Hyatt Hotels Corp
Form S-1/A
November 02, 2009
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As filed with the Securities and Exchange Commission on October 30, 2009

Registration No. 333-161068

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Pre-effective

AMENDMENT NO. 5

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	**Amount to be Registered(1)**	**Proposed Maximum Offering Price Per Unit(2)**	**Proposed Maximum Offering Price**	**Amount of Registration Fee(3)**
Class A Common Stock, par value $0.01 per share	43,700,000 shares(4)	$26.00	1,136,200,000	$63,400

(1) Estimated solely for the purpose of computing the amount of the registration fee pursuant to Rule 457(a) under the Securities Act of 1933, as amended (the Securities Act).
(2) Anticipated to be between $23.00 and $26.00 per share.
(3) Previously paid.
(4) Includes 5,700,000 shares that may be purchased by the Underwriters pursuant to an option granted to the Underwriters.

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 30, 2009.

38,000,000 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.

The selling stockholders identified in this prospectus are offering 38,000,000 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. If the underwriters sell more than 38,000,000 shares of Class A common stock, the underwriters have the option to purchase up to an additional 5,700,000 shares of Class A common stock from Hyatt Hotels Corporation at the initial public offering price less the underwriting discount.

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 $23.00 and $26.00. Our Class A common stock has been approved for listing on the New York Stock Exchange under the symbol H, subject to official notice of issuance.

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 18 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 the selling stockholders	$	$

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**

BofA Merrill Lynch **Citi** **UBS Investment Bank** **Wells Fargo Securities**

HSBC Piper Jaffray Scotia Capital Robert W. Baird & Co. Loop Capital Markets

M.R. Beal & Company Ramirez & Co., Inc. Siebert Capital Markets The Williams Capital Group, L.P.

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 September 30, 2009, our worldwide portfolio consisted of 415 Hyatt-branded properties (119,857 rooms and units), including:

- 157 managed properties (60,836 rooms), all of which we operate under management agreements with third-party property owners;
- 104 franchised properties (15,906 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) (25,783 rooms) and 6 leased properties (2,851 rooms), all of which we manage;
- 27 managed properties owned or leased by unconsolidated hospitality ventures (12,226 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 nine months ended September 30, 2009, revenues totaled $2.4 billion, net loss attributable to Hyatt Hotels Corporation totaled $31 million and Adjusted EBITDA totaled $302 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 nine months ended September 30, 2009, 79.9% and 81.1% of our revenues were derived from operations in the United States, respectively. As of September 30, 2009, 76.7% of our long-lived assets were located in the United States. As of September 30, 2009, we had total debt of $857 million and cash and cash equivalents of $1.3 billion. As of September 30, 2009 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 the completion of this offering, will own approximately 62.4%, 7.5% and 6.1%, respectively, of our common stock (or approximately 60.4%, 7.3% and 5.9%, respectively, of our common stock if the underwriters exercise their option to purchase additional shares from us in full).

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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 September 30, 2009, we had cash and cash equivalents of $1.3 billion and 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 27 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 nine-month period ended September 30, 2009, new membership enrollment in our Hyatt Gold Passport program has increased by approximately 20% 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

Recent Results (Unaudited). The table below sets forth our previously disclosed estimates of consolidated revenues and RevPAR for the nine months ended September 30, 2009 and our actual consolidated revenues and RevPAR for the nine months ended September 30, 2009, together with the variance for these amounts compared to the nine months ended September 30, 2008.

	Nine Months Ended September 30, 2009			
	Estimated Range	**Variance**	**Actual**	**Variance**
Consolidated Revenues (dollars in millions)	$ 2,400 to $2,500	-16% to -19%	$ 2,443	-17.2%
(Comparable Systemwide Hotels)				
Owned and Leased Hotels RevPAR	$ 99 to $103	-20% to - 23%	$ 101	-21.8%
North American Full Service RevPAR	$ 104 to $108	-18% to - 21%	$ 106	-19.3%
International Full Service RevPAR	$ 114 to $119	-27% to - 30%	$ 116	-28.8%

Our estimates of consolidated revenues and RevPAR were derived from preliminary results for the nine months ended September 30, 2009 and were subject to completion and review of our interim financial statements for this period. For additional information regarding our actual results for the nine months ended September 30, 2009, see Summary Consolidated Financial Data, Selected Consolidated Financial Data, Management s Discussion and Analysis of Financial Condition and Results of Operations Results of Operations Nine Months Ended September 30, 2009 Compared with Nine Months Ended September 30, 2008, and our unaudited consolidated interim financial statements included elsewhere in this prospectus.

