Hyatt Hotels Corp
Form 10-Q
October 29, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

Form 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2014

OR

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

For the transition period from to

Commission File No. 001-34521

HYATT HOTELS CORPORATION
(Exact Name of Registrant as Specified in Its Charter)

Delaware (State or Other Jurisdiction of Incorporation or Organization)	20-1480589 (I.R.S. Employer Identification No.)
71 South Wacker Drive 12th Floor, Chicago, Illinois (Address of Principal Executive Offices)	60606 (Zip Code)

(312) 750-1234
(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

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. (Check One):

Large accelerated filer	x	Accelerated filer	¨
Non-accelerated filer	¨	Smaller reporting company	¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

As of October 24, 2014, there were 39,277,514 shares of the registrant's Class A common stock, $0.01 par value, outstanding and 112,527,463 shares of the registrant's Class B common stock, $0.01 par value, outstanding.

HYATT HOTELS CORPORATION
QUARTERLY REPORT ON FORM 10-Q
FOR THE PERIOD ENDED SEPTEMBER 30, 2014

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.
HYATT HOTELS CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(In millions of dollars, except per share amounts)
(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
REVENUES:				
Owned and leased hotels	$555	$521	$1,695	$1,585
Management and franchise fees	94	77	286	248
Other revenues	24	22	68	63
Other revenues from managed properties	431	406	1,287	1,197
Total revenues	1,104	1,026	3,336	3,093
DIRECT AND SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES:				
Owned and leased hotels	422	399	1,267	1,203
Depreciation and amortization	91	81	269	254
Other direct costs	11	10	29	25
Selling, general, and administrative	77	77	244	236
Other costs from managed properties	431	406	1,287	1,197
Direct and selling, general, and administrative expenses	1,032	973	3,096	2,915
Net gains (losses) and interest income from marketable securities held to fund operating programs	(3)	12	9	22
Equity earnings from unconsolidated hospitality ventures	6	16	22	10
Interest expense	(17)	(15)	(54)	(48)
Asset impairments	—	—	(7)	(11)
Gains on sales of real estate	3	26	65	125
Other income (loss), net	2	2	(11)	(12)
INCOME BEFORE INCOME TAXES	63	94	264	264
PROVISION FOR INCOME TAXES	(30)	(39)	(100)	(89)
NET INCOME	33	55	164	175
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	(1)	—	(2)	—
NET INCOME ATTRIBUTABLE TO HYATT HOTELS CORPORATION	$32	$55	$162	$175
EARNINGS PER SHARE - Basic				
Net income	$0.22	$0.35	$1.06	$1.10
Net income attributable to Hyatt Hotels Corporation	$0.21	$0.35	$1.05	$1.10
EARNINGS PER SHARE - Diluted				
Net income	$0.22	$0.35	$1.06	$1.10
Net income attributable to Hyatt Hotels Corporation	$0.21	$0.35	$1.05	$1.10

See accompanying notes to condensed consolidated financial statements.

HYATT HOTELS CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(In millions of dollars)
(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
Net income	$33	$55	$164	$175
Other comprehensive income (loss), net of taxes:				
Foreign currency translation adjustments, net of tax (benefit) expense of $(1) and $- for the three months ended and $- and $- for the nine months ended September 30, 2014 and 2013, respectively	(49)	16	(36)	(10)
Unrealized gains (losses) on available for sale securities, net of tax expense of $3 and $- for the three months ended and $2 and $- for the nine months ended September 30, 2014 and 2013, respectively	—	—	(6)	—
Unrealized gains on derivative activity, net of tax expense of $- and $- for the three months ended and $- and $- for the nine months ended September 30, 2014 and 2013, respectively	1	—	1	—
Other comprehensive income (loss)	(48)	16	(41)	(10)
COMPREHENSIVE INCOME (LOSS)	(15)	71	123	165
COMPREHENSIVE INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	(1)	—	(2)	—
COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO HYATT HOTELS CORPORATION	$(16)	$71	$121	$165

See accompanying notes to condensed consolidated financial statements.

HYATT HOTELS CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(In millions of dollars, except per share amounts)
(Unaudited)

	September 30, 2014	December 31, 2013
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$263	$454
Restricted cash	95	184
Short-term investments	30	30
Receivables, net of allowances of $12 and $11 at September 30, 2014 and December 31, 2013, respectively	309	273
Inventories	18	77
Prepaids and other assets	109	122
Prepaid income taxes	46	12
Deferred tax assets	22	11
Assets held for sale	221	—
Total current assets	1,113	1,163
Investments	341	329
Property and equipment, net	4,640	4,671
Financing receivables, net of allowances	95	119
Goodwill	135	147
Intangibles, net	569	591
Deferred tax assets	193	198
Other assets	983	959
TOTAL ASSETS	$8,069	$8,177
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Current maturities of long-term debt	$135	$194
Accounts payable	107	133
Accrued expenses and other current liabilities	413	411
Accrued compensation and benefits	122	133
Liabilities held for sale	38	—
Total current liabilities	815	871
Long-term debt	1,292	1,289
Other long-term liabilities	1,271	1,240
Total liabilities	3,378	3,400
Commitments and contingencies (see Note 10)		
EQUITY:		
Preferred stock, $0.01 par value per share, 10,000,000 shares authorized and none outstanding as of September 30, 2014 and December 31, 2013	—	—
Class A common stock, $0.01 par value per share, 1,000,000,000 shares authorized, 40,146,503 outstanding and 40,182,776 issued at September 30, 2014, Class B common stock, $0.01 par value per share, 444,521,875 shares authorized, 112,527,463 shares issued and outstanding at September 30, 2014 and Class A common stock, $0.01 par value per share, 1,000,000,000 shares authorized, 43,584,144 outstanding and 43,620,417 issued at December 31, 2013, Class B common stock, $0.01 par value per share, 444,521,875 shares	2	2

authorized, 112,527,463 shares issued and outstanding at December 31, 2013		
Additional paid-in capital	2,808	3,015
Retained earnings	1,983	1,821
Treasury stock at cost, 36,273 shares at September 30, 2014 and December 31, 2013	(1)	(1)
Accumulated other comprehensive loss	(109)	(68)
Total stockholders' equity	4,683	4,769
Noncontrolling interests in consolidated subsidiaries	8	8
Total equity	4,691	4,777
TOTAL LIABILITIES AND EQUITY	$8,069	$8,177

See accompanying notes to condensed consolidated financial statements.

HYATT HOTELS CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions of dollars)
(Unaudited)

	Nine Months Ended	
	September 30, 2014	September 30, 2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$164	$175
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	269	254
Deferred income taxes	(16)	41
Asset impairments	7	11
Equity earnings from unconsolidated hospitality ventures and distributions received	40	23
Income from cost method investments and distributions received	—	(4)
Foreign currency losses	2	4
Gains on sales of real estate	(65)	(125)
Working capital changes and other	(39)	(23)
Net cash provided by operating activities	362	356
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of marketable securities and short-term investments	(270)	(246)
Proceeds from marketable securities and short-term investments	249	683
Contributions to investments	(97)	(416)
Return of investment	47	6
Acquisitions, net of cash acquired	(391)	(85)
Capital expenditures	(168)	(150)
Issuance of financing receivables	(5)	—
Proceeds from financing receivables	1	278
Proceeds from sales of real estate and assets held for sale, net of cash disposed	324	495
Sales proceeds transferred to escrow as restricted cash	(232)	(422)
Real estate sales proceeds transferred from escrow to cash and cash equivalents	306	71
Decrease (increase) in restricted cash - investing	16	(19)
Other investing activities	(30)	(17)
Net cash (used in) provided by investing activities	(250)	178
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from long-term debt, net of issuance costs of $- and $3	184	388
Repayments of long-term debt	(43)	(304)
Repurchase of common stock	(228)	(252)
Repayment of capital lease obligation	(191)	—
Other financing activities	(9)	(5)
Net cash used in financing activities	(287)	(173)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(4)	—
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(179)	361
CASH AND CASH EQUIVALENTS—BEGINNING OF YEAR	454	413
Reclassification of cash and cash equivalents to assets held for sale	(12)	—
CASH AND CASH EQUIVALENTS—END OF PERIOD	$263	$774
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the period for interest	$70	$61

Cash paid during the period for income taxes	$181	$67
Non-cash operating activities are as follows:		
Non-cash performance guarantee	$—	$126
Non-cash investing activities are as follows:		
Non-cash contract acquisition costs	$—	$126
Change in accrued capital expenditures	$3	$(4)

See accompanying notes to condensed consolidated financial statements.

HYATT HOTELS CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(amounts in millions of dollars, unless otherwise indicated)
(Unaudited)

1. ORGANIZATION

Hyatt Hotels Corporation, a Delaware corporation, and its consolidated subsidiaries (collectively, "Hyatt Hotels Corporation") provide hospitality services on a worldwide basis through the development, management, franchising, licensing and ownership of hospitality related businesses. We develop, own, operate, manage, franchise, license or provide services to a portfolio of properties consisting of full service hotels, select service hotels, resorts and other properties, including timeshare, fractional and other forms of residential or vacation properties. As of September 30, 2014, (i) we operated or franchised 278 full service hotels, comprising 112,760 rooms throughout the world, (ii) we operated or franchised 267 select service hotels, comprising 36,517 rooms, of which 258 hotels are located in the United States and (iii) our portfolio of properties included 2 franchised all inclusive Hyatt-branded resorts, comprising 926 rooms. Our portfolio of properties operate in 48 countries around the world and we hold ownership interests in certain of these properties.

