Based on shares of common stock outstanding as of June 30, 2009, we will have shares of Class A common stock outstanding upon completion of this offering, including shares of Class A common stock to be sold in this offering, and shares of Class B common stock outstanding upon completion of this offering.

Of the outstanding shares, all shares of Class A common stock sold in this offering and any shares sold upon exercise of the underwriters option to purchase additional shares will be freely tradable in the public market without restriction or further registration under the Securities Act, unless these shares are held by any of our affiliates, as that term is defined in Rule 144 under the Securities Act. The remaining outstanding shares of Class A common stock and outstanding shares of Class B common stock will be deemed restricted securities, as that term is defined in Rule 144 under the Securities Act. All of these restricted securities will be subject to the 180-day lock-up period, which may be extended in specified circumstances. Restricted securities may be sold in the public market only if they are registered under the Securities Act or they qualify for an exemption from registration under Rule 144 or 701 under the Securities Act, which rules are summarized in Shares Eligible For Future Sale.

Substantially all of these restricted securities are subject to contractual lock-up restrictions contained in the Amended and Restated Global Hyatt Agreement, Amended and Restated Foreign Global Hyatt Agreement, Amended and Restated Agreement Relating to Stock and the 2007 Stockholders Agreement in addition to the 180-day lock-up period as described in Stockholder Agreements and Shares Eligible For Future Sale Lock-Up Agreements. These additional restrictions may be amended, waived or terminated by the parties to those lock-up agreements in accordance with the terms of those agreements or, with respect to the Amended and Restated Global Hyatt Agreement and the Amended and Restated Foreign Global Hyatt Agreement, the 25% limitation on sales of our common stock may, with respect to each 12 month period, be increased to a higher percentage or waived entirely by the unanimous affirmative vote of our independent directors (excluding for such purposes any Pritzker), without the consent of the underwriters or us and without notice. As a result, following the expiration of the 180-day lock-up period agreed to with the underwriters, all shares of Class A common stock, including shares of Class A common stock that are required to be issued upon conversion of shares of Class B common stock, will be eligible for resale in compliance with Rule 144 or Rule 701 to the extent the lock-up restrictions contained in the Amended and Restated Global Hyatt Agreement, Amended and Restated Foreign Global Hyatt Agreement, Amended and Restated Agreement Relating to Stock or 2007 Stockholders Agreement, as applicable, are waived or terminated with respect to such shares.

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Assuming the lock-up restrictions contained in the Amended and Restated Global Hyatt Agreement, Amended and Restated Foreign Global Hyatt Agreement, Amended and Restated Agreement Relating to Stock and the 2007 Stockholders Agreement are not amended, waived or terminated and assuming the parties to these agreements sell the maximum amount permitted to be sold during the first time period that such shares are eligible to be sold, following the expiration of the 180-day lock-up period, and subject to the provisions of Rules 144 and 701 under the Securities Act described in Shares Eligible For Future Sale, these restricted securities will be available for sale in the public market as follows:

| Number of Shares | Time Period |
|---|---|
| | After 180 days and up to 12 months from the date of this prospectus. |
| | After 12 months and up to 24 months from the date of this prospectus. |
| | After 24 months and up to 36 months from the date of this prospectus. |
| | After 36 months and up to 42 months (3 1/2 years) from the date of this prospectus. |
| | After 42 months (3 1/2 years) and up to 48 months from the date of this prospectus. |
| | After 48 months and up to 54 months (4 1/2 years) from the date of this prospectus. |
| | After 54 months (4 1/2 years) and up to 60 months from the date of this prospectus. |
| | After 60 months and up to 66 months (5 1/2 years) from the date of this prospectus. |
| | After 66 months (5 1/2 years) from the date of this prospectus. |

Moreover, after this offering, certain holders of our common stock will have rights, subject to some conditions, to require us to file registration statements registering sales of their shares or to include sales of their shares in registration statements that we may file for ourselves or other stockholders. Shares sold under these registration statements can be freely sold in the public market, subject to the lock-up agreements described in Underwriting. In addition, 18,905,470 shares of our Class A common stock reserved for issuance under our LTIP and under a restricted stock unit agreement will become eligible for sale in the public market once those shares are issued and subject to provisions relating to various vesting agreements, lock-up agreements and Rule 144, as applicable.

If any of these holders causes a large number of securities to be sold in the public market, the sales could reduce the trading price of our Class A common stock. These sales also could impede our ability to raise future capital.

We also may issue shares of our Class A common stock from time to time as consideration for future acquisitions and investments. If any such acquisition or investment is significant, the number of shares that we may issue may in turn be significant.

***No public market for our Class A common stock currently exists, and we cannot assure you that an active, liquid trading market will develop or be sustained following this offering.***

Before this offering, there has been no public market for our Class A common stock. An active, liquid trading market for our Class A common stock may not develop or be sustained following this offering. We have applied to have our Class A common stock listed on the New York Stock Exchange, but we cannot assure you that our application will be approved. In addition, we cannot assure you as to the liquidity of any such market that may develop or the price that our stockholders may obtain for their shares of our Class A common stock.

***Reports published by securities or industry analysts, including projections in those reports that exceed our actual results, could adversely affect our stock price and trading volume.***

We currently expect securities research analysts, including those affiliated with our underwriters, will establish and publish their own quarterly projections for our business. These projections may vary widely from one another and may not accurately predict the results we actually achieve. Our stock

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price may decline if our actual results do not match securities research analysts projections. Similarly, if one or more of the analysts who writes reports on us downgrades our stock or publishes inaccurate or unfavorable research about our business, our stock price could decline. If one or more of these analysts ceases coverage of our company or fails to publish reports on us regularly, our stock price or trading volume could decline. While we expect securities research analyst coverage, if no securities or industry analysts commence coverage of our company, the trading price for our stock and the trading volume could decline.

***If we are unable to assess favorably the effectiveness of our internal control over financial reporting, or if our independent registered public accounting firm is unable to provide an unqualified attestation report on our internal controls, our stock price could be adversely affected.***

Pursuant to Section 404 of the Sarbanes-Oxley Act of 2002 and beginning with our Annual Report on Form 10-K for the year ending December 31, 2010, our management will be required to report on, and our independent registered public accounting firm to attest to, the effectiveness of our internal control over financial reporting. The rules governing the standards that must be met for management to assess our internal control over financial reporting are complex and require significant documentation, testing and possible remediation. We are currently in the process of reviewing, documenting and testing our internal control over financial reporting. We may encounter problems or delays in completing the implementation of any changes necessary to make a favorable assessment of our internal control over financial reporting. In addition, in connection with the attestation process by our independent registered public accounting firm, we may encounter problems or delays in completing the implementation of any requested improvements and receiving a favorable attestation. If we cannot favorably assess the effectiveness of our internal control over financial reporting, or if our independent registered public accounting firm is unable to provide an unqualified attestation report on our internal controls, investor confidence and our stock price could be reduced.

***Anti-takeover provisions in our organizational documents and Delaware law, as well as agreements with our major stockholders, may discourage or prevent a change of control, even if a sale of Hyatt would be beneficial to our stockholders, which could cause our stock price to decline and prevent attempts by our stockholders to replace or remove our current board of directors or management.***

Upon the consummation of this offering, our amended and restated certificate of incorporation and bylaws, as well as agreements with our major stockholders, will contain provisions that may make it difficult to remove our board of directors and management and may discourage or delay change of control transactions that certain stockholders may view as beneficial or could involve the payment of a premium over prevailing market prices for our Class A common stock. These provisions include, among others:

- Our amended and restated certificate of incorporation provides for a dual class ownership structure, in which our Class B common stock is entitled to ten votes per share and our Class A common stock is entitled to one vote per share. As a result of this structure, our major stockholders have significant influence or actual control over matters requiring stockholder approval.

- Voting agreements entered into with or among our major stockholders require these stockholders to vote their shares consistent with the recommendation of our board of directors, assuming in certain instances that a majority of our independent directors (excluding for such purposes any Pritzker) agree with the recommendation. While the voting agreements are in effect, they may provide our board of directors with effective control over matters requiring stockholder approval.

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Lock-up agreements entered into with stockholders party to our 2007 Stockholders Agreement limit the ability of these stockholders to sell their shares to any person who would be required to file a Schedule 13D with the SEC disclosing an intent to acquire the shares other than for investment purposes and, in certain instances, to competitors of ours in the hospitality, lodging or gaming industries.

Stockholders party to our 2007 Stockholders Agreement have agreed, subject to certain limited exceptions, to standstill provisions that prevent the stockholders from acquiring additional shares of our common stock, making or participating in acquisition proposals for us or soliciting proxies in connection with meetings of our stockholders, unless the stockholders are invited to do so by our board of directors.

Our board of directors is divided into three classes, with each class serving for a staggered three-year term, which prevents stockholders from electing an entirely new board of directors at an annual meeting.

Our directors may be removed only for cause, which prevents stockholders from being able to remove directors without cause other than those directors who are being elected at an annual meeting.

Our amended and restated certificate of incorporation does not provide for cumulative voting in the election of directors. As a result, upon completion of this offering, holders of our Class B common stock will control the election of directors and the ability of holders of our Class A common stock to elect director candidates will be limited.

Vacancies on our board of directors, and any newly created director positions created by the expansion of the board of directors, may be filled only by a majority of remaining directors then in office.

Actions to be taken by our stockholders may only be effected at an annual or special meeting of our stockholders and not by written consent.

Special meetings of our stockholders can be called only by the chairman of the board or by our corporate secretary at the direction of our board of directors.

Advance notice procedures that stockholders must comply with in order to nominate candidates to our board of directors and propose matters to be brought before an annual meeting of our stockholders may discourage or deter a potential acquirer from conducting a solicitation of proxies to elect the acquirer s own slate of directors or otherwise attempting to obtain control of our company.

Our board of directors may, without stockholder approval, issue series of preferred stock, or rights to acquire preferred stock, that could dilute the interest of, or impair the voting power of, holders of our common stock or could also be used as a method of discouraging, delaying or preventing a change of control.

An affirmative vote of the holders of at least 80% of the voting power of our outstanding capital stock entitled to vote is required to amend any provision of our certificate of incorporation or bylaws.

***We will incur increased costs and become subject to additional regulations and requirements as a result of becoming a public company, which could lower our profits or make it more difficult to run our business.***

As a public company, we will incur significant legal, accounting and other expenses that we have not incurred as a private company, including costs associated with public company reporting requirements. We also have incurred and will incur costs associated with the Sarbanes-Oxley Act of

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2002 and related rules implemented by the Securities and Exchange Commission and the New York Stock Exchange. The expenses incurred by public companies generally for reporting and corporate governance purposes have been increasing. We expect these rules and regulations to increase our legal and financial compliance costs and to make some activities more time-consuming and costly, although we are currently unable to estimate these costs with any degree of certainty. These laws and regulations could also make it more difficult or costly for us to obtain certain types of insurance, including director and officer liability insurance, and we may be forced to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. These laws and regulations could also make it more difficult for us to attract and retain qualified persons to serve on our board of directors, our board committees or as our executive officers. Furthermore, if we are unable to satisfy our obligations as a public company, we could be subject to delisting of our common stock, fines, sanctions and other regulatory action and potentially civil litigation.

***We do not intend to pay dividends on our Class A common stock for the foreseeable future and, consequently, your only opportunity to achieve a return on your investment is if the price of our Class A common stock appreciates.***

We have never declared or paid cash dividends on our common stock. In addition, we must comply with the covenants in our revolving credit facility if we want to pay cash dividends. We currently intend to retain our future earnings, if any, to finance the further development and expansion of our business and do not intend to pay cash dividends in the foreseeable future. Any future determination to pay dividends will be at the discretion of our board of directors and will depend on our financial condition, results of operations, capital requirements, restrictions contained in current or future financing instruments and such other factors as our board of directors deems relevant.

***Non-U.S. holders who own more than 5% of our Class A common stock may be subject to U.S. federal income tax on gain realized on the disposition of such stock.***

Because we have significant U.S. real estate holdings, we may be a United States real property holding corporation (USRPHC) for U.S. federal income tax purposes, but we have made no determination to that effect. There can be no assurance that we do not currently constitute or will not become a USRPHC. As a result, a non-U.S. holder (as defined in Material U.S. Federal Income Tax Consequences to Non-U.S. Holders of Our Class A Common Stock ) may be subject to U.S. federal income tax on gain realized on a disposition of our Class A common stock if such non-U.S. holder has owned, actually or constructively, more than 5% of our Class A common stock at any time during the shorter of (a) the five-year period ending on the date of disposition and (b) the non-U.S. holder s holding period in such stock.

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## SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus, including the sections entitled Prospectus Summary, Risk Factors, Use of Proceeds, Dividend Policy, Management s Discus and Analysis of Financial Condition and Results of Operations, The Lodging Industry, Business and Shares Eligible For Future Sale , contains forward-looking statements. These statements include statements about our plans, strategies and prospects and involve known and unknown risks that are difficult to predict. Therefore, our actual results, performance or achievements may differ materially from those expressed in or implied by these forward-looking statements. In some cases, you can identify forward-looking statements by the use of words such as may, could, expect, intend, plan, seek, anticipate, believe, estimate, predict, potential, continue, likely, will, would and similar expressions, or the negative of these terms or similar expressions. Factors that may cause actual results to differ materially from current expectations include, but are not limited to:

- the factors discussed in this prospectus set forth under the sections titled Risk Factors and Management s Discussion and Analysis of Financial Condition and Results of Operations;
- the depth and duration of the current economic downturn;
- levels of spending in the business, travel and leisure industries as well as consumer confidence;
- declines in occupancy and average daily rate;
- hostilities, including future terrorist attacks, or fear of hostilities that affect travel;
- travel-related accidents;
- natural disasters, such as earthquakes, tsunamis, tornados, hurricanes or floods;
- the seasonal and cyclical nature of the real estate and hospitality businesses;
- changes in distribution arrangements, such as through internet travel intermediaries;
- changes in the tastes and preferences of our customers;
- relationships with associates and labor unions and changes in labor law;
- financial condition of, and our relationships with, third-party property owners, franchisees and hospitality venture partners;
- risk associated with potential acquisitions and dispositions and the introduction of new brand concepts;

- changes in federal, state, local or foreign tax law;
- increases in interest rates and operating costs;
- fluctuations in currency exchange rates;
- lack of acceptance of new brands or innovation;
- general volatility of the capital markets and our ability to access the capital markets;
- changes in the competitive environment in our industry and the markets where we operate;
- outcomes of legal proceedings; and
- violation of regulations or laws related to our franchising business.

These factors and the other risk factors described in this prospectus are not necessarily all of the important factors that could cause our actual results, performance or achievements to differ materially from those expressed in or implied by any of our forward-looking statements. Other unknown or unpredictable factors also could harm our results.

All forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the cautionary statements set forth above. Forward-looking statements speak only as of the date they are made, and we do not undertake or assume any obligation to update publicly any of these statements to reflect actual results, new information or future events, changes in assumptions or changes in other factors affecting forward-looking statements, except to the extent required by applicable laws. If we update one or more forward-looking statements, no inference should be drawn that we will make additional updates with respect to those or other forward-looking statements.

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## USE OF PROCEEDS

We estimate that the net proceeds to us from our sale of shares of Class A common stock in this offering will be approximately $ million, based on an assumed initial public offering price of $ per share, the midpoint of the range set forth on the front cover of this prospectus, and after deducting the underwriting discount and estimated offering expenses payable by us. A $1.00 increase or decrease in the assumed initial public offering price of $ per share, the midpoint of the range set forth on the front cover of this prospectus, would increase or decrease the net proceeds to us from this offering by approximately $ million, assuming the number of shares offered by us, as set forth on the front cover of this prospectus, remains the same and after deducting the underwriting discount and estimated offering expenses payable by us. We may also increase or decrease the number of shares we are offering. An increase or decrease of 1.0 million shares in the number of shares offered by us would increase or decrease the net proceeds to us by $ million assuming the assumed initial public offering price of $ per share, the midpoint of the range set forth on the front cover of this prospectus, remains the same and after deducting the underwriting discount and estimated offering expenses payable by us.

We will not receive any of the proceeds from the sale of shares of Class A common stock by the selling stockholders.

We currently intend to use the net proceeds to us from this offering primarily for working capital and other general corporate purposes, including capital expenditures. Additionally, we may use a portion of the net proceeds for the acquisition of, or investment in, new properties or businesses that complement our business. We currently do not have any understandings, commitments or agreements to enter into any acquisitions or investments. We cannot assure you that we will complete any acquisitions or investments or that, if completed, any such acquisition or investment will be successful. Our management will have broad discretion over the uses of the net proceeds from this offering. Pending application of the net proceeds as described above, we intend to invest the net proceeds in short-term, investment-grade, interest-bearing securities.

## DIVIDEND POLICY

We have never declared or paid cash dividends on our common stock. In addition, we must comply with the covenants in our revolving credit facility if we want to pay cash dividends. We currently intend to retain our future earnings, if any, to finance the further development and expansion of our business and, therefore, do not intend to pay cash dividends in the foreseeable future. Any future determination to pay dividends will be at the discretion of our board of directors and will depend on our financial condition, capital requirements, restrictions contained in current or future financing instruments and such other factors as our board of directors deems relevant. Accordingly, you may need to sell your shares of our Class A common stock to realize a return on your investment, and you may not be able to sell your shares at or above the price you paid for them.

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## CAPITALIZATION

The following table sets forth our capitalization and cash and cash equivalents as of June 30, 2009:

- on an actual basis;

- on an as adjusted basis to give effect to the August 2009 issuance and sale of $500 million aggregate principal amount of senior notes and the use of a portion of the proceeds from the sale of the senior notes to repay certain outstanding secured debt and settle certain related swap agreements as described under Prospectus Summary Recent Developments;

- on an as further adjusted basis to give effect to:

  - the filing of our amended and restated certificate of incorporation, which will occur prior to the consummation of this offering, and that provides for, among other things, (1) the authorization of 1,000,000,000 shares of Class A common stock and 500,000,000 shares of Class B common stock; (2) the authorization of 10,000,000 shares of preferred stock; (3) the reclassification of 52,067 outstanding shares of common stock into 52,067 shares of Class A common stock; and (4) the reclassification of 336,011,716 outstanding shares of common stock into 336,011,716 shares of Class B common stock, of which shares will convert into shares of Class A common stock at the time that they are sold by the selling stockholders in this offering; and

  - the receipt of the net proceeds from the sale of shares of Class A common stock by us in this offering at an assumed initial public offering price of $ per share, the midpoint of the range set forth on the front cover of this prospectus, and after deducting the underwriting discount and estimated offering expenses payable by us.

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You should read this capitalization table together with Use of Proceeds, Selected Consolidated Financial Data, Management s Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and the related notes appearing elsewhere in this prospectus.

| | As of June 30, 2009 | | |
|---|---|---|---|
| **(in millions)** | **Actual** | **As Adjusted** | **As Further Adjusted(1)** |
| Cash and cash equivalents (excluding restricted cash) | $ 968 | $ 1,220 | $ |
| Long-term debt, including current portion | $ 612 | $ 858 | $ |
| Stockholders equity: | | | |
| Preferred stock; $0.01 par value; 9,900,000 shares authorized and no shares issued and outstanding, actual; 10,000,000 shares authorized and no shares issued and outstanding, as adjusted | | | |
| Common stock; $0.01 par value; 400,000,000 shares authorized and 336,063,783 shares issued and outstanding, actual; no shares authorized, issued and outstanding, as adjusted | 3 | 3 | |
| Class A common stock; $0.01 par value; no shares authorized, issued and outstanding, actual; 1,000,000,000 shares authorized and shares issued and outstanding, as adjusted | | | |
| Class B common stock; $0.01 par value; no shares authorized, issued and outstanding, actual; 500,000,000 shares authorized and shares issued and outstanding, as adjusted | | | |
| Additional paid-in capital | 3,590 | 3,590 | |
| Retained earnings | 1,345 | 1,345 | |
| Accumulated other comprehensive loss | (64) | (62) | |
| Total stockholders equity | 4,874 | 4,876 | |
| Total capitalization | $ 5,486 | $ 5,734 | $ |

(1) A $1.00 increase or decrease in the assumed initial public offering price of $ , the midpoint of the range set forth on the front cover of this prospectus, would result in an approximately $ million increase or decrease in each of the as further adjusted cash and cash equivalents, as further adjusted additional paid-in capital, as further adjusted total stockholders equity and as further adjusted total capitalization, assuming the number of shares offered by us set forth on the front cover of this prospectus, remains the same, and after deducting the underwriting discount and estimated offering expenses payable by us. An increase or decrease of 1.0 million shares in the number of shares offered by us would increase or decrease as further adjusted cash and cash equivalents, as further adjusted additional paid-in capital, as further adjusted total stockholders equity and as further adjusted total capitalization by approximately $ million assuming the assumed initial public offering price of $ per share, the midpoint of the range set forth on the front cover of this prospectus, remains the same and after deducting the underwriting discount and estimated offering expenses payable by us. The as further adjusted information discussed above is illustrative only and will adjust based on the actual initial public offering price and terms of this offering determined at pricing.

The number of shares of common stock in the table above does not include 13,921,361 shares of common stock reserved for issuance under our LTIP and a restricted stock unit agreement as of June 30, 2009 or an additional 5,000,000 shares of common stock reserved under the LTIP in July 2009. See Compensation Discussion and Analysis Employee Benefits and Compensation Discussion and Analysis Long-Term Incentive.

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## DILUTION

If you invest in our Class A common stock in this offering, your ownership interest will be diluted to the extent of the difference between the amount per share paid by purchasers of shares of Class A common stock in this initial public offering and the adjusted net tangible book value per share of Class A common stock immediately after completion of this offering.

The net tangible book value of our common stock as of June 30, 2009, was approximately $4.5 billion, or approximately $13.40 per share, based on 336,063,783 shares of common stock outstanding as of June 30, 2009. Net tangible book value per share represents the amount of our total tangible assets less total liabilities, divided by the number of shares of common stock outstanding.

After giving effect to our issuance of shares of Class A common stock in this offering at an assumed initial public offering price of $ per share, the midpoint of the range set forth on the front cover of this prospectus and after deducting the underwriting discount and estimated offering expenses payable by us, our as adjusted net tangible book value as of June 30, 2009 would have been approximately $ million, or approximately $ per share of common stock. This represents an immediate increase in net tangible book value per share of $ to our existing stockholders and an immediate dilution of $ per share to purchasers of Class A common stock in this offering. If the initial public offering price is higher or lower than $ per share, the dilution to new stockholders will be higher or lower. The following table illustrates this per share dilution:

| | | |
|---|---|---|
| Assumed initial public offering price per share | | $ |
| Net tangible book value per share as of June 30, 2009 | $13.40 | |
| Increase in net tangible book value per share attributable to this offering | | |
| As adjusted net tangible book value per share after this offering | | |
| Dilution per share to new investors in this offering | | $ |

Dilution per share to new investors is determined by subtracting as adjusted net tangible book value per share after this offering from the initial public offering price per share paid by a new investor.

A $1.00 increase or decrease in the assumed initial public offering price of $ per share, the midpoint of the range set forth on the front cover of this prospectus, would increase or decrease as adjusted net tangible book value per share by approximately $ million, or approximately $ per share, and the dilution per share to investors in this offering by approximately $ per share, assuming that the number of shares offered by us set forth on the front cover of this prospectus, remains the same and after deducting the underwriting discount and estimated offering expenses payable by us. We may also increase or decrease the number of shares we are offering. An increase of 1.0 million shares in the number of shares offered by us would result in an as adjusted net tangible book value of approximately $ million, or approximately $ per share, and the dilution per share to investors in this offering would be approximately $ per share, assuming the assumed initial public offering price of $ per share, the midpoint of the range set forth on the front cover of this prospectus, remains the same and after deducting the underwriting discount and estimated offering expenses payable by us. Similarly, a decrease of 1.0 million shares in the number of shares offered by us would result in an as adjusted net tangible book value of approximately $ million, or approximately $ per share, and the dilution per share to investors in this offering would be approximately $ per share, assuming the assumed initial public offering price of $ per share, the midpoint of the range set forth on the front cover of this prospectus, remains the same and after deducting the underwriting discount and estimated offering expenses payable by us. The as adjusted information discussed above is illustrative only and will adjust based on the actual initial public offering price and other terms of this offering.

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The following table sets forth as of June 30, 2009, on the as adjusted basis described above, the number of Class A shares purchased from us, the total consideration paid and the average price per share paid by our existing stockholders and by the investors purchasing shares in this offering based on an assumed initial public offering price of $ per share, the midpoint of the range set forth on the front cover of this prospectus, before deducting the underwriting discount and estimated expenses payable by us (dollars in thousands, except per share amounts):

| | Shares Purchased | | Total Consideration | | Average Price |
|---|---|---|---|---|---|
| | Number | Percent | Amount | Percent | Per Share |
| Existing stockholders | | % | $ | % | $ |
| New investors | | | | | $ |
| Totals | | 100% | $ | 100% | |

A $1.00 increase or decrease in the assumed initial public offering price of $ per share, the midpoint of the range set forth on the front cover of this prospectus, would increase or decrease total consideration paid by new investors and total consideration paid by all stockholders by $ million, assuming that the number of shares offered by us set forth on the front cover of this prospectus, remains the same, and after deducting the underwriting discount and estimated offering expenses payable by us. An increase or decrease of 1.0 million shares in the number of shares offered by us would increase or decrease the total consideration paid to us by new investors and total consideration paid to us by all stockholders by $ million, assuming the assumed initial public offering price of $ per share, the midpoint of the range set forth on the front cover of this prospectus, remains the same and after deducting the underwriting discount and estimated offering expenses payable by us.