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 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

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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	No shares (or 5,700,000 shares if the underwriters exercise their option to purchase additional shares from us in full)
Class A common stock offered by the selling stockholders	38,000,000 shares
Selling stockholders	Thomas J. Pritkzer, Marshall E. Eisenberg and Karl J. Breyer, in their capacity as co-trustees of U.S. situs trusts and various entities owned, directly or indirectly, by U.S. situs trusts for the benefit of certain lineal descendants of Nicholas J. Pritzker, deceased, including Mr. Thomas J. Pritzker, our executive chairman, and Ms. Penny Pritzker, one of our directors, and their immediate family members. See Principal and Selling Stockholders.
	Thomas J. Pritzker and Marshall E. Eisenberg, in their capacity as co-trustees of LaSalle Trust No. 35, which is for the benefit of certain lineal descendants of Nicholas J. Pritzker, deceased.
Class A common stock to be outstanding after this offering	38,034,407 shares
Class B common stock to be outstanding after this offering	130,005,588 shares
Total common stock to be outstanding after this offering	168,039,995 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 2.8% of our total voting power and will own 22.6% of our total outstanding shares of common stock and (2) holders of Class B common stock will control approximately 97.2% of our total voting power and will own 77.4% of our total outstanding shares of common stock. If the underwriters exercise their over-allotment option in full, (1) holders of Class A common stock will control approximately 3.3% of our total voting

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	power and will own 25.2% of our total outstanding shares of common stock and (2) holders of Class B common stock will control approximately 96.7% of our total voting power and will own 74.8% 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.
Option to purchase additional shares of Class A common stock from Hyatt Hotels Corporation	5,700,000 shares
Use of proceeds	We will not receive any proceeds from the sale of shares by the selling stockholders. If the underwriters exercise their option to purchase additional shares from us, we intend to use the net proceeds therefrom 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. 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.
New York Stock Exchange symbol	H

The total number of shares of common stock to be outstanding after this offering is based on 168,039,995 shares of our common stock outstanding immediately prior to this offering. This number excludes 9,452,307 shares of Class A common stock reserved for issuance under our Amended and

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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:

- reflects the one-for-two reverse split of our common stock effected on October 14, 2009;
- assumes the underwriters have not exercised their option to purchase 5,700,000 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 34,407 outstanding shares of our common stock into 34,407 shares of Class A common stock; and (3) the reclassification of 168,005,588 outstanding shares of our common stock into 168,005,588 shares of Class B common stock, of which 38,000,000 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 nine months ended September 30, 2009 and September 30, 2008 and the summary consolidated balance sheet data as of September 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.

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)	Nine Months Ended September 30, 2009	2008	Year Ended December 31, 2008	2007	2006	2005	2004(1)
	(Unaudited)						
Consolidated statements of income data:							
Owned and leased hotel revenues	$ 1,314	$ 1,648	$ 2,139	$ 2,039	$ 1,860	$ 1,748	$ 1,472
Management and franchise fee revenues	158	230	290	315	294	227	202
Other revenues	39	68	83	103	110	112	88
Other revenues from managed properties (2)	932	1,005	1,325	1,281	1,207	1,080	920
Total revenues	2,443	2,951	3,837	3,738	3,471	3,167	2,682
Direct and selling, general and administrative expenses	2,405	2,601	3,473	3,353	3,119	2,880	2,494
Income (loss) from continuing operations	(32)	257	114	266	331	278	175
Net income (loss) attributable to Hyatt Hotels Corporation	(31)	310	168	270	315	336	227
Income (loss) from continuing operations per common share, basic and diluted(3)	$ (0.22)	$ 2.01	$ 0.89	$ 1.98	$ 2.41	$ 2.40	$ 1.68
Weighted average shares used in computing basic net income per share(3)	144,748,927	128,030,841	128,037,015	134,585,314	137,558,738	115,878,216	104,112,199
Weighted average shares used in computing diluted net income per share(3)	144,748,927	128,055,676	128,061,147	134,634,020	137,558,738	115,878,216	104,112,199
Other financial metric:							
Adjusted EBITDA(4)	$ 302	$ 590	$ 687	$ 708	$ 628	$ 519	$ 363

