Hilton Worldwide Holdings Inc.
Form S-1/A
October 18, 2013
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As filed with the Securities and Exchange Commission on October 18, 2013.

Registration No. 333-191110

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Amendment No. 1

to

FORM S-1

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

Hilton Worldwide Holdings Inc.

(Exact Name of Registrant as Specified in its Charter)

Delaware	**7011**	**27-4384691**
(State or other jurisdiction of incorporation or organization)	**(Primary Standard Industrial Classification Code Number)**	**(I.R.S. Employer Identification No.)**

7930 Jones Branch Drive, Suite 1100

McLean, VA 22102

Telephone: (703) 883-1000

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

Christopher J. Nassetta

President and Chief Executive Officer

Hilton Worldwide Holdings Inc.

7930 Jones Branch Drive, Suite 1100

McLean, VA 22102

Telephone: (703) 883-1000

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

Copies to:

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Approximate date of commencement of the proposed sale of the securities to the public: **As soon as practicable after the Registration Statement is declared 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. ¨

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

CALCULATION OF REGISTRATION FEE

Title Of Each Class Of Securities To Be Registered	Proposed Maximum Aggregate Offering Price[(1)(2)]	Amount of Registration Fee[(3)]
Common Stock, par value $0.01 per share	$ 1,250,000,000	$ 170,500

(1) Estimated solely for the purpose of determining the amount of the registration fee in accordance with Rule 457(o) under the Securities Act of 1933.

(2) Includes shares of common stock subject to the underwriters option to purchase additional shares of common stock.

(3) Previously paid.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Subject to Completion. Dated October 18, 2013.

Shares

Hilton Worldwide Holdings Inc.

Common Stock

This is an initial public offering of shares of common stock of Hilton Worldwide Holdings Inc. All of the shares of common stock are being sold by us.

Prior to this offering, there has been no public market for the common stock. It is currently estimated that the initial public offering price per share will be between $ and $. We intend to apply to list our shares of common stock on under the symbol .

After the completion of this offering, affiliates of The Blackstone Group L.P. will continue to own a majority of the voting power of shares eligible to vote in the election of our directors. As a result, we will be a controlled company. See Management Controlled Company Exception.

See Risk Factors beginning on page 15 to read about factors you should consider before buying shares of our 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 discounts and commissions	$	$
Proceeds, before expenses, to us[1]	$	$

[1] See Underwriting.

To the extent that the underwriters sell more than shares of our common stock, the underwriters have the option to purchase up to an additional shares of our common stock from us at the initial public offering price less the underwriting discount.

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

Deutsche Bank Securities **Goldman, Sachs & Co.** **BofA Merrill Lynch** **Morgan Stanley**

Prospectus dated , .

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Neither we nor the underwriters have authorized anyone to provide you with information different from that contained in this prospectus, any amendment or supplement to this prospectus or any free writing prospectus prepared by us or on our behalf. Neither we nor the underwriters take any responsibility for, or can provide any assurance as to the reliability of, any information other than the information in this prospectus, any amendment or supplement to this prospectus or any free writing prospectus prepared by us or on our behalf. We and the underwriters are offering to sell, and seeking offers to buy, shares of our common stock only in jurisdictions where offers and sales are permitted. The information in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or any sale of shares of our common stock.

Unless indicated otherwise, the information included in this prospectus (1) assumes no exercise by the underwriters of the option to purchase up to an additional shares of common stock from us, (2) assumes that the shares of common stock to be sold in this offering are sold at $ per share of common stock, which is the midpoint of the price range indicated on the front cover of this prospectus, and (3) reflects the stock split that we intend to effectuate prior to this offering, whereby each issued and outstanding share of our common stock will be converted into shares.

Except where the context requires otherwise, references in this prospectus to Hilton, Hilton Worldwide, the Company, we, us, and our refer to Hilton Worldwide Holdings Inc., together with its consolidated subsidiaries. We refer to the estimated over 300,000 individuals working at our owned, leased, managed, franchised, timeshare and corporate locations worldwide as of June 30, 2013 as our team members. Of these team members, approximately 147,000 were directly employed or supervised by us and the remaining team members were employed or supervised by third-parties. Except where the context requires otherwise, references to our properties, hotels and rooms refer to the hotels, resorts and timeshare properties managed, franchised, owned or leased by us. Of these hotels or resorts and rooms, a portion are directly owned or leased by us or joint ventures in which we have an interest and the remaining hotels or resorts and rooms were owned by our third-party owners.

Investment funds associated with or designated by The Blackstone Group L.P., our current majority owners, are referred to herein as Blackstone or our Sponsor and Blackstone, together with the other owners of Hilton Worldwide Holdings Inc. prior to this offering, are collectively referred to as our existing owners.