The discussion and tables above are based on 336,063,783 shares of common stock outstanding as of June 30, 2009. This number excludes 13,921,361 shares of common stock reserved for issuance under the LTIP and a restricted stock unit agreement as of June 30, 2009 and an additional 5,000,000 shares of common stock reserved under the LTIP in July 2009. See Compensation Discussion and Analysis Employee Benefits and Compensation Discussion and Analysis Long-Term Incentive.

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## SELECTED CONSOLIDATED FINANCIAL DATA

We derived the selected consolidated statements of income data for the years ended December 31, 2008, 2007 and 2006 and the selected consolidated balance sheet data as of December 31, 2008 and 2007 from our audited consolidated financial statements included elsewhere in this prospectus. We derived the selected consolidated statements of income data for the years ended December 31, 2005 and 2004 and the selected consolidated balance sheet data as of December 31, 2006, 2005 and 2004 from our audited consolidated financial statements which are not included in this prospectus. We derived the summary consolidated statements of income data for the six months ended June 30, 2009 and June 30, 2008 and the consolidated balance sheet data as of June 30, 2009 from our unaudited consolidated interim financial statements included elsewhere in this prospectus. We have prepared the unaudited consolidated interim financial statements on the same basis as our audited financial statements and, in our opinion, have included all adjustments, which include only normal recurring adjustments, necessary to present fairly in all material respects our financial position and results of operations. The results for any interim period are not necessarily indicative of the results that may be expected for the full year. Additionally, our historical results are not necessarily indicative of the results expected for any future period.

You should read the selected historical financial data together with the consolidated financial statements and related notes appearing elsewhere in this prospectus, as well as Summary Consolidated Financial Data, Management s Discussion and Analysis of Financial Condition and Results of Operations and Description of Principal Indebtedness and the other financial information included elsewhere in this prospectus.

| | Six Months Ended June 30, | | Year Ended December 31, | | | | |
|---|---|---|---|---|---|---|---|
| (in millions, except per share data) | 2009 | 2008 | 2008 | 2007 | 2006 | 2005 | 2004(1) |
| | (Unaudited) | | | | | | |
| **Consolidated statements of income data:** | | | | | | | |
| Owned and leased hotel revenues | $ 876 | $ 1,125 | $ 2,139 | $ 2,039 | $ 1,860 | $ 1,748 | $ 1,472 |
| Management and franchise fee revenues | 109 | 162 | 290 | 315 | 294 | 227 | 202 |
| Other revenues | 29 | 48 | 83 | 103 | 110 | 112 | 88 |
| Other revenues from managed properties (2) | 623 | 674 | 1,325 | 1,281 | 1,207 | 1,080 | 920 |
| Total revenues | 1,637 | 2,009 | 3,837 | 3,738 | 3,471 | 3,167 | 2,682 |
| Direct and selling, general and administrative expenses | 1,593 | 1,759 | 3,473 | 3,353 | 3,119 | 2,880 | 2,494 |
| Income (loss) from continuing operations | (38) | 175 | 114 | 266 | 331 | 278 | 175 |
| Net income (loss) attributable to Hyatt Hotels Corporation | (36) | 173 | 168 | 270 | 315 | 336 | 227 |
| Income (loss) from continuing operations per common share, basic and diluted | $ (0.14) | $ 0.68 | $ 0.45 | $ 0.98 | $ 1.20 | $ 1.20 | $ 0.84 |

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| (in millions) | As of June 30, 2009 Actual | As Adjusted(3) (Unaudited) | As Further Adjusted (4)(5) | As of December 31, 2008 | 2007 | 2006 | 2005 | 2004 |
|---|---|---|---|---|---|---|---|---|
| **Consolidated balance sheet data:** | | | | | | | | |
| Cash and cash equivalents | $ 968 | $ 1,220 | $ | $ 428 | $ 409 | $ 801 | $ 960 | $ 1,067 |
| Total current assets | 1,529 | 1,781 | | 1,057 | 1,065 | 1,501 | 1,645 | 2,158 |
| Property and equipment, net | 3,616 | 3,616 | | 3,495 | 3,518 | 2,769 | 2,296 | 1,646 |
| Intangibles, net | 276 | 276 | | 256 | 359 | 154 | 102 | 43 |
| Total assets | 6,739 | 6,976 | | 6,119 | 6,248 | 5,522 | 5,081 | 4,658 |
| Total current liabilities | 574 | 559 | | 653 | 697 | 1,001 | 600 | 890 |
| Long-term debt | 595 | 847 | | 1,209 | 1,288 | 173 | 500 | 514 |
| Other long-term liabilities | 670 | 668 | | 665 | 794 | 588 | 519 | 258 |
| Total liabilities | 1,839 | 2,074 | | 2,527 | 2,779 | 1,762 | 1,619 | 1,662 |
| Total stockholders equity | 4,874 | 4,876 | | 3,564 | 3,434 | 3,731 | 3,430 | 2,957 |
| Total liabilities and stockholders equity | 6,739 | 6,976 | | 6,119 | 6,248 | 5,522 | 5,081 | 4,658 |

(1) The consolidated statement of income for 2004 reflects the combined and consolidated full year operating results of Hyatt Corporation, AIC Holding Co. and various hospitality related entities owned, prior to their contribution to our predecessor, Global Hyatt Corporation, in 2004, by Pritzker family business interests. See Prospectus Summary Corporate Information and note 1 to our consolidated financial statements included elsewhere in this prospectus.

(2) Represents revenues that we receive from third-party property owners who reimburse us for costs that we incur on their behalf, with no added margin. These costs relate primarily to payroll at managed properties where we are the employer. As a result, these revenues have no effect on our profit, although they do increase our total revenues and the corresponding costs increase our total expenses. See Management s Discussion and Analysis of Financial Condition and Results of Operations Principal Factors Affecting our Results of Operations Revenues.

(3) Reflects the August 2009 issuance and sale of the senior notes and the use of a portion of the net proceeds from the sale of the senior notes to repay certain outstanding secured debt and settle certain related swap agreements. See Prospectus Summary Recent Developments and Description of Principal Indebtedness.

(4) Reflects the issuance and sale of shares of our Class A common stock in this offering at an assumed initial public offering price of $ per share, the midpoint of the range set forth on the front cover of this prospectus, and our receipt of the net proceeds from this offering, after deducting the underwriting discounts and estimated offering expenses payable by us.

(5) A $1.00 increase or decrease in the assumed initial public offering price of $ per share, the midpoint of the range set forth on the front cover of this prospectus, would result in an approximately $ million increase or decrease in each of the as further adjusted cash and cash equivalents, total assets and total stockholders equity, assuming that the number of shares offered by us set forth on the front cover of this prospectus, remains the same, and after deducting underwriting discounts and estimated offering expenses payable by us. Each increase or decrease of 1.0 million shares in the number of shares offered by us would increase or decrease the as further adjusted cash and cash equivalents, total assets and total stockholders equity by approximately $ million assuming the assumed initial public offering price of $ per share, the midpoint of the range set forth on the front cover of this prospectus, remains the same and after deducting the underwriting discount and estimated offering expenses payable by us. The as further adjusted information discussed above is illustrative only and will adjust based on the actual initial public offering price and other terms of this offering.

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## MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*The following discussion and analysis of our financial condition and results of operations should be read in conjunction with Prospectus Summary Summary Consolidated Financial Data, Selected Consolidated Financial Data and our consolidated financial statements included elsewhere in this prospectus. In addition to historical data, this discussion contains forward-looking statements about our business, operations and financial performance based on current expectations that involve risks, uncertainties and assumptions. Our actual results may differ materially from those discussed in the forward-looking statements as a result of various factors, including but not limited to those discussed in the sections entitled Risk Factors and Special Note Regarding Forward-Looking Statements included elsewhere in this prospectus.*

**Overview**

We are a global hospitality company engaged in the management, franchising, ownership and development of Hyatt-branded hotels, resorts and residential and vacation ownership properties around the world. As of June 30, 2009, our worldwide property portfolio consisted of 413 Hyatt-branded properties (119,509 rooms and units), including:

- 158 managed properties (60,934 rooms), all of which we operate under management agreements with third-party property owners;
- 100 franchised properties (15,322 rooms), all of which are owned by third parties that have franchise agreements with us and are operated by third parties;
- 96 owned properties (including 4 consolidated hospitality ventures) (25,786 rooms) and 6 leased properties (2,851 rooms), all of which we manage;
- 28 managed properties owned or leased by unconsolidated hospitality ventures (12,361 rooms);
- 15 vacation ownership properties (933 units), all of which we manage; and
- 10 residential properties (1,322 units), all of which we manage and some of which we own.

Our full service hotels operate under four world-recognized brands, Park Hyatt, Grand Hyatt, Hyatt Regency and Hyatt. We recently introduced our fifth full service brand, Andaz, geared toward today s individual business and leisure travelers. In addition, we own, operate and franchise hotels under two select service brands, Hyatt Place and Hyatt Summerfield Suites. Our select service hotels provide guests with many of the amenities available at full service hotels but on a smaller scale. Compared to our full service hotels, our select service hotels have limited food and beverage outlets and do not offer comprehensive business or banquet facilities but rather are suited to serve smaller business meetings. Hyatt Place and Hyatt Summerfield Suites have been well received in the United States and we believe have significant growth potential both in the United States and internationally. We develop, sell and manage vacation ownership properties in select locations as part of the Hyatt Vacation Club. We also manage Hyatt-branded residential properties that are often adjacent to Hyatt-branded full service hotels. We assist third parties in the design and development of such mixed-use projects based on our expertise as a manager and owner of vacation ownership properties, residential properties and hotels.

We have adopted a business model that entails both ownership of properties and management and franchising of third-party owned properties in order to pursue more diversified revenue and income streams that balance both the advantages and risks associated with these lines of business. Our expertise and experience in each of these areas gives us the flexibility to evaluate growth opportunities across these lines of business. While growth in the number of management and franchise agreements and earnings therefrom typically results in higher overall returns on invested capital, we believe that

property ownership in key markets enhances our ability to control our brand presence in these markets. In addition, hotel ownership positions us well for periods of increasing demand, as we expect earnings growth from owned properties to outpace growth in revenues during such periods due to the relatively high fixed-cost structure of owned hotel properties. Conversely, hotel ownership is more capital intensive and the results of our owned and leased hotel segment are generally more significantly affected by economic downturns and declines in revenues than the results of our management and franchising segment. See also Principal Factors Affecting our Results of Operations Factors Affecting our Costs and Expenses Fixed nature of expenses and Risk Factors We are exposed to the risks resulting from significant investments in owned and leased real estate, which could increase our costs, reduce our profits, limit our ability to respond to market conditions or restrict our growth strategy.

For the year ended December 31, 2008 and the six months ended June 30, 2009, 79.9% and 81.3% of our revenues were derived from operations in the United States, respectively. As of June 30, 2009, 76.9% of our long-lived assets were located in the United States.

We report our consolidated operations in U.S. dollars and manage our business within three reportable segments as described below:

- Owned and leased hotels, which consists of our owned and leased full service and select service hotels and, for purposes of segment Adjusted EBITDA, our pro rata share of the Adjusted EBITDA of our unconsolidated hospitality ventures, based on our ownership percentage of each venture.

- North American management and franchising, which consists of our management and franchising of properties located in the United States, Canada and the Caribbean, except for Park Hyatt and Andaz branded hotels.

- International management and franchising, which consists of our management and franchising of properties located outside of the United States, Canada and the Caribbean. All of our Park Hyatt and Andaz branded hotels are managed by our international management and franchising segment and the management of these hotels is reported in this segment.

In addition to our three reportable segments, Corporate and other includes the results of our vacation ownership business and unallocated corporate expenses.

**Key Business Metrics Evaluated by Management**

***Revenues***

We primarily derive our revenues from hotel operations, management and franchise fees, other revenues from managed properties and vacation ownership properties. Management uses revenues to assess the overall performance of our business and analyze trends such as consumer demand, brand preference and competition. For a detailed discussion of the factors that affect our revenues, see Principal Factors Affecting our Results of Operations.

***Net Income Attributable to Hyatt Hotels Corporation***

Net income attributable to Hyatt Hotels Corporation represents the total earnings or profits generated by our business. Management uses net income to analyze the performance of our business on a consolidated basis.

***Adjusted EBITDA***

We use the term Adjusted EBITDA throughout this prospectus. Adjusted EBITDA, as we define it, is a non-GAAP measure. We define consolidated Adjusted EBITDA as net income (loss) attributable to

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Hyatt Hotels Corporation plus our pro-rata share of unconsolidated hospitality ventures Adjusted EBITDA based on our ownership percentage of each venture, adjusted to exclude the following items:

- equity earnings (losses) from unconsolidated hospitality ventures;
- gains on sales of real estate;
- asset impairments;
- other income (loss), net;
- a 2008 charge resulting from the termination of our supplemental executive defined benefit plans;
- discontinued operations and changes in accounting principles, net of tax;
- net (income) loss attributable to noncontrolling interests;
- depreciation and amortization;
- interest expense; and
- benefit (provision) for income taxes.

We calculate consolidated Adjusted EBITDA by adding the Adjusted EBITDA of each of our reportable segments to corporate and other Adjusted EBITDA. See Results of Operations.

Our board of directors and executive management team focus on Adjusted EBITDA as a key performance and compensation measure both on a segment and on a consolidated basis. Adjusted EBITDA assists us in comparing our performance over various reporting periods on a consistent basis because it removes from our operating results the impact of items that do not reflect our core operating performance both on a segment and on a consolidated basis. Our President and Chief Executive Officer, who is our chief operating decision maker, also evaluates the performance of each of our reportable segments and determines how to allocate resources to those segments, in significant part, by assessing the Adjusted EBITDA of each segment. In addition, the compensation committee of our board of directors determines the annual variable compensation for certain members of our management based in part on consolidated Adjusted EBITDA, segment Adjusted EBITDA or some combination of both.

We believe Adjusted EBITDA is useful to investors because it provides investors the same information that we use internally for purposes of assessing our core operating performance and making compensation decisions.

Adjusted EBITDA is not a substitute for net income attributable to Hyatt Hotels Corporation, income from continuing operations, cash flows from operating activities or any other measure prescribed by GAAP. There are limitations to using non-GAAP measures such as Adjusted EBITDA. Although we believe that Adjusted EBITDA can make an evaluation of our operating performance more consistent because it removes items that do not reflect our core operations, other companies in our industry may define Adjusted EBITDA differently than we do. As a result, it may be difficult to use Adjusted EBITDA or similarly named non-GAAP measures that other companies may use to compare the performance of those companies to our performance. Because of these limitations, Adjusted EBITDA should not be considered as a measure of the income generated by our business or discretionary cash available to us to invest in the growth of our business. Our management compensates for these limitations by reference to our GAAP results and using Adjusted EBITDA supplementally. See our consolidated statements of income and consolidated statements of cash flows in our consolidated financial statements included elsewhere in this prospectus.

For a reconciliation of consolidated Adjusted EBITDA to EBITDA and a reconciliation of EBITDA to its most directly comparable GAAP measure, net income (loss) attributable to Hyatt Hotels

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Corporation, see Prospectus Summary Summary Consolidated Financial Data and Results of Operations.

***Revenue per Available Room (RevPAR)***

RevPAR is the product of the average daily rate and the average daily occupancy percentage. RevPAR does not include non-room revenues, which consist of ancillary revenues generated by a hotel property, such as food and beverage, parking, telephone and other guest service revenues. Our management uses RevPAR to identify trend information with respect to room revenues from comparable properties and to evaluate hotel performance on a regional and segment basis. RevPAR is a commonly used performance measure in the industry.

RevPAR changes that are driven predominately by changes in occupancy have different implications for overall revenue levels and incremental profitability than do changes that are driven predominately by changes in average room rates. For example, increases in occupancy at a hotel would lead to increases in room revenues and additional variable operating costs (including housekeeping services, utilities and room amenity costs), and could also result in increased ancillary revenues (including food and beverage). In contrast, changes in average room rates typically have a greater impact on margins and profitability as there is no substantial effect on variable costs.

***Average Daily Rate (ADR)***

ADR represents hotel room revenues, divided by total number of rooms sold in a given period. ADR measures average room price attained by a hotel and ADR trends provide useful information concerning the pricing environment and the nature of the customer base of a hotel or group of hotels. ADR is a commonly used performance measure in the industry, and we use ADR to assess the pricing levels that we are able to generate by customer group, as changes in rates have a different effect on overall revenues and incremental profitability than changes in occupancy, as described above.

***Occupancy***

Occupancy represents the total number of rooms sold divided by the total number of rooms available at a hotel or group of hotels. Occupancy measures the utilization of our hotels available capacity. Management uses occupancy to gauge demand at a specific hotel or group of hotels in a given period. Occupancy levels also help us determine achievable ADR levels as demand for hotel rooms increases or decreases.

***Comparable Hotels***

Comparable systemwide hotels represents all properties we manage or franchise (including owned and leased properties) and that are operated for the entirety of the periods being compared and that have not sustained substantial damage, business interruption or undergone large scale renovations during the periods being compared or for which comparable results are not available. We may use variations of comparable systemwide hotels to specifically refer to comparable systemwide North American full service or select service hotels or comparable systemwide international full service hotels for those properties that we manage or franchise within the North American and international management and franchising segments, respectively. Comparable owned and leased hotels represents all properties we own or lease and that are operated and consolidated for the entirety of the periods being compared and have not sustained substantial damage, business interruption or undergone large scale renovations during the periods being compared or for which comparable results are not available. Comparable systemwide hotels and comparable owned and leased hotels are commonly used as a basis of measurement in the industry. Non-comparable systemwide hotels or Non-comparable owned and leased hotels represent all hotels that do not meet the respective definition of comparable as defined above.

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**Principal Factors Affecting our Results of Operations**

***Revenues***

***Principal Components***

We primarily derive our revenues from the following sources:

*Revenues from hotel operations.* Represents revenues derived from hotel operations, including room rentals and food and beverage sales and other ancillary revenues at our owned and leased properties. Revenues from the majority of our hotel operations depend heavily on demand from group and transient travelers, as discussed below. Revenues from our owned and leased hotels segment are primarily derived from hotel operations.

Revenues from room rentals and ancillary revenues are primarily derived from three categories of customers: transient, group and contract. Transient guests are individual travelers who are traveling for business or leisure. Our group guests are traveling for group events that reserve a minimum of 10 rooms for meetings or social functions sponsored by associations, corporate, social, military, educational, religious or other organizations. Group business usually includes a block of room accommodations as well as other ancillary services, such as catering and banquet services. Our contract guests are traveling under a contract negotiated for a block for rooms for more than 30 days in duration at agreed-upon rates. Airline crews are typical generators of contract demand for our hotels.

*Management and franchise fees.* Represents revenues derived from fees earned from hotels and residential properties managed worldwide (usually under long-term management agreements), franchise fees received in connection with the franchising of our brands (usually under long-term franchise agreements), termination fees and the amortization of deferred gains related to sold properties for which we have significant continuing involvement.

> Our management agreements typically provide for a two-tiered fee structure that compensates us both for the volume of business we generate for the property as well as for the profitability of hotel operations. In these two-tier fee structures, our base compensation is a base fee that is usually an agreed upon percentage of gross revenues from hotel operations. In addition, we are paid an incentive fee that is typically calculated as a percentage of a hotel profitability measure, as defined in the applicable agreement. Outside of the United States, our fees are often more dependent on hotel profitability measures, either through a single management fee structure where the entire fee is based on a profitability measure, or because our two-tier fee structure is more heavily weighted toward the incentive fee than the base fee.

> Franchise fees generally consist of an initial application fee and continuing royalty fees calculated as a percentage of gross room revenues. Royalty fees for our full service brands also include a percentage of gross food and beverage revenues and gross spa revenues, where applicable.

*Other revenues from managed properties.* Represents revenues related primarily to payroll costs at managed properties where we are the employer and are fully reimbursed by the third-party property owner based on the costs incurred, with no added margin. As a result, these revenues have no effect on our profit, although they do increase our total revenues and the corresponding costs increase our total expenses. We record these revenues in Other revenues from managed properties and the corresponding costs in Other costs from managed properties in our consolidated statements of income.

*Intersegment eliminations.* We evaluate our reportable segments with intersegment revenues and expenses included in their results. These intersegment revenues and expenses represent management fees earned by our North American and international management and franchising segments for managing our owned and leased hotels. As presented throughout this prospectus, the individual segment results for the management and franchising businesses include the intersegment fee revenues and our owned and leased hotels include the intersegment fee expenses. Both the fee revenues and expenses are eliminated in consolidation.

***Factors Affecting our Revenues***

The following factors affect the revenues we derive from our operations. For other factors affecting our revenues, see Risk Factors Risks Related to Our Business.

*Consumer demand and global economic conditions.* Consumer demand for our products and services is closely linked to the performance of the general economy and is sensitive to business and personal discretionary spending levels. Declines in consumer demand due to adverse general economic conditions, risks affecting or reducing travel patterns, lower consumer confidence and adverse political conditions can lower the revenues and profitability of our owned operations and the amount of management and franchising fee revenues we are able to generate from our managed and franchised properties. Also, declines in hotel profitability during an economic downturn directly impact the incentive portion of our management fees, which is based on hotel profit measures. Our vacation ownership business is also linked to cycles in the general economy and consumer discretionary spending. As a result, changes in consumer demand and general business cycles can subject and have subjected our revenues to significant volatility. See Risk Factors Risks Related to the Hospitality Industry.

During the second half of 2008 and the first half of 2009, the ongoing global economic recession and its negative effect on demand by transient business and leisure travelers and associations and other group customers depressed demand throughout the hospitality industry. These conditions resulted in a decline in RevPAR for the fourth quarter of 2008 and some of the most significant RevPAR declines we have experienced in recent history during the first half of 2009. This reduced demand has resulted in and may continue to result in decreases in occupancy levels and ADR.

We believe that the economic recession will continue to significantly affect all of our customer segments. During the first six months of 2009, our systemwide RevPAR declined by 24% compared to the first six months of 2008. We believe that, during the remainder of the year, occupancy could stabilize. However, we expect that there will likely be continued pressure on average room rates. The current economic environment makes it difficult for us to predict future demand for our hospitality products and services.

We anticipate that recovery of demand for hospitality products and services will lag an improvement in current economic conditions. We cannot predict how severe or prolonged the global economic downturn will be. Furthermore, current global economic conditions have significantly impacted consumer confidence and behavior and, as a result, historical marketing information that we have collected may be less effective as a means of predicting future demand and operating results.

*Competition.* The global lodging industry is highly competitive. As a result of the decreased demand for hospitality products and services in the current economic environment, competition in the industry has become increasingly fierce. While we generally try to maintain rates whenever possible, the overall reduction in business travel since the second half of 2008 has placed significant pressure on occupancy levels at our properties as well as those of our competitors. Accordingly, we have increased the number of promotional offers and expanded individual hotels use of internet distribution channels**,** which offer different customer price points**,** in an effort to expose more customers to our products and services and to attract guests. Internet distribution channels are online sites that sell hospitality related products and services of multiple brands. Major internet distribution channels used by Hyatt include Expedia.com, Hotels.com, Priceline.com, Orbitz.com, Hotwire.com and Travelocity.com. While declines in occupancy levels have recently begun to stabilize, room rates

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continue to be under pressure. Continued competition for a reduced pool of travelers will make it difficult to regain previous ADR levels in a short period of time even if demand and occupancy levels begin to rise. We believe that our brand strength and ability to manage our operations in an efficient manner will help us to compete successfully within the global hospitality industry.

*Agreements with third-party owners and franchisees and relationships with developers.* We depend on our long-term management and franchise agreements with third-party owners and franchisees for a significant portion of our management and franchising fee revenues. The success and sustainability of our management and franchising business depends on our ability to perform under our management and franchising agreements and maintain good relationships with third-party owners and franchisees. Our relationships with these third parties also generate new relationships with developers and opportunities for property development that can support our growth. We believe that we have good relationships with our third-party owners, franchisees and developers and are committed to the continued growth and development of these relationships. These relationships exist with a diverse group of owners, franchisees and developers and are not heavily concentrated with any particular third party.

*Access to capital.* The hospitality industry is a capital intensive business that requires significant amounts of capital expenditures to develop, maintain and renovate properties. Third-party owners are required to fund these capital expenditures for the properties they own in accordance with the terms of the applicable management or franchise agreement. Access to the capital that we or our third-party owners, franchisees or development partners need to finance the construction of new properties or to maintain and renovate existing properties is critical to the continued growth of our business and our revenues. Over the past twelve months, the credit markets and the financial services industry have experienced a period of significant disruption characterized by the bankruptcy, failure, collapse or sale of various financial institutions, increased volatility in securities prices, severely diminished liquidity and credit availability and a significant level of intervention from the governments of the U.S. and other countries. As a result of these market conditions, the cost and availability of capital has been and may continue to be adversely affected by illiquid credit markets and wider credit spreads. In particular, in the current environment, available capital for new development is extremely limited if available at all. The availability of capital or the conditions under which we or our third-party owners, franchisees or development partners can obtain capital can have a significant impact on the overall level and pace of future development and therefore the ability to grow our revenues. The recent disruption in the capital markets has diminished the ability and desire of existing and potential development partners to access capital necessary to develop properties actively. We believe that a continued normalization of credit markets as well as significant improvements in the global economy and overall business environment will be necessary before we see a material increase in development activity with third parties.