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(in millions)	As of September 30, 2009 Actual	As Adjusted With Over-Allotment(5) (Unaudited)	As Adjusted Without Over-Allotment(6)	As of December 31, 2008	2007
Consolidated balance sheet data:					
Cash and cash equivalents	$ 1,297	$ 1,422	$ 1,289	$ 428	$ 409
Total current assets	1,894	2,019	1,886	1,057	1,065
Property and equipment, net	3,617	3,617	3,617	3,495	3,518
Intangibles, net	274	274	274	256	359
Total assets	7,054	7,179	7,046	6,119	6,248
Total current liabilities	562	562	562	653	697
Long-term debt	845	845	845	1,209	1,288
Other long-term liabilities	719	719	719	665	794
Total liabilities	2,126	2,126	2,126	2,527	2,779
Total stockholders equity	4,902	5,027	4,894	3,564	3,434
Total liabilities and stockholders equity	7,054	7,179	7,046	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) All share and per share amounts reflect a one-for-two reverse split of our common stock effected on October 14, 2009.

(4) 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)	Nine Months Ended September 30, 2009 (Unaudited)	2008	Twelve Months Ended December 31, 2008	2007	2006	2005	2004
Adjusted EBITDA	$ 302	$ 590	$ 687	$ 708	$ 628	$ 519	$ 363
Equity earnings (losses) from unconsolidated hospitality ventures(a)	(11)	30	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)	(44)	65	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)		55	56	5	(2)	69	50
Net (income) loss attributable to noncontrolling interests(d)	1	(2)	(2)	(1)	(14)	(11)	2
Pro rata share of unconsolidated hospitality ventures Adjusted EBITDA(a)	(43)	(72)	(90)	(94)	(69)	(51)	(35)
EBITDA	197	666	582	735	739	729	500
Depreciation and amortization	(199)	(187)	(249)	(214)	(195)	(174)	(134)
Interest expense	(42)	(51)	(75)	(43)	(36)	(46)	(60)
Benefit (provision) for income taxes	13	(118)	(90)	(208)	(193)	(173)	(79)
Net income (loss) attributable to Hyatt Hotels Corporation	$ (31)	$ 310	$ 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 (loss), net for the nine months ended September 30, 2009 and 2008, and for the years ended December 31, 2008, 2007, 2006, 2005 and 2004:

	Nine Months Ended September 30,		Year Ended December 31,				
(in millions)	2009	2008	2008	2007	2006	2005	2004
	(Unaudited)						
Interest income on interest-bearing cash and cash equivalents	$ 15	$ 16	$ 23	$ 43	$ 49	$ 36	$ 31
Gains (losses) on other marketable securities	11	(3)	(37)				7
Income from cost method investments(i)	22	63	64	87	72	60	23
Foreign currency gains (losses)	6	(9)	(23)	17	11	(11)	17
Debt settlement costs(ii)	(93)						
Gain on extinguishment of hotel property debt						28	
Other	(5)	(2)	(4)	(2)	(6)	(1)	2
Other income (loss), net	$ (44)	$ 65	$ 23	$ 145	$ 126	$ 112	$ 80

(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.

(5) Reflects the sale of 5,700,000 shares of our Class A common stock if the underwriters exercise their option to purchase additional shares from us in full, at an assumed initial public offering price of $24.50 per share, the midpoint of the range set forth on the front cover of this prospectus, and our receipt of the net proceeds from such shares, 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 $24.50 per share, the midpoint of the range set forth on the front cover of this prospectus, would result in an approximately $5.4 million increase or decrease in each of the as adjusted with over-allotment cash and cash equivalents, total current assets, total assets and total stockholders equity, assuming that the underwriters exercise their option to purchase additional shares from us in full and that the number of shares subject to such option 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. A decrease of 1.0 million shares in the number of shares to be sold by us pursuant to the underwriters option to purchase additional shares would decrease the as adjusted with over-allotment cash and cash equivalents, total assets and total stockholders equity by approximately $23.2 million, assuming that the assumed initial public offering price of $24.50 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 with over-allotment information discussed above is illustrative only and will adjust based on the actual initial public offering price and other terms of this offering.