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Reference to ADR or Average Daily Rate means hotel room revenue divided by total number of rooms sold in a given period and RevPAR or Revenue per Available Room represents hotel room revenue divided by room nights available to guests for a given period. References to RevPAR index measure a hotel s relative share of its segment s Revenue per Available Room. For example, if a subject hotel s RevPAR is $50 and the RevPAR of its competitive set is $50, the subject hotel would have no RevPAR index premium. If the subject hotel s RevPAR totaled $60, its RevPAR index premium would be 20%, which indicates that the subject hotel has outperformed other hotels in its competitive set. References to global RevPAR index premium means the average RevPAR index premium of our comparable hotels (as defined in Management s Discussion and Analysis of Financial Condition and Results of Operations Key Business and Financial Metrics used by Management Comparable Hotels on page 64, but excluding hotels that do not receive competitive set information from Smith Travel Research, or STR, or do not participate with STR). The owner or manager of each Hilton comparable hotel exercises its discretion in identifying the competitive set of properties for such hotel, considering factors such as physical proximity, competition for similar customers, product features, services and amenities, quality and average daily rate, as well as STR rules regarding competitive set makeup. Accordingly, while the hotel brands included in the competitive set for any given Hilton comparable hotel depend heavily on market-specific conditions, the competitive sets for Hilton comparable hotels frequently include properties branded with the competing brands identified for the relevant Hilton comparable hotel listed under Selected Competitors on page 111. STR provides us with the relevant data for competitive sets that we submit for each of our comparable hotels, which we utilize to compute the RevPAR index for our comparable hotels.

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SUMMARY

This summary highlights information contained elsewhere in this prospectus and does not contain all of the information you should consider before investing in shares of our common stock. You should read this entire prospectus carefully, including the section entitled Risk Factors and the financial statements and the related notes included elsewhere in this prospectus, before you decide to invest in shares of our common stock.

Hilton Worldwide

Hilton Worldwide is one of the largest and fastest growing hospitality companies in the world, with 4,041 hotels, resorts and timeshare properties comprising 665,667 rooms in 90 countries and territories. In the nearly 100 years since our founding, we have defined the hospitality industry and established a portfolio of 10 world-class brands. Our flagship full-service Hilton Hotels & Resorts brand is the most recognized hotel brand in the world. Our premier brand portfolio also includes our luxury hotel brands, Waldorf Astoria Hotels & Resorts and Conrad Hotels & Resorts, our full-service hotel brands, DoubleTree by Hilton and Embassy Suites Hotels, our focused-service hotel brands, Hilton Garden Inn, Hampton Inn, Homewood Suites by Hilton and Home2 Suites by Hilton and our timeshare brand, Hilton Grand Vacations (HGV). We own or lease interests in 157 hotels, many of which are located in global gateway cities, including iconic properties such as The Waldorf=Astoria New York, the Hilton Hawaiian Village, and the London Hilton on Park Lane. More than 300,000 team members proudly serve in our properties and corporate offices around the world, and we have approximately 38 million members in our award-winning customer loyalty program, Hilton HHonors.

We operate our business through three segments: (1) management and franchise; (2) ownership; and (3) timeshare. These complementary business segments enable us to capitalize on our strong brands, global market presence and significant operational scale. Through our management and franchise segment, which consists of 3,843 hotels with 596,765 rooms, we manage hotels, resorts and timeshare properties owned by third parties and we license our brands to franchisees. Our management and franchise segment generates high margins and long-term recurring cash flow, and has grown by 39% in terms of number of rooms since June 30, 2007, representing 98% of our overall room growth, with virtually no capital investment by us. Our ownership segment consists of 157 hotels with 62,498 rooms that we own or lease. Through our timeshare segment, which consists of 41 properties comprising 6,404 units, we market and sell timeshare intervals, operate timeshare resorts and a timeshare membership club and provide consumer financing.

In October 2007 we were acquired by affiliates of The Blackstone Group L.P. and assembled a new management team led by Christopher J. Nassetta, our President and Chief Executive Officer. Under our new leadership, we have transformed our business, creating a globally aligned organization and establishing a performance-driven culture. As part of our transformation, we focused on both top- and bottom-line operating performance, strengthening and expanding our brands and commercial services platform, and enhancing our growth rate, particularly in markets outside the U.S. where our brands historically had been underrepresented.

As a result of the transformation of our business, despite the sharp downturn in our industry, between June 30, 2007 and June 30, 2013, we have:

- increased the number of open rooms in our system by 34%, or 170,000 rooms, which represents the highest growth rate of any major lodging company;

grown the number of rooms in our development pipeline by 52% to an industry-leading 176,000 rooms, over 99% of which are within our higher-margin, capital light management and franchise segment;

increased our total number of rooms under construction by 121%, to an industry-leading 92,000 rooms, over 99% of which are within our management and franchise segment;

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increased the geographic diversity of our pipeline, with rooms in the development pipeline outside the U.S. increasing from less than 20% to more than 60%, and rooms under construction outside the U.S. increasing from less than 15% to nearly 80%;

significantly enhanced our presence in key segments, brands and geographies, including significant growth in the luxury segment, in our DoubleTree by Hilton and Home2 Suites by Hilton brands and in the number of hotels in Europe and Greater China;

increased our management and franchise segment s Adjusted EBITDA by 25% from the year ended December 31, 2007 to the year ended December 31, 2012 and grown the proportion of our aggregate segment Adjusted EBITDA contributed by our management and franchise segment from 47% to 53%;

increased the average global revenue per available room, or RevPAR, premium for all brands globally by approximately two percentage points to 15% on a trailing twelve month basis;

expanded membership in our Hilton HHonors program by 83% since December 31, 2007;

significantly outperformed our competitors in the timeshare segment, with annual interval sales increasing over 40% since the year ended December 31, 2007 and segment Adjusted EBITDA as a percentage of timeshare revenue increasing 400 basis points since the year ended December 31, 2010, while beginning a transformation of the business to a more capital-efficient model; for the twelve months ended June 30, 2013, 43% of our sales of timeshare intervals were developed by third parties versus 0% for the year ended December 31, 2009; and

significantly improved profitability, increasing our Adjusted EBITDA by an annual average of 12% from the year ended December 31, 2010 through the year ended December 31, 2012, and for the six months ended June 30, 2013, increasing our Adjusted EBITDA by 17% compared to the six months ended June 30, 2012. Net income attributable to Hilton stockholder increased by 68% on average from the year ended December 31, 2010 through the year ended December 31, 2012, and for the six months ended June 30, 2013 net income attributable to Hilton stockholder increased 66% as compared to the six months ended June 30, 2012.