As used in these Notes and throughout this Quarterly Report on Form 10-Q, (i) the terms "Company," "HHC," "we," "us," or "our" mean Hyatt Hotels Corporation and its consolidated subsidiaries and (ii) the term "Hyatt portfolio of properties" or "portfolio of properties" refers to hotels and other properties that we develop, own, operate, manage, franchise, license or provide services to, including under our Park Hyatt, Andaz, Hyatt, Grand Hyatt, Hyatt Regency, Hyatt Place, Hyatt House, Hyatt Ziva, Hyatt Zilara, Hyatt Residences and Hyatt Residential Club brands.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information, the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all information or footnotes required by GAAP for complete annual financial statements. As a result, this Quarterly Report on Form 10-Q should be read in conjunction with the Consolidated Financial Statements and accompanying Notes in our Annual Report on Form 10-K for the fiscal year ended December 31, 2013 (the "2013 Form 10-K").

We have eliminated all intercompany transactions in our condensed consolidated financial statements. We consolidate entities for which we either have a controlling financial interest or are considered to be the primary beneficiary. Management believes that the accompanying condensed consolidated financial statements reflect all adjustments, which are all of a normal recurring nature, considered necessary for a fair presentation of the interim periods.

2. RECENTLY ISSUED ACCOUNTING STANDARDS

Adopted Accounting Standards

In February 2013, the Financial Accounting Standards Board ("FASB") released Accounting Standards Update No. 2013-04 ("ASU 2013-04"), Liabilities (Topic 405): Obligations Resulting from Joint and Several Liability Arrangements for Which the Total Amount of the Obligation is Fixed at the Reporting Date (a consensus of the FASB Emerging Issues Task Force). ASU 2013-04 requires an entity to measure obligations resulting from joint and several liability arrangements for which the total amount of the obligation is fixed at the reporting date as the sum of the amount the reporting entity agreed to pay on the basis of its arrangement among its co-obligors and any additional amount the reporting entity expects to pay on behalf of its co-obligors. The provisions of ASU 2013-04 are effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. The adoption of ASU 2013-04 did not materially impact our condensed consolidated financial statements.

In March 2013, the FASB released Accounting Standards Update No. 2013-05 ("ASU 2013-05"), Foreign Currency Matters (Topic 830): Parent's Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity (a consensus of the

FASB Emerging Issues Task Force). ASU 2013-05 requires that when a reporting entity (parent) ceases to have a controlling financial interest in a subsidiary or group of assets that is a nonprofit activity or a business within a foreign entity, the parent is required to release any related cumulative translation adjustment into

net income. The provisions of ASU 2013-05 are effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. The adoption of ASU 2013-05 did not materially impact our condensed consolidated financial statements.

In July 2013, the FASB released Accounting Standards Update No. 2013-11 ("ASU 2013-11"), Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists (a consensus of the FASB Emerging Issues Task Force). ASU 2013-11 requires an entity to present an unrecognized tax benefit, or a portion of an unrecognized tax benefit, in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward. The provisions of ASU 2013-11 are effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. The adoption of ASU 2013-11 did not materially impact our condensed consolidated financial statements.

In April 2014, the FASB released Accounting Standards Update No. 2014-08 ("ASU 2014-08"), Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity. ASU 2014-08 changes the requirements for reporting discontinued operations and expands the required disclosures surrounding discontinued operations. The provisions of ASU 2014-08 are effective for fiscal years, and interim periods within those years, beginning after December 15, 2014. Early adoption is permitted for disposals that have not been reported in previously issued financial statements. We have elected to early adopt ASU 2014-08 and have no disposals which qualify as discontinued operations.

Future Adoption of Accounting Standards

In May 2014, the FASB released Accounting Standards Update No. 2014-09 (“ASU 2014-09”), Revenue from Contracts with Customers (Topic 606). ASU 2014-09 provides a single, comprehensive revenue recognition model for contracts with customers. The provisions of ASU 2014-09 are effective for fiscal years, and interim periods within those years, beginning after December 15, 2016. The Company is currently evaluating the impact of adopting ASU 2014-09.

In June 2014, the FASB released Accounting Standards Update No. 2014-10 (“ASU 2014-10”), Development Stage Entities (Topic 915): Elimination of Certain Financial Reporting Requirements, Including an Amendment to Variable Interest Entities Guidance in Topic 810, Consolidation. ASU 2014-10 removes the financial reporting distinction between development stage entities and other reporting entities from U.S. GAAP and it eliminates an exception provided in the consolidation guidance for development stage enterprises. The provisions of ASU 2014-10 are effective for fiscal years, and interim periods within those years, beginning after December 15, 2015. When adopted, ASU 2014-10 is not expected to materially impact our condensed consolidated financial statements.

In August 2014, the FASB released Accounting Standards Update No. 2014-15 (“ASU 2014-15”), Presentation of Financial Statements-Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern. ASU 2014-15 provides guidance related to management’s responsibility to evaluate whether there is substantial doubt about an entity’s ability to continue as a going concern and the related footnote disclosures. The provisions of ASU 2014-15 are effective for annual periods ending after December 15, 2016, and interim periods within annual periods beginning after December 15, 2016. When adopted, ASU 2014-15 is not expected to materially impact our condensed consolidated financial statements.

3. EQUITY AND COST METHOD INVESTMENTS

We have investments that are recorded under both the equity and cost methods. These investments are considered to be an integral part of our business and are strategically and operationally important to our overall results. Our equity

and cost method investment balances recorded at September 30, 2014 and December 31, 2013 are as follows:

	September 30, 2014	December 31, 2013
Equity method investments	$318	$320
Cost method investments	23	9
Total investments	$341	$329

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Included in assets held for sale on our condensed consolidated balance sheets as of September 30, 2014 are $30 million in equity method investments related to our vacation ownership business. See Note 6 for further details.
During 2013, a wholly owned Hyatt subsidiary invested $325 million in Playa Hotels & Resorts B.V. ("Playa"), a company that was formed to own, operate and develop all inclusive resorts, certain of which are or will be Hyatt-branded. Playa issued common shares and preferred shares to Hyatt in return for our investment. Our investment in common shares gave us an initial common ownership interest of 21.8%, which has been classified as an equity method investment. The investment in preferred shares has been classified as an available for sale debt security and recorded in other assets on our condensed consolidated balance sheets. See Note 4 for further discussion of our investment in preferred shares.
During the three months ended September 30, 2014, a joint venture in which we hold an ownership interest and which is classified as an equity method investment within our owned and leased hotels segment, sold the Hyatt Place Houston/Sugar Land to a third party, for which we received proceeds of $12 million. We recorded a deferred gain of $10 million, which is being amortized over the term of the new management agreement for the hotel into management and franchise fees within the Americas management and franchising segment.
During the three months ended September 30, 2014, a joint venture in which we hold an ownership interest and which is classified as an equity method investment within our owned and leased hotels segment, sold the Hyatt Regency DFW International Airport and another building to a third party, for which we received proceeds of $19 million. We recorded a deferred gain of $18 million, which is being amortized over the remaining term of the management agreement for the hotel into management and franchise fees within the Americas management and franchising segment.
During the three months ended September 30, 2014, a joint venture in which we hold an ownership interest and which is classified as an equity method investment within our owned and leased hotels segment, sold the Hyatt Place Coconut Point to a third party, for which we received proceeds of $5 million. This hotel was sold subject to a new franchise agreement. We recorded a gain of $2 million, which has been recorded to equity earnings from unconsolidated hospitality ventures on our condensed consolidated statements of income.
During the nine months ended September 30, 2014, a joint venture in which we hold an ownership interest and which is classified as an equity method investment within our owned and leased hotels segment, sold the Hyatt Place Austin Downtown to a third party, for which we received proceeds of $28 million. The hotel was sold subject to a franchise agreement. We recorded a gain of $20 million, which has been recorded to equity earnings from unconsolidated hospitality ventures on our condensed consolidated statements of income.
During the three months ended September 30, 2013, a joint venture in which we held an interest and classified as an equity method investment within our owned and leased hotels segment, sold the hotel it owned and dissolved the venture. As a result of this transaction, we received a $5 million distribution, which was recorded as a deferred gain and is being amortized over the remaining term of our management agreement for the hotel into management and franchise fees within the Americas management and franchising segment.
During the three and nine months ended September 30, 2014, we recorded $1 million and $3 million, respectively, in impairment charges in equity earnings from unconsolidated hospitality ventures related to two equity method investments.
Income from cost method investments included in other income (loss), net on our condensed consolidated statements of income for the nine months ended September 30, 2013 includes a $4 million preferred return.
The following table presents summarized financial information for all unconsolidated ventures in which we hold an investment that is accounted for under the equity method.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Total revenues	$320	$246	$936	$721
Gross operating profit	98	78	262	236
Income from continuing operations	22	28	38	24

Net income	22	28	38	24

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4. FAIR VALUE MEASUREMENT

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). GAAP establishes a valuation hierarchy for prioritizing the inputs that places greater emphasis on the use of observable market inputs and less emphasis on unobservable inputs. When determining fair value, an entity is required to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of the hierarchy are as follows:

Level One—Fair values based on unadjusted quoted prices in active markets for identical assets and liabilities;

Level Two—Fair values based on quoted market prices for similar assets and liabilities in active markets, quoted prices in inactive markets for identical assets and liabilities, and inputs other than quoted market prices that are observable for the asset or liability;

Level Three—Fair values based on inputs that cannot be corroborated by observable market data and reflect the use of significant management judgment. Valuation techniques could include the use of discounted cash flow models and similar techniques.