(6) Reflects the payment of estimated offering expenses payable by us. Under GAAP, costs directly attributable to an offering of securities may be netted against the proceeds of the offering as is reflected under the as adjusted with over-allotment option as described in note 5 above. If, however, the underwriters do not exercise their option to purchase additional shares from us, we would not have the ability to net our offering costs against the proceeds of such shares. In such case, the offering costs would be expensed and would reduce our retained earnings.

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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 nine months 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 nine months ended September 30, 2009, compared to the nine months ended September 30, 2008, our revenues decreased by $508 million, driven by a 22% 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.

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.

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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.

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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.

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

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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.

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 $16.0 million paid through September 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 September 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 nine months ended September 30, 2009, our consolidated revenues declined by 17% while our direct and selling, general and administrative expenses declined by 8%, compared to the same period in 2008. During the nine months ended September 30, 2009, the revenues of our owned and leased hotels declined by 20%, while corresponding direct and selling, general and administrative expenses declined by 10%, 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 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 nine months ended September 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 September 30, 2009, we had $55 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.

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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

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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

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 $1.3 billion of cash and cash equivalents as of September 30, 2009.

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

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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 80.7% of our Class B common stock, representing approximately 62.4% of the outstanding shares of our common stock and approximately 78.4% of the total voting power of our outstanding common stock, or approximately 60.4% of the outstanding shares of our common stock and approximately 78.1% of the total voting power of our outstanding common stock if the underwriters exercise their option to purchase additional shares from us in full. 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 particular, certain beneficiaries of Pritzker family trusts expressed concern that there could be a value differential between our Class A and Class B common stock based on the difference in voting rights between those two classes of stock. Additionally, certain beneficiaries of Pritzker family trusts noted that the dual class structure had the effect of extending the duration of the voting and lock-up restrictions under the Global Hyatt Agreement and Foreign Global Hyatt Agreement due to the fact that the duration of those restrictions, as originally drafted, was based, in part, on voting power of the outstanding shares of our stock owned by Pritzker family members and spouses (including any U.S. or non-U.S. situs trusts for the current or future, direct or indirect, vested or contingent, benefit of any Pritzker family members and spouses) rather than on the percentage of the outstanding shares of our stock owned by them.

In connection with these disputes, the Global Hyatt Agreement and the Foreign Global Hyatt Agreement were amended and restated in three important respects, as described under Stockholder Agreements and Shares Eligible for Future Sale. First, the agreements were amended and restated to measure the duration of the voting and lock-up restrictions under the Global Hyatt Agreement and Foreign Global Hyatt Agreement on the percentage of outstanding shares, not voting power of shares, of our stock owned by Pritzker family members and spouses (including any U.S. or non-U.S. situs trusts for the current or future, direct or indirect, vested or contingent, benefit of any Pritzker family members and spouses). Second, the agreements were amended and restated to permit Pritzker family members and spouses (including any U.S. or non-U.S. situs trusts for the current or future, direct or indirect, vested or contingent, benefit of any Pritzker family members and spouses) to sell up to 25% of their aggregate holdings of our common stock, measured as of the date of effectiveness of the registration statement of which this prospectus is a part, during each 12-month period following the date of effectiveness of the registration statement of which this prospectus is a part (without carry-overs), rather than 20% measured on a similar basis (though shares sold in this offering will count toward the first 12-month period s limit). Additionally, the prohibition on selling shares to any aggregator (i.e., a person who is required to file a Schedule 13D under the Exchange Act, disclosing an intent other than for investment) was removed. Third, the amended and restated agreements provide for the distribution of Hyatt stock from U.S. or non-U.S. situs trusts for the current or future, direct or indirect, vested or contingent, benefit of any Pritzker family members and spouses in consultation with the adult beneficiaries of such trusts as soon as practicable following the date of effectiveness of the registration statement of which this prospectus is a part, subject to the 180-day lock-up period agreed to with the underwriters, the Amended and Restated Global Hyatt Agreement and the Amended and Restated Foreign Global Hyatt Agreement. As a result of such changes to the agreements, Pritzker family members and spouses (including any U.S. or non-U.S. situs trusts for the current or future, direct or indirect, vested or contingent, benefit of any Pritzker family members and spouses), other than those who are party to the Agreement Relating to Stock, may now sell up to 100% of their common stock over a shorter period of time. See Stockholder Agreements, Shares Eligible for Future Sale and 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. As part of these discussions, we agreed to provide, in the 2009 Registration Rights Agreement, for a shelf registration in order to facilitate sales of common stock by domestic and foreign Pritzker stockholders. See Description of Capital Stock Registration Rights Shelf Registration Rights.