### *Expenses*

#### *Principal Components*

We primarily incur the following expenses:

*Owned and leased hotel expenses.* Owned and leased hotel expenses comprise the largest portion of our total direct and selling, general and administrative expenses and reflect the expenses of our consolidated owned and leased hotels. Expenses to operate our hotels include room expense, food and beverage costs, other support costs and property expenses. Room expense includes compensation costs for housekeeping, laundry and front desk staff and supply costs for guest room amenities and laundry. Food and beverage costs include costs for wait and kitchen staff and food and beverage products. Other support expenses consist of costs associated with property-level management, utilities, sales and marketing, operating hotel spas, telephones, parking and other guest recreation, entertainment and services. Property expenses include property taxes, repairs and maintenance, rent and insurance.

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*Depreciation and amortization expense.* These are non-cash expenses that primarily consist of depreciation of fixed assets such as buildings, furniture, fixtures and equipment at our consolidated owned and leased hotels. Amortization expense primarily consists of amortization of management agreement acquisition costs and franchise and brand intangibles, which are amortized over their estimated useful lives.

*Selling, general and administrative expenses.* Selling, general and administrative expenses consist primarily of compensation expense for our corporate staff and personnel supporting our business segments (including divisional offices that support our management and franchising segments), professional fees (including consulting, audit and legal fees), travel and entertainment expenses, bad debt expenses, contractual performance obligations and office administrative and related expenses.

*Other costs from managed properties.* Represents costs related primarily to payroll expenses at managed properties where we are the employer. These costs are reimbursed to us with no added margin. As a result, these costs have no effect on our profit, although they do increase our total expenses and the corresponding reimbursements increase our total revenues. We record these costs in Other costs from managed properties and the corresponding revenues in Other revenues from managed properties in our consolidated statements of income.

***Factors Affecting our Costs and Expenses***

The following are several principal factors that affect the costs and expenses we incur in the course of our operations. For other factors affecting our costs and expenses, see Risk Factors Risks Related to Our Business.

*Fixed nature of expenses.* Many of the expenses associated with managing, franchising, owning and developing hotels and residential and vacation ownership properties are relatively fixed. These expenses include personnel costs, rent, property taxes, insurance and utilities. If we are unable to decrease these costs significantly or rapidly when demand for our hotels and other properties decreases, the resulting decline in our revenues can have a particularly adverse effect on our net cash flow, margins and profits. This effect can be especially pronounced during periods of economic contraction or slow economic growth, such as the current economic recession. Economic downturns generally affect the results of our owned and leased hotel segment more significantly than the results of our management and franchising segments due to the high fixed costs associated with operating an owned or leased property. The effectiveness of any cost-cutting efforts is limited by the fixed-cost nature of our business. As a result, we may not be able to offset further revenue reductions through cost cutting. Employees at some of our owned hotels are parties to collective bargaining agreements that may also limit our ability to make timely staffing or labor changes in response to declining revenues. In addition, any of our efforts to reduce costs, or to defer or cancel capital improvements, could adversely affect the economic value of our properties and brands. Over the past year, we have taken steps to reduce our cost base to levels we feel are appropriate to respond to declining revenues without jeopardizing the overall customer experience or the value of our properties or brands. While we intend to pursue additional cost saving opportunities and maintain our cost structure at appropriate levels while business at our hotels remains depressed, we expect to see the reduced margin levels we have been experiencing to continue until revenues improve.

*Changes in depreciation expenses.* Changes in depreciation expenses may be driven by renovations of existing properties, acquisition or development of new properties or the disposition of existing properties through sale or closure. We intend to consider strategic and complementary acquisitions of and investments in businesses, properties or other assets. If we consummate any asset acquisitions, we would likely add depreciable assets, which would result in an increase in depreciation expense.

*Demand for vacation ownership properties.* The ongoing economic downturn has severely reduced consumer demand for vacation ownership properties. A significant portion of our costs to support our vacation ownership business relates to direct sales and marketing of these properties. Accordingly, we have significantly reduced these costs as a response to lower demand. These reductions have allowed us to maintain our profit margins in our vacation ownership business but may not be sufficient to offset further reductions in revenues.

***Other Items***

***Asset impairments***

We hold significant amounts of goodwill, intangible assets, long-lived assets and equity method investments. We evaluate these assets for impairment as further discussed in Critical Accounting Policies and Estimates. These evaluations have, in the past, resulted in impairment charges for certain of these assets based on the specific facts and circumstances surrounding those assets. Based on a continuation of the current economic conditions or other factors, we may be required to take additional impairment charges to reflect further declines in our asset and/or investment values.

***Acquisitions, divestitures and significant renovations***

We periodically acquire, divest of or undertake significant renovations in hotel properties. The results of operations derived from these properties do not, therefore, meet the definition of comparable hotels as defined in Key Business Metrics Evaluated by Management. The results of operations from these properties, however, may have a material effect on changes in our results from period to period and are, therefore, discussed separately in our discussion on results of operations when material.

In the six months ended June 30, 2009, we acquired our Hyatt Regency Boston property for a purchase price of $110 million. In 2007, we acquired three properties consisting of: (1) the remaining 50% interest in our Andaz Liverpool Street property (formerly the Great Eastern Hotel), for a purchase price of GBP 40 million ($83 million) and the assumption of GBP 55 million ($114 million) of debt, (2) our Hyatt Regency San Antonio property, for a purchase price of $161 million and the assumption of $67 million of debt, and (3) our Hyatt Regency Grand Cypress property, which we acquired through a capital lease.

In 2008, we sold US Franchise Systems, Inc., which franchised Microtel Inns & Suites and Hawthorn Suites, for a sale price of $131 million.

***Effect of foreign currency exchange rate fluctuations***

A significant portion of our operations are conducted in functional currencies other than our reporting currency which is the U.S. dollar. As a result, we are required to translate those results from the functional currency into U.S. dollars at market based average exchange rates during the period reported. When comparing our results of operations between periods, there may be material portions of the changes in our revenues or expense that are derived from fluctuations in exchange rates experienced between those periods.

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**Results of Operations**

***Six Months Ended June 30, 2009 Compared with Six Months Ended June 30, 2008***

***Consolidated Results***

| (in millions, except percentages) | Six Months Ended June 30, 2009 | 2008 | Variance | |
|---|---|---|---|---|
| Revenues: | | | | |
| Total revenues | $ 1,637 | $ 2,009 | $ (372) | (18.5)% |
| Direct and Selling, General, and Administrative Expenses: | | | | |
| Owned and leased hotels | 710 | 807 | (97) | (12.0)% |
| Depreciation and amortization | 130 | 125 | 5 | 4.0 % |
| Other direct costs | 8 | 15 | (7) | (46.7)% |
| Selling, general, and administrative | 122 | 138 | (16) | (11.6)% |
| Other costs from managed properties | 623 | 674 | (51) | (7.6)% |
| Direct and selling, general, and administrative expenses | 1,593 | 1,759 | (166) | (9.4)% |
| Net gains (losses) and interest income from marketable securities held to fund operating programs | 8 | (7) | 15 | 214.3 % |
| Equity earnings (losses) from unconsolidated hospitality ventures | (13) | 12 | (25) | (208.3)% |
| Interest expense | (27) | (28) | 1 | 3.6 % |
| Asset impairments | (8) | | (8) | (100.0)% |
| Other income (loss), net | (56) | 55 | (111) | (201.8)% |
| Income (loss) before income taxes | (52) | 282 | (334) | (118.4)% |
| (Provision) benefit for income taxes | 14 | (107) | 121 | 113.1 % |
| Income (loss) from continuing operations | (38) | 175 | (213) | (121.7)% |
| Discontinued operations | | | | |
| Net income (loss) | (38) | 175 | (213) | (121.7)% |
| Net loss (income) attributable to noncontrolling interests | 2 | (2) | 4 | 200% |
| Net Income (Loss) Attributable to Hyatt Hotels Corporation | $ (36) | $ 173 | $ (209) | (120.8)% |

*Revenues.* Consolidated revenues in the six months ended June 30, 2009 decreased $372 million, or 18.5%, compared to the six months ended June 30, 2008, including $49 million in net unfavorable currency effects and a $51 million decrease in other revenues from managed properties. The decrease in other revenues from managed properties was due to lower costs reimbursed by managed properties reflecting cost reductions implemented during the first half of 2009. Comparable owned and leased hotel revenue decreased $257 million over the same period, which includes net unfavorable currency effects of $39 million. This decrease in revenue was primarily driven by a decline in demand which was reflected in lower ADR resulting from greater promotional pricing, and lower occupancy levels particularly from group business. The remaining decrease in revenues related primarily to reduced management fees in our management and franchising segments. Revenues for our owned and leased hotels and our management and franchising segments were negatively affected by widespread weakness in hotel results driven by sharply reduced demand. The table below provides a breakdown of revenues by segment for the six months ended June 30, 2009 and 2008. For further discussion of segment revenues for the periods presented, please refer to Segment Results.

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| (in millions, except percentages) | Six Months Ended June 30, 2009 | 2008 | Variance | |
|---|---|---|---|---|
| Owned and leased hotels | $ 876 | $ 1,125 | $ (249) | (22.1)% |
| North American management and franchising | 680 | 764 | (84) | (11.0)% |
| International management and franchising | 82 | 118 | (36) | (30.5)% |
| Corporate and other | 37 | 59 | (22) | (37.3)% |
| Eliminations | (38) | (57) | 19 | 33.3% |
| Consolidated revenues | $ 1,637 | $ 2,009 | $ (372) | (18.5)% |

*Owned and leased hotels expense*. Expenses for owned and leased hotels decreased by $97 million in the six months ended June 30, 2009 compared to the six months ended June 30, 2008. The decrease was driven primarily by $104 million of cost reductions at comparable owned and leased hotels primarily attributable to reductions in compensation-related costs and other variable operating expenses, as we reduced our costs in response to declining hotel revenues. The reduced compensation-related costs largely arose from the reductions in hotel staffing levels. Non-comparable owned and leased hotels drove $8 million of increased expenses, due primarily to the 2009 acquisition of our Hyatt Regency Boston property and the opening of a re-branded hotel.

*Depreciation and amortization expense*. Depreciation and amortization expense increased by $5 million in the six months ended June 30, 2009 compared to the six months ended June 30, 2008, driven primarily by increased depreciation of $3 million related to the acquisition of our Hyatt Regency Boston property in 2009 and the opening of a re-branded hotel.

*Other direct costs*. Other direct costs represent costs associated with our vacation ownership operations. These costs decreased by $7 million in the six months ended June 30, 2009 compared to the six months ended June 30, 2008, due to reduced sales of our vacation ownership interests, which have slowed significantly due to reductions in demand.

*Selling, general and administrative expenses*. Selling, general and administrative costs decreased by $16 million in the six months ended June 30, 2009 compared to the six months ended June 30, 2008. Through our cost reduction initiatives, we have decreased marketing costs by $12 million, which primarily related to our vacation ownership business, as well as travel and entertainment expenses by $5 million, corporate compensation and benefit related costs by $4 million and professional fee expenses by $3 million. Partially offsetting these decreased expenses were increased expenses under contractual performance obligations of $4 million at our select service hotels and increased bad debt expenses of $4 million.

*Net gains (losses) and interest income from marketable securities held to fund operating programs*. Marketable securities held to fund operating programs generated a net gain of $8 million in the six months ended June 30, 2009, compared to the net loss of $7 million in the six months ended June 30, 2008 due to improved performance of the underlying securities.

*Equity earnings (losses) from unconsolidated hospitality ventures*. Equity losses from unconsolidated hospitality ventures were $13 million in the six months ended June 30, 2009, compared to income of $12 million for the six months ended June 30, 2008. The decrease was due to a combination of factors, including the current year impairment charges of $10 million, including impairment of interests in a hospitality venture property of $7 million and a vacation ownership property of $3 million. There was a $15 million decline attributable to lower earnings generated by the underlying hotels, of which $2 million related to newly opened hotels.

*Interest expense*. Interest expense decreased by $1 million in the six months ended June 30, 2009 compared to the six months ended June 30, 2008. There was a $4 million reduction in interest

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expense relating to the repayment of $600 million of senior subordinated notes in the second quarter of 2009. Further information on this transaction is discussed in Liquidity and Capital Resources. This reduction was offset by a $3 million gain on an interest rate swap which reduced prior year interest expense. The interest rate swap affected interest expense until the swap was designated for hedge accounting treatment in November 2008.

*Asset impairments.* Asset impairments recorded for the six months ended June 30, 2009 and 2008 were $8 million and $0, respectively. The $8 million in impairment charges in 2009 included a charge of $5 million for the full impairment of an intangible asset relating to a management agreement covering certain select service hotels in our North American management and franchising segment. The remaining $3 million charge reflects the impairment of property and equipment in our owned and leased hotel segment.

*Other income (loss), net.* Other income (loss), net decreased by $111 million in the six months ended June 30, 2009 compared to the six months ended June 30, 2008, primarily due to $93 million comprised of $88 million of make-whole interest payments and early settlement premiums and a write-off of $5 million of deferred financing costs. Further information on this transaction is discussed in Liquidity and Capital Resources. Additionally, cash distributions from cost method investments decreased $40 million for the comparable periods. These declines were partially offset by gains on marketable securities and foreign currency of $15 million and $10 million, respectively. The table below provides a breakdown of other income (loss), net for the six months ended June 30, 2009 and 2008:

| | Six months ended June 30, | | | |
|---|---|---|---|---|
| **(in millions, except percentages)** | **2009** | **2008** | **Variance** | |
| Interest income on interest-bearing cash and cash equivalents | $ 10 | $ 9 | $ 1 | 11% |
| Gains (losses) on other marketable securities | 2 | (13) | 15 | 115% |
| Income from cost method investments(1) | 22 | 62 | (40) | (65)% |
| Foreign currency gains (losses) | 7 | (3) | 10 | 333% |
| Debt settlement costs(2) | (93) | | (93) | (100)% |
| Other(3) | (4) | | (4) | (100)% |
| Other income (loss), net | $ (56) | 55 | (111) | (202)% |

(1) Income from cost method investments for the six months ended June 30, 2009 included $22 million in cash distributions from certain non-hospitality real estate partnerships. The six months ended June 30, 2008 included $62 million in cash distributions from indirect investments in certain life sciences technology companies. We do not expect material distributions from these investments in the future. See note 3 to our unaudited consolidated interim financial statements.

(2) Amount relates to costs associated with the repurchase of senior subordinated notes and early settlement of a subscription agreement as described in Liquidity and Capital Resources. The costs include $88 million of make-whole interest payments and early settlement premiums and a $5 million write-off of deferred financing costs.

(3) Includes gains (losses) on asset retirements for each period presented.

*(Provision) benefit for income taxes.* Income taxes for the six months ended June 30, 2009 and 2008 were a benefit of $14 million and a provision of $107 million, respectively. The effective tax rate for continuing operations for these periods was 27.1% and 38.0%, respectively. Our effective income tax rate is determined by the level and composition of actual and forecasted pre-tax income subject to varying foreign, state and local taxes and other items.

Operating losses at our U.S. operations, which included costs associated with the repurchase of senior subordinated notes and early settlement of a subscription agreement recognized during 2009, impacted the effective tax rate for the six months ended June 30, 2009. The resulting tax benefit was offset by additional taxes recorded against income earned by our foreign-based operations, plus $6 million of tax expense for unrecognized tax benefits and a charge of $3 million to write down certain U.S. deferred tax assets.

The effective tax rate for the six months ended June 30, 2008 was favorably impacted by foreign income tax benefits and general business credits. This was more than offset by an increase of $8 million in the liability for unrecognized tax benefits and a charge of $3 million recorded to certain foreign deferred tax assets.

*Net loss (income) attributable to noncontrolling interests.* Net loss (income) attributable to noncontrolling interests decreased by $4 million compared to the first six months of 2008, primarily due to operating losses generated at hotels, which are partially owned by noncontrolling partners.

***Segment Results***

We evaluate segment operating performance using segment revenue and segment Adjusted EBITDA, as described in note 20 to our unaudited consolidated interim financial statements. See Prospectus Summary Summary Consolidated Financial Data for a discussion of our definition of Adjusted EBITDA, how we use it, why we present it and material limitations on its usefulness. The segment results presented below are presented before intersegment eliminations.

*Owned and Leased Hotels.* Revenues decreased by $249 million in the six months ended June 30, 2009 compared to the six months ended June 30, 2008. Included in this decrease was $39 million of net unfavorable currency effects. Comparable owned and leased hotel revenues decreased $257 million, and were driven by a RevPAR decline of 23.8% largely due to reductions in occupancy and ADR across both group and transient business, as well as significant declines in food and beverage revenues. The decline in transient revenues was driven by lower rates as hotels have increased promotions to attract guests. The group revenue decline was primarily a result of significant shortfalls in occupancy from lower short-term bookings and increased meeting cancellations. Food and beverage revenues were down significantly as a result of both lower occupancy and reduced spending by guests compared to 2008. Non-comparable owned and leased hotel revenues increased $8 million primarily due to the acquisition of our Hyatt Regency Boston property during the first quarter of 2009.

| | Six Months Ended June 30, | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | RevPAR | | | Occupancy | | | ADR | | |
| **(Comparable Owned and Leased Hotels)** | **2009** | **2008** | **Variance** | **2009** | **2008** | **Change in Occ % pts** | **2009** | **2008** | **Variance** |
| Full Service | $ 112 | $ 149 | (24.6)% | 62.7% | 71.2% | (8.5)% | $ 179 | $ 209 | (14.4)% |
| Select Service | 63 | 78 | (19.4)% | 64.2% | 70.5% | (6.3)% | 98 | 110 | (11.4)% |
| Total Owned and Leased Hotels | $ 100 | $ 131 | (23.8)% | 63.1% | 71.0% | (7.9)% | $ 158 | $ 184 | (14.3)% |

| | Six Months Ended June 30, | | | |
|---|---|---|---|---|
| **(in millions, except percentages)** | **2009** | **2008** | **Variance** | |
| | | **(Unaudited)** | | |
| Segment Revenues | $ 876 | $ 1,125 | $ (249) | (22.1)% |
| Segment Adjusted EBITDA | $ 156 | $ 303 | $ (147) | (48.5)% |

Adjusted EBITDA declined by $147 million in the six months ended June 30, 2009 compared to the six months ended June 30, 2008, including $10 million in unfavorable currency effects. Comparable owned and leased hotel performance decreased by $118 million primarily due to revenue deterioration partially offset by cost-saving initiatives resulting in reductions in staffing and other hotel costs. The remaining decrease was primarily due to declining operating performance at our unconsolidated hospitality ventures of $19 million.

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*North American management and franchising*. North American management and franchising revenues decreased by $84 million in the six months ended June 30, 2009 compared to the six months ended June 30, 2008. Other revenues from managed properties declined $48 million due to reductions in costs reimbursed by managed properties. Management and franchise fees declined $36 million. Both base and incentive management fees declined, mainly driven by the effects of a 19.7% decrease in comparable systemwide North American full service RevPAR. Our full service hotels experienced significant rate pressure during the first six months of 2009 due to competition for reduced transient business. Additionally, heavy promotions have shifted transient business to lower rates. We also experienced a significant decline in group business, largely reflected in lower occupancy as we continue to have cancellations and significantly fewer near-term bookings. We have responded to reduced revenue levels with cost reduction initiatives at our full service hotels. As a result, hotel-level operating costs declined by 13% in the six months ended June 30, 2009 compared to the six months ended June 30, 2008. RevPAR at our select service hotels in the six months ended June 30, 2009 declined by 12% compared to the first six months of 2008.

| | Six Months Ended June 30, | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | RevPAR | | | Occupancy | | | ADR | | |
| (Comparable Systemwide Hotels) | 2009 | 2008 | Variance | 2009 | 2008 | Change in Occ % pts | 2009 | 2008 | Variance |
| North American Full Service | $ 107 | $ 133 | (19.7)% | 65.6% | 73.0% | (7.4)% | $ 163 | $ 182 | (10.6)% |
| North American Select Service | 65 | 74 | (12.0)% | 64.4% | 66.7% | (2.3)% | 101 | 110 | (8.8)% |

| (in millions, except percentages) | Six Months Ended June 30, 2009 | 2008 | Variance | |
|---|---|---|---|---|
| | | (Unaudited) | | |
| Revenues | | | | |
| Management, Franchise and Other Fees | $ 92 | $ 128 | $ (36) | (28.1)% |
| Other Revenues from Managed Properties | 588 | 636 | (48) | (7.5)% |
| Total Revenues | $ 680 | $ 764 | $ (84) | (11.0)% |
| Adjusted EBITDA | $ 63 | $ 101 | $ (38) | (37.6)% |

Adjusted EBITDA declined by $38 million in the six months ended June 30, 2009 compared to the six months ended June 30, 2008, primarily due to reduced management and franchise fees of $36 million. For the six months ended June 30, 2009, expenses under contractual performance obligations increased by $4 million and bad debt expense increased by $2 million. These expenses were offset by cost reduction initiatives resulting in a $5 million decline in compensation and related costs and travel and entertainment expenses.

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*International management and franchising.* International management and franchising revenues decreased by $36 million in the six months ended June 30, 2009 compared to the six months ended June 30, 2008, and included $10 million in net unfavorable currency impact. The $35 million decrease in fees was driven by fees from comparable systemwide international full service hotels due to decreased RevPAR of 31.6% in the six months ended June 30, 2009 compared to the six months ended June 30, 2008, driven by both ADR and occupancy declines.

| | Six Months Ended June 30, | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | RevPAR | | | Occupancy | | | ADR | | |
| **(Comparable Systemwide Hotels)** | **2009** | **2008** | **Variance** | **2009** | **2008** | **Change in Occ % pts** | **2009** | **2008** | **Variance** |
| International Full Service | $ 116 | $ 169 | (31.6)% | 56.6% | 66.0% | (9.4)% | $ 205 | $ 256 | (20.2)% |

| **(in millions except percentages)** | Six Months Ended June 30, 2009 | 2008 | Variance | |
|---|---|---|---|---|
| | | (Unaudited) | | |
| Revenues | | | | |
| Management, Franchise and Other Fees | $ 56 | $ 91 | $ (35) | (38.5)% |
| Other Revenues from Managed Properties | 26 | 27 | (1) | (3.7)% |
| Total Revenues | $ 82 | $ 118 | $ (36) | (30.5)% |
| Adjusted EBITDA | $ 26 | $ 59 | $ (33) | (55.9)% |

Adjusted EBITDA declined by $33 million in the six months ended June 30, 2009 compared to the six months ended June 30, 2008. Unfavorable foreign currency drove $9 million of the decline. The aforementioned management fee declines drove the decrease in Adjusted EBITDA as compared to the prior year.

*Corporate and other.* Corporate and other includes unallocated corporate expenses and the results of our vacation ownership business. Revenues declined by $22 million in the six months ended June 30, 2009 compared to the six months ended June 30, 2008 due to significant decreases in demand for vacation ownership units as a result of weak economic conditions.

| **(in millions, except percentages)** | Six Months Ended June 30, 2009 | 2008 | Variance | |
|---|---|---|---|---|
| | | (Unaudited) | | |
| Corporate and other Revenues | $ 37 | $ 59 | $ (22) | (37.3)% |
| Corporate and other Adjusted EBITDA | $ (35) | $ (46) | $ 11 | 23.9% |

Adjusted EBITDA improved $11 million in the six months ended June 30, 2009 compared to the six months ended June 30, 2008 from reductions in unallocated corporate expenses due to lower professional fees and reduced compensation costs during this period over the same period in 2008. Lower vacation ownership revenues were offset by reduced vacation ownership expenses.

*Eliminations.* Eliminations of $38 million and $57 million for the six months ended June 30, 2009 and 2008, respectively, primarily represent fees charged by our management and franchising segments to our owned and leased hotels for managing their operations.