See Summary Historical Financial Data for the definition of Adjusted EBITDA and a reconciliation of net income attributable to Hilton stockholder to Adjusted EBITDA.

We believe this transformation positions us to continue to increase our share of the expanding global lodging industry, which continues to exhibit strong fundamentals and significant long-term growth prospects supported by increasing global travel and tourism. Our business has grown during times of economic expansion as well as during global economic downturns. For example, during the period between January 1, 2000 and June 30, 2013, we increased the total number of hotel rooms in our system every year, achieving total growth of 120% and a compound annual growth rate, or CAGR, of 6%. Our industry leading percentage of global rooms under construction of 17.9% significantly exceeds our industry leading percentage of the existing global hotel supply of 4.5%, according to data provided by Smith Travel Research, Inc., or STR. We expect that our #1 share of worldwide rooms under construction will allow us to continue to expand our share of worldwide rooms supply and build on our leading market position.

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The transformation of our business since 2007 has enabled us to increase the number of hotels and timeshare units in our system at a more rapid rate than any other major lodging company. The following table illustrates our global room supply by business segment.

Our Competitive Strengths

We believe the following competitive strengths provide the foundation for our position as a leading global hospitality company.

World-Class Hospitality Brands. Our globally recognized, world-class brands have defined the hospitality industry. Our flagship Hilton Hotels & Resorts brand often serves as an introduction to our wider range of brands that are designed to accommodate any customer s needs anywhere in the world. Our brands have achieved an average global RevPAR index premium of 15% for the twelve months ended June 30, 2013, based on STR data. This means that our brands achieve on average 15% more revenue per room than competitive properties in similar markets. The demonstrated strength of our brands makes us a preferred partner for hotel owners, who have invested tens of billions of dollars since December 31, 2007 in the development and improvement of our branded hotels.

Leading Global Presence and Scale. We are one of the largest hospitality companies in the world with 4,041 properties and 665,667 rooms in 90 countries and territories. We have hotels in key gateway cities such as New York, London, Dubai, Johannesburg, Tokyo, Shanghai and Sydney and 347 hotels located at or near airports around the world. Our global presence allows us to serve our loyal customers throughout the world and to introduce our award-winning brands to customers in new markets. These world-class brands facilitate system growth by providing hotel owners with a variety of options to address each market s specific needs. In addition, the diversity of our operations reduces our exposure to business cycles, individual market disruptions and other risks. Our robust commercial services platform allows us to take advantage of our scale to more effectively deliver products and services that drive customer preference and enhance commercial performance on a global basis.

Large and Growing Loyal Customer Base. Serving our customers is our first priority. By continually adapting to customer preferences and providing our customers with superior experiences, we have improved our overall customer satisfaction ratings four of the last five years. We earned 32 first place awards in the J.D. Power North America Guest Satisfaction rankings since 1999, more than any multi-brand lodging company. Our hotels accommodated more than 125 million customer visits during the twelve months ended June 30, 2013, with members of our Hilton HHonors loyalty program contributing approximately 50% of the more than 170 million resulting room nights. Hilton HHonors unites all our brands, encourages customer loyalty and allows us to provide tailored promotions, messaging and customer experiences. We have grown the membership in our Hilton HHonors program by approximately 83% from approximately 21 million as of December 31, 2007 to nearly 38 million as of June 30, 2013.

Significant Embedded Growth. All of our segments are expected to grow through improvement in same-store performance driven by strong anticipated industry fundamentals. PKF Hospitality Research, LLC, or PKF-HR, predicts that lodging industry RevPAR in the U.S., where 78% of our system rooms are located, will grow 7.2% in 2014 and 8.1% in 2015. Our management and franchise segment also is expected to grow through new room additions, as upon completion, our industry-leading development pipeline would result in a 27% increase in our room count with minimal capital investment from us. In addition, our franchise revenues should grow over time as franchise agreements renew at our published license rates, which are higher than our current effective rates. For the twelve months ended June 30, 2013, our weighted average effective license rate across our brands was 4.5% of room revenue, an increase of over 12% since 2007, and our weighted average published license rate was 5.4% as of June 30, 2013. We also expect our incentive management fees, which are linked to hotel profitability measures, to increase as a result of the expected improvements in industry fundamentals. In our ownership segment, we believe we will benefit from strong growth in bottom-line earnings as industry fundamentals continue to improve as a result of this segment s operating leverage, and our large hotels with significant meeting space should benefit from recent improvements in group demand, which we expect will exhibit strong growth as the current stage of the lodging cycle advances. Finally, our timeshare business has over five years of projected interval supply at our current sales pace in the form of existing owned inventory and executed capital light projects, which should enable us to continue to grow our earnings from the segment with lower levels of capital investment from us.