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 19.3% of our outstanding Class B common stock, representing approximately 14.9% of the outstanding shares of our common stock and approximately 18.8% of the total voting power of our outstanding common stock, or representing approximately 14.5% of the outstanding shares of our common stock and approximately 18.7% of the total voting power of our outstanding common stock, if the underwriters exercise their option to purchase additional shares from us in full. 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.

If the underwriters exercise their option to purchase additional shares from us, we will have broad discretion in the use of the net proceeds therefrom and may not use the proceeds in ways that enhance the value of your investment.

If the underwriters exercise their option to purchase additional shares from us, our management will have broad discretion in the application of the net proceeds therefrom 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 such proceeds. 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 these funds 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.

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 immediately prior to this offering, we will have 38,034,407 shares of Class A common stock outstanding upon completion of this offering, including 38,000,000 shares of Class A common stock to be sold in this offering, and 130,005,588 shares of Class B common stock outstanding upon completion of this offering, or 43,734,407 shares of Class A common stock and 130,005,588 shares of Class B common stock outstanding if the underwriters exercise their option to purchase additional shares from us in full.

Of the outstanding shares, all 38,000,000 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 34,407 outstanding shares of Class A common stock and 130,005,588 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.

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
7,379,475	After 180 days and up to 12 months from the date of this prospectus.
27,095,906	After 12 months and up to 24 months from the date of this prospectus.
25,179,937	After 24 months and up to 36 months from the date of this prospectus.
23,321,656	After 36 months and up to 42 months (3 1/2 years) from the date of this prospectus.
16,567,913	After 42 months (3 1/2 years) and up to 48 months from the date of this prospectus.
1,100,853	After 48 months and up to 54 months (4 1/2 years) from the date of this prospectus.
15,467,060	After 54 months (4 1/2 years) and up to 60 months from the date of this prospectus.
2,201,705	After 60 months and up to 66 months (5 1/2 years) from the date of this prospectus.
11,725,490	After 66 months (5 1/2 years) from the date of this prospectus.

In addition, 9,452,307 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.

If holders of shares of our Class B common stock convert their shares of Class B common stock into shares of Class A common stock and exercise their registration rights, a significant number of shares of our Class A common stock could be sold into the market, which could reduce the trading price of our Class A common stock and impede our ability to raise future capital.

After this offering, holders of 130,005,588 shares of our Class B common stock (or 77.4% of our total outstanding shares of common stock), including Pritzker family business interests and entities affiliated with Goldman Sachs and Madrone GHC, will have rights, subject to certain conditions, to require us to file registration statements registering sales of shares of Class A common stock acquired upon conversion of such Class B common stock or to include sales of such shares of Class A common stock in registration statements that we may file for ourselves or other stockholders. In order to exercise such registration rights, the holder must be permitted to sell shares of its common stock under applicable lock-up restrictions. See Shares Eligible For Future Sale Lock-Up Agreements for additional information with respect to these lock-up provisions. Subject to compliance with applicable lock-up agreements, shares of Class A common stock sold under these registration statements can be freely sold in the public market. In the event such registration rights are exercised and a large number of shares of Class A common stock are sold in the public market, such sales could reduce the trading price of our Class A common stock. These sales also could impede our ability to raise future capital. Additionally, we will bear all expenses in connection with any such registrations (other than underwriting discounts). See Description of Capital Stock Registration Rights for additional information.

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. Our Class A common stock has been approved for listing on the New York Stock Exchange, subject to official notice of issuance; however, 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 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

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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.

- 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.

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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 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,

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

If the underwriters exercise their option to purchase additional shares from us in full, we estimate that the net proceeds to us will be approximately $124.6 million based on an assumed initial public offering price of $24.50 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 $24.50 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 $5.4 million, assuming the number of shares to be sold by us pursuant to the underwriters option to purchase additional shares 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. The number of shares that are subject to the underwriters over-allotment option may decrease if the number of shares to be sold by selling stockholders in this offering decreases. A decrease of 1.0 million shares in the number of shares to be sold by us pursuant to the underwriters option to purchase additional shares would decrease the net proceeds to us by $23.2 million, assuming an initial public offering price of $24.50 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.