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***Non-GAAP Measure Reconciliation***

The following table sets forth Adjusted EBITDA by segment in the six months ended June 30, 2009 and 2008. For a discussion of our definition of Adjusted EBITDA, how we use it, why we present it and material limitations on its usefulness, see Prospectus Summary Summary Consolidated Financial Data and Key Business Metrics Evaluated by Management.

| | Six Months Ended June 30, | | | |
|---|---|---|---|---|
| **(in millions, except percentages)** | **2009** | **2008** | **Variance** | |
| Owned and leased hotels | $ 156 | $ 303 | $ (147) | (48.5)% |
| North American management and franchising | 63 | 101 | (38) | (37.6)% |
| International management and franchising | 26 | 59 | (33) | (55.9)% |
| Corporate and other | (35) | (46) | 11 | 23.9% |
| Consolidated Adjusted EBITDA | $ 210 | $ 417 | $ (207) | (49.6)% |

The table below provides a reconciliation of our consolidated Adjusted EBITDA to EBITDA and a reconciliation of EBITDA to net income (loss) attributable to Hyatt Hotels Corporation in the six months ended June 30, 2009 and 2008:

| | Six Months Ended June 30, | |
|---|---|---|
| **(in millions)** | **2009** | **2008** |
| Adjusted EBITDA | $ 210 | $ 417 |
| Equity earnings (losses) from unconsolidated hospitality ventures | (13) | 12 |
| Asset impairments | (8) | |
| Other income (loss), net | (56) | 55 |
| Discontinued operations, net of tax | | |
| Net loss (income) attributable to noncontrolling interests | 2 | (2) |
| Pro rata share of unconsolidated hospitality ventures Adjusted EBITDA | (28) | (49) |
| EBITDA | 107 | 433 |
| Depreciation and amortization | (130) | (125) |
| Interest expense | (27) | (28) |
| (Provision) benefit for income taxes | 14 | (107) |
| Net income (loss) attributable to Hyatt Hotels Corporation | $ (36) | $ 173 |

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***Year Ended December 31, 2008 Compared with Year Ended December 31, 2007***

***Consolidated Results***

| (in millions, except percentages) | Years Ended December 31, 2008 | 2007 | Variance | |
|---|---|---|---|---|
| Revenues: | | | | |
| Total revenues | $ 3,837 | $ 3,738 | $ 99 | 2.6% |
| Direct and Selling, General, and Administrative Expenses: | | | | |
| Owned and leased hotels | 1,583 | 1,524 | 59 | 3.9% |
| Depreciation and amortization | 249 | 214 | 35 | 16.4% |
| Other direct costs | 26 | 42 | (16) | (38.1)% |
| Selling, general, and administrative | 290 | 292 | (2) | (0.7)% |
| Other costs from managed properties | 1,325 | 1,281 | 44 | 3.4% |
| Direct and selling, general, and administrative expenses | 3,473 | 3,353 | 120 | 3.6% |
| Net gains (losses) and interest income from marketable securities held to fund operating programs | (36) | 15 | (51) | (340.0)% |
| Equity earnings from unconsolidated hospitality ventures | 14 | 11 | 3 | 27.3% |
| Interest expense | (75) | (43) | (32) | (74.4)% |
| Gains on sales of real estate | | 22 | (22) | (100.0)% |
| Asset impairments | (86) | (61) | (25) | (41.0)% |
| Other income, net | 23 | 145 | (122) | (84.1)% |
| Income before income taxes | 204 | 474 | (270) | (57.0)% |
| Provision for income taxes | (90) | (208) | 118 | 56.7% |
| Income from continuing operations | 114 | 266 | (152) | (57.1)% |
| Discontinued operations | 56 | 5 | 51 | 1020.0% |
| Net income | 170 | 271 | (101) | (37.3)% |
| Net (income) attributable to noncontrolling interests | (2) | (1) | (1) | (100.0)% |
| Net Income Attributable to Hyatt Hotels Corporation | $ 168 | $ 270 | $ (102) | (37.8)% |

*Revenues.* Consolidated revenues increased by $99 million, or 2.6%, in 2008 compared to 2007, including $2 million in net unfavorable currency effects. Revenues from owned and leased hotels increased by $100 million, including $53 million of revenues from non-comparable owned and leased hotels and $51 million of revenues from comparable owned and leased hotels. Our North American management and franchising segment revenues increased by $35 million, all of which was attributable to an increase in other revenues from managed properties driven by increased costs reimbursed by managed properties due to growth in hotel operations primarily occurring during the first half of 2008. Corporate and other revenues decreased by $14 million, primarily attributable to a decline in revenues from our vacation ownership business. The table below provides a breakdown of revenues by segment for the years ended December 31, 2008 and 2007. For further discussion of segment revenues for the periods presented, please refer to Segment Results.

| (in millions, except percentages) | Year Ended December 31, 2008 | 2007 | Variance | |
|---|---|---|---|---|
| Owned and leased hotels | $ 2,139 | $ 2,039 | $ 100 | 4.9% |
| North American management and franchising | 1,475 | 1,440 | 35 | 2.4% |
| International management and franchising | 225 | 226 | (1) | (0.4)% |
| Corporate and other | 105 | 119 | (14) | (11.8)% |
| Eliminations | (107) | (86) | (21) | (24.4)% |

| | | | | |
|---|---|---|---|---|
| Consolidated revenues | $ 3,837 | $ 3,738 | $ 99 | 2.6% |

*Owned and leased hotels expense.* Owned and leased hotels expenses increased by $59 million, or 3.9%, in 2008 compared to 2007. Non-comparable owned and leased hotel expenses increased $41 million in 2008 due primarily to our hotel acquisitions in 2007. The remaining $18 million increase was primarily due to increased maintenance costs at comparable owned and leased hotels.

*Depreciation and amortization expense.* Depreciation and amortization expense increased $35 million, or 16.4%, in 2008 compared to 2007, primarily driven by depreciation and amortization expense associated with our hotel acquisitions in 2007.

*Other direct costs.* Other direct costs, which represent costs associated with the sales of our vacation ownership operations, decreased by $16 million, or 38.1%, in 2008 compared to 2007, consistent with the related decline in sales of vacation ownership properties in 2008.

*Selling, general and administrative expenses.* Selling, general and administrative expenses were relatively flat in 2008 compared to 2007. The 2008 expenses included a $20 million charge resulting from the termination of our supplemental executive defined benefit plans, which was offset by decreased expenses for our employee benefit programs funded through rabbi trusts.

*Net (losses) gains and interest income from marketable securities held to fund operating programs.* Market conditions resulted in net losses of $38 million in 2008 compared to a net gain of $10 million in 2007 from marketable securities held to fund our benefit programs funded through rabbi trusts and in a net gain of $2 million in 2008 compared to a net gain of $5 million in 2007 from marketable securities held for our Hyatt Gold Passport program.

*Equity earnings from unconsolidated hospitality ventures.* Earnings from unconsolidated hospitality ventures increased by $3 million in 2008 compared to 2007. This increase in earnings was primarily due to the reversal of a previously recorded reserve for a non-refundable deposit of $9 million to purchase an equity interest in a hotel property in Hawaii, which had been reserved in full in 2007 due to uncertainty surrounding the transaction. The reversal of this reserve was partially offset by increased impairment charges in 2008 compared to charges recorded in 2007. In 2008, we recorded $19 million in impairment charges for three vacation ownership investments based on our analysis of the expected future cash flows compared to $12 million in charges recorded in 2007.

*Interest expense.* Interest expense increased by $32 million in 2008 compared to 2007, due primarily to an increase of $25 million attributable to a full year of interest expense in respect of $600 million of senior subordinated notes issued in the second half of 2007 and an increase of $16 million attributable to a full year of interest expense associated with the debt acquired as part of the 2007 purchase of the Andaz Liverpool Street property (formerly the Great Eastern Hotel). The balance of the change over the same period related primarily to a decrease in interest expense of $11 million related to the retirement of debt in 2007.

*Gains on sales of real estate.* We did not complete any sales of real estate during 2008 other than those recorded as part of discontinued operations. We recorded $22 million in gains on sales of real estate in 2007 resulting from the sale of seven AmeriSuites hotels that we continued to manage or franchise after the sale and the Hyatt Regency Woodfield property.

*Asset impairments.* Asset impairments were $86 million in 2008, primarily due to goodwill impairments related to two hotels, including a $78 million impairment charge for our Andaz Liverpool Street property. We purchased the Andaz Liverpool Street property, which is located in London s financial district, in 2007, before the inception of the global financial crisis. The value of this property at the time of purchase created goodwill that was fully impaired as of December 31, 2008. The goodwill impairments impacted segment results for the owned and leased hotel segment. In 2007, we recorded a reserve of $61 million on a loan to a hotel developer as a result of the developer s default.

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*Other income, net.* Other income, net decreased by $122 million in 2008 compared to 2007. The table below provides a breakdown of other income, net for 2008 and 2007:

| | Year Ended December 31, | | | |
|---|---|---|---|---|
| **(in millions, except percentages)** | **2008** | **2007** | **Variance** | |
| Interest income on interest-bearing cash and cash equivalents | $ 23 | $ 43 | $ (20) | (46)% |
| Gains (losses) on other marketable securities | (37) | | (37) | (100)% |
| Income from cost method investments(1) | 64 | 87 | (23) | (26)% |
| Foreign currency gains (losses) | (23) | 17 | (40) | (235)% |
| Other | (4) | (2) | (2) | (100)% |
| Other income, net | $ 23 | $ 145 | $ (122) | (84)% |

(1) Income from cost method investments in 2008 related primarily to distributions of $62 million from indirect investments in certain life science technology companies. We do not expect material distributions from these investments in the future. The majority of income from cost method investments in 2007 related to $62 million in distributions from funds that owned the Extended Stay America and the Homestead Studio Suites investments, primarily as a result of the sale of those businesses, $14 million related to distributions from certain non-hospitality real estate partnerships and $6 million related to distributions from indirect investments in certain life science technology companies. See note 3 to our audited consolidated financial statements.

*Provision for income taxes.* The provision for income taxes was $90 million for 2008 and $208 million for 2007, which resulted in effective income tax rates of 44.0% for 2008 and 43.9% for 2007.

The effective rate for 2008 of 44.0% differed from the U.S. statutory rate of 35.0% due to the nondeductibility of goodwill impairment of $28 million, an increase in unrecognized tax benefits of $17 million and valuation allowances primarily related to foreign operating losses of $13 million. These impacts were partially offset by tax benefits related to IRS settlements and valuation allowance reversals totaling $29 million and foreign tax rate benefits of $9 million.

The effective rate for 2007 of 43.9% differed from the U.S. statutory rate of 35.0% due to an increase in state taxes, net of federal benefits, of $17 million, an increase in unrecognized tax benefits of $30 million and valuation allowances of $17 million, primarily related to foreign operating losses. These impacts were partially offset by foreign tax rate benefits totaling $26 million.

*Discontinued operations.* During 2008, we sold US Franchise Systems, Inc., which franchised Microtel Inns & Suites and Hawthorn Suites, and recorded a pretax gain on sale of $78 million in discontinued operations and $1 million in earnings from discontinued operations. Additionally, we sold a hotel property and recorded a pretax gain of $4 million during 2008. Income tax expense related to these transactions was $28 million, resulting in a net gain of $55 million.

During 2007, we sold an AmeriSuites hotel that was classified as a discontinued operation and with which we no longer have a management or franchise relationship, recognizing a net gain of $2 million and net earnings of $3 million from discontinued operations.

***Segment Results***

We evaluate segment operating performance using segment revenues and segment Adjusted EBITDA as described in note 20 to our audited consolidated financial statements. See Prospectus Summary Summary Consolidated Financial Data for a discussion of our definition of Adjusted EBITDA, how we use it, why we present it and material limitations on its usefulness. The segment results presented below are presented before intersegment eliminations.

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*Owned and leased hotels.* Revenues increased by $100 million in 2008 compared to 2007, including $4 million in net unfavorable currency effects. Non-comparable owned and leased hotels accounted for $53 million of the increase in revenues over 2007, attributable to the inclusion of a full year of operations of our hotel acquisitions in 2007. Comparable owned and leased hotel revenues increased by $51 million in 2008 compared to 2007, primarily driven by performance improvements at newly converted Hyatt Place hotels and full service hotels.

| | Year Ended December 31, | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | RevPAR | | | Occupancy | | | ADR | | |
| **(Comparable Owned and Leased Hotels)** | **2008** | **2007** | **Variance** | **2008** | **2007** | **Change in Occ % pts** | **2008** | **2007** | **Variance** |
| Full Service | $ 139 | $ 138 | 0.9% | 69.8% | 70.3% | (0.5)% | $ 200 | $ 197 | 1.5% |
| Select Service | 75 | 61 | 22.3% | 69.6% | 60.9% | 8.7% | 107 | 100 | 6.9% |
| Total Owned and Leased Hotels | $ 122 | $ 117 | 3.9% | 69.8% | 67.7% | 2.1% | $ 175 | $ 173 | 0.9% |

| | Year Ended December 31, | | | |
|---|---|---|---|---|
| **(in millions, except percentages)** | **2008** | **2007** | **Variance** | |
| Revenues | $ 2,139 | $ 2,039 | $ 100 | 4.9% |
| Adjusted EBITDA | $ 522 | $ 518 | $ 4 | 0.8% |

Adjusted EBITDA improved by $4 million in 2008 compared to 2007, including $1 million in net unfavorable currency effects. Results of non-comparable owned and leased hotels improved $10 million largely due to our hotel acquisitions in 2007. Comparable owned and leased hotels declined by $1 million in 2008 compared to 2007. However, the 2007 period included the resolution of disputed rent charges that resulted in a gain of $13 million. Our pro rata share of unconsolidated hospitality ventures Adjusted EBITDA decreased by $4 million in 2008 compared to 2007 due to lower performance of the underlying properties.

*North American management and franchising.* North American management and franchising revenues increased by $35 million in 2008 compared to 2007, driven entirely by other revenues from managed properties resulting from increased costs reimbursed by managed properties due to growth in hotel operations primarily occurring during the first half of 2008. Base and incentive fees were flat.

| | Year Ended December 31, | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | RevPAR | | | Occupancy | | | ADR | | |
| **(Comparable Systemwide Hotels)** | **2008** | **2007** | **Variance** | **2008** | **2007** | **Change in Occ % pts** | **2008** | **2007** | **Variance** |
| Systemwide Hotel Results: | | | | | | | | | |
| North American Full Service | $ 128 | $ 129 | (0.9)% | 72.1% | 73.0% | (0.9)% | $ 177 | $ 177 | 0.4% |
| North American Select Service | 73 | 62 | 17.8% | 66.9% | 61.7% | 5.2% | 108 | 100 | 8.6% |

| | Year Ended December 31, | | | |
|---|---|---|---|---|
| **(in millions, except percentages)** | **2008** | **2007** | **Variance** | |
| Revenues: | | | | |
| Management, Franchise and Other Fees | $ 229 | $ 229 | $ | 0.0% |
| Other Revenues from Managed Properties | 1,246 | 1,211 | 35 | 2.9% |
| Total Revenues | $ 1,475 | $ 1,440 | $ 35 | 2.4% |
| Adjusted EBITDA | $ 162 | $ 164 | $ (2) | (1.2)% |

Adjusted EBITDA declined by $2 million in 2008 compared to 2007. Adjusted EBITDA in 2008 included a $18 million increase in bad debt expense and a $4 million increase, primarily due to employee benefits costs, while 2007 Adjusted EBITDA primarily included $15 million in additional performance cure expenses and $7 million in brand launch costs associated with the conversion of our Hyatt Place hotels.

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*International management and franchising.* International management and franchising revenues were essentially flat in 2008 compared to 2007. However, 2008 included $2 million in net favorable currency effects and an increase of $4 million in other revenues from managed properties driven by increased costs reimbursed by managed properties due primarily to higher centralized support costs for managed hotel operations. Offsetting these amounts was a $5 million decline in fee revenue primarily due to a $8 million fee received in 2007 in connection with the sale of a managed property by a third-party owner.

| | Year Ended December 31, | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | RevPAR | | | Occupancy | | | ADR | | |
| **(Comparable Systemwide Hotels)** | **2008** | **2007** | **Variance** | **2008** | **2007** | **Change in Occ % pts** | **2008** | **2007** | **Variance** |
| Systemwide Hotel Results: | | | | | | | | | |
| International Full Service | $ 154 | $ 151 | 2.3% | 65.3% | 68.6% | (3.3)% | $ 237 | $ 220 | 7.4% |

| | Year Ended December 31, | | | |
|---|---|---|---|---|
| **(in millions, except percentages)** | **2008** | **2007** | **Variance** | |
| Revenues: | | | | |
| Management, Franchise and Other Fees | $ 167 | $ 172 | $ (5) | (2.9)% |
| Other Revenues from Managed Properties | 58 | 54 | 4 | 7.4% |
| Total Revenues | $ 225 | $ 226 | $ (1) | (0.4)% |
| Adjusted EBITDA | $ 102 | $ 110 | $ (8) | (7.3)% |

Adjusted EBITDA declined by $8 million in 2008 compared to 2007, including $1 million in favorable currency effects over the same period. The decline in 2008 was primarily driven by a $5 million decrease in fee revenues, as described above, combined with increased employment and professional service expenses.

*Corporate and other.* Corporate and other included unallocated corporate expenses and the results of our vacation ownership business. Vacation ownership revenues declined by $14 million due to significant decreases in demand for vacation ownership units due to weak economic conditions.

| | Year Ended December 31, | | | |
|---|---|---|---|---|
| **(in millions, except percentages)** | **2008** | **2007** | **Variance** | |
| Corporate and other Revenues | $ 105 | $ 119 | $ (14) | (11.8)% |
| Corporate and other Adjusted EBITDA | $ (99) | $ (84) | $ (15) | (17.9)% |

Adjusted EBITDA declined by $15 million in 2008 compared to 2007, primarily due to higher corporate costs of $18 million, which includes $8 million of increased compensation and related costs and $6 million in increased legal and accounting fees. These increases were partially offset by a $3 million improvement in vacation ownership Adjusted EBITDA due to aggregate cost reductions.

*Eliminations.* Eliminations increased by $21 million in 2008 compared to 2007, primarily representing fees charged by our management and franchising segments to our owned and leased hotels segment.

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*Non-GAAP Measure Reconciliation*

The following table sets forth Adjusted EBITDA by segment for 2008 and 2007. For a discussion of our definition of Adjusted EBITDA, how we use it, why we present it and material limitations on its usefulness, see Prospectus Summary Summary Consolidated Financial Data and Key Business Metrics Evaluated by Management.

| | Year Ended December 31, | | | |
|---|---|---|---|---|
| **(in millions, except percentages)** | **2008** | **2007** | **Variance** | |
| Owned and leased hotels | $ 522 | $ 518 | $ 4 | 0.8% |
| North American management and franchising | 162 | 164 | (2) | (1.2)% |
| International management and franchising | 102 | 110 | (8) | (7.3)% |
| Corporate and other | (99) | (84) | (15) | (17.9)% |
| Consolidated Adjusted EBITDA | $ 687 | $ 708 | $ (21) | (3.0)% |

The table below provides a reconciliation of our consolidated Adjusted EBITDA to EBITDA and a reconciliation of EBITDA to net income attributable to Hyatt Hotels Corporation for 2008 and 2007:

| | Year Ended December 31, | |
|---|---|---|
| **(in millions)** | **2008** | **2007** |
| Adjusted EBITDA | **$ 687** | **$ 708** |
| Equity earnings from unconsolidated hospitality ventures | 14 | 11 |
| Gains on sales of real estate | | 22 |
| Asset impairments | (86) | (61) |
| Other income, net | 23 | 145 |
| Charge resulting from the termination of our supplemental executive defined benefit plans | (20) | |
| Discontinued operations and changes in accounting principles, net of tax | 56 | 5 |
| Net income attributable to noncontrolling interests | (2) | (1) |
| Pro rata share of unconsolidated hospitality ventures Adjusted EBITDA | (90) | (94) |
| EBITDA | **582** | **735** |
| Depreciation and amortization | (249) | (214) |
| Interest expense | (75) | (43) |
| Provision for income taxes | (90) | (208) |
| Net income attributable to Hyatt Hotels Corporation | **$ 168** | **$ 270** |

***Year Ended December 31, 2007 Compared with Year Ended December 31, 2006***

***Consolidated Results***

| (in millions, except percentages) | Years Ended December 31, 2007 | 2006 | Variance | |
|---|---|---|---|---|
| Revenues: | | | | |
| Total revenues | $ 3,738 | $ 3,471 | $ 267 | 7.7% |
| Direct and Selling, General, and Administrative Expenses: | | | | |
| Owned and leased hotels | 1,524 | 1,424 | 100 | 7.0% |
| Depreciation and amortization | 214 | 195 | 19 | 9.7% |
| Other direct costs | 42 | 46 | (4) | (8.7)% |
| Selling, general, and administrative | 292 | 247 | 45 | 18.2% |
| Other costs from managed properties | 1,281 | 1,207 | 74 | 6.1% |
| Direct and selling, general, and administrative expenses | 3,353 | 3,119 | 234 | 7.5% |
| Net gains and interest income from marketable securities held to fund operating programs | 15 | 12 | 3 | 25.0% |
| Equity earnings from unconsolidated hospitality ventures | 11 | 13 | (2) | (15.4)% |
| Interest expense | (43) | (36) | (7) | (19.4)% |
| Gains on sales of real estate | 22 | 57 | (35) | (61.4)% |
| Asset impairments | (61) | | (61) | (100.0)% |
| Other income, net | 145 | 126 | 19 | 15.1% |
| Income before income taxes | 474 | 524 | (50) | (9.5)% |
| Provision for income taxes | (208) | (193) | (15) | (7.8)% |
| Income from continuing operations | 266 | 331 | (65) | (19.6)% |
| Discontinued operations | 5 | (2) | 7 | 350.0% |
| Net income | 271 | 329 | (58) | (17.6)% |
| Net (income) attributable to noncontrolling interests | (1) | (14) | 13 | 92.9% |
| Net Income Attributable to Hyatt Hotels Corporation | $ 270 | $ 315 | $ (45) | (14.3)% |

*Revenues.* Consolidated revenues increased by $267 million, or 7.7%, in 2007 compared to 2006, including $25 million in favorable currency effects, driven largely by a $179 million increase from owned and leased hotels. Our comparable owned and leased hotels reported an increase in revenues of $141 million driven by an increase in comparable owned and leased RevPAR of 11.1%. The RevPAR increase was primarily attributable to an increase in ADR of 9.2% driven by strong industry demand with the balance of the increase in RevPAR driven by a modest increase in occupancy. Non-comparable owned and leased hotel revenues increased by $38 million for 2007 as compared to 2006 primarily due to acquisitions. North American management and franchising revenues increased by $64 million compared to 2006, driven by a $61 million increase in other revenues from managed properties and a $17 million increase in management fees, which were partially offset by contract termination fees of $16 million received in 2006. International management and franchising revenues increased by $38 million over the same period, driven by a $26 million increase in management fees and a $12 million increase in other revenues from managed properties. Management fees increased in both our North American and international businesses due in part to increases in RevPAR attributable to increases in ADR as well as limited occupancy gains in 2007. Other revenues from managed properties increased in North America and internationally due to greater costs reimbursed by managed properties incurred to support growth of the respective hotel operations. Vacation ownership revenues decreased by $5 million in 2007 compared to 2006. The table below provides a breakdown of revenues by segment for the years ended December 31, 2007 and 2006. For further discussion of segment revenues for the periods presented, please refer to Segment Results.

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| | Year Ended December 31, | | | |
|---|---|---|---|---|
| **(in millions, except percentages)** | **2007** | **2006** | **Variance** | |
| Owned and leased hotels | $ 2,039 | $ 1,860 | $ 179 | 9.6% |
| North American management and franchising | 1,440 | 1,376 | 64 | 4.7% |
| International management and franchising | 226 | 188 | 38 | 20.2% |
| Corporate and other | 119 | 124 | (5) | (4.0)% |
| Eliminations | (86) | (77) | (9) | (11.7)% |
| Consolidated revenues | $ 3,738 | $ 3,471 | $ 267 | 7.7% |

*Owned and leased hotels expense.* Owned and leased hotels expense increased by $100 million in 2007 compared to 2006, primarily attributable to overall growth in our comparable owned and leased hotels, which had an $84 million increase in expenses. The majority of this expense increase was for compensation and related costs as we added staff at hotels to meet the greater demand for hospitality services. The remaining increase in expenses was primarily driven by noncomparable owned and leased hotels due to acquisitions of hotels.

*Depreciation and amortization expense.* Depreciation and amortization expense increased by $19 million in 2007 compared to 2006, primarily driven by depreciation and amortization expense associated with our hotel acquisitions in 2007.

*Other direct costs.* Other direct costs, which represent costs associated with our vacation ownership operations, decreased by $4 million in 2007 compared to 2006, primarily due to decreased cost of sales of vacation ownership intervals.

*Selling, general and administrative expenses.* Selling, general and administrative expenses increased by $45 million in 2007 compared to 2006, primarily due to $12 million in payroll and other costs related to the growth of our international management and franchising segment, $7 million in higher performance cure expense, $5 million in greater brand launch costs associated with the start-up of our Hyatt Place and Hyatt Summerfield Suites brands, and $14 million of higher corporate expenses due primarily to increased payroll and related benefits.

*Net gains and interest income from marketable securities held to fund operating programs.* We recognized a net gain of $5 million in 2007 compared to a net gain of $2 million in 2006 on securities held to fund our Hyatt Gold Passport program and a net gain of $10 million in 2007 and 2006 in securities held to fund our benefit programs funded through rabbi trusts.

*Equity earnings from unconsolidated hospitality ventures.* Earnings from unconsolidated hospitality ventures decreased by $2 million in 2007 compared to 2006, primarily due to the difference in impairment and other charges recorded in both years. During 2007, we recorded a charge of $12 million, primarily related to our interest in a hotel property in Waikiki, while in 2006, we recorded an impairment charge of $10 million related to a hotel property in South America.

*Interest expense.* Interest expense increased by $7 million in 2007 compared to 2006 and included interest of $10 million in respect of a capital lease obligation we entered into in 2007 for our Hyatt Regency Grand Cypress property, interest of $10 million in respect of debt assumed in connection with 2007 acquisitions and interest of $11 million associated with the 2007 issuance of $600 million in senior subordinated notes. Partially offsetting these increases was a reduction to interest expense of $12 million due to the repayment of debt retired in 2007 and higher capitalized interest in 2007 of $12 million in construction projects.

*Gains on sales of real estate.* Gains on sale of real estate of $22 million in 2007 were attributable to the sale of seven AmeriSuites hotels and the Hyatt Regency Woodfield in 2007. In 2006,

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gains on sale of real estate of $57 million were attributable to a $18 million gain on the sale of a hotel property and a $39 million gain on the sale of land.

*Asset impairments.* We recorded a charge of $61 million in 2007 attributable to a reserve taken in respect of a loan to a hotel developer as a result of the developer s default. We wrote off the loan in 2008.