We have various financial instruments that are measured at fair value including certain marketable securities. We currently do not have non-financial assets or non-financial liabilities that are required to be measured at fair value on a recurring basis.

We utilize the market approach and income approach for valuing our financial instruments. The market approach utilizes prices and information generated by market transactions involving identical or similar assets and liabilities and the income approach uses valuation techniques to convert future amounts (for example, cash flows or earnings) to a single present amount (discounted). For instances in which the inputs used to measure fair value fall into different levels of the fair value hierarchy, the fair value measurement has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. Our assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the classification of fair value assets and liabilities within the fair value hierarchy.

Assets and Liabilities Measured at Fair Value on a Recurring Basis
As of September 30, 2014 and December 31, 2013, we had the following financial assets and liabilities measured at fair value on a recurring basis:

	September 30, 2014	Quoted Prices in Active Markets for Identical Assets (Level One)	Significant Other Observable Inputs (Level Two)	Significant Unobservable Inputs (Level Three)
Marketable securities recorded in cash and cash equivalents				
Interest bearing money market funds	$11	$ 11	$—	$—
Marketable securities included in short-term investments, prepaids and other assets and other assets				
Mutual funds	342	342	—	—
Preferred shares	274	—	—	274
U.S. government obligations	133	—	133	—
U.S. government agencies	40	—	40	—
Corporate debt securities	126	—	126	—
Mortgage-backed securities	25	—	25	—
Asset-backed securities	21	—	21	—
Municipal and provincial notes and bonds	3	—	3	—

	December 31, 2013	Quoted Prices in Active Markets for Identical Assets (Level One)	Significant Other Observable Inputs (Level Two)	Significant Unobservable Inputs (Level Three)
Marketable securities recorded in cash and cash equivalents				
Interest bearing money market funds	$71	$ 71	$—	$—
Marketable securities included in short-term investments, prepaids and other assets and other assets				
Mutual funds	334	334	—	—
Preferred shares	278	—	—	278
U.S. government obligations	121	—	121	—
U.S. government agencies	46	—	46	—
Corporate debt securities	112	—	112	—
Mortgage-backed securities	20	—	20	—
Asset-backed securities	18	—	18	—
Municipal and provincial notes and bonds	4	—	4	—

During the three and nine months ended September 30, 2014 and 2013, there were no transfers between levels of the fair value hierarchy. Our policy is to recognize transfers in and transfers out as of the end of each quarterly reporting period.

Marketable Securities

Our portfolio of marketable securities consists of various types of money market funds, mutual funds, preferred shares and fixed income securities, including U.S. government obligations, obligations of other U.S. government agencies, corporate debt securities, mortgage-backed securities, asset-backed securities and municipal and provincial notes and bonds. We invest a portion of our cash balance into short-term interest bearing money market funds that have a maturity of less than ninety days. Consequently, the balances are recorded in cash and cash equivalents. The funds are held with open-ended registered investment companies and the fair value of the funds is classified as Level One as we are able to obtain market available pricing information on an ongoing basis. The fair value of our mutual funds was classified as Level One as they trade with sufficient frequency and volume to enable us to obtain pricing information on an ongoing basis. The remaining securities, other than our investment in preferred shares, were classified as Level Two due to the use and weighting of multiple market inputs being considered in the final price of the security. Market inputs include quoted market prices from active markets for identical securities, quoted market prices for identical securities in inactive markets, and quoted market prices in active and inactive markets for similar securities.

The impact to net income from total gains or losses included in net gains (losses) and interest income from marketable securities held to fund operating programs due to the change in unrealized gains or losses relating to assets still held at the reporting date was insignificant for the three and nine months ended September 30, 2014 and 2013.

During the year ended December 31, 2013, we invested $325 million in Playa as of the closing date of the transaction, of which $271 million was attributable to redeemable, convertible preferred shares. Hyatt has the option to convert its preferred shares into shares of common stock at any time through the later of the second anniversary of the closing of our investment or an initial public offering by Playa. The preferred investment is redeemable at Hyatt's option in August 2021. In the event of an initial public offering or other equity issuance, Hyatt has the option to request that Playa redeem up to $125 million of preferred shares, plus any unpaid dividends accumulated thereon. As a result, we have classified the preferred investment as an available for sale debt security, which is included in other assets on our condensed consolidated balance sheets. The investment is remeasured quarterly to fair value and the changes are recorded through other comprehensive income (loss).

We estimated the fair value of the Playa preferred shares using an option pricing model. This model requires that we make certain assumptions regarding the expected volatility, term, risk-free interest rate over the expected term, dividend yield and enterprise value. As Playa is not publicly traded, there is no market value for its stock. Therefore, we utilized observable data for a group of comparable peer companies to assist in developing our volatility assumptions. The expected volatility of Playa’s stock price was developed using weighted average measures of implied volatility and historic volatility for its peer group for a period equal to our expected term of the option. The weighted-average risk-free interest rate was based on a zero coupon U.S. Treasury instrument whose term was consistent with the expected term. We anticipate receiving cumulative preferred dividends on our preferred shares; therefore, the expected dividend yield was assumed to be 10% per annum compounding quarterly for two years and increasing to 12% after the second year, with such dividends to be paid-in-kind.

A summary of the significant assumptions used to estimate the fair value of our preferred investment as of September 30, 2014 and December 31, 2013, is as follows:

	September 30, 2014		December 31, 2013	
Expected term	1 year		2 years	
Risk-free Interest Rate	0.13	%	0.38	%
Volatility	43.1	%	47.7	%
Dividend Yield	10	%	10	%

Our valuation considers a number of objective and subjective factors that we believe market participants would consider, including: Playa's business and results of operations, including related industry trends affecting Playa's operations; Playa's forecasted operating performance and projected future cash flows; liquidation preferences, redemption rights, and other rights and privileges of Playa's preferred stock; and market multiples of comparable peer companies.

As of September 30, 2014, financial forecasts were used in the computation of the enterprise value using the income approach. The financial forecasts were based on assumed revenue growth rates and operating margin

levels. The risks associated with achieving these forecasts were assessed in selecting the appropriate cost of capital. There is inherent uncertainty in our assumptions, and fluctuations in these assumptions will result in different estimates of fair value. Due to the lack of availability of market data, the preferred shares are classified as Level Three.

As of September 30, 2014 and December 31, 2013 the cost or amortized cost value for our preferred investment in Playa was $271 million and the fair value of this available for sale debt security was as follows:

	Fair Value Measurements at Reporting Date using Significant Unobservable Inputs (Level 3) - Preferred Shares
	2014
Balance at January 1, recorded in other assets	$278
Gross unrealized losses, recorded to other comprehensive income (loss)	(7)
Balance at June 30, recorded in other assets	271
Gross unrealized gains, recorded to other comprehensive income (loss)	3
Balance at September 30, recorded in other assets	$274

There were no realized gains or losses on available for sale securities for the three and nine months ended September 30, 2014. Gross realized gains and losses on available for sale securities were $1 million for the three and nine months ended September 30, 2013.

Other Financial Instruments

We estimated the fair value of financing receivables using discounted cash flow analysis based on current market assumptions for similar types of arrangements. Due to the lack of availability of market data, we have classified our financing receivables as Level Three. The primary sensitivity in these calculations is based on the selection of appropriate interest and discount rates. Fluctuations in these assumptions will result in different estimates of fair value. For further information on financing receivables, see Note 5.

We estimated the fair value of debt, excluding capital leases, which, as of September 30, 2014 and December 31, 2013, consisted primarily of $250 million of 3.875% senior notes due 2016 (the "2016 Notes"), $196 million of 6.875% senior notes due 2019 (the "2019 Notes"), $250 million of 5.375% senior notes due 2021 (the "2021 Notes"), and $350 million of 3.375% senior notes due 2023 (the "2023 Notes" which, together with the 2016 Notes, the 2019 Notes, and the 2021 Notes are collectively referred to as the "Senior Notes"), bonds and other long-term debt. Our Senior Notes and bonds are classified as Level Two due to the use and weighting of multiple market inputs in the final price of the security. Market inputs include quoted market prices from active markets for identical securities, quoted market prices for identical securities in inactive markets, and quoted market prices in active and inactive markets for similar securities. We estimated the fair value of our other long-term debt instruments using a discounted cash flow analysis based on current market inputs for similar types of arrangements. Due to the lack of availability of market data, we have classified our other long-term debt as Level Three. The primary sensitivity in these calculations is based on the selection of appropriate discount rates. Fluctuations in these assumptions will result in different estimates of fair value.