Strong Cash Flow Generation. We generate significant cash flow from operating activities with an increasing percentage from our growing capital light management and franchise and timeshare segments. During the five-year period ended December 31, 2012, we generated an aggregate of $3.6 billion in cash flow from operating activities. We increased our cash flow from operating activities from $219 million for the year ended December 31, 2008 to $1.1 billion for the year ended December 31, 2012. We believe that our focus on cash flow generation, the relatively low investment required to grow our management and franchise and timeshare segments, and our disciplined approach to capital allocation position us to maximize opportunities for profitability and growth while continuing to reduce our indebtedness over time.

Iconic Hotels with Significant Underlying Real Estate Value. Our diverse global portfolio of owned and leased hotels includes a number of iconic properties in major gateway cities such as New York City, London, San Francisco, Chicago, São Paolo, Sydney and Tokyo. The portfolio also includes iconic hotels with significant embedded asset value, including: The Waldorf=Astoria New York, a landmark luxury hotel with 1,413 rooms encompassing an entire city block in the heart of midtown Manhattan near Grand Central Terminal; the Hilton Hawaiian Village, a full-service beach resort with 2,860 rooms that sits on approximately 22 oceanfront acres along Waikiki Beach on the island of Oahu; and the London Hilton on Park Lane, a 453-room hotel overlooking Hyde Park in the exclusive Mayfair district of London. Our ten owned hotels with the highest Adjusted EBITDA contributed 54% of our ownership segment s Adjusted

EBITDA during the year ended December 31, 2012, which highlights the quality of our key flagship properties. In addition, we believe the iconic nature of many of these properties creates significant value for our entire system of properties by reinforcing the world-class nature of our brands. We continually focus on increasing the value and enhancing the market position of our owned and leased hotels and have invested $1.8 billion in these properties between December 31, 2007 and June 30, 2013. Over time, we believe we can unlock significant incremental value through opportunistically exiting assets or executing on adaptive reuse plans for all or a portion of certain hotels as retail, residential or timeshare uses.

Market-Leading and Innovative Timeshare Platform. Our timeshare business complements our other segments and provides an alternative hospitality product that serves an attractive customer base. Our timeshare customers are among our most loyal hotel customers, with estimated spend in our hotel system increasing approximately 40% after the purchase of their timeshare interests. Historically, we have concentrated our timeshare efforts in four key markets: Florida, Hawaii, New York City and Las Vegas, which has helped us to increase annual sales of timeshare intervals by more than 40% since 2007 while yielding strong profit margins during a time when our competitors generally experienced declines in both sales and profit margins. As a result of this strong operating performance and the returns we were able to drive on our own timeshare developments, in 2010 we began a transformation of our timeshare business to a capital light model in which third-party timeshare owners and developers provide capital for development while we act as sales and marketing agent and property manager. Through these transactions, we receive a sales and marketing commission and branding fees on sales of timeshare intervals, recurring fees to operate the homeowners associations and revenues from resort operations. We also earn recurring fees in connection with the points-based membership programs we operate that provide for exclusive exchange, leisure travel and reservation services, and through fees related to the servicing of consumer loans. We have increased the sales of intervals developed by third parties from zero in 2009 to 43% for the twelve months ended June 30, 2013, which has dramatically reduced the capital requirements of our timeshare segment while continuing to drive strong earnings and cash flows. For the year ended December 31, 2012 and the six months ended June 30, 2013, we incurred $46 million and $35 million, respectively, of inventory costs in the timeshare segment, compared to an average of $405 million annually during 2007 and 2008.

Performance-Driven Culture. We are an organization of people serving people, thus it is imperative that we attract and retain best-in-class talent to serve our various stakeholders. We have a performance-driven culture that begins with an intense alignment around our mission, vision, values and key strategic priorities. Our President and Chief Executive Officer, Christopher J. Nassetta, has nearly 30 years of experience in the hotel industry, previously serving as President and Chief Executive Officer of Host Hotels & Resorts, Inc., where he was named *Institutional Investor* s 2007 REIT CEO of the Year. He and the balance of our executive management team have been instrumental in transforming our organization and installing a culture that develops leaders at all levels of the organization who are focused on delivering exceptional service to our customers every day. We rely on our over 300,000 team members to execute our strategy and continue to enhance our products and services to ensure that we remain at the forefront of performance and innovation in the lodging industry.

Our Business and Growth Strategy

The following are key elements of our strategy to become the preeminent global hospitality company the first choice of guests, team members and owners alike:

Expand our Global Footprint. We intend to build on our leading position in the U.S. and expand our global footprint. In February 2006, we reacquired Hilton International Co., which had operated as a separate company since 1964, and in so doing, reacquired the international Hilton branding rights. Reuniting Hilton s

U.S. and international operations has provided us with the platform to grow our business and brands globally. As a result of the reacquisition and focus on global expansion, we currently rank number one or number two in every major region of the world by rooms under construction, based on STR data. We aim to increase the relative contribution of our international operations, which accounted for only 27% of our revenues during the year ended December 31, 2012.

Of our new rooms under construction, 79% are located outside of the U.S. We plan to continue to expand our global footprint by introducing the right brands with the right product positioning in targeted markets and allocating business development resources effectively to drive new unit growth in every region of the world.