*Other income, net.* Other income, net increased by $19 million in 2007 compared to 2006. The table below provides a breakdown of other income, net for 2007 and 2006:

| | Year Ended December 31, | | | |
|---|---|---|---|---|
| **(in millions, except percentages)** | **2007** | **2006** | **Variance** | |
| Interest income on interest-bearing cash and cash equivalents | $ 43 | $ 49 | $ (6) | (12)% |
| Income from cost method investments(1) | 87 | 72 | 15 | 21% |
| Foreign currency gains | 17 | 11 | 6 | 55% |
| Other | (2) | (6) | 4 | 67% |
| Other income, net | $ 145 | $ 126 | $ 19 | 15% |

(1) The majority of income from cost method investments in 2007 related to $62 million in distributions from funds that owned the Extended Stay America and the Homestead Studio Suites investments, primarily as a result of the sale of those businesses, $14 million related to distributions from certain non-hospitality real estate partnerships and $6 million related to distributions from indirect investments in certain life science technology companies. The 2006 income from cost method investments primarily related to $40 million in cash distributions from certain non-hospitality real estate partnerships and a $12 million distribution from indirect investments in certain life science technology companies. See note 3 to our audited consolidated financial statements.

*Provision for income taxes.* The provision for income taxes was $208 million for 2007 and $193 million in 2006, based on effective income tax rates of 43.9% in 2007 and 37.0% in 2006.

The effective rate for 2007 of 43.9% differed from the U.S. statutory rate of 35.0% due to an increase in state taxes, net of federal benefits, of $17 million and an increase in unrecognized tax benefits of $30 million and valuation allowances of $17 million, primarily related to foreign operating losses. These impacts were partially offset by foreign tax rate benefits totaling $26 million.

The effective rate for 2006 of 37.0% differed from the U.S. statutory rate of 35.0% due to state and local taxes, net of federal benefits, of $14 million and an increase in valuation allowances of $3 million, primarily related to foreign operating losses. These impacts were partially offset by foreign tax rate benefits of $10 million.

*Net income attributable to noncontrolling interests.* Net income attributable to noncontrolling interests decreased by $13 million in 2007 as compared to 2006. This decrease was attributable to the $39 million gain on sale of land discussed above, of which $13 million was attributable to noncontrolling interests.

*Discontinued operations.* During 2007, we sold an AmeriSuites hotel, recognizing a net gain of $2 million and net earnings of $3 million from discontinued operations.

During 2006, we sold eight select service hotels, recognizing a net loss of $2 million and net earnings of $4 million.

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***Segment Results***

*Owned and Leased Hotels.* Owned and leased hotel revenues increased by $179 million in 2007 compared to 2006, including $19 million in favorable currency effects. Comparable owned and leased hotel revenues increased by $141 million, driven by strong RevPAR growth of 11.1%. Non-comparable owned and leased hotel revenues increased by $38 million, primarily as a result of acquisitions completed during 2007.

| | Year Ended December 31, | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | RevPAR | | | Occupancy | | | ADR | | |
| **(Comparable Owned and Leased Hotels)** | **2007** | **2006** | **Variance** | **2007** | **2006** | **Change in Occ % pts** | **2007** | **2006** | **Variance** |
| Full Service | $ 134 | $ 123 | 9.5% | 70.4% | 69.5% | 0.9% | $ 191 | $ 177 | 8.1% |
| Select Service | 61 | 51 | 20.4% | 60.6% | 59.0% | 1.6% | 101 | 87 | 17.1% |
| Total Owned and Leased Hotels | $ 115 | $ 103 | 11.1% | 67.8% | 66.7% | 1.1% | $ 169 | $ 155 | 9.2% |

| | Year Ended December 31, | | | |
|---|---|---|---|---|
| **(in millions, except percentages)** | **2007** | **2006** | **Variance** | |
| Revenues | $ 2,039 | $ 1,860 | $ 179 | 9.6% |
| Adjusted EBITDA | $ 518 | $ 421 | $ 97 | 23.0% |

Adjusted EBITDA increased by $97 million in 2007 compared to 2006, including $8 million in favorable currency effects. The growth in Adjusted EBITDA was primarily due to improved performance at comparable owned and leased hotels of $52 million, which included the resolution of disputed rent charges that resulted in a gain of $13 million. Our pro rata share of unconsolidated hospitality ventures Adjusted EBITDA increased by $25 million and non-comparable owned and leased hotels contributed $20 million of incremental earnings.

*North American management and franchising.* North American management and franchising revenues increased by $64 million in 2007 compared to 2006, of which $61 million was due to an increase in other revenues from managed properties driven by higher costs reimbursed by managed properties incurred to support growth of hotel operations. Included in 2006 were management agreement termination fees of $16 million. Excluding the 2006 termination fees, base and incentive fees in 2007 increased by $17 million, primarily due to a RevPAR increase of 7.7% driven by ADR and occupancy improvement at comparable systemwide North American full service hotels over the same period.

| | Year Ended December 31, | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | RevPAR | | | Occupancy | | | ADR | | |
| **(Comparable Systemwide Hotels)** | **2007** | **2006** | **Variance** | **2007** | **2006** | **Change in Occ % pts** | **2007** | **2006** | **Variance** |
| Systemwide Hotel Results: | | | | | | | | | |
| North American Full Service | $ 129 | $ 120 | 7.7% | 73.3% | 71.7% | 1.6% | $ 177 | $ 168 | 5.3% |
| North American Select Service | 62 | 57 | 7.9% | 61.6% | 63.6% | (2.0)% | 100 | 90 | 11.5% |

| | Year Ended December 31, | | | |
|---|---|---|---|---|
| **(in millions, except percentages)** | **2007** | **2006** | **Variance** | |
| Revenues: | | | | |
| Management, Franchise and Other Fees | $ 229 | $ 226 | $ 3 | 1.3% |
| Other Revenues from Managed Properties | 1,211 | 1,150 | 61 | 5.3% |
| Total Revenues | $ 1,440 | $ 1,376 | $ 64 | 4.7% |
| Adjusted EBITDA | $ 164 | $ 171 | $ (7) | (4.1)% |

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Adjusted EBITDA declined $7 million in 2007 compared to 2006. The decline was primarily due to increased expenses for performance cures of $7 million and brand launch costs of $5 million associated with the conversion of the Hyatt Place properties. These increased expenses were partially offset by the 2007 increase in fee revenues.

*International management and franchising.* International management and franchising revenues increased by $38 million in 2007 compared to 2006, including $6 million in favorable currency effects. Other revenues from managed properties increased by $12 million in 2007 driven by higher costs reimbursed by managed properties incurred to support growth of hotel operations. Management fees increased $26 million as a result of RevPAR growth of 19.1%, attributable in part to robust demand by business travelers.

| | Year Ended December 31, | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | RevPAR | | | Occupancy | | | ADR | | |
| **(Comparable Systemwide Hotels)** | **2007** | **2006** | **Variance** | **2007** | **2006** | **Change in Occ % pts** | **2007** | **2006** | **Variance** |
| Systemwide Hotel Results: | | | | | | | | | |
| International Full Service | $ 149 | $ 125 | 19.1% | 68.9% | 67.5% | 1.4% | $ 216 | $ 185 | 16.7% |

| | Year Ended December 31, | | | |
|---|---|---|---|---|
| **(in millions, except percentages)** | **2007** | **2006** | **Variance** | |
| Revenues: | | | | |
| Management, Franchise and Other Fees | $ 172 | $ 146 | $ 26 | 17.8% |
| Other Revenues from Managed Properties | 54 | 42 | 12 | 28.6% |
| Total Revenues | $ 226 | $ 188 | $ 38 | 20.2% |
| Adjusted EBITDA | $ 110 | $ 101 | $ 9 | 8.9% |

Adjusted EBITDA increased by $9 million in 2007 compared to 2006, including $6 million in net favorable currency effects. The improvement was due primarily to the $26 million increase in management fees, partially offset by higher compensation and defined benefit expenses of $12 million and other expenses of $5 million.

*Corporate and other.* Corporate and other included unallocated corporate expenses and the results of our vacation ownership business. Vacation ownership revenues decreased by $5 million.

| | Year Ended December 31, | | | |
|---|---|---|---|---|
| **(in millions, except percentages)** | **2007** | **2006** | **Variance** | |
| Corporate and other Revenues | $ 119 | $ 124 | $ (5) | (4.0)% |
| Corporate and other Adjusted EBITDA | $ (84) | $ (65) | $ (19) | (29.2)% |

Adjusted EBITDA declined by $19 million in 2007 compared to 2006, primarily due to increased corporate expenses of $14 million due to an increase of $8 million in compensation and related costs, $5 million in increased brand development costs and professional fees. The remaining $5 million decline is due to the decrease in vacation ownership sales.

*Eliminations.* Eliminations increased by $9 million in 2007 compared to 2006, primarily representing fees charged by our management and franchising segments to our owned hotels for handling their operations.

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***Non-GAAP Measure Reconciliation***

The following table sets forth Adjusted EBITDA by segment for 2007 and 2006. For a discussion of our definition of Adjusted EBITDA, how we use it, why we present it and material limitations on its usefulness, see Prospectus Summary Summary Consolidated Financial Data and Key Business Metrics Evaluated by Management.

| (in millions, except percentages) | Year Ended December 31, 2007 | 2006 | Variance | |
|---|---|---|---|---|
| Owned and Leased Hotels | $ 518 | $ 421 | $ 97 | 23.0% |
| North American Management and Franchising | 164 | 171 | (7) | (4.1)% |
| International Management and Franchising | 110 | 101 | 9 | 8.9% |
| Corporate and Other | (84) | (65) | (19) | (29.2)% |
| Consolidated Adjusted EBITDA | $ 708 | $ 628 | $ 80 | 12.7% |

The table below provides a reconciliation of our consolidated Adjusted EBITDA to EBITDA and a reconciliation of EBITDA to net income attributable to Hyatt Hotels Corporation for 2007 and 2006:

| (in millions) | Year Ended December 31, 2007 | 2006 |
|---|---|---|
| Adjusted EBITDA | $ 708 | $ 628 |
| Equity earnings from unconsolidated hospitality ventures | 11 | 13 |
| Gains on sales of real estate | 22 | 57 |
| Asset impairments | (61) | |
| Other income, net | 145 | 126 |
| Discontinued operations and changes in accounting principles, net of tax | 5 | (2) |
| Net income attributable to noncontrolling interests | (1) | (14) |
| Pro rata share of unconsolidated hospitality ventures Adjusted EBITDA | (94) | (69) |
| EBITDA | 735 | 739 |
| Depreciation and amortization | (214) | (195) |
| Interest expense | (43) | (36) |
| Provision for income taxes | (208) | (193) |
| Net income attributable to Hyatt Hotels Corporation | $ 270 | $ 315 |

**Inflation**

We do not believe that inflation had a material effect on our business in 2008, 2007 or 2006.

**Liquidity and Capital Resources**

***Overview***

We finance our business primarily with existing cash, cash generated from our operations and net proceeds from dispositions. When appropriate, we also borrow cash under our revolving credit facility or from other third party sources, and may also raise funds by issuing debt or equity securities as necessary. We maintain a cash investment policy that emphasizes preservation of capital. Starting in 2008, the global credit and economic crisis had a significant impact on the operations of, and the capital available to, the lodging industry. In response, we implemented the following initiatives:

we repurchased and cancelled our senior subordinated notes;

- we sold shares of common stock to the holders of the senior subordinated notes in settlement of their obligations under an equity subscription agreement;

- we raised additional equity capital from our existing stockholders;

- we extended the maturity of our revolving credit facility and increased borrowing capacity to $1.5 billion;

- we issued $500 million aggregate principal amount of senior notes and repaid $252 million of outstanding secured debt and settled certain related swap agreements; and

- we implemented a number of cost saving initiatives and reduced our capital expenditure plans for 2009.

Accordingly, the economic crisis has not had a material impact on the balance of our cash and cash equivalents or our access to liquidity. We believe that our cash position and cash from operations, together with borrowing capacity under our revolving credit facility, will be adequate to meet all of our funding requirements in the foreseeable future.

***Recent Transactions Affecting our Liquidity and Capital Resources***

In May 2009, we repurchased and cancelled $600 million aggregate principal amount of senior subordinated notes from three third-party investors for an aggregate purchase price of $688 million, consisting of a $600 million repayment of principal and $88 million in make-whole interest and early settlement premiums. We also settled obligations of those third-party investors to subscribe for shares of our common stock and received $11 million for the balance due under the subscription agreement. In the settlement, we sold 21.7 million shares of our common stock to the investors for a purchase price of $600 million. For a detailed description of these transactions, see Certain Relationships and Related Party Transactions Agreements Related to August 2007 Financing Transaction, Repurchase of Notes and Early Settlement of Subscription Agreement.

In May 2009, we issued and sold 58.4 million shares of our common stock for an aggregate purchase price of $759 million to our existing investors (including certain third-party investors) and their affiliates, including affiliates of the holders of our senior subordinated notes referred to above and certain of our non-employee directors.

In July 2009, we amended our revolving credit facility to extend its maturity and to increase borrowing capacity to $1.5 billion. As of June 30, 2009, after giving effect to this amendment and extension, we had undrawn capacity of $1.4 billion under our revolving credit facility, which reflects outstanding letters of credit. Under the terms of the amended facility, the commitments to lend made by those lenders that did not consent to extend the maturity of their commitments (comprising of $370 million of credit availability) will terminate on June 29, 2010, with the remaining commitments to lend (i.e., from those lenders that consented to extend the maturity of their commitments and new lenders) terminating on June 29, 2012. Interest rates on outstanding borrowings are based on either one-, two-, three- or six-month LIBOR or an alternate base rate, at our option, with margins in each case based upon our credit ratings. In addition, if the applicable LIBOR falls below 1.0% in the case of LIBOR-based borrowings (including alternative base rate borrowings based upon one-month LIBOR), we must pay a utilization fee to lenders whose loans mature on June 29, 2012, on applicable loans at a rate equal to the difference between 1.0% and the applicable LIBOR.

Our revolving credit facility is guaranteed by substantially all of our material domestic subsidiaries and requires us to comply with financial covenants, including the maintenance of specific financial ratios. These financial covenants, which were amended in July 2009 in connection with extending the maturity and increasing the borrowing capacity of the revolving credit agreement, as discussed above,

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require maintenance of a maximum ratio of Consolidated Adjusted Funded Debt to Consolidated EBITDA (each as defined in the revolving credit facility) not to exceed 4.5x, a minimum ratio of Consolidated EBITDA to Consolidated Interest Expense (as defined in the revolving credit facility) of at least 3.0x and a maximum ratio of Secured Funded Debt to Net Property and Equipment (each as defined in the revolving credit facility) not to exceed 0.3x, in each case measured quarterly. We were in compliance with all applicable covenants as of June 30, 2009. For a detailed discussion of the covenants and restrictions imposed by the documents governing our indebtedness, see Description of Principal Indebtedness.

In August 2009, we issued $500 million aggregate principal amount of senior notes. See Description of Principal Indebtedness. We used a portion of the net proceeds from the sale of the senior notes to repay $252 million of certain outstanding secured debt and settle certain related swap agreements.

***Sources and Uses of Cash***

At June 30, 2009, we had cash and cash equivalents of $1.2 billion, after giving effect to the August 2009 issuance and sale of the senior notes and the use of a portion of the net proceeds from the sale of the senior notes to repay certain outstanding secured debt and settle certain related swap agreements. We had cash and cash equivalents of $428 million at December 31, 2008, $409 million at December 31, 2007 and $801 million at December 31, 2006.

| | Six Months Ended June 30, | | Year Ended December 31, | | |
|---|---|---|---|---|---|
| **(in millions)** | **2009** | **2008** | **2008** | **2007** | **2006** |
| | **(Unaudited)** | | | | |
| Cash provided by (used in): | | | | | |
| Operating activities | $ 61 | $ 132 | $ 287 | $ 362 | $ 369 |
| Investing activities | (214) | (9) | (423) | (396) | (494) |
| Financing activities | 699 | (25) | (20) | (374) | (92) |
| Cash provided by discontinued operations | | 11 | 143 | 31 | 30 |
| Effects of changes in exchange rate on cash and cash equivalents | (6) | (8) | 25 | (14) | (4) |
| Net changes in cash and cash equivalents | $ 540 | $ 101 | $ 12 | $ (391) | $ (191) |

***Cash Flows from Operating Activities***

Cash flows provided by operating activities totaled $61 million in the six months ended June 30, 2009, compared to $132 million in the same period last year. The decrease in cash flow generation year-over-year was primarily due to the loss from continuing operations, which included the costs related to the repurchase of senior subordinated notes and early settlement of a subscription agreement described above, of which $77 million was a use of cash. Offsetting these decreases was a significant reduction in cash paid for taxes due to a substantial payment made in the first half of 2008 related to a distribution from indirect investments in certain life science technology companies that was not repeated in 2009, as well as the effect on income tax expense resulting from the shift from a net income position in 2008 to a net loss position in 2009. Additionally, cash used for compensation related expenses reduced significantly in 2009 compared to 2008 primarily due to cost containment measures and a large deferred compensation payment made in the first half of 2008.

In 2008, cash flows provided by operating activities totaled $287 million, compared to $362 million in 2007. The decrease was primarily driven by lower operating results and a 2008 cash payment of $42 million in connection with the termination of our supplemental executive defined benefit plans.

In 2007, cash flows provided by operating activities were relatively flat compared to 2006.

***Cash Flows from Investing Activities***

Cash flows used in investing activities totaled $214 million in the six months ended June 30, 2009, compared to $9 million in the same period last year. During the first six months of 2009, we invested $109 million, net of cash received, related to the acquisition of our Hyatt Regency Boston property. During the first six months of 2008, we invested $31 million to acquire the remaining interest in our Andaz Liverpool Street property. In the six months ended June 30, 2009, we contributed $39 million of cash to unconsolidated hospitality ventures, compared to $10 million in the same period last year. The large increase was due to the investment in an unconsolidated hospitality venture in Texas that owns a convention hotel. Also, our investing activities included a reduction of $171 million of distributions of capital from unconsolidated entities. The majority of the decrease relates to the fact that 2008 benefited from the distributions from indirect investments in certain life science technology companies of $184 million.

In 2008, cash flows used in investing activities totaled $423 million, compared to $396 million in 2007. The increase was driven by a $278 million senior secured loan that we provided to a hospitality venture that acquired the Hyatt Regency Waikiki and the absence of proceeds from sales of real estate in 2008 compared to $98 million of such proceeds in 2007. The increase was partially offset by a $119 million decrease in capital expenditures in 2008, a $93 million increase in distributions from investments in 2008 and a $212 million decrease in funds used for acquisitions in 2008. The increased distributions from investments in 2008 were primarily attributable to distributions from indirect investments in certain life science technology companies in which we have a 5% residual interest.

In 2007, cash flows used in investing activities totaled $396 million, compared to $494 million in 2006. This reduction was primarily related to a $68 million decrease in funds used for acquisitions in 2007.

***Cash Flows from Financing Activities***

Cash flows provided by financing activities totaled $699 million in the six months ended June 30, 2009, compared to $25 million of cash used in financing activities during the six months ended June 30, 2008. We repurchased $600 million in outstanding senior subordinated notes from investors and paid down the net balance of $30 million outstanding on our revolving credit facility as well as $19 million in capital lease obligations. In connection with the settlement of a subscription agreement, we sold 21.7 million shares of common stock to existing investors for a purchase price of $600 million. In addition, we issued additional shares of common stock to investors in exchange for cash of $755 million, net of transaction costs of $4 million. These transactions caused our debt to total capital ratio to decrease by 14.7% and 23.5% when calculated on a net debt basis, as set forth in the following table:

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The following is a summary of our debt to capital ratios as of June 30, 2009, on an actual basis and on an adjusted basis to give effect to the August 2009 issuance and sale of the senior notes and the use of a portion of the net proceeds from the sale of the senior notes to repay certain outstanding secured debt and settle certain related swap agreements, and as of December 31, 2008:

| (in millions, except percentages) | June 30, 2009 Actual | June 30, 2009 As Adjusted | December 31, 2008 |
|---|---|---|---|
| Consolidated debt(1) | $ 612 | $ 858 | $ 1,247 |
| Stockholders equity | 4,874 | 4,876 | 3,564 |
| Total capital | 5,486 | 5,734 | 4,811 |
| Total debt to total capital | 11.2% | 15.0% | 25.9% |
| Consolidated debt(1) | 612 | 858 | 1,247 |
| Less: Cash and cash equivalents | 968 | 1,220 | 428 |
| Net consolidated debt (cash) | (356) | (362) | 819 |
| Net debt (cash) to total capital | (6.5)% | (6.3)% | 17.0% |

(1) Excludes approximately $507 million of our share of unconsolidated hospitality venture indebtedness as of June 30, 2009, substantially all of which is non-recourse to us.

In 2008, cash flows used in financing activities totaled $20 million, compared to $374 million in 2007. The decrease was primarily attributable to the net use of cash in 2007 in connection with the retirement of $325 million of debt and the repurchase of 35.8 million shares of our common stock for $1.1 billion, partially offset by the issuance of 100,000 shares of Series A convertible preferred stock for $500 million and the issuance of unsecured senior subordinated notes for $600 million.

In 2007, cash flows used in financing activities totaled $374 million, compared to $92 million in 2006, including $86 million related to payments on debt. The increase in cash used was primarily attributable to the 2007 financing activity described above.

***Cash Flows from Discontinued Operations***

In 2008, net cash provided by discontinued operations increased $112 million, which was attributable to the sale of US Franchise Systems, Inc., which owned the Microtel and Hawthorne Suites brands, during the third quarter of 2008, resulting in $131 million of gross proceeds.

***Capital Expenditures***

We routinely make capital expenditures to enhance our business. We divide our capital expenditures into maintenance, enhancements to existing properties and investment in new facilities.

During the six months ended June 30, 2009, we made total capital expenditures of $104 million, which included $31 million related to our Andaz Fifth Avenue property in New York. During the six months ended 2008, our total capital expenditures were $116 million, which included $12 million related to our Andaz Fifth Avenue property. Our total capital expenditures during 2008 were $258 million, which included $28 million related to our Andaz Fifth Avenue property, compared to $377 million during 2007. We have been and will continue to be prudent with respect to our capital spending, taking into account our cash flow from operations.

***Revolving Credit Facility and Letters of Credit***

At June 30, 2009, we had no borrowings outstanding under our revolving credit facility. At December 31, 2008, we had $30 million of borrowings outstanding under our revolving credit facility. Additionally, we have outstanding undrawn letters of credit that are issued under our revolving credit

facility. During the six months ended June 30, 2009, the average daily borrowings under the revolving credit facility were $82 million. We had no daily borrowings under the revolving credit facility during the six months ended June 30, 2008.

We issue letters of credit either under the revolving credit facility or directly with financial institutions. We had $109 million in letters of credit outstanding at June 30, 2009 and $110 million in letters of credit outstanding at December 31, 2008. We had $88 million in letters of credit issued under the revolving credit facility as of June 30, 2009 and $89 million in letters of credit issued under the revolving credit facility as of December 31, 2008. We had letters of credit issued directly with financial institutions of $21 million at June 30, 2009 and at December 31, 2008.

The average daily borrowings under the revolving credit facility were $20 million during 2008 and $4 million during 2007. At December 31, 2007 we had no outstanding borrowings under the revolving credit facility. We had letters of credit outstanding in the amount of $104 million at December 31, 2007. Letters of credit issued under the revolving credit facility totaled $83 million as of December 31, 2007. The letters of credit issued directly with banks totaled $21 million at December 31, 2007. See Description of Principal Indebtedness.

***Other Indebtedness and Future Debt Maturities***

We entered into a thirty-year capital lease for the Hyatt Regency Grand Cypress in 2007. Under this lease, we are obligated to make at least $30 million in capital improvements to the property within the first five years of the lease. As of June 30, 2009, we had contracted the full amount of capital improvements and $27 million had been spent. The aggregate amount outstanding under this lease was $201 million as of June 30, 2009. The aggregate amount of annual payments under the lease totals $14.2 million, and we have options to buy out the property in the eighth year of the lease for $200 million, in the tenth year of the lease for $220 million and in the fifteenth year of the lease for $255 million.

After giving effect to our use of a portion of the net proceeds from the August 2009 sale of senior notes to repay certain outstanding secured debt and settle certain related swap agreements, and excluding the $201 million lease obligation described above, all other third-party indebtedness as of June 30, 2009 totaled $160 million, consisting primarily of property-specific secured indebtedness on the following three properties:

- Hyatt Regency San Antonio ($59 million), which matures in 2011;
- Hyatt Regency Princeton ($45 million), which matures in 2011; and
- Hyatt Regency Aruba ($35 million), which matures in 2011.

The interest rates on these mortgages are fixed, ranging from 6.00% to 10.07%.

At June 30, 2009, $17 million of our outstanding debt will mature in the following twelve months, and $9 million of additional debt will mature in the second half of 2010. After giving effect to our use of a portion of the net proceeds from the August 2009 sale of senior notes to repay certain outstanding secured debt and settle certain related swap agreements, at June 30, 2009, $11 million of our outstanding debt will mature in the following twelve months, and $5 million of additional debt will mature in the second half of 2010. We believe that we will have adequate liquidity to meet requirements for scheduled maturities. However, we cannot assure you that we will be able to refinance our indebtedness as it becomes due and, if refinanced, whether such refinancing will be available on favorable terms.