The carrying amounts and fair values of our other financial instruments are as follows:

	Asset (Liability) September 30, 2014				
	Carrying Value	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level One)	Significant Other Observable Inputs (Level Two)	Significant Unobservable Inputs (Level Three)
Financing receivables, net					
Secured financing to hotel owners	$26	$29	$—	$—	$29
Unsecured financing to hotel owners	69	69	—	—	69
Vacation ownership mortgage receivables, net included in assets held for sale	36	37	—	—	37
Debt, excluding capital lease obligations	(1,406)	(1,493)	—	(1,308)	(185)

	Asset (Liability) December 31, 2013				
	Carrying Value	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level One)	Significant Other Observable Inputs (Level Two)	Significant Unobservable Inputs (Level Three)
Financing receivables, net					
Secured financing to hotel owners	$26	$28	$—	$—	$28
Unsecured financing to hotel owners	64	64	—	—	64
Vacation ownership mortgage receivables	37	38	—	—	38
Debt, excluding capital lease obligations	(1,275)	(1,296)	—	(1,263)	(33)

5. FINANCING RECEIVABLES

We have divided our financing receivables, which include loans and other financing arrangements, into three portfolio segments based on their initial measurement, risk characteristics and our method for monitoring or assessing credit risk. These portfolio segments correspond directly with our assessed class of receivables and are as follows:

- Secured Financing to Hotel Owners—These financing receivables are senior secured mortgage loans and are collateralized by hotel properties currently in operation. At September 30, 2014 and December 31, 2013, these loans include financing provided to certain franchisees for the renovation and conversion of certain franchised hotels. These franchisee loans accrue interest at fixed rates ranging between 5.0% and 5.5%.
- Unsecured Financing to Hotel Owners—These financing receivables are primarily made up of individual unsecured loans and other types of financing arrangements provided to hotel owners. Our other financing arrangements have stated maturities and interest rates. However, the expected repayment terms may be dependent on the future cash

flows of the hotels and these financing receivable instruments, therefore, are not considered loans as the repayment dates are not fixed or determinable. Because the other types of financing arrangements are not considered loans, we do not include them in our impaired loans analysis. Since these receivables may come due earlier than the stated maturity date, the expected maturity dates have been excluded from the maturities table below.

Vacation Ownership Mortgage Receivables—These financing receivables are comprised of various mortgage loans related to our financing of vacation ownership interval sales. As of September 30, 2014, the weighted-average interest rate on vacation ownership mortgage receivables was 13.9%. As of September 30, 2014, vacation ownership mortgage receivables have been reclassed to assets held for sale on our condensed consolidated balance sheets, see Note 6.

The three portfolio segments of financing receivables and their balances at September 30, 2014 and December 31, 2013 are as follows:

	September 30, 2014	December 31, 2013
Secured financing to hotel owners	$39	$39
Unsecured financing to hotel owners	156	147
Vacation ownership mortgage receivables at various interest rates with varying payments through 2031 (see below)	—	44
	195	230
Less allowance for losses	(100)	(103)
Less current portion included in receivables, net	—	(8)
Total long-term financing receivables, net	$95	$119

The balances related to the vacation ownership mortgage receivables included in assets held for sale at September 30, 2014 are as follows:

	September 30, 2014
Vacation ownership mortgage receivables at various interest rates with varying payments through 2031 (see below)	$43
Less allowance for losses	(7)
Less current portion, net	(7)
Total long-term financing receivables, net included in assets held for sale	$29

Financing receivables held by us as of September 30, 2014 are scheduled to mature as follows:

Year Ending December 31,	Secured Financing to Hotel Owners	Vacation Ownership Mortgage Receivables (included in assets held for sale)
2014	$—	$2
2015	39	7
2016	—	7
2017	—	5
2018	—	4
2019	—	4
Thereafter	—	14
Total	39	43
Less allowance	(13)	(7)
Net financing receivables	$26	$36

Allowance for Losses and Impairments

We individually assess all loans in the secured financing to hotel owners portfolio and the unsecured financing to hotel owners portfolio for impairment. We assess the vacation ownership mortgage receivables portfolio, which consists entirely of loans, for impairment on an aggregate basis. In addition to loans, we include other types of financing arrangements in the unsecured financing to hotel owners portfolio which we do not assess individually for impairment. However, we regularly evaluate our reserves for these other types of financing arrangements and record provisions in the financing receivables allowance as necessary. Impairment charges for loans within all three portfolios and reserves related to our other financing arrangements are recorded as provisions in the financing receivables allowance. We consider the provisions on all of our portfolio segments to be adequate based on the economic environment and our assessment of the future collectability of the outstanding receivables.

The following tables summarize the activity in our financing receivables allowance for the three and nine months ended September 30, 2014 and 2013:

	Secured Financing	Unsecured Financing	Total, included in financing receivables, net	Vacation Ownership, included in assets held for sale as of September 30, 2014
Allowance at January 1, 2014	$13	$83	$96	$7
Provisions	—	3	3	1
Write-offs	—	—	—	(1)
Other Adjustments	—	1	1	—
Allowance at June 30, 2014	$13	$87	$100	$7
Provisions	—	2	2	—
Other Adjustments	—	(2)	(2)	—
Allowance at September 30, 2014	$13	$87	$100	$7

	Secured Financing	Unsecured Financing	Vacation Ownership	Total
Allowance at January 1, 2013	$7	$83	$9	$99
Provisions	—	2	—	2
Write-offs	—	(2)	(2)	(4)
Other Adjustments	—	(1)	—	(1)
Allowance at June 30, 2013	$7	$82	$7	$96
Provisions	—	1	1	2
Allowance at September 30, 2013	$7	$83	$8	$98

We routinely evaluate loans within financing receivables for impairment. To determine whether an impairment has occurred, we evaluate the collectability of both interest and principal. A loan is considered to be impaired when we determine that it is probable that we will not be able to collect all amounts due under the contractual terms. We do not recognize interest income for impaired loans unless cash is received, in which case the payment is recorded to other income (loss), net in the accompanying condensed consolidated statements of income. During the three and nine months ended September 30, 2014 and 2013, we did not record any impairment charges for loans to hotel owners.

An analysis of our loans included in secured financing to hotel owners and unsecured financing to hotel owners had the following impaired amounts at September 30, 2014 and December 31, 2013, all of which had a related allowance recorded against them:

Impaired Loans
September 30, 2014

	Gross Loan Balance (Principal and Interest)	Unpaid Principal Balance	Related Allowance	Average Recorded Loan Balance
Secured financing to hotel owners	$39	$39	$(13)	$39
Unsecured financing to hotel owners	53	36	(53)	52

Impaired Loans
December 31, 2013

	Gross Loan Balance (Principal and	Unpaid Principal Balance	Related Allowance	Average Recorded Loan Balance

	Interest)			
Secured financing to hotel owners	$39	$39	$(13)	$40
Unsecured financing to hotel owners	51	37	(51)	52

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Interest income recognized on these impaired loans within other income (loss), net on our condensed consolidated statements of income for the three and nine months ended September 30, 2014 and 2013 was as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Secured financing to hotel owners	$—	$1	$1	$2
Unsecured financing to hotel owners	—	—	—	—

Credit Monitoring

On an ongoing basis, we monitor the credit quality of our financing receivables based on payment activity.

- Past due Receivables—We determine financing receivables to be past due based on the contractual terms of each individual financing receivable agreement.
- Non-Performing Receivables—Receivables are determined to be non-performing based upon the following criteria: (1) if interest or principal is more than 90 days past due for secured financing to hotel owners and unsecured financing to hotel owners; (2) if interest or principal is more than 120 days past due for vacation ownership mortgage receivables; or (3) if an impairment charge has been recorded for a loan or a provision established for our other financing arrangements. For the three and nine months ended September 30, 2014 and 2013, no interest income was accrued for secured financing to hotel owners and unsecured financing to hotel owners more than 90 days past due or for vacation ownership receivables more than 120 days past due. For the three and nine months ended September 30, 2014 and 2013, insignificant interest income was accrued for vacation ownership receivables past due more than 90 days but less than 120 days.

If a financing receivable is non-performing, we place the financing receivable on non-accrual status. We only recognize interest income when cash is received for financing receivables on non-accrual status. Accrual of interest income is resumed when the receivable becomes contractually current and collection doubts are removed.

The following tables summarize our aged analysis of past due financing receivables by portfolio segment, the gross balance of financing receivables greater than 90 days past due and the gross balance of financing receivables on non-accrual status as of September 30, 2014 and December 31, 2013:

Analysis of Financing Receivables
September 30, 2014

	Receivables Past Due	Greater than 90 Days Past Due	Receivables on Non-Accrual Status
Secured financing to hotel owners	$—	$—	$39
Unsecured financing to hotel owners*	3	3	86
Vacation ownership mortgage receivables, included in assets held for sale	1	—	—
Total	$4	$3	$125

Analysis of Financing Receivables
December 31, 2013

	Receivables Past Due	Greater than 90 Days Past Due	Receivables on Non-Accrual Status
Secured financing to hotel owners	$—	$—	$39
Unsecured financing to hotel owners*	3	3	82
Vacation ownership mortgage receivables	2	—	—
Total	$5	$3	$121

* Certain of these receivables have been placed on non-accrual status and we have recorded allowances for these receivables based on estimates of future cash flows available for payment of these financing receivables. However, a majority of these payments are not past due.