Grow our Fee-Based Businesses. We intend to grow our higher margin, fee-based businesses. We expect to increase the contribution of our management and franchise segment, which already accounts for more than half of our aggregate segment Adjusted EBITDA, through new third-party hotel development and the conversion of existing hotels to our brands. The number of rooms in our management and franchise segment grew by 39% from June 30, 2007 to June 30, 2013 and substantially all of our current development pipeline of 176,449 rooms consists of hotels in this segment. Upon completion, this pipeline of new, third-party owned hotels would result in a 30% increase in our management and franchise room count with minimal capital investment from us. In addition, we aim to increase the average effective franchise fees we receive over time by renewing and entering into new franchise agreements at our current published franchise fee rates.

Continue to Increase the Capital Efficiency of our Timeshare Business. Traditionally, timeshare operators have funded 100% of the investment necessary to acquire land and construct timeshare properties. In 2010, we began sourcing timeshare intervals through sales and marketing agreements with third-party developers. These agreements enable us to generate fees from the sales and marketing of the timeshare intervals and club memberships and from the management of the timeshare properties without requiring us to fund acquisition and construction costs. Our supply of third-party developed timeshare intervals has increased to 69,000 as of June 2013, compared to no supply in 2009, and the percentage of sales of timeshare intervals developed by third parties has already increased to 43% for the twelve months ended June 30, 2013. We will continue to seek opportunities to grow our timeshare business through this capital light model.

Optimize the Performance of our Owned and Leased Hotels. In addition to utilizing our commercial services platform to enhance the revenue performance of our owned and leased assets, we have focused on maximizing the cost efficiency of the portfolio by implementing labor management practices and systems and reducing fixed costs to drive profitability. Through our disciplined approach to asset management, we have developed and executed on strategic plans for each of our hotels and have invested $1.8 billion in our portfolio since December 31, 2007 to enhance the market position of each property. We expect to continue to enhance the performance of our hotels by improving operating efficiencies, and believe there is an opportunity to drive further improvements in operating margins and Adjusted EBITDA. The Adjusted EBITDA of our owned and leased portfolio for 2012 was still below 2008 levels. Further, at certain of our hotels, we are developing plans for the adaptive reuse of all or a portion of the property to residential, retail or timeshare uses. Finally, we expect to create value over time by opportunistically selling assets and restructuring or exiting leases.

Strengthen our Brands and Commercial Services Platform. We intend to enhance our world-class brands through superior brand management by continuing to develop products and services that drive increased RevPAR premiums. We will continue to refine our luxury brands to deliver modern products and service standards that are relevant to today s luxury traveler. We will continue to position our full-service operating model and product standards to meet evolving customer needs and drive financial results that support incremental owner investment in our hotels. In our focused-service brands, we will continue to position for growth in the U.S., and tailor our products as appropriate to meet the needs of customers and developers outside the U.S. We will continue to innovate and enhance our commercial services platform to ensure we have the most formidable sales, pricing, marketing and distribution platform in the industry to drive premium commercial performance to our entire system of hotels. We also will continue to invest in our Hilton HHonors customer loyalty program to ensure it remains relevant to our customers and drives customer loyalty and value to our hotel owners.

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Our Industry

We believe that the fundamentals of the global hotel industry, as projected by analysts, particularly in the U.S., where 78% of our system-wide rooms are located, will yield strong industry performance and support the growth of our business in coming years. According to STR data, U.S. lodging demand, as measured by number of booked hotel rooms, has improved with the economic recovery in recent years, experiencing a CAGR of 4.9% over the last three years, significantly exceeding the 25-year CAGR of 1.8%. In contrast, over the last three years, U.S. lodging industry supply has grown at a CAGR of 0.9%, well below the 25-year CAGR of 2.0%. We believe this positive imbalance between demand growth and supply growth has contributed to a RevPAR CAGR of 6.8% over the last three years, well above the 25-year CAGR of 2.7%. According to PKF-HR, total U.S. lodging industry RevPAR is expected to increase 7.2% in 2014 and 8.1% in 2015. According to STR data, global lodging demand, as measured by number of booked hotel rooms, has grown at a CAGR of 5.3% over the last three years and hotel supply growth increased at a CAGR of 1.6%. We believe these attractive supply/demand fundamentals provide the potential for continued global RevPAR growth in the coming years.

In addition, we believe that broader positive global macroeconomic and travel and tourism trends will continue to drive longer-term growth in the lodging sector. In particular, we believe that a growing middle class (which the Organization for Economic Co-operation and Development, or OECD, expects will grow from approximately two to five billion people by 2030) with the desire and resources to travel both within their home regions and elsewhere will support growth in global tourism (which the United Nations World Tourism Organization projects will grow on average between 3% and 4% annually through 2030) and will be an important factor in driving the growth of the global lodging industry. We believe that these trends will provide a strong basis for our growth over the long term.

Our Sponsor

Blackstone (NYSE: BX) is one of the world s leading investment and advisory firms. Blackstone s alternative asset management businesses include the management of corporate private equity funds, real estate funds, hedge fund solutions, credit-oriented funds and closed-end mutual funds. Blackstone also provides various financial advisory services, including financial and strategic advisory, restructuring and reorganization advisory and fund placement services. Through its different businesses, Blackstone had total assets under management of approximately $230 billion as of June 30, 2013. Blackstone s global real estate group is the largest private equity real estate manager in the world with $64 billion of investor capital under management as of June 30, 2013.