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*Contractual Obligations*

The following table summarizes our contractual obligations as of December 31, 2008:

| | | Payments Due by Period | | | |
|---|---|---|---|---|---|
| **(dollars in millions)** | **Total** | **Less Than 1 Year** | **1-3 Years** | **3-5 Years** | **After 5 Years** |
| Debt(1)(2) | $ 1,237 | $ 73 | $ 441 | $ 672 | $ 51 |
| Capital lease obligations(1) | 316 | 37 | 32 | 32 | 215 |
| Operating lease obligations | 417 | 30 | 55 | 49 | 283 |
| Purchase obligations | 117 | 98 | 19 | | |
| Other long-term liabilities(3) | 258 | 14 | 17 | 18 | 209 |
| Total contractual obligations | $ 2,345 | $ 252 | $ 564 | $ 771 | $ 758 |

(1) Includes principal as well as interest payments.
(2) Assumes constant interest rate and foreign exchange rate (as of December 31, 2008) for international debt and floating rate debt.
(3) Primarily consists of deferred compensation plan liabilities and obligations to fund contract acquisition costs, loans to hotel owners or other investments. Excludes $91 million in long-term tax positions due to the uncertainty related to the timing of the reversal of those positions.

In 2009, we repaid $600 million in senior subordinated notes, issued $500 million aggregate principal amount of senior notes and repaid $252 million of secured debt. The total amount of debt obligations as of December 31, 2008 after giving effect to these 2009 transactions as if they had occurred at December 31, 2008 at foreign exchange rates in effect on that date would have been $958 million and the respective payments due by period would have been as follows:

| **(dollars in millions)** | **Payments Due** |
|---|---|
| Less Than 1 Year | $ 52 |
| 1-3 Years | 241 |
| 3-5 Years | 63 |
| After 5 Years | 602 |
| Total debt | $ 958 |

*Off-Balance Sheet Arrangements*

Our off-balance sheet arrangements at December 31, 2008 included purchase obligations of $117 million, letters of credit of $89 million and surety bonds of $22 million. These amounts are more fully discussed in Sources and Uses of Cash Revolving Credit Facility and Letters of Credit , Contractual Obligations and note 14 to our audited consolidated financial statements.

**Quantitative and Qualitative Disclosures about Market Risk**

We are exposed to market risk primarily from changes in interest rates and foreign currency exchange rates. In certain situations, we seek to reduce earnings and cash flow volatility associated with changes in interest rates and foreign currency exchange rates by entering into financial arrangements to provide a hedge against a portion of the risks associated with such volatility. We continue to have exposure to such risks to the extent they are not hedged. We enter into derivative financial arrangements to the extent they meet the objectives described above, and we do not use derivatives for trading or speculative purposes. At June 30, 2009, we were a party to hedging transactions including the use of derivative financial instruments, as discussed below.

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***Foreign Currency Exposures and Exchange Rate Instruments***

We maintain non-U.S. dollar denominated debt, which provides a natural hedge of a portion of our international foreign currency earnings exposure but also exposes our reported debt balances to fluctuations in foreign currency exchange rates. During the six months ending June 30, 2009, the effect of changes in foreign currency exchange rates was a net increase of $22 million.

We conduct business in various foreign currencies and use foreign currency forward contracts to offset our exposure associated with the fluctuations of certain foreign currencies. These foreign currency exposures typically arise from intercompany loans and other intercompany transactions. The net U.S. dollar equivalent of the notional amount of the forward contracts as of June 30, 2009 was $199 million, all of which expire in 2009. We intend to offset the gains and losses related to our intercompany loans and transactions with gains or losses on our foreign currency forward contracts such that there is a negligible effect to net income attributable to Hyatt Hotels Corporation. We expect to continue this practice relating to our intercompany loans and transactions, and may also begin to manage the risks associated with other transactional and translational foreign currency volatility within our business.

**Critical Accounting Policies and Estimates**

Preparing financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the financial statements, the reported amounts of revenues and expenses during the reporting periods and the related disclosures in our consolidated financial statements and accompanying notes.

We believe that of our significant accounting policies, which are described in note 2 to the audited consolidated financial statements included in this prospectus, the following accounting policies are critical due to the fact that they involve a higher degree of judgment and estimates about the effect of matters that are inherently uncertain. As a result, these accounting policies could materially affect our financial position and results of operations. While we have used our best estimates based on the facts and circumstances available to us at the time, different estimates reasonably could have been used in the current period. In addition, changes in the accounting estimates that we use are reasonably likely to occur from period to period, which may have a material impact on the presentation of our financial condition and results of operations. Although we believe that our estimates, assumptions and judgments are reasonable, they are based upon information presently available. Actual results may differ significantly from these estimates under different assumptions, judgments or conditions. Management has discussed the development and selection of these critical accounting policies and estimates with the Audit Committee of the board of directors.

***Goodwill***

We review the carrying value of all our goodwill in accordance with Financial Accounting Standards Board, (FASB) Statement of Financial Accounting Standards (SFAS) No. 142, *Goodwill and Other Intangible Assets*, by comparing the carrying value of our reporting units to their fair values in a two-step process. We define a reporting unit at the individual property or business level. We are required to perform this comparison at least annually or more frequently if circumstances indicate possible impairment. When determining fair value in step one, we utilize internally developed discounted future cash flow models, third-party appraisals and, if appropriate, current estimated net sales proceeds from pending offers. Under the discounted cash flow approach we utilize various assumptions, including projections of revenues based on assumed long-term growth rates, estimated costs and appropriate discount rates based on the weighted-average cost of capital. The principal factors used in the discounted cash flow analysis requiring judgment are the projected future operating cash flows, the weighted-average cost of capital and the terminal value growth rate assumptions. The

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weighted-average cost of capital takes into account the relative weights of each component of our consolidated capital structure (equity and long-term debt). Our estimates of long-term growth and costs are based on historical data, various internal estimates and a variety of external sources and are developed as part of our routine, long-term planning process. We then compare the estimated fair value to our carrying value. If the carrying value is in excess of the fair value, we must perform step two in order to determine our implied fair value of goodwill to measure if any impairment charge is necessary. The determination of our implied fair value requires the allocation of the reporting unit s estimated fair value to the individual assets and liabilities of the reporting unit as if we had completed a business combination. We perform the allocation based on our knowledge of the reporting unit, the market in which they operate, and our overall knowledge of the hospitality industry. Changes in our allocation approach could result in different measures of implied fair value and impact the final impairment charge, if any.

Changes in economic and operating conditions impacting these assumptions could result in goodwill impairments in future periods. We had $120 million of goodwill as of June 30, 2009, and $120 million as of December 31, 2008. An adverse change to our fair value estimates could result in an impairment charge, which could be material to our earnings. A 10% change in our estimates of projected future operating cash flows, discount rates, or terminal value growth rates used in our calculations of the fair values of the reporting units would have no impact on the reported value of our goodwill.

Goodwill is also reviewed for impairment upon the occurrence of a triggering event. If a triggering event is determined to occur, we then apply the two-step method described above. Determining whether or not a triggering event has occurred requires us to apply judgment. The final determination of the occurrence of a triggering event is based on our knowledge of the hospitality industry, historical experience, location of the property, market conditions and property-specific information available at the time of the assessment. We realize, however, that the results of our analysis could vary from period to period depending on how our judgment is applied and the facts and circumstances available at the time of the analysis.

***Long-Lived Assets and Definite-Lived Intangibles***

We evaluate the carrying value of our long-lived assets and definite-lived intangibles for impairment by comparing the expected undiscounted future cash flows of the assets to the net book value of the assets when certain triggering events occur. If the expected undiscounted future cash flows are less than the net book value of the assets, the excess of the net book value over the estimated fair value is charged to earnings. When determining fair value, we use internally developed discounted future cash flow models, third-party appraisals and, if appropriate, current estimated net sales proceeds from pending offers. Under the discounted cash flow approach we utilize various assumptions, including projections of revenues based on assumed long-term growth rates, estimated costs, terminal value growth rate and appropriate discount rates based on the weighted-average cost of capital.

As part of the process detailed above we use judgment to:

- determine whether or not a triggering event has occurred. The final determination of the occurrence of a triggering event is based on our knowledge of the hospitality industry, historical experience, location of the property, market conditions and property-specific information available at the time of the assessment. We realize, however, that the results of our analysis could vary from period to period depending on how our judgment is applied and the facts and circumstances available at the time of the analysis;

determine the projected undiscounted future operating cash flows when necessary. The principal factor used in the undiscounted cash flow analysis requiring judgment is our estimates regarding long-term growth and costs which are based on historical data, various internal estimates and a variety of external sources and are developed as part of our routine, long-term planning process; and

determine the estimated fair value of the respective long-lived asset when necessary. In determining the fair value of a long lived asset, we typically use internally developed discounted cash flow models. The principal factors used in the discounted cash flow analysis requiring judgment are the projected future operating cash flows, the weighted-average cost of capital and the terminal value growth rate assumptions. The weighted-average cost of capital takes into account the relative weights of each component of our capital structure (equity and long-term debt). Our estimates of long-term growth and costs are based on historical data, various internal estimates and a variety of external sources and are developed as part of our routine, long-range planning process.

Changes in economic and operating conditions impacting these judgments could result in impairments to our long-lived assets in future periods, which could be material to our earnings. We had $3.9 billion and $3.8 billion of long-lived assets and definite-lived intangibles as of June 30, 2009 and December 31, 2008, respectively.

***Unconsolidated Hospitality Ventures***

We record a loss in the value of an unconsolidated hospitality venture that is determined to be an other than temporary decline in our consolidated statements of income as an impairment loss. We evaluate the carrying value of our unconsolidated hospitality ventures for impairment by comparing the estimated fair value of the venture to the book value when certain triggering events occur. If the fair value is less than the book value of the unconsolidated hospitality venture, we use our judgment to determine if the decline in value is temporary or other than temporary. The factors we consider when making this determination include, but are not limited to:

length of time and extent of the decline;

loss of value as a percentage of the cost of the unconsolidated hospitality venture;

financial condition and near-term financial projections of the unconsolidated hospitality venture;

our intent and ability to retain the unconsolidated hospitality venture to allow for the recoverability of the lost value; and

current economic conditions.

When determining fair value, we use internally developed discounted cash flow models, third-party appraisals and, if appropriate, current estimated net sales proceeds from pending offers. Under the discounted cash flow approach we use various assumptions, including projections of revenues based on assumed long-term growth rates, estimated costs and appropriate discount rates based on the weighted-average cost of capital.

As part of the process detailed above we use judgment to determine:

whether or not a triggering event has occurred. The final determination of the occurrence of a triggering event is based on our knowledge of the hospitality industry, historical experience, location of the underlying venture property, market conditions and venture-specific information available at the time of the assessment. We realize, however, that the results of our analysis could vary from period to period depending on how our judgment is applied and the facts and circumstances available at the time of the analysis;

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the estimated fair value of the unconsolidated hospitality venture when necessary. In determining the fair value of an unconsolidated hospitality venture we typically utilize internally developed discounted cash flow models. The principal factors used in the discounted cash flow analysis requiring judgment are the projected future cash flows of the venture, the weighted-average cost of capital and the terminal value growth rate assumptions. The weighted-average cost of capital takes into account the relative weights of each component of the unconsolidated hospitality venture s capital structure (equity and long-term debt). Our estimates of long-term growth and costs are based on the unconsolidated hospitality venture s historical data, various internal estimates and a variety of external sources and are developed as part of our routine, long-range planning process; and

whether a decline in value is deemed to be other than temporary. The final determination is based on our review of the consideration factors mentioned above, as well as our knowledge of the hospitality industry, historical experience, location of the underlying venture property, market conditions and venture-specific information available at the time of the assessment. We realize, however, that the results of our analysis could vary from period to period depending on how our judgment is applied and the facts and circumstances available at the time of the analysis.

Changes in economic and operating conditions impacting these judgments could result in impairments to our unconsolidated hospitality ventures in future periods. We had investments of $ 213 million of unconsolidated hospitality ventures accounted for under the equity method as of June 30, 2009, and $191 million of unconsolidated hospitality ventures accounted for under the equity method as of December 31, 2008.

***Income Taxes***

We account for income taxes in accordance with SFAS No. 109, *Accounting for Income Taxes*, which establishes financial accounting and reporting standards for the effect of income taxes. The objectives of accounting for income taxes are to recognize the amount of taxes payable or refundable for the current year and deferred tax liabilities and assets for the future tax consequences of events that have been recognized in our financial statements or tax returns. Judgment is required in addressing the future tax consequences of events that have been recognized in our consolidated financial statements or tax returns (e.g., realization of deferred tax assets, changes in tax laws or interpretations thereof). In addition, we are subject to examination of our income tax returns by the Internal Revenue Service and other tax authorities. A change in the assessment of the outcomes of such matters could materially impact our consolidated financial statements. See Risk Factors Risks Related to Our Business We may be liable for proposed tax liabilities and the final amount of taxes paid may exceed the amount of applicable reserves, which could reduce our profits.

We adopted the provisions of FASB Interpretation No. 48 (FIN 48), *Accounting for Uncertainty in Income Taxes an Interpretation of FASB Statement No. 109*, on January 1, 2007. FIN 48 prescribes a financial statement recognition threshold and measurement attribute for tax positions taken or expected to be taken in a tax return. Specifically, it clarifies that an entity s tax benefits must be more likely than not of being sustained assuming that its tax reporting positions will be examined by taxing authorities with full knowledge of all relevant information prior to recording the related tax benefit in the financial statements. If the position drops below the more likely than not standard, the benefit can no longer be recognized. Assumptions, judgment and the use of estimates are required in determining if the more likely than not standard has been met when developing the provision for income taxes. A change in the assessment of the more likely than not standard could materially impact our consolidated financial statements.

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***Stock Compensation***

***Overview***

In February 2006, we adopted our LTIP as a means of attracting, retaining and incentivizing qualified executives, key employees and nonemployee directors to increase our value and continue our efforts to build and sustain growth. SFAS No. 123(R), Share-Based Payment, was effective January 1, 2006 and requires compensation expense related to stock-based compensation transactions to be measured and recognized based on fair value. With the adoption of the LTIP in February 2006, we began applying the provisions of SFAS No. 123(R). As of June 30, 2009, we have authorized 13,750,000 shares of common stock to be issued under the LTIP.

We are required to determine the fair value of the underlying common stock in order to determine the fair value of our stock appreciation rights (SARs) and restricted stock units (RSUs) granted under the LTIP. Given the absence of a trading history for our common stock prior to this offering, the LTIP states that the stock value is to be determined by the compensation committee of our board of directors based on either an independent valuation or using the price paid for a share of common stock between a willing buyer and willing seller, excluding transactions between us and Pritzker family business interests. The compensation committee determined our per share price to be as follows for each of our award grants since January 1, 2008:

| Grant Date | Common Stock Fair Value |
|---|---|
| May 2, 2008 | $ 29.09(1) |
| September 11, 2008 | 29.09(2) |
| June 9, 2009 | 13.00(3) |

(1) In accordance with the LTIP, we determined the fair value of our common stock as of December 31, 2007 based on an independent valuation performed contemporaneously with the grant date. The valuation was reviewed and approved by the compensation committee.

(2) In September 2008, approximately four months following the May grant, we made a single grant in connection with the hiring of a new executive. We continued to use the $29.09 per share value for our September 2008 grant of RSUs, as the total shares granted were immaterial and we did not have an updated valuation or an external transaction on which to base an updated share value, as stipulated by our LTIP.

(3) In May 2009, we sold additional shares of our common stock to existing stockholders, including third-party stockholders, at $13.00 per share. The price paid per share was between a willing buyer and seller. As a result, and in accordance with the LTIP, the compensation committee used the $13.00 per share value as the basis for our June 9, 2009 grant. The difference between the $13.00 per share value at June 9, 2009 and the $29.09 per share value at September 11, 2008 was caused by a combination of factors, but was primarily driven by the decline in our operating performance resulting from the ongoing economic recession and the other financial and economic disruptions that occurred over the past twelve months, which adversely affected demand and equity valuations in the hospitality industry.

The following table summarizes by grant date the awards granted since January 1, 2008 under our LTIP, as well as the estimated fair value at the date of grant.

| Grant Date | Award Type | Number Granted | Fair Value |
|---|---|---|---|
| May 2, 2008 | SARs | 569,275 | $ 13.00 |
| May 2, 2008 | RSUs | 412,015 | 29.09 |
| September 11, 2008 | RSUs | 40,670 | 29.09 |
| June 9, 2009 | SARs | 984,420 | 7.20 |
| June 9, 2009 | RSUs | 553,450 | 13.00 |

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The awards are determined to be classified as equity awards with the fair value being determined on the grant date. We recognize stock-based compensation expense over the requisite service period of the individual grantee, which generally equals the vesting period. We currently have only issued service condition awards, and have therefore elected to use the straight-line method of expense attribution. We recognize, however, that if we begin to issue performance-based awards, the graded vesting method will be required. This will result in an increase to stock-based compensation expense in the earlier years of the requisite service period and a decrease in the later years.

The process of estimating the fair value of stock-based compensation awards and recognizing the associated expense over the requisite service period involves significant management estimates and assumptions.

We use an estimated forfeiture rate of 0% because only a small group of executives has historically received these awards and we have limited historical data on which to base these estimates. We monitor the forfeiture activity to ensure that the current estimate continues to be appropriate. Any changes to this estimate will impact the amount of compensation expense we recognize with respect to any future grants.

We determine the fair value of our stock-settled SARs using the Black-Scholes-Merton (BSM) option-pricing model. Under the BSM option-pricing model, management is required to make certain assumptions, including assumptions relating to the following:

*Expected volatility*. Because there is no trading history for our common stock, we do not have sufficient information available on which to base a reasonable and supportable estimate of the expected volatility of our share price. Consequently, the expected price volatility for our common stock is estimated using the average implied volatility of exchange-traded options of our major publicly traded competitors. We evaluate the five-day trailing average implied volatility of exchange-traded options with a minimum term of two years. Using the five-day average, we apply linear interpolation to determine the implied volatility for an option with a strike price equal to the underlying stock s current trading level. Our peer set was determined based upon companies in our industry with similar business models.

*Expected term*. The expected term assumption is estimated using the midpoint between the vesting period and the contractual life of each SAR, in accordance with the SEC s Staff Accounting Bulletin Topic 14, *Share-Based Payment*.

*Risk-free interest rate*. The risk free interest rate is based on the yields of U.S. Treasury instruments with similar expected lives.

*Dividend yield*. We have never declared or paid any cash dividends and do not plan to pay cash dividends in the foreseeable future. Consequently, we use an expected dividend yield of zero.

Generally, the expected volatility and expected term assumptions are the main drivers of value under the BSM option-pricing model. Consequently, changes in these assumptions can have a significant impact on the resulting fair value. A 10% change in the expected volatility or the expected term assumption would result in an immaterial change to our overall compensation expense.

The fair value of our SARs granted since January 2008 was estimated using the BSM option pricing model with the following assumptions:

| | June 9, 2009 Grant | May 2, 2008 Grant |
|---|---|---|
| Expected Volatility | 56.50% | 40.00% |
| Expected Life in Years | 6.196 | 6.208 |
| Risk-free Interest Rate | 2.417% | 3.36% |
| Annual Dividend Yield | 0% | 0% |

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If, in the future, we determine that another method is more reasonable, or, if another method for calculating these input assumptions is prescribed by authoritative guidance, and, therefore, should be used to estimate expected volatility or expected term, the fair value calculated for our stock-based compensation could change significantly. Higher volatility and longer expected term assumptions result in an increase to stock-based compensation expense determined at the date of grant. Stock-based compensation expense affects our selling, general and administrative expense.

We intend to expand the future pool of recipients of stock-based compensation in future periods. Accordingly, we will incur non-cash compensation expense related to the vesting of these future awards.

Our total unearned compensation under our LTIP program was $17.3 million as of December 31, 2008 and $20.3 million as of June 30, 2009 for SARs and $12.6 million as of December 31, 2008 and $16.4 million as of June 30, 2009 for RSUs. We will record these amounts to compensation expense over the next eleven years.

**Recent Accounting Pronouncements**

In May 2009, the FASB issued SFAS No. 165, *Subsequent Events*. SFAS No. 165 establishes the accounting for and disclosure requirements of events or transactions that occur after the balance sheet date, but before the financial statements are issued. SFAS No. 165 is effective for interim and annual periods ending after June 15, 2009. We adopted SFAS No. 165 as of June 30, 2009.

In June 2009, the FASB issued SFAS No. 167, *Amendments to FASB Interpretation No. 46(R)*. SFAS No. 167 amends the consolidation rules related to variable interest entities (VIEs) under SFAS No. 46(R). The new rules expand the primary beneficiary analysis to incorporate a qualitative review of which entity controls and directs the activities of the VIE. SFAS No. 167 also modifies the rules regarding the frequency of ongoing reassessments of whether a company is the primary beneficiary. Under SFAS No. 167, companies are required to perform ongoing reassessments as oppose to only when certain triggering events occur, as was previously required. SFAS No. 167 is effective for the first annual reporting period that begins after November 15, 2009 and for interim periods therein. We are currently evaluating the impact, if any, the adoption of SFAS No. 167 will have on our consolidated financial statements.

In June 2009, the FASB issued SFAS No. 168, *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles a replacement of FASB Statement No. 162.* SFAS No. 168 establishes the FASB Accounting Standards Codification as the source of authoritative GAAP for nongovernmental entities. Additionally, SFAS No. 168 modifies the GAAP hierarchy to only include two levels of GAAP, authoritative and nonauthoritative. SFAS No. 168 is effective for financial statements issued for interim and annual periods ending after September 15, 2009. We do not expect the adoption of SFAS No. 168 to have a material impact on our consolidated financial results.

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## THE LODGING INDUSTRY

The lodging industry is a global business and a significant part of the overall economy, with over $400 billion in revenues in 2008. The lodging industry is highly segmented with a variety of brands targeting a wide range of consumer needs at various price points. Companies in the lodging industry generally operate under one or more business models, including hotel management, brand franchising and hotel ownership. Hotels are broadly grouped into three categories: full-service, select-service and limited-service. Full-service hotels generally offer a full range of amenities and facilities, including food and beverage (F&B) facilities and meeting facilities. Select-service hotels provide many of the amenities available at full-service hotels but on a smaller scale and tend not to have meeting facilities. Limited-service hotels usually offer only rooms, although some offer modest F&B facilities such as breakfast buffets or small meeting rooms.

Geographically, the global lodging industry can be generally divided into five regions: Europe, Asia Pacific, Central and South America, North America and Middle East and Africa. The global economic downturn has had a significant impact on the overall lodging industry, resulting in significant recent RevPAR declines in all regions. The global lodging industry is also influenced by the cyclical relationship between the supply of and demand for hotel rooms.

**YTD June 2009 vs. June 2008 ADR, Occupancy and RevPAR Comparison**

*Source: Smith Travel Research*

Lodging demand growth typically is related to the health of the overall economy in addition to local demand factors that stimulate business and leisure travel to specific locations. In particular, macroeconomic trends relating to GDP growth, corporate profits, capital investments and employment growth are some of the primary drivers of lodging demand. According to the International Monetary Fund, certain major advanced economies, including the U.S. and the United Kingdom, are not projected to experience an increase in GDP growth until 2010; however, key emerging and developing economies, such as China and India are projected to experience significant growth in annual GDP during 2009, 2010 and 2011. Other select economies with exposure to energy and other commodities, such as the United Arab Emirates and Brazil, are expected to begin their recovery in 2010, ahead of more developed economies. Historically, recovery in demand for lodging has generally lagged improvement in the overall economy.

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**Annual Percent Change in Real GDP Growth for Select Countries**

*Source: International Monetary Fund*

The U.S. lodging market, within the North American region, has a greater share of global lodging revenues than any other single country in the world, with $141 billion in revenues in 2008. As of June 30, 2009, the U.S. lodging market was comprised of approximately 4.8 million hotel rooms, which included approximately 3.3 million rooms in branded hotels and approximately 1.5 million rooms in independent hotels.

From 2002 to 2007, broad growth in the economy led to increases in U.S. lodging demand. During 2008, the overall weakness in the economy, particularly the turmoil in the credit markets, erosion of consumer confidence and increasing unemployment resulted in declines in both consumer and business spending. As a result, lodging demand from both leisure and business travelers decreased significantly during 2008. Decreased demand has resulted in declines in occupancy levels, making it difficult for operators to maintain room rates. It is expected that lodging demand will continue to decline until the macroeconomic trends demonstrate sustained growth.

Lodging supply growth is typically driven by overall lodging demand, as extended periods of strong demand growth tend to encourage new hotel development. However, the rate of supply growth is also influenced by a number of additional factors including availability and cost of capital, construction costs and local market considerations. In particular, because of the lengthy planning and construction process required to complete the development of hotels, supply growth generally lags behind demand growth. As an example, when lodging demand grew from 2002 to 2007, there was an increase in the number of new hotel rooms from cyclical lows; however, the pace of construction remained below long-term averages. From June 2008 through June 2009, the number of new rooms under construction decreased approximately 27%. New hotel room completions in 2009 will likely be lower than the long-term average and, beginning in 2010, supply growth is expected to decrease significantly. The relatively low level of recent supply growth coupled with a declining new construction pipeline is expected to create a favorable RevPAR growth environment once positive demand growth returns in the future.

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**Number of Hotel Rooms in Construction in the United States**

*Source: Smith Travel Research*

Revenue per available room (RevPAR) is the product of the average daily rate and the average daily occupancy percentage. RevPAR does not include non-room revenue which consists of other revenue generated by a hotel property such as, food and beverage, parking, telephone and other guest service revenues. The chart below sets forth the RevPAR growth for the U.S. lodging industry from 1988 to 2008. RevPAR growth was negative in 2008, which was only the fourth year since 1988 that RevPAR growth in the United States has been negative (1991, 2001, 2002 and 2008) and RevPAR growth is expected to be negative again in 2009. Currently, the lodging market is widely considered to be in the declining stage of the business cycle. Nonetheless, the U.S. lodging market has shown resilience and strong long-term growth since 1988.