6. ACQUISITIONS AND DISPOSITIONS
We continually assess strategic acquisitions and dispositions to complement our current business.
Acquisitions
Park Hyatt New York—During the three months ended September 30, 2014, we acquired the recently constructed Park Hyatt New York hotel for a purchase price of approximately $392 million, including $1 million of cash acquired. Of the $391 million net purchase price, significant assets acquired include $386 million of property and equipment, $3 million of inventories, and $2 million of prepaids and other assets, which have been included in our owned and leased hotels segment.
Grand Hyatt San Antonio—We previously held a 30% interest and had recorded a $7 million investment in the entity which owns the Grand Hyatt San Antonio hotel prior to acquisition. Accordingly, we accounted for the investment as an unconsolidated hospitality venture under the equity method. During the year ended December 31, 2013, we purchased the remaining 70% interest in this entity for $16 million and the repayment of $44 million of mezzanine debt that was held at the hospitality venture prior to our acquisition. This transaction has been accounted for as a step acquisition, which resulted in a $1 million loss on our previously held investment. During the nine months ended September 30, 2014, we recorded revisions to our initial purchase price allocation.
The following table summarizes the fair value of the identifiable assets acquired and liabilities assumed, which are primarily recorded in our owned and leased hotels segment at the date of acquisition (in millions):

Cash and cash equivalents	$1
Restricted cash	10
Property and equipment, net	226
Goodwill	7
Intangibles, net	10
Other assets	11
Total assets	265
Current liabilities	11
Deferred tax liability	2
Long-term debt, net of bond discount	186
Total liabilities	199
Total net assets acquired	$66

The purchase price allocation for this acquisition created goodwill of $7 million at the date of acquisition. The goodwill is recorded within our owned and leased hotels segment. In conjunction with the acquisition, we have $12 million of goodwill that is deductible for tax purposes. The definite lived intangibles are comprised of $9 million of lease related intangibles and $1 million of advanced bookings. The lease related intangibles are being amortized over a weighted-average useful life of 79 years and the advanced bookings are being amortized over a useful life of 4 years. As a result of our completion of this step acquisition, we recorded a $2 million reduction to our existing deferred tax asset related to Grand Hyatt San Antonio, resulting in a net deferred tax asset of $5 million, which relates primarily to property and equipment and intangibles. As part of the acquisition, we assumed outstanding Tax-Exempt Contract Revenue Empowerment Zone Bonds, Series 2005A and Contract Revenue Bonds, Senior Taxable Series 2005B, see Note 8.
The Driskill—During the nine months ended September 30, 2013, we acquired The Driskill hotel in Austin, Texas ("The Driskill") for a purchase price of approximately $85 million. The Driskill has a long-standing presence in a market which we view as a key location for our guests. Due to the iconic nature of the hotel and its membership in the Historic Hotels of America and Associated Luxury Hotels International, we have chosen to retain The Driskill name. Of the total $85 million purchase price, significant assets acquired consist of $72 million of property and equipment, a $7 million indefinite lived brand intangible, a $5 million management intangible and $1 million of other assets which have been included primarily in our owned and leased hotels segment.

Dispositions

Hyatt, Hyatt Place, Hyatt House 2014—During the nine months ended September 30, 2014, we sold nine select service properties and one full service property for a total of $311 million, net of closing costs, to an unrelated third party. In connection with the sale, we transferred net cash and cash equivalents of $1 million, resulting in a net sales price of $310 million. This transaction resulted in a pre-tax gain of approximately $65 million. The properties will remain Hyatt-branded hotels for a minimum of 25 years under long-term agreements. The gain has been recognized in gains on sales of real estate on our condensed consolidated statements of income during the nine months ended September 30, 2014. The operating results and financial position of these hotels prior to the sale remain within our owned and leased hotels segment. See "Like-Kind Exchange Agreements" below, as proceeds from the sale have been used in a like-kind exchange.

Andaz Napa—During the three months ended September 30, 2013, we sold Andaz Napa for $71 million, net of closing costs, to an unrelated third party, resulting in a pre-tax gain of $27 million. The Company entered into a long-term management agreement with the purchaser of the hotel. The gain on sale has been deferred and is being recognized in management and franchise fees over the term of the management contract, within our Americas management and franchising segment. The operating results and financial position of this hotel prior to the sale remain within our owned and leased hotels segment. See "Like-Kind Exchange Agreements" below, as proceeds from the sale of Andaz Napa have been used in a like-kind exchange.

Andaz Savannah—During the three months ended September 30, 2013, we sold Andaz Savannah for $42 million, net of closing costs, to an unrelated third party, resulting in a pre-tax gain of $4 million. The Company entered into a long-term management agreement with the purchaser of the hotel. The gain on sale has been deferred and is being recognized in management and franchise fees over the term of the management contract, within our Americas management and franchising segment. The operating results and financial position of this hotel prior to the sale remain within our owned and leased hotels segment. See "Like-Kind Exchange Agreements" below, as proceeds from the sale of Andaz Savannah were held as restricted for use in a potential like-kind exchange.

Hyatt Regency Denver Tech—During the three months ended September 30, 2013, we sold Hyatt Regency Denver Tech for $59 million, net of closing costs, to an unrelated third party, and entered into a long-term franchise agreement with the purchaser of the hotel. The sale resulted in a pre-tax gain of $26 million, which has been recognized in gains on sales of real estate on our condensed consolidated statements of income during the three and nine months ended September 30, 2013. The operating results and financial position of this hotel prior to the sale remain within our owned and leased hotels segment. See "Like-Kind Exchange Agreements" below, as proceeds from the sale of Hyatt Regency Denver Tech have been used in a like-kind exchange.

Hyatt Regency Santa Clara—During the three months ended September 30, 2013, we sold Hyatt Regency Santa Clara for $91 million, net of closing costs, to an unrelated third party, and entered into a long-term management agreement with the purchaser of the property. At the time of the sale, the transaction resulted in an insignificant loss, which has been recognized in gains on sales of real estate on our condensed consolidated statements of income during the three and nine months ended September 30, 2013. As part of the sale agreement, we achieved an additional earn-out of $6 million based on the hotel's performance in 2013. This payment was received during the third quarter of 2014. The gain is being deferred and recognized in management and franchise fees over the term of the management contract, within our Americas management and franchising segment. The operating results and financial position of this hotel prior to the sale remain within our owned and leased hotels segment. See "Like-Kind Exchange Agreements" below, as proceeds from the sale of Hyatt Regency Santa Clara have been used in a like-kind exchange.

Hyatt Fisherman's Wharf—During the nine months ended September 30, 2013, we sold Hyatt Fisherman's Wharf for $100 million, net of closing costs, to an unrelated third party, and entered into a long-term franchise agreement with the owner of the property. The sale resulted in a pre-tax gain of $55 million, which has been recognized in gains on sales of real estate on our condensed consolidated statements of income during the nine months ended September 30, 2013. The operating results and financial position of this hotel prior to the sale remain within our owned and leased hotels segment. See "Like-Kind Exchange Agreements" below, as proceeds from the sale of Hyatt Fisherman's Wharf have been used in a like-kind exchange.

Hyatt Santa Barbara—During the nine months ended September 30, 2013, we sold Hyatt Santa Barbara for $60 million, net of closing costs, to an unrelated third party, and entered into a long-term franchise agreement with the owner of the property. The sale resulted in a pre-tax gain of $44 million, which has been recognized in gains on

sales of real estate on our condensed consolidated statements of income during the nine months ended September 30, 2013. The operating results and financial position of this hotel prior to the sale remain within our owned and leased hotels segment.

Hyatt Place 2013—During the nine months ended September 30, 2013, we sold three Hyatt Place properties for a combined $36 million, net of closing costs, to an unrelated third party, resulting in a pre-tax gain of approximately $2 million. These properties had been classified as assets and liabilities held for sale as of December 31, 2012. The Company retained long-term management agreements for each hotel with the purchaser of the hotels. The gain on sale has been deferred and is being recognized in management and franchise fees over the term of the management contracts within our Americas management and franchising segment. The operations of the hotels prior to the sale remain within our owned and leased hotels segment. See "Like-Kind Exchange Agreements" below, as proceeds from the sale of two of the three properties were held as restricted for use in a potential like-kind exchange.

Artwork—During the nine months ended September 30, 2013, we sold artwork to an unrelated third party and recognized a pre-tax gain of $29 million which was recognized in other income (loss), net on our condensed consolidated statements of income. See "Like-Kind Exchange Agreements" below, as proceeds from the sale of artwork were held as restricted for use in a potential like-kind exchange.

As a result of certain of the above-mentioned dispositions, we have agreed to provide indemnifications to third-party purchasers for certain liabilities incurred prior to sale and for breach of certain representations and warranties made during the sales process, such as representations of valid title, authority, and environmental issues that may not be limited by a contractual monetary amount. These indemnification agreements survive until the applicable statutes of limitation expire, or until the agreed upon contract terms expire.