Refinancing Transactions

Prior to consummating this offering, we expect to close the following transactions, which we refer to collectively as our Refinancing Transactions :

- our entry into new senior secured credit facilities consisting of a $7.6 billion term loan facility and a $1.0 billion revolving credit facility;

- the release from escrow of the proceeds of our recent private placement of $1.5 billion of 5.625% senior notes due 2021, or senior notes;

the entry by certain of our domestic subsidiaries that hold U.S. owned real estate into a $3.5 billion commercial mortgage-backed securities loan; and

the entry by certain of our domestic subsidiaries into a $0.525 billion mortgage loan secured by our Waldorf=Astoria New York property.

We intend to use the net proceeds from the Refinancing Transactions, together with available cash and borrowings under our revolving non-recourse timeshare notes credit facility, to repay certain of our indebtedness. For more information, see Description of Certain Indebtedness.

Investment Risks

An investment in shares of our common stock involves substantial risks and uncertainties that may adversely affect our business, financial condition and results of operations and cash flows. Some of the more significant challenges and risks relating to an investment in our company include those associated with:

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

- Macroeconomic and other factors beyond our control can adversely affect and reduce demand for our products and services.

- Contraction in the global economy or low levels of economic growth could adversely affect our revenues and profitability as well as limit or slow our future growth.

- The hospitality industry is subject to seasonal and cyclical volatility, which may contribute to fluctuations in our results of operations and financial condition.

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

- Any deterioration in the quality or reputation of our brands could have an adverse impact on our reputation, business, financial condition or results of operations.

- If we are unable to maintain good relationships with third-party hotel owners and renew or enter into new management and franchise agreements, we may be unable to expand our presence and our business, financial condition and results of operations may suffer.

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

- Our efforts to develop, redevelop or renovate our owned and leased properties could be delayed or become more expensive, which could reduce revenues or impair our ability to compete effectively.

We share control in joint venture projects, which limits our ability to manage third-party risks associated with these projects.

The timeshare business is subject to extensive regulation and failure to comply with such regulation may have an adverse impact on our business.

A decline in timeshare interval inventory or our failure to enter into and maintain timeshare management agreements may have an adverse effect on our business or results of operations.

Some of our existing development pipeline may not be developed into new hotels, which could materially adversely affect our growth prospects.

Failures in, material damage to, or interruptions in our information technology systems, software or websites and difficulties in updating our existing software or developing or implementing new software could have a material adverse effect on our business or results of operations.

We may be exposed to risks and costs associated with protecting the integrity and security of our guests personal information.

Failure to comply with marketing and advertising laws, including with regard to direct marketing, could result in fines or place restrictions on our business.

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.

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

Any failure to protect our trademarks and other intellectual property could reduce the value of the Hilton brands and harm our business.

Our substantial indebtedness and other contractual obligations could adversely affect our financial condition, our ability to raise additional capital to fund our operations, our ability to operate our business, our ability to react to changes in the economy or our industry and pay our debts and could divert our cash flow from operations for debt payments.

Affiliates of our Sponsor control us and their interests may conflict with ours or yours in the future.

Please see Risk Factors for a discussion of these and other factors you should consider before making an investment in shares of our common stock.

Hilton Worldwide Holdings Inc. was incorporated in Delaware in March 2010. In 1919, our founder Conrad Hilton purchased his first hotel in Cisco, Texas. Through our predecessors, we commenced operations in 1946 when our subsidiary Hilton Hotels Corporation, later renamed Hilton Worldwide, Inc., was incorporated in Delaware. Our principal executive offices are located at 7930 Jones Branch Drive, Suite 1100, McLean, Virginia 22102 and our telephone number is (703) 883-1000.

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The Offering

Common stock offered by us	shares.
Option to purchase additional shares	The underwriters have an option to purchase up to additional shares of our common stock from us. The underwriters can exercise this option at any time within 30 days from the date of this prospectus.
Common stock outstanding after giving effect to this offering	shares (shares if the underwriters exercise their option to purchase additional shares in full).
Use of proceeds	We estimate that the net proceeds to us from this offering, after deducting estimated underwriting discounts and offering expenses, will be approximately $, based on an assumed initial public offering price of $ per share, which is the midpoint of the price range set forth on the cover page of this prospectus. We intend to use the net proceeds from this offering to repay certain of our indebtedness, with any remaining balance to be used for general corporate purposes. See Use of Proceeds.
Dividend policy	We have no current plans to pay dividends on our common stock. Any decision to declare and pay dividends in the future will be made at the sole discretion of our board of directors and will depend on, among other things, our results of operations, cash requirements, financial condition, contractual restrictions and other factors that our board of directors may deem relevant.
Risk factors	See Risk Factors for a discussion of risks you should carefully consider before deciding to invest in our common stock.
Proposed trading symbol	.

In this prospectus, unless otherwise indicated, the number of shares of common stock outstanding and the information based thereon does not reflect:

- shares of common stock issuable upon exercise of the underwriters option to purchase additional shares of common stock from us; or shares of common stock that may be granted under our Omnibus Incentive Plan. See Management Omnibus Incentive Plan.