If the underwriters exercise their option to purchase additional shares from us in full, we currently intend to use the net proceeds to us 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 September 30, 2009:

- on an actual basis;
- on an as adjusted basis, assuming the underwriters exercise their option to purchase additional shares from us in full, 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 34,407 outstanding shares of common stock into 34,407 shares of Class A common stock (which share numbers reflect the cash-out of fractional shares in connection with the reverse stock split); and (4) the reclassification of 168,005,588 outstanding shares of common stock into 168,005,588 shares of Class B common stock (which share numbers reflect the cash-out of fractional shares in connection with the reverse stock split), of which 38,000,000 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 5,700,000 shares of Class A common stock by us pursuant to the underwriters option to purchase additional shares from us at an assumed initial public offering price of $24.50 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.
- on an as adjusted basis, assuming the underwriters do not exercise their option to purchase additional shares from us, to give effect to:
  - the filing of our amended and restated certificate of incorporation and the related transactions described above; and
  - the payment of 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 September 30, 2009		
(in millions)	Actual	As Adjusted With Over-Allotment (1)	As Adjusted Without Over-Allotment (2)
Cash and cash equivalents (excluding restricted cash)	$ 1,297	$ 1,422	$ 1,289
Long-term debt, including current portion	$ 857	$ 857	$ 857
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 168,040,266 shares issued and outstanding, actual; no shares authorized, issued and outstanding, as adjusted	2		
Class A common stock; $0.01 par value; no shares authorized, issued and outstanding, actual; 1,000,000,000 shares authorized and 43,734,407 shares issued and outstanding, as adjusted with over-allotment and 38,034,407 shares issued and outstanding, as adjusted without over-allotment; 1,000,000,000 shares authorized			
Class B common stock; $0.01 par value; no shares authorized, issued and outstanding, actual; 500,000,000 shares authorized and 130,005,588 shares issued and outstanding, as adjusted with over-allotment and as adjusted without over-allotment		2	2
Additional paid-in capital	3,596	3,721	3,596
Retained earnings	1,350	1,350	1,342
Accumulated other comprehensive loss	(46)	(46)	(46)
Total stockholders equity	4,902	5,027	4,894
Total capitalization	$ 5,759	$ 5,884	$ 5,751

(1) A $1.00 increase or decrease in the assumed initial public offering price of $24.50, the midpoint of the range set forth on the front cover of this prospectus, would result in an approximately $5.4 million increase or decrease in each of the as adjusted cash and cash equivalents, as adjusted additional paid-in capital, as adjusted total stockholders equity and as adjusted total capitalization, assuming the underwriters exercise their option to purchase additional shares from us in full and that the number of shares subject to such option 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. A decrease of 1.0 million shares in the number of shares to be sold by us pursuant to the underwriters over-allotment option would decrease as adjusted cash and cash equivalents, as adjusted additional paid-in capital, as adjusted total stockholders equity and as adjusted total capitalization by approximately $23.2 million assuming the assumed initial public offering price of $24.50 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 terms of this offering determined at pricing.

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The number of shares of common stock in the table above does not include 9,452,305 shares of common stock reserved for issuance under our LTIP and a restricted stock unit agreement as of September 30, 2009. See Compensation Discussion and Analysis Employee Benefits and Compensation Discussion and Analysis Long-Term Incentive.

(2) Under GAAP, costs directly attributable to an offering of securities may be netted against the proceeds of the offering, thereby affecting additional paid-in capital as reflected under the as adjusted with over-allotment option as described in note 1 above. If, however, the underwriters do not exercise their option to purchase additional shares from us, we would not have the ability to net our offering costs against the proceeds of such shares. In such case, the offering costs would be required to be expensed and would reduce our retained earnings.

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DILUTION

If you invest in our Class A common stock in this offering, your ownership interest would be diluted if the amount per share paid by purchasers of shares of Class A common stock in this initial public offering is higher than the adjusted net tangible book value per share of Class A common stock immediately after completion of this offering. 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.

The net tangible book value of our common stock as of September 30, 2009 was approximately $4.5 billion, or approximately $26.98 per share, based on 168,040,266 shares of common stock outstanding as of September 30, 2009.

We will not receive any of the proceeds from the sale of the shares of Class A common stock by the selling stockholders. However, we will pay substantially all of the expenses of the offering, other than the underwriting discount payable by the selling stockholders.