Like-Kind Exchange Agreements

Periodically, we enter into like-kind exchange agreements upon the disposition of certain hotels. Pursuant to the terms of these agreements, the proceeds from the sales are placed into an escrow account administered by an intermediary. The proceeds are recorded to restricted cash on our condensed consolidated balance sheets and released once they are utilized as part of a like-kind exchange agreement or when a like-kind exchange agreement is not completed within the allowable time period.

In conjunction with the sale of nine select service properties and one full service property during the nine months ended September 30, 2014, we entered into a like-kind exchange agreement with an intermediary for seven of the select service hotels. During the nine months ended September 30, 2014, we recorded and released net proceeds of $232 million from restricted cash as they were utilized as part of the like-kind exchange agreement to acquire the Hyatt Regency Orlando.

In conjunction with the 2013 sales of Andaz Napa, Hyatt Regency Denver Tech, Hyatt Regency Santa Clara and Hyatt Fisherman's Wharf, we entered into like-kind exchange agreements with an intermediary. Pursuant to the like-kind exchange agreements, the proceeds from the sales of these hotels were placed into an escrow account administered by an intermediary. Accordingly, we classified combined net proceeds of $321 million related to these properties as restricted cash on our condensed consolidated balance sheets. In the fourth quarter of 2013, the combined net proceeds were released from restricted cash. The proceeds from each were utilized as part of the like-kind exchange agreement to acquire the Hyatt Regency Orlando.

In conjunction with the 2013 sale of Andaz Savannah, we entered into a like-kind exchange agreement with an intermediary. Pursuant to the like-kind exchange agreement, the net proceeds of $42 million from the sale of this hotel were placed into an escrow account administered by an intermediary. In the fourth quarter of 2013, we released the net proceeds as a like-kind exchange agreement was not completed within allowable time periods.

In conjunction with the sale of Hyatt Key West in the fourth quarter of 2013, we entered into a like-kind exchange agreement with an intermediary. Accordingly, we classified the net proceeds of $74 million from the sale of Hyatt Key West as restricted cash on our condensed consolidated balance sheets. During the nine months ended September 30, 2014, the net proceeds from Hyatt Key West were released from restricted cash as they were utilized as part of the like-kind exchange agreement to acquire the Hyatt Regency Orlando.

During the nine months ended September 30, 2013, we recorded and released the net proceeds from the first quarter 2013 sales of two of the three Hyatt Place properties discussed above of $23 million and released the net

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proceeds from the 2012 sales of four Hyatt Place properties of $44 million from restricted cash on our condensed consolidated balance sheets, as like-kind exchange agreements were not completed within allowable time periods.
In conjunction with the second quarter 2013 sale of artwork, we placed proceeds received into restricted cash pursuant to a like-kind exchange agreement administered by an intermediary. We used a portion of the proceeds to fund artwork purchases and during the fourth quarter of 2013 the remainder was released from restricted cash.
Assets and Liabilities Held for Sale
During the third quarter of 2014, we committed to a plan to sell the Park Hyatt Washington and classified the related assets and liabilities within our owned and leased hotels segment as held for sale at September 30, 2014. Assets held for sale related to this full service hotel were $44 million, of which $41 million related to property and equipment, net. Liabilities held for sale were $4 million. We announced the closing of the sale on October 2, 2014, see Note 17.
On October 1, 2014, we announced the closing of the sale of Hyatt Residential Group for approximately $220 million, which includes an interest in a joint venture that owns and is developing a vacation ownership property in Maui, Hawaii. After consummation of the sale transaction, we expect to receive recurring annual license fees under a master license agreement with the purchaser. The Hyatt Residence Club and the vacation ownership resorts will retain the Hyatt Residence Club brand. We have classified the related assets and liabilities as held for sale at September 30, 2014. Of these assets and liabilities, $167 million and $33 million, respectively, were recorded within our corporate and other segment. The remaining $10 million of assets and $1 million of liabilities were recorded in our owned and leased hotels segment. See Note 17 for further details.
The following table summarizes the assets and liabilities related to Hyatt Residential Group that are held for sale (in millions):

Cash and cash equivalents	$12
Restricted cash	5
Receivables, net of allowances	11
Inventories	57
Prepaids and other assets	3
Investments (see Note 3)	30
Property and equipment, net	26
Financing receivables, net of allowances (see Note 5)	29
Goodwill (see Note 7)	4
Total assets held for sale	$177
Accounts payable	$6
Accrued expenses and other current liabilities	22
Accrued compensation and benefits	4
Other long-term liabilities	2
Total liabilities held for sale	$34

7. GOODWILL AND INTANGIBLE ASSETS

We review the carrying value of our goodwill and indefinite lived brand intangible during our annual impairment test during the fourth quarter or at an interim date if indications of impairment exist by performing either a qualitative or quantitative assessment. We define a reporting unit at the individual property or business level. When determining fair value, we utilize internally developed discounted future cash flow models, third party appraisals and, if appropriate, current estimated net sales proceeds from pending offers. We then compare the estimated fair value to our carrying value. If the carrying value of our goodwill is in excess of the fair value, we must determine our implied fair value of goodwill to evaluate if any impairment charge is necessary. If the carrying value of our indefinite lived brand intangible is in excess of the fair value, an impairment charge is recognized in an amount equal to the excess. During the three and nine months ended September 30, 2014 and 2013, no impairment charges were

recorded related to goodwill or our indefinite lived brand intangible asset. Goodwill was $135 million and $147 million at September 30, 2014 and December 31, 2013, respectively. As of September 30, 2014, we classified $4 million of goodwill related to Hyatt Residential Group, recorded within our corporate and other segment, as assets held for sale on our condensed consolidated balance sheets, see Note 6. Additionally, during the nine months ended September 30, 2014, we revised our purchase price allocation related to the acquisition of Grand Hyatt San Antonio, resulting in a $7 million decrease in goodwill recorded within our owned and leased hotels segment, see Note 6. At September 30, 2014 and December 31, 2013, our indefinite lived brand intangible acquired as part of the 2013 acquisition of The Driskill was $7 million, see Note 6.

Definite lived intangible assets primarily include contract acquisition costs, franchise and management intangibles, lease related intangibles and advanced bookings intangibles. Contract acquisition costs and franchise and management intangibles are generally amortized on a straight-line basis over their contract terms, which range from approximately 5 to 40 years and 20 to 30 years, respectively. Lease related intangibles are amortized on a straight-line basis over the lease term. Advanced bookings are generally amortized on a straight-line basis over the period of the advanced bookings. Definite lived intangibles are tested for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable. There were no impairment charges related to definite lived intangible assets during the three and nine months ended September 30, 2014 and 2013, respectively.
The following is a summary of intangible assets at September 30, 2014 and December 31, 2013:

	September 30, 2014	Weighted Average Useful Lives in Years	December 31, 2013
Contract acquisition costs	$363	26	$348
Franchise and management intangibles	159	24	170
Lease related intangibles	148	111	155
Advanced bookings intangibles	9	7	8
Brand intangible	7	—	7
Other	8	12	8
	694		696
Accumulated amortization	(125)		(105)
Intangibles, net	$569		$591

Amortization expense relating to intangible assets was as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Amortization expense	$7	$6	$22	$18

8. DEBT

Long-term debt, net of current maturities, at September 30, 2014 and December 31, 2013 was $1,292 million and $1,289 million, respectively.
Capital Lease Obligation - During the nine months ended September 30, 2014, we acquired the Hyatt Regency Grand Cypress for $191 million after exercising our purchase option. This purchase reduced our capital lease obligation, which was recorded in current maturities of long-term debt on our condensed consolidated balance sheets as of December 31, 2013. The purchase of the Hyatt Regency Grand Cypress is expected to be used as a replacement property in a potential like-kind exchange.

Floating Average Rate Construction Loan - During the year ended December 31, 2012, we obtained a secured construction loan with Banco Nacional de Desenvolvimento Econômico e Social - BNDES (“BNDES”) in order to develop a hotel in Brazil. The loan is split into four separate sub-loans with different interest rates for each sub-loan. All four sub-loans mature in 2023, with options to extend the maturity up to 2031 for sub-loan (a) and (b),

subject to the fulfillment of certain conditions. Borrowings under the four sub-loans bear interest at the following rates, depending on the applicable sub-loan (a) the variable rate published by BNDES plus 2.92%, (b) the Brazilian Long Term Interest Rate - TJLP plus 3.92%, (c) 2.5% and (d) the Brazilian Long Term Interest Rate - TJLP, with the interest rates referred to in sub-loans (a) and (b) subject to reduction upon the delivery of certain certifications. As of September 30, 2014, the weighted-average interest rates for the sub-loans that we had drawn upon as of that date was 8.49%. The outstanding balance of the sub-loan subject to the interest rate described in (a) above is subject to adjustment on a daily basis based on BNDES's calculation of the weighted average of exchange rate variations related to foreign currency funds raised by BNDES in foreign currency. As of September 30, 2014, we had borrowed Brazilian Real ("BRL") 108 million (USD $44 million), against this construction loan, of which BRL 15 million (USD $6 million) had not yet been utilized in construction and was therefore held in restricted cash on our condensed consolidated balance sheets. As of December 31, 2013, we had borrowed BRL 75 million (USD $32 million) against this construction loan, of which BRL 37 million (USD $16 million) had not yet been utilized in construction and was therefore held in restricted cash on our condensed consolidated balance sheets.