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Summary Historical Financial Data

We derived the summary statement of operations data and the summary statement of cash flows data for the years ended December 31, 2012, 2011 and 2010 and the summary balance sheet data as of December 31, 2012 and 2011 from our audited consolidated financial statements included elsewhere in this prospectus. We derived the summary balance sheet data as of June 30, 2012 and December 31, 2010 from our unaudited consolidated financial statements that are not included in this prospectus. We derived the summary statement of operations data and the summary statement of cash flows data for the six months ended June 30, 2013 and 2012 and the summary balance sheet data as of June 30, 2013 from our unaudited condensed consolidated financial statements included elsewhere in this prospectus. We have prepared our unaudited consolidated financial statements on the same basis as our audited consolidated 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.

The unaudited summary pro forma financial information has been prepared to reflect the issuance of shares of our common stock in this offering at an assumed initial public offering price of $, which is the midpoint of the range set forth on the cover of this prospectus, the Refinancing Transactions, the issuance of our 2.28% notes backed by timeshare financing receivables, additional borrowings under our revolving non-recourse timeshare notes credit facility, our sale of Hilton HHonors points and the use of proceeds from each of the foregoing. The following unaudited summary pro forma financial information is presented for illustrative purposes only and is not necessarily indicative of the operating results or financial position that would have occurred if the relevant transactions had been consummated on the date indicated, nor is it indicative of future operating results.

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

	Pro Forma Six Months Ended June 30, 2013	Pro Forma Year Ended December 31, 2012	Six Months Ended June 30, 2013	2012	Year Ended December 31, 2012	2011	2010
		(dollars in millions, except Hotel RevPAR and ADR)					
Summary Statement of Operations Data:							
Revenues							
Owned and leased hotels	$	$	$ 1,984	$ 1,925	$ 3,979	$ 3,898	$ 3,667
Management and franchise fees and other			561	521	1,088	1,014	901
Timeshare			507	515	1,085	944	863
			3,052	2,961	6,152	5,856	5,431

Other revenues from managed and franchised properties	1,591	1,560	3,124	2,927	2,637
Total revenues	4,643	4,521	9,276	8,783	8,068
Expenses					
Owned and leased hotels	1,547	1,595	3,230	3,213	3,009
Timeshare	351	363	758	668	634

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	Pro Forma Six Months Ended June 30, 2013	Pro Forma Year Ended December 31, 2012	Six Months Ended June 30, 2013	Six Months Ended June 30, 2012	Year Ended December 31, 2012	Year Ended December 31, 2011	Year Ended December 31, 2010
	(dollars in millions, except Hotel RevPAR and ADR)						
Depreciation and amortization			309	259	550	564	574
Impairment losses				16	54	20	24
General, administrative and other			189	236	460	416	637
			2,396	2,469	5,052	4,881	4,878
Other expenses from managed and franchised properties			1,591	1,560	3,124	2,927	2,637
Total expenses			3,987	4,029	8,176	7,808	7,515
Operating income			656	492	1,100	975	553
Net income attributable to Hilton stockholder			189	114	352	253	128

	As of and for Pro Forma Six Months Ended June 30, 2013	As of and for Pro Forma Year Ended December 31, 2012	As of and for the Six Months Ended June 30, 2013	As of and for the Six Months Ended June 30, 2012	As of and for the Year Ended December 31, 2012	As of and for the Year Ended December 31, 2011	As of and for the Year Ended December 31, 2010
	(dollars in millions, except Hotel RevPAR and ADR)						
Summary Balance Sheet Data:							
Cash and cash equivalents	$	$	$ 661	$ 739	$ 755	$ 781	$ 796
Restricted cash and cash equivalents			625	716	550	658	619
Total assets			26,785	27,354	27,066	27,312	27,750
Long-term debt(1)(2)			14,280	15,752	15,183	15,969	16,673
Revolving non-recourse timeshare notes credit facility			400				
Current and long-term debt and revolving non-recourse timeshare notes credit facility(1)			15,068	16,142	15,575	16,311	16,995
Non-recourse debt and capital lease obligations of consolidated variable interest entities(2)			306	429	405	439	512
Total equity			2,178	1,796	2,155	1,702	1,544
Summary Statement of Cash Flows Data:							
Capital expenditures			$ 121	$ 243	$ 433	$ 389	$ 148

Cash flow from operating activities			638	428	1,110	1,167	833
Cash flow from investing activities			(183)	(296)	(558)	(463)	(68)
Cash flow from financing activities			(534)	(173)	(576)	(714)	(703)
Operational and Other Data:							
Number of hotels and timeshare properties			4,041	3,897	3,966	3,843	3,709
Number of rooms and units			665,667	642,383	652,957	633,238	609,634
Hotel RevPAR(3)			$ 98.69	$ 93.40	$ 93.38	$ 90.70	$ 86.16
Hotel occupancy(3)			72.3%	71.1%	71.1%	69.7%	68.4%
Hotel ADR(3)			$ 136.43	$ 131.28	$ 131.35	$ 130.15	$ 126.06
Adjusted EBITDA:							
Management and franchise(4)	$	$	$ 608	$ 564	$ 1,180	$ 1,095	$ 968
Ownership			445	358	793	725	688
Timeshare(4)			119	113	252	207	171
Corporate and other			(135)	(148)	(269)	(274)	(263)
Adjusted EBITDA(5)	$	$	$ 1,037	$ 887	$ 1,956	$ 1,753	$ 1,564