**Annual RevPAR Growth**

*Source: Smith Travel Research*

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# BUSINESS

*Overview*

We are a global hospitality company with widely recognized, industry leading brands and a tradition of innovation developed over our more than fifty-year history. Our mission is to provide authentic hospitality by making a difference in the lives of the people we touch every day. We focus on this mission in pursuit of our goal of becoming the most preferred brand in each segment that we serve for our associates, guests and owners. We support our mission and goal by adhering to a set of core values that characterize our culture. We believe that our mission, goal and values, together with the strength of our brands, strong capital and asset base and opportunities for expansion, provide us with a platform for long-term value creation.

We manage, franchise, own and develop Hyatt-branded hotels, resorts and residential and vacation ownership properties around the world. As of June 30, 2009, our worldwide portfolio consisted of 413 Hyatt-branded properties (119,509 rooms and units), including:

- 158 managed properties (60,934 rooms), all of which we operate under management agreements with third-party property owners;

- 100 franchised properties (15,322 rooms), all of which are owned by third parties that have franchise agreements with us and are operated by third parties;

- 96 owned properties (including 4 consolidated hospitality ventures) (25,786 rooms) and 6 leased properties (2,851 rooms), all of which we manage;

- 28 managed properties owned or leased by unconsolidated hospitality ventures (12,361 rooms);

- 15 vacation ownership properties (933 units), all of which we manage; and

- 10 residential properties (1,322 units), all of which we manage and some of which we own.

Our full service hotels operate under four world-recognized brands, Park Hyatt, Grand Hyatt, Hyatt Regency and Hyatt. We recently introduced our fifth full service brand, Andaz, where our guests experience a vibrant yet relaxed atmosphere, geared towards today s individual business and leisure travelers. Our two select service brands are Hyatt Place and Hyatt Summerfield Suites (an extended stay brand), which have been well received in the United States and we believe have significant growth potential both in the United States and internationally. We develop, sell and manage vacation ownership properties in select locations as part of the Hyatt Vacation Club. We also manage Hyatt-branded residential properties that are often adjacent to Hyatt-branded full service hotels. We assist third parties in the design and development of such mixed-use projects based on our expertise as a manager and owner of vacation ownership properties, residential properties and hotels.

Our associates, whom we also refer to as members of the Hyatt family, consist of over 80,000 individuals working at our corporate and regional offices and our managed, franchised and owned properties in 45 countries around the world. Substantially all of our hotel general managers are trained professionals in the hospitality industry with extensive hospitality experience in their local markets and host countries. The general managers of our managed properties are empowered to manage their properties on an independent basis based on their market knowledge, management experience and understanding of our brands. Our divisional management teams located in cities around the world, such as Atlanta, Dubai, Hong Kong, Mexico City, New York, San Francisco and Zurich, support our general managers by providing corporate resources, mentorship, owner interaction and other assistance necessary to help them achieve their goals. Our Franchise and Owner Relations Group provides a single point of contact for our franchisees and offers resources to support franchised properties, including assistance with commercial contracts, distribution matters and brand standards as

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well as sales and marketing and reservations support. Our executive management team, headquartered in Chicago, supports our management teams and associates around the world, provides strategic direction and sets overall policies for our company.

We primarily derive our revenues from hotel operations, management and franchise fees, other revenues from managed properties and sales of vacation ownership properties. For the year ended December 31, 2008, revenues totaled $3.8 billion, net income attributable to Hyatt Hotels Corporation totaled $168 million and Adjusted EBITDA totaled $687 million. For the six months ended June 30, 2009, revenues totaled $1.6 billion, net loss attributable to Hyatt Hotels Corporation totaled $36 million and Adjusted EBITDA totaled $210 million. See Prospectus Summary Summary Consolidated Financial Data for our definition of Adjusted EBITDA and why we present it and Prospectus Summary Summary Consolidated Financial Data for a reconciliation of our consolidated Adjusted EBITDA to net income attributable to Hyatt Hotels Corporation for the periods presented. For the year ended December 31, 2008 and the six months ended June 30, 2009, 79.9% and 81.3% of our revenues were derived from operations in the United States, respectively. As of June 30, 2009, 76.9% of our long-lived assets were located in the United States. As of June 30, 2009 and after giving effect to the August 2009 issuance and sale of $500 million aggregate principal amount of senior notes and the use of a portion of the proceeds from the sale of the senior notes to repay certain outstanding secured debt and settle certain related swap agreements as described under Prospectus Summary Recent Developments, we had total debt of $858 million, cash and cash equivalents of $1.2 billion. As of June 30, 2009 and after giving effect to the July 2009 amendment and extension of our revolving credit facility, we had undrawn borrowing capacity of $1.4 billion. These sources provide us with significant liquidity and resources for future growth.

***Our History***

Hyatt was founded by Jay Pritzker in 1957 when he purchased the Hyatt House motel adjacent to the Los Angeles International Airport. Over the following decade, Jay Pritzker and his brother Donald Pritzker, working together with other Pritzker family business interests, grew the company into a North American management and hotel ownership company, which became a public company in 1962. In 1968, Hyatt International was formed and subsequently became a separate public company. Hyatt Corporation and Hyatt International Corporation were taken private by the Pritzker family business interests in 1979 and 1982, respectively. On December 31, 2004, substantially all of the hospitality assets owned by Pritzker family business interests, including Hyatt Corporation and Hyatt International Corporation, were consolidated under a single entity, now named Hyatt Hotels Corporation.

Commencing in 2007, third parties, including affiliates of Goldman, Sachs & Co. and Madrone GHC, LLC, made long-term investments in Hyatt. Pritzker family business interests, affiliates of Goldman Sachs and Madrone GHC currently own approximately 85.0%, 7.5% and 6.1%, respectively, of our common stock, and immediately following completion of this offering will own approximately %, % and %, respectively, of our common stock, assuming no exercise of the underwriters option to purchase additional shares.

***Our Mission, Goal and Values***

***Our Mission***

Our mission is to provide authentic hospitality by making a difference in the lives of the people we touch every day, including our associates, guests and owners.

***Our Goal***

Our goal is to be the most preferred brand in each customer segment that we serve for our associates, guests and owners.

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***Our Values***

We aim to foster a common purpose and culture within the Hyatt family through shared core values of mutual respect, intellectual honesty and integrity, humility, fun, creativity and innovation.

Our mission, goal and values are interdependent, and we refer to this interdependence as the Hyatt value chain. The Hyatt value chain begins with our associates. We believe that our efforts to engage our associates in planning for how we can better serve our fellow associates, guests and owners contributes to their commitment to genuine service, which is the first step to achieving high levels of guest satisfaction. In our view, motivating our associates to become personally involved in serving and demonstrating loyalty to our guests is central to fulfilling our mission. We rely upon the management teams at each of our managed properties to lead by example and we provide them with the appropriate autonomy to make operational decisions in the best interest of the hotel and brand. We believe the managers of our franchised properties are experienced operators with high standards and have demonstrated commitment to our values and our approach to guest service that is designed to enhance guest satisfaction. High levels of guest satisfaction lead to increased guest preference for our brands, which we believe results in a strengthened revenue base over the long term. We also believe that engaged associates will enhance efficient operation of our properties, resulting in improved financial results for our property owners. Sustained adherence to these principles is a basis for our brand reputation and is one of the principal factors behind the decisions by our diverse group of owners and developers to invest in Hyatt-branded properties around the world. We work with existing and prospective owners and developers to increase our presence around the world, which we expect will lead to new channels for professional growth for our associates, guest satisfaction and brand preference thus adding growth to our company and completing the Hyatt value chain.

***Our Competitive Strengths***

We have significant competitive strengths that support our goal of being the most preferred brand for our associates, guests and owners.

***World Class Brands.*** We believe that our widely recognized, industry leading brands provide us with a competitive advantage in attracting and driving preference for associates, guests and owners. We have consistently received top rankings, awards and accolades for service and guest experience from independent publications and surveys, including Condé Nast Traveler, Travel and Leisure, Mobil and AAA. As an example, 54 properties across our Park Hyatt, Grand Hyatt and Hyatt Regency brands received the AAA four diamond lodging award in 2009. Our brand recognition and strength is key to our ability to drive preference for our brands among our associates, guests and owners.

***Global Platform with Compelling Growth Potential.*** Our existing global presence is widely distributed and we operate in 20 of the 25 most populous urban centers around the globe based on demographic research. We believe that our existing hotels around the world provide us with a strong platform from which to selectively pursue new growth opportunities in markets where we are under-represented. We have a long history of executing on growth opportunities. Our dedicated global development executives in offices around the world apply their experience, judgment and knowledge to ensure that new Hyatt branded hotels enhance preference for our brands. An important aspect of our compelling growth potential is our strong brand presence in higher growth markets around the world such as India, China, Russia, the Middle East and Brazil. The combination of our existing presence and brands, experienced development team, established third-party relationships and significant access to capital provides us with a strong foundation for future growth and long-term value creation.

***Deep Culture and Experienced Management Teams.*** Hyatt has a strong culture rooted in values that have supported our past and form the foundation for our future. The members of

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the Hyatt family are united by shared values, a common mission and a common goal. The associates at our properties are led by an experienced group of general managers. For example, the general managers at our full service owned and managed hotels have an average tenure of more than 21 years. Regional and divisional management teams located around the world support our hotel general managers by providing corporate resources, mentorship and coaching, owner support and other assistance necessary to help them achieve their goals. Senior operating management has an average of 27 years of experience in the industry. Our experienced executive management team sets overall policies for our company, supports our regional and divisional teams and our associates around the world, provides strategic direction and leads our growth worldwide.

***Strong Capital Base and Disciplined Financial Approach.*** Our approach is to maintain appropriate levels of financial leverage and liquidity through industry cycles and economic downturns such as the one we are currently experiencing. As of June 30, 2009, we had cash and cash equivalents of $1.2 billion, after giving effect to the August 2009 issuance and sale of the senior notes and the use of a portion of the net proceeds from the sale of the senior notes to repay certain outstanding secured debt and settle certain related swap agreements, as described under Prospectus Summary Recent Developments. As of such date and after giving effect to the July 2009 amendment and extension of our revolving credit facility, we had undrawn borrowing capacity of $1.4 billion. We have a modest level of debt and no significant debt maturities through 2012. We believe that as a result of our balance sheet strength, we are uniquely positioned to take advantage of strategic opportunities to develop or acquire properties and brands even in economic downturns such as the one we are currently experiencing. We adhere to a formal investment process in evaluating such opportunities with input from various groups within our global organization.

***Diverse Exposure to Hotel Management, Franchising and Ownership.*** We believe that our experience as a multi-brand manager, franchisor and owner of hotels makes us one of the best positioned lodging companies in the world. Our mix of managed, franchised and owned hotels provides a broad and diverse base of revenues, profits and cash flows. Our expertise and experience in each of these areas gives us the flexibility to evaluate growth opportunities across these three lines of business and enables us to achieve the best results for the given situation.

***High Quality Owned Hotels Located in Desirable Markets.*** We own and operate a high quality portfolio of 96 owned properties and 28 managed properties owned or leased by unconsolidated hospitality ventures, consisting of luxury and upper-upscale full service and select service hotels. Our owned full service hotels are located primarily in key markets, including major business centers and leisure destinations, with strong growth potential, such as Chicago, London, New York, Paris, San Francisco, Seoul and Zurich. Our hospitality ventures include 50% ownership interests in properties in Mumbai and São Paulo. A number of these hotels are unique assets with high recognition and a strong position in their local markets. Substantially all of our owned select service hotels were newly renovated in 2006 and 2007 and are typically located near business districts, airports or attractions. As a significant owner of hotel assets, we believe we are well positioned for a recovery of demand as we expect earnings growth from owned properties to outpace growth in revenues due to their high fixed-cost structure. This benefit can be achieved either through increased earnings from our owned assets or through value realized from select asset sales.

***A Track Record of Innovation.*** Successful innovation has been a hallmark of Hyatt since its founding. More than forty years ago, we opened the Hyatt Regency Atlanta, which was the first-ever large-scale atrium lobby hotel. This was both an architectural icon as well as a highly functional hotel property that provided us an entry into the large-scale convention market. We also have a long track record of creative approaches to food and beverage outlets at our hotels throughout the world, which have led to highly profitable venues that create demand for our

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hotel properties, particularly in Asian markets. In addition, we successfully introduced new service models to the industry. We launched our Hyatt Place brand in 2006 and our Andaz brand in 2007, each of which features a unique internally developed service model that eliminates a number of de-personalized aspects of the hotel experience. We recently turned our focus to innovation in the area of guest communications. In May 2009, we launched Hyatt Concierge, making us the first hospitality company in the world to deploy a designed concierge site on Twitter, thereby enhancing the quality of hotel guest services. We believe that our commitment to fostering a culture of innovation throughout Hyatt positions us as an industry leader.

***Our Business Strategy***

Our goal is to be the most preferred brand in each customer segment that we serve for our associates, guests and owners. In order to achieve this goal, we enhance brand preference by understanding who our customers are and by focusing on what our customers need and want and how we can deliver value to them. This understanding and focus informs our strategy for improving the performance of our existing hotels and expanding the presence of Hyatt brand in markets worldwide.

***Focus on Improvement in the Performance of Existing Hotels***

A key component of our strategy is to maximize revenues and manage costs at existing hotel properties. We strive to enhance revenues by focusing on increasing our share of hotel stays by our existing guests and increasing the number of new guests we serve on a regular basis, with the ultimate goal of establishing and increasing guest loyalty to our brands. We manage costs by setting performance goals for our hotel management teams, basing a portion of hotel management team compensation on whether performance goals are met, and granting our general managers operational autonomy. Managing costs is one way to improve hotel performance, and we believe that providing incentives to general managers to improve hotel performance leads to improved efficiency in ways appropriate for their respective properties. We support these efforts by assisting them with tools and analytics provided by our regional and corporate offices and by compensating our hotel management teams based on property performance.

*Increase Share of Hotel Stays.* We intend to expand Hyatt s share of hotel stays by continuously striving to provide genuine guest service and delivering value to our guests. Our existing customer base is diverse with different needs and preferences. We aim to provide differentiated service and product offerings targeted at each customer segment within each of our brands, such as meeting planners and convention guests, leisure guests and business travelers, in order to satisfy our customers specific needs. Our Hyatt Gold Passport guest loyalty program is designed to attract new guests and to demonstrate our loyalty to our best guests. In 2009, we launched an initiative called The Big Welcome, which was targeted at increasing enrollment in our Hyatt Gold Passport program. As part of The Big Welcome, we awarded more than 30,000 room nights to Gold Passport members and 365 free nights at any Hyatt in the world to three individual guests. In the six-month period ended June 30, 2009, new membership enrollment in our Hyatt Gold Passport program has increased by 39% compared to new members enrolled during the same period last year. In addition, Gold Passport members represented 23% of total room nights for the first half of 2009.

*Emphasize Associate Engagement.* Our brands are defined, in large part, by the authentic hospitality that is delivered to our guests by our associates. We believe that while a great product is necessary for success, a service model that promotes genuine service for our guests and that is focused on our customers particular needs is the key to a sustainable long-term advantage. Therefore, we strive to involve our associates in deciding how we serve our guests and what we can do to improve guest satisfaction. We align our associates interests with our goal of becoming the most preferred brand in each segment that we serve. We rely on our hotel general managers to lead by example and foster associate engagement. We believe that associate engagement results in higher levels of customer satisfaction and improves the performance of our properties. To assist in this process, we aim to ensure that talented management teams are in place worldwide and also reward those teams that achieve higher levels of employee engagement, guest satisfaction and hotel financial performance.

*Enhance Operational Efficiency.* We strive to align our staffing levels and expenses with demand without compromising our commitment to authentic hospitality and high levels of guest satisfaction. We have made significant changes in operations in response to recent declines in demand for hospitality products and services (including staff reductions at many of our hotels, outsourcing of certain services, renegotiation of contracts to improve pricing and modification of certain product standards to lower costs without significantly impacting quality). Some of the primary changes we implemented to product standards included changing the brands, suppliers or the quantities of various supplies or services, including food and other amenities. For example, we changed the brand of our coffee served in certain areas of our operations and reduced the selection of some guest room amenities. We believe we have been able to implement these changes without impacting overall service and product quality. We will continue to incentivize and assist our hotel general managers as they proactively manage both the customer experience and the operating costs at each of their properties.

***Expanding Our Presence in Attractive Markets***

We intend to drive brand preference by expanding the presence of all of our brands in attractive markets worldwide. We believe that the scale of our presence around the world is small relative to the recognition of our brands and our excellent reputation for service and, therefore, we have a unique opportunity to expand. We believe that our mission, goal and values, together with the strength of our brands, people, strong capital and asset base and opportunities for expansion provide us with a platform for long-term value creation.

*Increase Market Presence.* We will focus our expansion efforts on under-penetrated markets where we already have an established presence and locations where our guests are traveling but where we do not have a presence. These locations include, but are not limited to, the United States, Brazil, Russia, India, China, Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, United Arab Emirates and Europe. We will expand our presence by increasing the number of hotels under Hyatt brand affiliation, primarily by entering into new management and franchising agreements. While under the terms of certain of our management agreements we have agreed to limitations on the expansion of one or more of our brands in certain geographic areas related to the location of a specific hotel, in agreeing to such limitations we have considered our development strategy and do not believe that such restrictions will materially impact our ability to pursue and execute on this strategy. We believe our extensive focus on the different customer groups that we serve and our understanding of how we can serve them in new locations will facilitate our growth. In addition, we plan to use our expertise in developing and managing residential and vacation ownership properties to participate in mixed-use developments that typically involve a combination of hotel and residential development in key urban and resort locations.

*Expand our Select Service Presence.* We intend to establish and expand Hyatt Place and Hyatt Summerfield Suites worldwide, which we believe will support our overall growth and enhance the performance of all of our brands. We intend to grow our select service

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presence through construction of new franchised properties by third-party developers, conversion and renovation of existing non-Hyatt properties, and, in certain cases participation in the development of properties that would be managed by us. To pursue this strategy, we have a dedicated select service development team. We believe that the opportunity for properties that provide a select offering of services at a lower price point is particularly compelling in certain emerging markets, such as Brazil, Russia, India and China, where there is a large and growing middle class along with a meaningful number of local business travelers.

*Increase Focus on Franchising.* We intend to increase our franchised hotel presence, primarily in North America, for our select service brands and our Hyatt Regency brand. By increasing our focus on franchising, we believe that we will gain access to capital from developers and property owners that specifically target franchising business opportunities. To pursue this strategy, we have established an internal team dedicated to supporting our franchise owners and to driving the expansion of our franchised hotel presence. We plan to expand existing relationships and develop new relationships with franchise owners who demonstrate an ability to provide excellent customer service while maintaining our brand standards.

*Utilize our Capital and Asset Base for Targeted Growth.* The combination of our significant liquidity and strong capital position coupled with our large, high quality asset base provides a unique platform to support our growth strategy. We intend to use our liquidity and strong capital base along with select asset dispositions to redeploy capital to opportunities that will allow us to strengthen our management presence in key markets worldwide. In order to maximize long-term shareholder value we intend to selectively dispose of hotel properties and use the proceeds to expand our presence in markets as described above under Increase Market Presence and Expand our Select Service Presence. The form of our capital deployment will vary depending on the opportunity. We will assess and balance liquidity, value and strategic importance as we seek to expand our presence through investment. We also will continue to commit capital to fund the renovation of certain assets in our existing owned portfolio. While we may selectively dispose of hotel properties, given our focus and expertise as an owner, we expect to maintain significant ownership of hotel properties over time.

*Pursue Strategic Acquisitions and Alliances.* We expect to evaluate potential acquisitions of other brands or hospitality management or franchising companies as a part of our efforts to expand our presence. These acquisitions may include hotel real estate. We expect to focus on acquisitions that complement our ability to serve our existing customer base and enhance customer preference by providing a greater selection of locations, properties and services. Furthermore, we may pursue these opportunities in alliance with existing or prospective owners of managed or franchised properties to strengthen our brand presence.

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**Description of Our Brands**

| Brand | Segment | Customer Base | June 30, 2009 % of our Total Rooms/Units | June 30, 2009 Rooms/Units North America | June 30, 2009 Rooms/Units Intl | 2008 ADR North America | 2008 ADR Intl | Selected Competitors | Key Locations |
|---|---|---|---|---|---|---|---|---|---|
| | Full Service/ Luxury | Individual business and leisure travelers; small meetings | 4% | 1,122 | 3,779 | $320 | $410 | Four Seasons, Ritz-Carlton, Peninsula, St. Regis, Mandarin Oriental | Buenos Aires, Paris, Shanghai, Sydney, Washington |
| | Full Service/ Upper Upscale | Individual business and leisure travelers; small meetings | <1%(1) | 257 | 267 | N/A | $450 | W, Mondrian, The Standard | London, Los Angeles |
| | Full Service/ Upper Upscale | Individual business and leisure travelers; large and small meetings, social events | 17% | 8,233 | 11,686 | $230 | $270 | Mandarin Oriental, Shangri-La, InterContinental, Fairmont | Beijing, Berlin, Dubai, Hong Kong, New York |
| | Full Service/ Upper Upscale | Conventions, business and leisure travelers; large and small meetings, social events; associations | 59% | 52,700 | 17,801 | $165 | $180 | Marriott, Sheraton, Hilton, Renaissance, Westin | Boston, Delhi, London, Los Angeles, San Francisco |
| | Select Service/ Upscale | Individual business and leisure travelers; small meetings | 15% | 17,339 | 0 | $105 | N/A | Courtyard by Marriott, Hilton Garden Inn | Atlanta, Dallas, Houston, Miami, Phoenix |
| | Select Service/ Extended Stay | Extended stay guests; individual business and leisure travelers; small meetings/trainings | 3% | 4,070 | 0 | $125 | N/A | Residence Inn by Marriott, Homewood Suites | Austin, Boston, Dallas, Miami, San Francisco, |
| | Vacation Ownership | Owners of vacation units | 1% | 933 | 0 | N/A | N/A | Hilton Vacation Club, Marriott Vacation Club, Starwood Vacation Ownership | Aspen, Beaver Creek, Carmel, Key West, Siesta Key |
| | Residential | Repeat Hyatt business and leisure guests | 1% | 0 | 1,322 | N/A | N/A(2) | Branded and unbranded luxury residential accommodations | Dubai, Fukuoka, Mumbai |

(1) As of June 30, 2009, there were two Andaz properties in operation.
(2) Units at Hyatt-branded residential properties can be sold on a daily, weekly or monthly basis.

***Park Hyatt***

Park Hyatt provides discerning, affluent individual business and leisure guests with elegant and luxurious accommodations. Guests of Park Hyatt receive highly attentive personal service in an intimate environment. Located in many of the world s premier destinations, each Park Hyatt is custom designed to combine sophistication with distinctive regional character. Park Hyatt features well-appointed guestrooms, meeting and special event spaces for smaller groups, critically acclaimed art programs and signature restaurants featuring award-winning chefs.

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***Andaz***

Andaz is a hotel where our guests experience a vibrant yet relaxed atmosphere geared towards today s individual business and leisure travelers. Each hotel is designed to reflect the unique cultural scene and spirit of the surrounding neighborhood. The hotels also feature a unique service model that removes a number of de-personalized aspects of a typical hotel experience. For example, each hotel allows guests to check-in to the hotel more efficiently through innovative techniques that include the use by our associates of a hand-held device for check-in. In addition, a laptop is available in the lobby area, known as the Andaz Lounge, upon arrival that allows the guest to check themselves into the hotel. During this check-in process and throughout a guest s stay, complimentary beverages remain available in the Lounge. We have also simplified pricing for our guests as the room rate includes internet access, local phone calls and non-alcoholic beverages and snacks in the room.

***Grand Hyatt***

Grand Hyatt features large-scale, distinctive hotels in major gateway cities and resort destinations. With presence around the world and critical mass in Asia, Grand Hyatt hotels provide sophisticated global business and leisure travelers with upscale accommodations. Signature elements of the Grand Hyatt include dramatic architecture, innovative dining options, state of the art technology, spa and fitness centers and comprehensive business and meeting facilities appropriate for corporate meetings and social gatherings of all sizes.

***Hyatt Regency***

Hyatt Regency offers a full range of services and facilities tailored to serve the needs of conventions, business travelers and resort vacationers. Properties range in size from 200 to over 2,000 rooms and are conveniently located in urban, suburban, airport, convention and resort destinations around the world. Hyatt Regency s convention hotels feature spacious meeting and conference facilities designed to provide a productive environment. Hyatt Regency hotels in resort locations cater to couples seeking a getaway, families enjoying a vacation together and corporate groups seeking a relaxed atmosphere in which to conduct business and meetings.

***Hyatt***

Hyatt hotels are smaller-sized properties conveniently located in secondary markets in the United States. With hotels ranging from 150 to 350 rooms, Hyatt hotels offer guests the opportunity to experience our signature service and hospitality even when traveling outside of major gateway markets. Customers include individual business and leisure travelers, and Hyatt hotels can accommodate business meetings and social gatherings.