Revolving Credit Facility— As of January 6, 2014, we entered into a Second Amended and Restated Credit Agreement with a syndicate of lenders that amended and restated our prior revolving credit facility and provides for a $1.5 billion senior unsecured revolving credit facility that matures in January 2019. Interest rates on outstanding borrowings are either LIBOR-based or based on an alternate base rate, with margins in each case based on our credit rating or, in certain circumstances, our credit rating and leverage ratio. As of September 30, 2014, the interest rate for a one month LIBOR borrowing was 1.4065%, or LIBOR of 0.1565%, plus 1.25%. As of September 30, 2014, the outstanding balance on this credit facility was $130 million, which is recorded in current maturities of long-term debt on our condensed consolidated balance sheets. There was no outstanding balance on the prior credit facility at December 31, 2013. At September 30, 2014 and December 31, 2013, we had entered into various letter of credit agreements for $9 million and $104 million, respectively, which reduced our available capacity under the revolving credit facility. The available line of credit on our revolving credit facility at September 30, 2014 was $1.4 billion.

The Company also has a total of $65 million and $21 million of letters of credit issued through additional banks as of September 30, 2014 and December 31, 2013, respectively.

Tax-Exempt Contract Revenue Empowerment Zone Bonds, Series 2005A and Contract Revenue Bonds, Senior Taxable Series 2005B —During the year ended December 31, 2013, we acquired our partner's interest in the entity that owns the Grand Hyatt San Antonio hotel, and as a result, we recorded $198 million of bonds, net of the $9 million bond discount, which is being amortized over the life of the bond. The construction was financed in part by The City of San Antonio, Texas Convention Center Hotel Finance Corporation ("Texas Corporation"), a non-profit local government corporation created by the City of San Antonio, Texas for the purpose of providing financing for a portion of the costs of constructing the hotel. On June 8, 2005, the Texas Corporation issued $130 million of original principal amount Tax-Exempt Contract Revenue Empowerment Zone Bonds, Series 2005A ("Series 2005A Bonds") and $78 million of original principal amount Contract Revenue Bonds, Senior Taxable Series 2005B ("Series 2005B Bonds" and together with the Series 2005A Bonds, the "2005 Series Bonds"). The Series 2005A Bonds mature between 2034 and 2039, with interest ranging from 4.75% to 5.00% and the remaining $66 million of Series 2005B Bonds mature between 2015 and 2028, with interest ranging from 4.9% to 5.31%. The loan payments are required to be funded solely from net operating revenues of the Grand Hyatt San Antonio hotel and in the event that net operating revenues are not sufficient to pay debt service, the Texas Corporation under certain circumstances will be required to provide certain tax revenue to pay debt service on the 2005 Series Bonds. The indenture allows for optional early redemption of the Series 2005B Bonds subject to make-whole payments at any time with consent from the Texas Corporation and beginning in 2015 for the Series 2005A Bonds. Interest is payable semi-annually.

Senior Notes—During the nine months ended September 30, 2013, we issued and sold $350 million 3.375% Senior Notes due July 15, 2023 at a public offering price of 99.498%. We received net proceeds of $345 million from the sale of the 2023 Notes, after deducting underwriters' discounts and offering expenses. We used the net proceeds to pay the redemption price (as defined below) in connection with the redemption of the 2015 Notes and to repurchase the 2019 Notes tendered in the cash tender offer, with any remaining proceeds intended to be used for general corporate purposes. Interest on the 2023 Notes is payable semi-annually on January 15 and July 15 of each year, beginning on

January 15, 2014.

Debt Redemption—During the nine months ended September 30, 2013, we redeemed all of our outstanding 2015 Notes, of which an aggregate principal amount of $250 million was outstanding. The redemption price, which was calculated in accordance with the terms of the 2015 Notes and included principal plus a make-whole premium, was $278 million.

After the issuance of our 2015 Notes, we entered into eight $25 million interest rate swap contracts. During the year ended December 31, 2012, we terminated four of the eight interest rate swap contracts, for which we received cash payments of $8 million to settle the fair value of the swaps. The cash received from the termination of the four swaps was being amortized from the settlement date as a benefit to interest expense over the remaining term of the 2015 Notes. During the nine months ended September 30, 2013 we settled the remaining four outstanding interest rate swap agreements. At the time the 2015 Notes were redeemed, we recognized a gain of $7 million, which included the remaining unamortized benefit from the settlement of the initial four swaps during 2012 of $5 million and a gain on the remaining four swaps of $2 million that were terminated in 2013 in anticipation of the 2015 Notes redemption. The gain is included within debt settlement costs in other income (loss), net on the condensed consolidated statements of income.

Tender Offer—During the nine months ended September 30, 2013, we completed a cash tender offer (the "cash tender offer") for any and all of our 2019 Notes, of which an aggregate principal amount of $250 million was outstanding. We purchased $54 million aggregate principal amount of 2019 Notes in the cash tender offer at a purchase price of $66 million, which included premiums payable in connection with the cash tender offer. Following the cash tender offer, $196 million aggregate principal amount of 2019 Notes remains outstanding.

9. INCOME TAXES

The effective income tax rates for the three months ended September 30, 2014 and 2013, were 47.7% and 41.3%, respectively. The effective income tax rates for the nine months ended September 30, 2014 and 2013, were 37.8% and 33.8%, respectively.

For the three months ended September 30, 2014, the effective tax rate differs from the U.S. statutory federal income tax rate of 35% primarily due to the impact of a shift in our earnings mix in locations with higher tax rates and an expense of $6 million (including $1 million of interest) due to a provision for uncertain tax positions, primarily offset by other insignificant items. For the nine months ended September 30, 2014, the effective tax rate differs from the U.S. statutory federal income tax rates of 35% primarily due to the above-mentioned items, offset by a benefit of $4 million (including $2 million of interest and penalties) related to the expiration of statutes of limitations in certain foreign locations, a benefit of $2 million related to the settlement of tax audits, a $4 million benefit for the release of a valuation allowance of a foreign subsidiary and a benefit of $2 million related to a state legislative change enacted in the first quarter of 2014.

For the three months ended September 30, 2013, the effective tax rate differs from the U.S. statutory federal income tax rate of 35% primarily due to a shift in our earnings mix in locations with higher tax rates, partially offset by a benefit of $3 million related to the reduction in statutory tax rates enacted by foreign jurisdictions during the quarter. For the nine months ended September 30, 2013, the effective tax rate differs from the U.S. statutory federal income tax rate of 35% primarily due to a shift in our earnings mix in locations with higher tax rates. This increase is offset by a $4 million benefit for an adjustment to the opening balance sheet of certain deferred tax assets, a benefit of $3 million (including $1 million interest) related to the settlement of tax audits, a benefit of $4 million (including $2 million of interest and penalties) related to the expiration of statutes of limitations in certain foreign locations, a benefit of $3 million related to the reduction in statutory tax rates enacted by foreign jurisdictions during the third quarter and a benefit of $2 million with respect to foreign currency fluctuations related to uncertain tax positions.

The unrecognized tax benefits were $51 million and $53 million at September 30, 2014 and December 31, 2013, respectively, of which $27 million would impact the effective tax rate if recognized.

10. COMMITMENTS AND CONTINGENCIES

In the ordinary course of business, we enter into various commitments, guarantees, surety bonds, and letter of credit agreements, which are discussed below:

Commitments—As of September 30, 2014, we are committed, under certain conditions, to lend or invest up to $254 million, net of any related letters of credit, in various business ventures.

Performance Guarantees—Certain of our contractual arrangements with third party owners require us to guarantee payments to the owners if specified levels of operating profit are not achieved by their hotels.