After giving effect to:

- the sale of 38,000,000 shares of Class A common stock in this offering by the selling stockholders at an assumed initial public offering price of $24.50 per share, the midpoint of the range set forth on the front cover of this prospectus; and

- the deduction of estimated offering expenses payable by us:

  - the adjusted net tangible book value of our common stock as of September 30, 2009 would have been approximately $4.5 billion, or approximately $26.93 per share, which represents a decrease in net tangible book value per share to our existing stockholders; and

  - if the underwriters exercise their option to purchase additional shares from us in full and we issue 5,700,000 shares of Class A common stock in this offering at an assumed initial public offering price of $24.50 per share, the midpoint of the range set forth on the front cover of this prospectus, after deducting the underwriting discount payable by us, the adjusted net tangible book value of our common stock as of September 30, 2009 would have been approximately $4.7 billion, or approximately $26.82 per share, which represents a decrease in net tangible book value per share to our existing stockholders.

The following table sets forth as of September 30, 2009, on the adjusted basis described above, assuming an initial public offering price of $24.50 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, and assuming that the underwriters exercise their option to purchase additional shares from us in full:

- the number of shares of common stock sold in this offering;

- the total consideration paid and the average price per share paid to us by our existing stockholders during the past five years; and

- the total consideration paid and the average price per share paid to us by the investors purchasing shares in this offering.

	Shares Purchased		Total Consideration		Average Price
	Number	Percent	Amount	Percent	Per Share
Existing stockholders(1)	130,040,266	74.8%	$ 1,859,075,161	63.5%	$ 11.06
New investors(2)	43,700,000	25.2	1,070,650,000	36.5	$ 24.50
Totals	173,740,266	100%	$ 2,929,725,161	100%	

(1) Shares purchased excludes the 38,000,000 shares being sold by the selling stockholders in this offering. The average price per share is computed based on the total shares of existing stockholders prior to this offering of 168,040,266, which includes the 38,000,000 shares being sold by the selling stockholders.

(2) Includes shares being sold by the selling stockholders in this offering.

The discussion and tables above are based on 168,040,266 shares of common stock outstanding as of September 30, 2009. This number excludes 9,452,305 shares of common stock reserved for issuance under the LTIP and a restricted stock unit agreement as of September 30, 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 nine months ended September 30, 2009 and September 30, 2008 and the consolidated balance sheet data as of September 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.

(in millions, except per share data)	Nine Months Ended September 30, 2009	2008	Year Ended December 31, 2008	2007	2006	2005	2004(1)
	(Unaudited)						
Consolidated statements of income data:							
Owned and leased hotel revenues	$ 1,314	$ 1,648	$ 2,139	$ 2,039	$ 1,860	$ 1,748	$ 1,472
Management and franchise fee revenues	158	230	290	315	294	227	202
Other revenues	39	68	83	103	110	112	88
Other revenues from managed properties (2)	932	1,005	1,325	1,281	1,207	1,080	920
Total revenues	2,443	2,951	3,837	3,738	3,471	3,167	2,682
Direct and selling, general and administrative expenses	2,405	2,601	3,473	3,353	3,119	2,880	2,494
Income (loss) from continuing operations	(32)	257	114	266	331	278	175
Net income (loss) attributable to Hyatt Hotels Corporation	(31)	310	168	270	315	336	227
Income (loss) from continuing operations per common share, basic and diluted (3)	$ (0.22)	$ 2.01	$ 0.89	$ 1.98	$ 2.41	$ 2.40	$ 1.68

(in millions)	As of September 30, 2009 Actual	As Adjusted With Over-Allotment (4) (Unaudited)	As Adjusted Without Over-Allotment(5)	As of December 31, 2008	2007	2006	2005	2004
Consolidated balance sheet data:								
Cash and cash equivalents	$ 1,297	$ 1,422	$ 1,289	$ 428	$ 409	$ 801	$ 960	$ 1,067
Total current assets	1,894	2,019	1,886	1,057	1,065	1,501	1,645	2,158
Property and equipment, net	3,617	3,617	3,617	3,495	3,518	2,769	2,296	1,646
Intangibles, net	274	274	274	256	359	154	102	43
Total assets	7,054	7,179	7,046	6,119	6,248	5,522	5,081	4,658
Total current liabilities	562	562	562	653	697	1,001	600	890
Long-term debt	845	845	845	1,209	1,288	173	500	514
Other long-term liabilities	719	719	719	665	794	588	519	258
Total liabilities	2,126	2,126	2,126	2,527	2,779	1,762	1,619	1,662
Total stockholders equity	4,902	5,027	4,894	3,564	3,434	3,731	3,430	2,957
Total liabilities and stockholders equity	7,054	7,179	7,046	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) All per share amounts reflect a one-for-two reverse split of our common stock effected on October 14, 2009.