***Hyatt Place***

Hyatt Place is designed for the busy lifestyle of today s multi-tasking business traveler and features a selected range of services aimed at providing casual hospitality in a well-designed, high-tech and contemporary environment. Property sizes range from 125 to 200 rooms and are located in urban, airport and suburban areas. Signature features of Hyatt Place include The Gallery, which offers a coffee and wine bar, a 24 hours a day, seven days a week guest kitchen with freshly prepared snacks and entrees and daily complimentary continental breakfast. Hyatt Place guests are business travelers as well as families. Hyatt Place properties are also well suited to serve small corporate meetings.

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***Hyatt Summerfield Suites***

Hyatt Summerfield Suites is an extended-stay, residential-style hotel that aims to provide individual travelers with the feel of a modern condominium. The 125 to 200 room, all-suite properties offer comforts of home such as fully equipped kitchens, flat panel HDTVs and free high-speed internet access. The public space features facilities such as a pool, a fitness center and a business center. A full breakfast every morning and an evening social on weekday evenings are complimentary to guests. Hyatt Summerfield Suites are located in urban, airport and suburban locations and can accommodate small corporate meetings and corporate clients seeking to place their employees on extended assignment.

***Hyatt Vacation Club***

Hyatt Vacation Club provides members with vacation ownership opportunities in regionally inspired and designed residential-style properties with the quality of the Hyatt brand. Members prepurchase time at a Hyatt Vacation Club and have the flexibility of usage, exchange and rental. Hyatt Vacation Club members can choose to occupy their vacation home, to exchange time among 15 Hyatt Vacation and Residence Clubs, to trade their time for Gold Passport points or to travel within the Hyatt system. Alternatively, members can exchange their time for time at properties participating within Interval International s program, a third-party company with over 2,200 resorts in their exchange network worldwide.

***Hyatt Resorts***

Hyatt Resorts is a collection of vacation destination resorts, including beach, mountain, desert, golf and spa resorts across our Park Hyatt, Grand Hyatt and Hyatt Regency brands. Hyatt Resorts are marketed as a collection to enhance guest loyalty to our resort properties and to our hotel brands. Each Hyatt Resort retains the distinct characteristics, products, amenities and service delivery standards of its sub-brand and each hotel is tailored to provide a relaxed, comfortable vacation environment reflective of the local culture. Hyatt Resort properties are designed to accommodate individual and family vacations, while also offering a setting intended to enhance the success of corporate meetings.

***Hyatt-Branded Residential Properties***

Hyatt-branded residential properties consist of serviced apartments in, adjacent to, or near, certain of our Hyatt-branded full service hotels. These apartments are designed consistent with the brand standards of the Hyatt hotel with which they are associated or near which they are operated. Apartments typically feature a kitchenette and sitting area, and residents are provided with or can request various Hyatt hotel services. Hyatt-branded residential properties are marketed to repeat individual business and leisure travelers.

**Our Community Commitment**

At Hyatt, we are committed to making a positive and lasting impact in every community in which we operate. We do this by demonstrating a strong commitment to preserving our natural environment through Hyatt Earth, by giving back to the local communities in which we operate through Hyatt Community, and with the volunteer services of our associates through Hyatt s Family of Responsible and Caring Employees (F.O.R.C.E.).

Hyatt Earth Our global sustainability program with measurable results that promotes a culture of environmental awareness and rewards initiatives with positive environmental impact.

Hyatt Community a philanthropic program that awards grants to nonprofit groups that support youth development and education or improve the environment in which the Hyatt family lives and works.

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F.O.R.C.E. (Family of Responsible and Caring Employees) This volunteer program allows Hyatt associates worldwide to participate in local community outreach and volunteer efforts on paid company time.

**Management Agreements**

***Fees***

Our management agreements typically provide for a two-tiered fee structure that compensates us both for the volume of business we generate for the property as well as for the profitability of hotel operations. In these two-tier fee structures, our base compensation is a base fee that is usually an agreed upon percentage of gross revenues from hotel operations. In addition, we are incentivized to improve hotel profitability through an incentive fee that is typically calculated as a percentage of a hotel profitability measure, such as gross operating profit, adjusted profit or the amount by which gross operating profit or adjusted profit exceeds a fixed threshold**.** Outside of the United States our fees are often more dependent on hotel profitability measures either through a single management fee structure where the entire fee is based on a profitability measure, or because our two-tier fee structure is more heavily weighted toward the incentive fee than the base fee.

***Terms and Renewals***

The average remaining term of our management agreements with third party owners and unconsolidated hospitality ventures for full service hotels (other than those in development) is approximately 12 years, assuming no renewal options are exercised by either party. The average remaining term of our management agreements with third-party owners and unconsolidated hospitality ventures for select service hotels (other than those in development) is approximately 21 years, assuming no renewal options are exercised by either party.

Certain of our management agreements allow for extensions of the contract term by mutual agreement, or at the discretion of one of the parties. Including exercise of extension options that are in Hyatt s sole discretion and assuming in certain cases that specific performance tests have been met, the average remaining term of our management agreements is approximately 20 years for our full service hotels located in the United States, Canada and the Caribbean, approximately 18 years for our full service hotels located throughout the rest of the world and approximately 48 years for our select service hotels. Twenty-two select service hotels are governed under the same management agreement, which has a remaining base term of approximately 21 years. Hyatt may elect to extend the term of this agreement for two additional fifteen-year terms.

Some of our management agreements grant early termination rights to owners of the hotels we manage upon the occurrence of a stated event, such as the sale of the hotel or our failure to meet a specified performance test. Generally, termination rights under performance tests are based upon the property s individual performance or its performance when compared to a specified set of competitive hotels branded by other hotel operators, or both. These termination rights are usually triggered if we do not meet the performance tests over multiple years. We generally have the option to cure performance failures by paying an amount equal to the short fall but in some cases our cure rights may be limited and the result of our failure to meet a performance test may be the termination of our management agreement.

Many of our management agreements are subordinated to mortgages or other secured indebtedness of the owners. In North America, in the event lenders take possession of the hotel property through foreclosure or similar means, most lenders have agreed to recognize our right to continue to manage the hotels under the terms set forth in the management agreements.

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**Franchise Agreements**

Pursuant to franchise agreements, we grant our franchisees the limited right to use our name, marks and system in the operation of franchised Hyatt, Hyatt Regency, Hyatt Place and Hyatt Summerfield Suites hotels. We do not directly participate in the management of our franchised hotels. However, franchisees are required to operate franchised hotels consistent with our brand standards. We approve the plans for, and the location of, franchised hotels and review the operation of these hotels to ensure that our standards are maintained. We provide support to and advice with respect to certain aspects of hotel operations for the benefit of our franchise owners and operators through our Franchise and Owner Relations Group.

***Fees***

In general, our franchisees pay us an initial application fee and ongoing royalty fees, the amount of which depends on whether the franchised property is a select or full service hotel. We franchise full service hotels under the Hyatt and Hyatt Regency brands. We franchise select service hotels under our Hyatt Place and Hyatt Summerfield Suites brands. Application fees are typically $60,000 for our Hyatt Place hotels, $50,000 for our Hyatt Summerfield Suites hotels and the greater of $100,000 and $300 per guest room for our full service hotels. Select service franchisees pay continuing royalty fees calculated as a percentage of gross room revenues which typically are 3% in the first year of operations, 4% in the second year and 5% through the remainder of the term. Our full service franchisees typically pay us royalty fees calculated as 6% of gross room revenues and 3% of gross food and beverage revenues, although in some circumstances we have negotiated other fee arrangements.

In addition to our franchise fees, we charge full service franchisees for certain services arranged and provided by us. These activities include centralized reservation functions, certain sales functions, information technology, national advertising, marketing and promotional services, as well as various accounting and insurance procurement services. We also charge select service franchisees for marketing, central reservations and technology services.

***Terms and Renewals***

The standard term of our franchise agreements is 20 years, with one 10 year renewal option exercisable by the franchisee, assuming the franchisee has complied with franchise agreement requirements and standards. We have the right to terminate franchise agreements upon specified events of default, including non-payment of fees and non-compliance with brand standards. In the event of early termination for any reason, our franchise agreements set forth liquidated damages that our franchisees must pay to us upon termination. The bankruptcy of a franchisee or lender foreclosure could result in the termination of the franchise agreement. The average remaining base term of our franchise agreements for our select service and full service hotels (other than those in development) is approximately 18 years.

**Business Segment and Geographical Information**

For information regarding our three reportable business segments and geographical information, see note 20 of our consolidated financial statements included elsewhere in this prospectus.

**Sales, Marketing and Reservations**

***Sales***

Our global sales organization is focused on growing market share through key accounts, identifying new business opportunities and maximizing our local customer base.

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Our worldwide customers consist of: major corporations; national, state and regional associations; specialty market accounts (social, military, educational, religious and fraternal); and travel organizations. Our worldwide sales force targets multiple brands to approximately 1,800 of these customers, which we consider to be key customer accounts. Its goal is to penetrate and expand business share among these key customers, which represent over 40% of our overall room revenue for full service hotels. The remaining portion of our room revenues at our full service hotels are generated from a broad and diverse group of customers. No one customer is material to our business. Our team consists of over 100 associates focused on group business, business and leisure traveler accounts and travel agencies. We also deploy approximately 25 associates to target the acquisition of new business with the goal of establishing new worldwide accounts.

We also have regional sales offices throughout the world, including in New York, Chicago, Los Angeles, Washington D.C., London, Hong Kong, Mainz, Mumbai, Shanghai, Beijing and Tokyo.

Our associates in our worldwide sales force and in our North American full service hotels use Envision, our proprietary sales tool, to manage the group rooms forecast, maintain an inventory of definite and tentative group rooms booked each day, streamline the process of checking guest room availability and rate quotes and determine meeting room availability.

In conjunction with our worldwide sales force, each hotel has an in-house team of sales associates. The in-house sales associates are focused on local and regional business opportunities, as well as securing the business generated from our worldwide accounts.

Hyatt seeks to maximize revenues in each hotel through a team of revenue management professionals. The goal of revenue management is to secure the right customer, on the right date, at the right price. Business opportunities are reviewed and agreed upon by the hotel s revenue management strategy team.

***Marketing***

Our marketing strategy is designed to maintain and build brand value and awareness while meeting the specific business needs of hotel operations. Building and differentiating each of our brands is critical to increasing Hyatt s brand preference. We are focused on targeting the distinct guest segments that each of our brands serves and supporting the needs of the hotels by thorough analysis and application of data and analytics. Hyatt Gold Passport and Hyatt.com are the key components of our marketing strategy. Hyatt Gold Passport is a service and loyalty program with focus on driving guest satisfaction, recognition and differential services for our most loyal guests. Hyatt.com is our primary online distribution channel providing customers with an efficient source of information about our hotels and an effective booking experience.

***Reservations***

We have a central reservation system that provides a comprehensive view of inventory, while allowing for local management of rates based on demand. Through this system, we are able to allow bookings by hotels directly, via telephone through our call centers, by travel agents and online through Hyatt.com.

We have eight call centers that service our global guest base 24 hours a day, seven days a week and provide reservation services in over 25 languages. While we continue to provide full reservations services via telephone through our call centers, we have also invested significant amounts in internet booking capabilities on Hyatt.com and through online booking partners.

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In addition, some of our hotel rooms at hotels and resorts we manage or franchise are booked through internet travel intermediaries and partners and online travel service providers. We also engage third-party intermediaries who collect fees by charging our hotels and resorts a commission on room revenues, including travel agencies and meeting and event management companies.

**Hyatt Gold Passport**

We operate a guest loyalty program, Hyatt Gold Passport. This program generates substantial repeat guest business by rewarding frequent stays with points toward free hotel nights and other rewards.

Hyatt Gold Passport members earn points based on their spending at our hotels. Hyatt Gold Passport points can be redeemed at all hotels across our brands and can also be converted into airline miles with any of more than 30 participating airlines.

The Hyatt Gold Passport program is funded through a contribution from eligible revenues generated from Hyatt Gold Passport members. These funds are applied to reimburse hotels for room nights where guests redeem Hyatt Gold Passport points and to administrative expenses and marketing initiatives to support the program.

As of June 30, 2009, the Hyatt Gold Passport program had over 9 million members, and during the first half of 2009, Hyatt Gold Passport members represented 23% of total room nights. We expect our Hyatt Gold Passport program to continue to have a positive impact on our brands.

**Competition**

There is intense competition in all areas of the hospitality industry in which we operate. Competition exists for hotel guests, management agreements and franchise agreements and sales of vacation ownership properties. Our principal competitors are other operators of full service, select service and extended stay properties, including other major hospitality chains with well established and recognized brands. We also compete against small chains and independent and local owners and operators.

We compete for guests based primarily on brand name recognition and reputation, location, customer satisfaction, room rates, quality of service, amenities, quality of accommodations and the ability to earn and redeem loyalty program points.

We compete for management agreements based primarily on the value and quality of our management services, our brand name recognition and reputation, our ability and willingness to invest our capital in third-party owned or hospitality venture projects, the level of our management fees and the economic advantages to the property owner of retaining our management services and using our brand name. We compete for franchise agreements based primarily on brand name recognition and reputation, the room rate that can be realized and total revenues we can deliver to the properties. Other competitive factors for management and franchise agreements include relationships with property owners and investors, including institutional owners of multiple properties, marketing support, reservation and e-commerce system capacity and efficiency and the ability to make investments that may be necessary to obtain management and franchise agreements.

We compete for sales of our vacation ownership properties based principally on location, quality of accommodations, price, financing terms, quality of service, flexibility of usage, opportunity to exchange into other vacation properties and brand name recognition and reputation. In addition to competing with other hotel and resort properties, our vacation ownership properties compete with national and independent vacation ownership club operators as well as with owners reselling their interests in these properties. Our ability to attract and retain purchasers of our vacation ownership properties depends on our success in distinguishing the quality and value of our vacation ownership products and services from those offered by others.

The universe of branded lodging operators with a global reach and depth of product and offerings similar to us is limited. We believe that our strong customer base, prominent brand recognition, strategic property locations and global development team will enable us to compete effectively. For additional information, see Risk Factors Risks Related to Our Business We operate in a highly competitive industry and our success depends on our ability to compete effectively.

**Seasonality**

The hospitality industry is seasonal in nature. The periods during which our lodging properties experience higher revenues vary from property to property, depending principally upon location and the customer base served. Based upon historical results, our North American properties typically generate the highest revenues in the second quarter and our international properties generally experience the highest revenues during the fourth quarter of each year. We generally expect our revenues to be lower in the first quarter of each year than in each of the three subsequent quarters.

**Cyclicality**

The hospitality industry is cyclical and generally follows, on a lagged basis, the general economy. There is a history of increases and decreases in demand for hotel rooms, in occupancy levels and in rates realized by owners of hotels through economic cycles. Variability of results through some of the cycles in the past has been more severe due to changes in the supply of hotel rooms in given markets or in given categories of hotels. The combination of changes in economic conditions and in the supply of hotel rooms can result in significant volatility in results for owners and managers of hotel properties. The costs of running a hotel tend to be more fixed than variable. Because of this, in an environment of declining revenues the rate of decline in earnings will be higher than the rate of decline in revenues. The vacation ownership business is also cyclical. The demand for vacation ownership units is affected by the availability and cost of financing for purchases of vacation ownership units as well as general economic conditions and the relative health of the housing market.

**Intellectual Property**

In the highly competitive hospitality industry in which we operate, trademarks, service marks, trade names and logos are very important in the sales and marketing of our hotels, residential and vacation ownership properties and services. We have a significant number of trademarks, service marks, trade names, logos and pending registrations, and significant resources are expended each year on surveillance, registration and protection of our trademarks, service marks, trade names and logos, which we believe have become synonymous in the hospitality industry with a reputation for excellence in service and authentic hospitality.

As further described in Certain Relationships and Related Party Transactions License Agreements Agreements Related to Transfer and License Back of Classic Residence by Hyatt Trademark and Service Mark, we have entered into a license agreement with CC-Development Group, Inc. (Classic Residence) whereby we provide Classic Residence with a limited license to permit the Classic Residence companies to use the Classic Residence by Hyatt trademark and service mark (subject to maintaining agreed upon standards) and the classichyatt.com , classichyatt.org , hyattclassic.com and hyattclassic.org domain names for a transition period ending upon the earlier of December 31, 2010 and the consummation of a change of control of Classic Residence, to the

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extent necessary to permit the Classic Residence companies to comply with pre-existing contractual obligations to third parties and as required by applicable laws, regulations and governmental authorities.

**Government Regulation**

We are subject to numerous federal, foreign, state and local government laws and regulations, including those relating to the preparation and sale of food and beverages, building and zoning requirements, data privacy and general business license and permit requirements, in the various jurisdictions in which we manage, franchise and own hotels. Our ability to develop new hotel properties and to remodel, refurbish or add to existing properties is also dependent on obtaining permits from local authorities. We are also subject to laws governing our relationships with employees, including minimum wage requirements, overtime, working conditions, hiring and firing, non-discrimination for disabilities and other individual characteristics, work permits and benefit offerings. Federal, state and provincial laws and regulations also require certain registration, disclosure statements, compliance with specific standards of conduct and other practices with respect to the franchising of hotels. Additionally, the vacation ownership properties we operate are subject to local, state and federal requirements regarding the licensing of sales agents, compliance of marketing materials and numerous other requirements regarding the sale and management of vacation ownership properties. Compliance with these various laws and regulations can affect the revenues and profits of properties managed, franchised or owned and of our vacation ownership business and could adversely affect our operations. We believe that our businesses are conducted in substantial compliance with applicable laws and regulations.

We manage and own hotels with casino gaming operations as part of or adjacent to the hotels. However, with the exception of the Hyatt Regency Aruba, third parties manage and operate the casinos. We do hold and maintain the casino gaming license and manage the casino located at the Hyatt Regency Aruba. As a result, our business operations at the Hyatt Regency Aruba are subject to the licensing and regulatory control of the *Departamento pa Asuntonan di Casino* (D.A.C.), a newly formed regulatory agency responsible for gaming licenses and operations in Aruba. The gaming operations at the Hyatt Regency Aruba are also regulated by the Nevada Gaming Commission and the Nevada State Gaming Control Board because a provider of services at the Hyatt Regency Aruba also operates casinos in Nevada.

**Employees**

As of June 30, 2009, we had approximately 45,000 employees at our corporate offices, divisional offices, owned and managed hotels and residential and vacation ownership properties. Approximately 25% of those employees were either represented by a labor union or had terms of employment that were determined under a labor agreement. Some of our more than 80,000 associates are employed by certain third-party owners and franchisees of our hotels and are not included in the 45,000 figure above because we do not directly employ them. We believe relations with our employees and associates are good.

**Environmental Matters**

In connection with our ownership and management of hotels and development of other real properties, we are subject to various foreign, federal, state and local laws, ordinances and regulations relating to environmental protection. Under some of these laws, a current or former owner or operator of real property may be held liable for the costs of investigating or remediating hazardous or toxic substances or wastes on, under or in such real property, as well as third-party sites where the owner or operator sent wastes for disposal. Such laws may impose liability without regard to whether the owner

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or operator knew, or was at fault in connection with, the presence or release of such hazardous substances or wastes. Furthermore, a person who arranges for the disposal or treatment of a hazardous or toxic substance at a property owned by another, or who transports such substance to or from such property, may be liable for the costs of removal or remediation of such substance released into the environment at the disposal or treatment facility. Although we are not aware of any current material obligations for investigating or remediating hazardous substances or wastes at our owned properties, the future discovery of substances or wastes at any of our owned properties, or the failure to remediate such contaminated property properly, could adversely affect our ability to develop or sell such real estate, or to borrow using such real estate as collateral. In addition, the costs of investigating or remediating contamination, at our properties or at properties where we sent substances or wastes for disposal, may be substantial.

We are also subject to various requirements, including those contained in environmental permits required for our operations, governing air emissions, effluent discharges, the use, management and disposal of hazardous substances and wastes and health and safety. From time to time, we may be required to manage, abate or remove mold, lead or asbestos-containing materials at our properties. We believe that our properties and operations are in compliance, in all material respects, with all federal, state and local environmental laws and ordinances. However, additional operating costs and capital expenditures could be incurred if additional or more stringent requirements are enacted in the future.

**Insurance**

We maintain insurance coverage for general liability, property, workers compensation and other risks with respect to our business. Our general liability insurance provides coverage for any claim, including terrorism, resulting from our operations, goods and services and automobiles. All owned hotels are covered by Hyatt s property insurance program. Hotels managed by Hyatt are permitted to participate in Hyatt s insurance programs by mutual agreement with our hotel owners. If a managed hotel does not participate in our insurance programs, and for franchised locations, which do not currently participate in our insurance programs, our management and franchise agreements require the hotels to be insured at coverage levels generally consistent with the coverage levels under our insurance programs, including liability, property coverage, business interruption coverage and workers compensation insurance. We are typically covered under these insurance policies to the extent necessary and reasonable. We believe our insurance policies are adequate for foreseeable losses and on terms and conditions that are reasonable and customary with solvent insurance carriers.

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**Properties**

The following table sets forth a description of each owned or leased Hyatt-branded hotel property as of June 30, 2009:

| Property(1) | Location | Rooms | Ownership(2) |
|---|---|---|---|
| Full Service: | | | |
| United States, Canada and the Caribbean: | | | |
| Park Hyatt Chicago | Chicago, IL | 198 | 100% |
| Park Hyatt Philadelphia at Bellevue | Philadelphia, PA | 172 | 50% |
| Park Hyatt Toronto | Toronto, Ontario, Canada | 346 | 100% |
| Park Hyatt Washington | Washington, DC | 216 | 100% |
| Andaz West Hollywood(3)(4) | West Hollywood, CA | 257 | |
| Grand Hyatt New York(5) | New York, NY | 1,311 | 100% |
| Grand Hyatt San Antonio(5) | San Antonio, TX | 1,003 | 30% |
| Grand Hyatt San Francisco | San Francisco, CA | 685 | 100% |
| Grand Hyatt Seattle | Seattle, WA | 425 | 50% |
| Grand Hyatt Tampa Bay | Tampa, FL | 445 | 100% |
| Hyatt Regency Aruba Resort & Casino(5) | Palm Beach, Aruba, Dutch Caribbean | 360 | 100% |
| Hyatt Regency Atlanta | Atlanta, GA | 1,260 | 100% |
| Hyatt Regency Baltimore(5) | Baltimore, MD | 488 | 100% |
| Hyatt Regency Bellevue | Bellevue, WA | 382 | 2% |
| Hyatt Regency Boston(6) | Boston, MA | 498 | 100% |
| Hyatt Regency Buffalo | Buffalo, NY | 396 | 14% |
| Hyatt Regency Cincinnati(5)(7) | Cincinnati, OH | 486 | 20% |
| Hyatt Regency Cleveland at The Arcade(8) | Cleveland, OH | 293 | 50% |
| Hyatt Regency Coconut Point Resort & Spa | Bonita Springs, FL | 454 | 100% |
| Hyatt Regency Columbus(5) | Columbus, OH | 631 | 24% |
| Hyatt Regency Crown Center(3) | Kansas City, MO | 733 | |
| Hyatt Regency Crystal City at Reagan National Airport | Arlington, VA | 686 | 50% |
| Hyatt Regency Tech Center | Denver, CO | 451 | 100% |
| Hyatt Regency DFW (5) | DFW Airport, TX | 811 | 46% |
| Hyatt Regency Grand Cypress(3)(4) | Orlando, FL | 750 | |
| Hyatt Regency Greenville | Greenville, SC | 328 | 100% |
| Hyatt Regency Greenwich | Old Greenwich, CT | 373 | 100% |
| Hyatt Regency Hill Country Resort and Spa | San Antonio, TX | 500 | 16% |
| Hyatt Regency Huntington Beach Resort & Spa(5) | Huntington Beach, CA | 517 | 40% |
| Hyatt Regency Indianapolis | Indianapolis, IN | 497 | 100% |
| Hyatt Regency Jersey City on the Hudson | Jersey City, NJ | 350 | 50% |
| Hyatt Regency Lake Tahoe Resort, Spa & Casino | Incline Village, NV | 422 | 100% |
| Hyatt Regency Long Beach(5) | Long Beach, CA | 528 | 100% |
| Hyatt Regency Lost Pines Resort and Spa | Lost Pines, TX | 491 | 8% |
| Hyatt Regency Louisville(5)(9) | Louisville, KY | 393 | 50% |
| Hyatt Regency Miami(5) | Miami, FL | 612 | 100% |
| Hyatt Regency Minneapolis | Minneapolis, MN | 533 | 100% |
| Hyatt Regency Monterey Resort & Spa on Del Monte Golf Course(5) | Monterey, CA | 550 | 100% |

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| Property(1) | Location | Rooms | Ownership(2) |
|---|---|---|---|
| Hyatt Regency O Hare | Rosemont, IL | 1,096 | 100% |
| Hyatt Regency Princeton(5) | Princeton, NJ | 347 | 88% |
| Hyatt Regency San Antonio | San Antonio, TX | 632 | 100% |
| Hyatt Regency San Francisco(3) | San Francisco, CA | 802 | |
| Hyatt Regency Santa Clara(5) | Santa Clara, CA | 501 | 100% |
| Hyatt Regency Scottsdale Resort and Spa at Gainey Ranch | Scottsdale, AZ | 492 | 100% |
| Hyatt Regency Vancouver | Vancouver, British Columbia, Canada | 644 | 100% |
| Hyatt Regency Waikiki Beach Resort and Spa(5) | Honolulu, HI | 1,229 | 10% |
| Hyatt on Capitol Square(3) | Columbus, OH | 400 | |
| Hyatt Deerfield | Deerfield, IL | 301 | 100% |
| Hyatt at Fisherman s Wharf | | | |