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In connection with the inception of a performance guarantee, we recognize a liability for the fair value of our guarantee obligation within other long-term liabilities on our condensed consolidated balance sheets with an offset to contract acquisition cost intangible assets. Upon commencement of the guarantee period, we begin to amortize the guarantee liability using a systematic and rational risk-based approach over the term of the respective performance guarantee. Under these agreements, we recorded guarantee liabilities of $109 million, net of amortization and using exchange rates as of September 30, 2014. Of the total $109 million guarantee liability, $105 million relates to four managed hotels in France that we began managing in the second quarter of 2013 and that are subject to a performance guarantee ("the four managed hotels in France"). During the three and nine months ended September 30, 2014, we amortized $2 million and $6 million, respectively, of these liabilities recorded as income in other income (loss), net on the condensed consolidated statements of income.
During the three and nine months ended September 30, 2014, we recorded insignificant income and $13 million in expenses, respectively, related to these agreements in other income (loss), net on the condensed consolidated statements of income. As of September 30, 2014, we have recorded a $3 million receivable and a $1 million liability related to these performance guarantee agreements. The remaining maximum potential payments related to these agreements are $507 million, which primarily includes a maximum guarantee of €377 million (USD $478 million using exchange rates as of September 30, 2014) related to the four managed hotels in France, which has a term of 7 years and does not have an annual cap.
Additionally, we enter into certain management contracts where we have the right, but not an obligation, to make payments to certain hotel owners if their hotels do not achieve specified levels of operating profit. If we choose not to fund the shortfall, the hotel owner has the option to terminate the management contract. As of September 30, 2014, there were no amounts recorded in accrued expenses and other current liabilities related to these performance test clauses.
Debt Repayment Guarantees—We have entered into various debt repayment guarantees related to our hospitality venture investments in certain properties. The maximum exposure under these agreements as of September 30, 2014 was $267 million. As of September 30, 2014, we had an $8 million liability representing the carrying value of these guarantees. Included within the $267 million in debt guarantees are the following:

Property Description	Maximum Guarantee Amount	Amount Recorded at September 30, 2014
Vacation ownership development	$110	$—
Hotel property in Brazil	75	2
Hawaii hotel development	30	1
Hotel property in Minnesota	25	4
Hotel property in Colorado	15	1
Other	12	—
Total Debt Repayment Guarantees	$267	$8

With respect to repayment guarantees related to certain hospitality venture properties, we have agreements with our respective partners that require each partner to pay a pro-rata portion of the guarantee amount based on each partner's ownership percentage. Assuming successful enforcement of these agreements our maximum exposure under the various debt repayment guarantees as of September 30, 2014 would be $140 million.
Self Insurance—The Company obtains commercial insurance for potential losses for general liability, workers' compensation, automobile liability, employment practices, crime, property and other miscellaneous coverages. A reasonable amount of risk is retained on a self insurance basis primarily through a U.S. based and licensed captive insurance company that is a wholly owned subsidiary of the Company and generally insures our deductibles and retentions. Reserve requirements are established based on actuarial projections of ultimate losses. Losses estimated to be paid within 12 months are $30 million as of September 30, 2014, and are classified within accrued expenses and other current liabilities on the condensed consolidated balance sheets, while losses expected to be payable in later periods are $58 million as of September 30, 2014, and are included in other long-term liabilities on the condensed

consolidated balance sheets. At September 30, 2014, standby letters of credit amounting to $7 million had been issued to provide collateral for the estimated claims. We guarantee the letters of credit. For further discussion, see the “Letters of Credit” section of this footnote.

Surety Bonds—Surety bonds issued on our behalf or guaranteed by us totaled $91 million as of September 30, 2014 and primarily relate to workers' compensation, taxes, construction, licenses, and utilities related to our lodging operations.
Letters of Credit—Letters of credit outstanding on our behalf as of September 30, 2014 totaled $74 million, the majority of which relate to our ongoing operations. Of the $74 million letters of credit outstanding, $9 million reduces the available capacity under our revolving credit facility. See Note 8.
Capital Expenditures—As part of our ongoing business operations, significant expenditures are required to complete renovation projects that have been approved.
Other —We act as general partner of various partnerships that own hotel properties subject to mortgage indebtedness. These mortgage agreements generally limit the lender's recourse to security interests in the assets financed and/or other assets of the partnership(s) and/or the general partner(s) thereof.
In conjunction with financing obtained for our unconsolidated hospitality ventures, we may provide standard indemnifications to the lender for loss, liability or damage occurring as a result of our actions or actions of the other hospitality venture owners.
We are subject, from time to time, to various claims and contingencies related to lawsuits, taxes, and environmental matters, as well as commitments under contractual obligations. Many of these claims are covered under current insurance programs, subject to deductibles. We reasonably recognize a liability associated with commitments and contingencies when a loss is probable and reasonably estimable. Although the ultimate liability for these matters cannot be determined at this point, based on information currently available, we do not expect that the ultimate resolution of such claims and litigation will have a material effect on our condensed consolidated financial statements.

11. EQUITY

Stockholders' Equity and Noncontrolling Interests—The following table details the equity activity for the nine months ended September 30, 2014 and 2013, respectively.

	Stockholders' equity	Noncontrolling interests in consolidated subsidiaries	Total equity
Balance at January 1, 2014	$4,769	$ 8	$4,777
Net income	162	2	164
Other comprehensive loss	(41)	—	(41)
Repurchase of common stock	(229)	—	(229)
Directors compensation	2	—	2
Employee stock plan issuance	2	—	2
Share based payment activity	17	—	17
Other	1	(2)	(1)
Balance at September 30, 2014	$4,683	$ 8	$4,691
Balance at January 1, 2013	$4,811	$ 10	$4,821
Net income	175	—	175
Other comprehensive loss	(10)	—	(10)
Repurchase of common stock	(252)	—	(252)
Directors compensation	2	—	2
Employee stock plan issuance	2	—	2
Share based payment activity	15	—	15
Balance at September 30, 2013	$4,743	$ 10	$4,753

Accumulated Other Comprehensive Loss—The following table details the accumulated other comprehensive loss activity for the three and nine months ended September 30, 2014 and 2013, respectively.

	Balance at July 1, 2014	Current period other comprehensive income (loss) before reclassification	Amount Reclassified from Accumulated Other Comprehensive Loss	Balance at September 30, 2014
Foreign currency translation adjustments	$(49)	$(49)	$—	$(98)
Unrealized gain (loss) on AFS securities	—	—	—	—
Unrecognized pension cost	(5)	—	—	(5)
Unrealized gain (loss) on derivative instruments	(7)	1	—	(6)
Accumulated Other Comprehensive Loss	$(61)	$(48)	$—	$(109)

	Balance at January 1, 2014	Current period other comprehensive income (loss) before reclassification	Amount Reclassified from Accumulated Other Comprehensive Loss	Balance at September 30, 2014
Foreign currency translation adjustments	$(62)	$(36)	$—	$(98)
Unrealized gain (loss) on AFS securities	6	(6)	—	—
Unrecognized pension cost	(5)	—	—	(5)
Unrealized gain (loss) on derivative instruments	(7)	1	—	(6)
Accumulated Other Comprehensive Loss	$(68)	$(41)	$—	$(109)

	Balance at July 1, 2013	Current period other comprehensive income (loss) before reclassification	Amount Reclassified from Accumulated Other Comprehensive Loss	Balance at September 30, 2013
Foreign currency translation adjustments	$(80)	$16	$—	$(64)
Unrecognized pension cost	(6)	—	—	(6)
Unrealized loss on derivative instruments	(7)	—	—	(7)
Accumulated Other Comprehensive Loss	$(93)	$16	$—	$(77)

	Balance at January 1, 2013	Current period other comprehensive income (loss) before reclassification	Amount Reclassified from Accumulated Other Comprehensive Loss (a)	Balance at September 30, 2013
Foreign currency translation adjustments	$(54)	$(12)	$2	$(64)
Unrecognized pension cost	(6)	—	—	(6)

Unrealized loss on derivative instruments	(7)	—	—	(7)
Accumulated Other Comprehensive Loss	$(67)	$(12)	$2	$(77)

(a) Foreign currency translation adjustments, net of an insignificant tax impact, reclassified from accumulated other comprehensive loss were recognized within equity earnings from unconsolidated hospitality ventures on the condensed consolidated statements of income.

Share Repurchase—During the nine months ended September 30, 2014, we announced that the Board of Directors authorized the repurchase of up to an additional $300 million of the Company's common stock, in addition to the authorizations to repurchase $400 million of the Company's common stock in 2013 and $200 million in 2012. These repurchases may be made from time to time in the open market, in privately negotiated transactions, or otherwise, including pursuant to a Rule 10b5-1 plan, at prices that the Company deems appropriate and subject to

market conditions, applicable law and other factors deemed relevant in the Company's sole discretion. The common stock repurchase program does not obligate the Company to repurchase any dollar amount or number of shares of common stock and the program may be suspended or discontinued at any time.
During the nine months ended September 30, 2014 and 2013, the Company repurchased 4,048,230 and 6,136,089 shares of common stock, respectively. These shares were repurchased at a weighted average price of $56.65 and $41.14 per share, respectively, for an aggregate purchase price of $229 million and $252 million, respectively, excluding related expenses that were insignificant in both periods. Of the $229 million aggregate purchase price during the nine months ended September 30, 2014, $228 million was settled in cash during the period. The shares repurchased during the nine months ended September 30, 2014 represented approximately 3% of the Company's total shares of common stock outstanding as of December 31, 2013. The shares repurchased during the nine months ended September 30, 2013 represented approximately 4% of the Company's total shares of common stock outstanding as of December 31, 2012. The shares of Class A common stock that were repurchased on the open market were retired and returned to authorized and unissued status while the shares of Class B common stock that were repurchased were retired and the total number of authorized Class B shares was reduced by the number of shares repurchased. As of September 30, 2014, we had $259 million remaining under the current share repurchase authorization.

12. STOCK-BASED COMPENSATION

As part of our long-term incentive plan, we award Stock Appreciation Rights ("SARs"), Restricted Stock Units ("RSUs") and Performance Vested Restricted Stock ("PSSs") to certain employees. Compensation expense and unearned compensation figures within this note exclude amounts related to employees of our managed hotels as this expense has been and will continue to be reimbursed by our third party hotel owners and is recorded on the lines other revenues from managed properties and other costs from managed properties on our condensed consolidated statements of income. Compensation expense related to these awards for the three and nine months ended September 30, 2014 and 2013 are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,
	2014	2013	