(4) Reflects the sale of 5,700,000 shares of our Class A common stock if the underwriters exercise their option to purchase additional shares from us in full, at an assumed initial public offering price of $24.50 per share, the midpoint of the range set forth on the front cover of this prospectus, and our receipt of the net proceeds from such shares, after deducting the underwriting discounts and estimated offering expenses payable by us. A $1.00 increase or decrease in the assumed initial public offering price of $24.50 per share, the midpoint of the range set forth on the front cover of this prospectus, would result in an approximately $5.4 million increase or decrease in each of the as adjusted with over-allotment cash and cash equivalents, total current assets, total assets and total stockholders equity, assuming that the underwriters exercise their option to purchase additional shares from us in full and that the number of shares subject to such option as set forth on the front cover of this prospectus remains the same, and after deducting underwriting discounts and estimated offering expenses payable by us. A decrease of 1.0 million shares in the number of shares to be sold by us pursuant to the underwriters option to purchase additional shares would decrease the as adjusted with over-allotment cash and cash equivalents, total assets and total stockholders equity by approximately $23.2 million assuming the assumed initial public offering price of $24.50 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 with over-allotment information discussed above is illustrative only and will adjust based on the actual initial public offering price and other terms of this offering.

(5) Reflects the payment of estimated offering expenses payable by us. Under GAAP, costs directly attributable to an offering of securities may be netted against the proceeds of the offering as is reflected under the as adjusted with over-allotment option as described in note 4 above. If, however, the underwriters do not exercise their option to purchase additional shares from us, we would not have the ability to net our offering costs against the proceeds of such shares. In such case, the offering costs would be expensed and would reduce our retained earnings.

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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 September 30, 2009, our worldwide property portfolio consisted of 415 Hyatt-branded properties (119,857 rooms and units), including:

- 157 managed properties (60,836 rooms), all of which we operate under management agreements with third-party property owners;
- 104 franchised properties (15,906 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) (25,783 rooms) and 6 leased properties (2,851 rooms), all of which we manage;
- 27 managed properties owned or leased by unconsolidated hospitality ventures (12,226 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

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across these lines of business. Growth in the number of management and franchise agreements and earnings therefrom typically results in higher overall returns on invested capital because very little capital is required to be invested under a typical management or franchise agreement. The capital required to build and maintain hotels that we manage for third-party owners, or franchise, is typically provided by the owner of the respective property with minimal capital required by us as the manager or franchisor. During periods of increasing demand we do not share fully in the incremental profits of hotel operations for hotels that we manage for third-party owners as our fee arrangements generally include a base amount calculated using the revenue from the subject hotel and an incentive fee that is, typically, a percentage of hotel profits that is usually less than 20%, with the actual level depending on the structure and terms of the management agreement. We do not share in the benefits of increases in profits from franchised properties because franchisees pay us an initial application fee and ongoing royalty fees that are calculated as a percentage of gross room revenues with no fees based on profits. Disputes or disruptions may arise with third-party owners of hotels we manage or franchise and these disputes can result in termination of the relevant agreement. With respect to property ownership, we believe that ownership of selected hotels in key markets enhances our ability to control our brand presence in these markets. Ownership of hotels allows us to capture the full benefit of increases in operating profits during periods of increasing demand and room rates. The cost structure of a typical hotel is more fixed than variable, so as demand and room rates increase over time, the pace of increase in operating profits typically is higher than the pace of increase of revenues. Hotel ownership is, however, more capital intensive than managing hotels for third-party owners, as we are responsible for the costs and all capital expenditures for our owned hotels. The profits realized in 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 segments. This is because we absorb the full impact of declining profits in our owned and leased hotels whereas our management and franchise fees do not have the same level of downside exposure to declining hotel profitability. 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 nine months ended September 30, 2009, 79.9% and 81.1% of our revenues were derived from operations in the United States, respectively. As of September 30, 2009, 76.7% 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.

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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 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;