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(1) Excludes non-recourse debt and capital lease obligations of consolidated variable interest entities.
(2) Excludes current portion.
(3) Operating statistics are for comparable hotels as of each period end. See the definition of comparable hotels in Management s Discussion and Analysis of Financial Condition and Results of Operations Key Business and Financial Metrics Used by Management Comparable Hotels.
(4) Includes pro forma timeshare license fee for year ended December 31, 2010. Timeshare license fee agreement of 5% of certain timeshare revenues charged by our management and franchise segment to our timeshare segment was effective January 1, 2011.
(5) EBITDA is defined by us as net income attributable to Hilton stockholder plus interest expense, income tax expense and depreciation and amortization. We evaluate our operating performance using a metric we refer to as Adjusted EBITDA which is defined as net income attributable to Hilton stockholder before interest expense, income tax expense (benefit), depreciation and amortization, as further adjusted to exclude gains, losses and expenses in connection with (i) asset dispositions for both consolidated and unconsolidated investments, (ii) foreign currency transactions; (iii) debt restructurings/retirements; (iv) non-cash impairment charges; (v) furniture, fixtures and equipment, or FF&E replacement reserves required under certain lease arrangements; (vi) reorganization costs; (vii) share-based and certain other compensation expenses; (viii) severance, relocation and other expenses and (ix) other items.

EBITDA and Adjusted EBITDA are not recognized terms under generally accepted accounting principles in the United States, or U.S. GAAP, and should not be considered as alternatives to net income (loss) or other measures of financial performance or liquidity derived in accordance with U.S. GAAP. In addition, our definitions of EBITDA and Adjusted EBITDA may not be comparable to similarly titled measures of other companies.

We believe that EBITDA and Adjusted EBITDA provide useful information to investors about us and our financial condition and results of operations for the following reasons: (i) EBITDA and Adjusted EBITDA are among the measures used by our management team to evaluate our operating performance and make day-to-day operating decisions; and (ii) EBITDA and Adjusted EBITDA are frequently used by securities analysts, investors and other interested parties as a common performance measure to compare results or estimate valuations across companies in our industry.

EBITDA and Adjusted EBITDA have limitations as analytical tools, and you should not consider such measures either in isolation or as a substitute for profit (loss), cash flow or other methods of analyzing our results as reported under U.S. GAAP. Some of these limitations are:

EBITDA and Adjusted EBITDA do not reflect changes in, or cash requirements for, our working capital needs;

EBITDA and Adjusted EBITDA do not reflect our interest expense, or the cash requirements necessary to service interest or principal payments, on our indebtedness;

EBITDA and Adjusted EBITDA do not reflect our tax expense or the cash requirements to pay our taxes;

EBITDA and Adjusted EBITDA do not reflect historical cash expenditures or future requirements for capital expenditures or contractual commitments;

EBITDA and Adjusted EBITDA do not reflect the impact on earnings or changes resulting from matters that we consider not to be indicative of our future operations;

although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future and EBITDA and Adjusted EBITDA do not reflect any cash requirements for such replacements; and

other companies in our industry may calculate EBITDA and Adjusted EBITDA differently, limiting their usefulness as comparative measures.

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Because of these limitations, EBITDA and Adjusted EBITDA should not be considered as discretionary cash available to us to reinvest in the growth of our business or as measures of cash that will be available to us to meet our obligations.

The following table provides a reconciliation of EBITDA and Adjusted EBITDA to net income attributable to Hilton stockholder, which we believe is the most closely comparable U.S. GAAP financial measure:

	Pro Forma Six Months Ended June 30, 2013	Pro Forma Year Ended December 31, 2012	Six Months Ended June 30,		Year Ended December 31,		
			2013	2012	2012	2011	2010
			(in millions)				
et income ributable to lton ockholder	$	$	$ 189	$ 114	$ 352	$ 253	$ 128
terest pense			274	281	569	643	946
terest pense cluded in uity in rnings sses) from consolidated filiates			6	6	13	12	16
come tax pense enefit)			122	112	214	(59)	308
epreciation d nortization			309	259	550	564	574
epreciation d nortization cluded in uity in rnings sses) from consolidated filiates			15	19	34	48	48
BITDA			**915**	**791**	**1,732**	**1,461**	**2,020**

et income ss) ributable to ncontrolling erest			6	2	7	2	(17
ss (gain) on reign rrency nsactions			82	(1)	(23)	21	(18
ain on debt structuring[a]							(789
'&E placement serve[b]			17	35	68	57	48
are-based mpensation pense			3	17	50	19	56
pairment sses				16	54	20	24
pairment s included in uity in rnings sses) from consolidated filiates				4	19	141	6
her gain, t[c]			(6)	(9)	(15)	(19)	(8
her justment ms[d]			20	32	64	51	242
ljusted BITDA	$	$	$ **1,037**	$ **887**	$ **1,956**	$ **1,753**	$ **1,564**

(a) Represents the gain recognized in our consolidated statement of operations as a result of the debt restructuring in April 2010.

(b) Represents FF&E replacement reserves established for the benefit of lessors for requisition of capital assets under certain lease agreements.

(c) Other gain, net includes gains and losses on the dispositions of certain property and equipment and investments in affiliates, as well as a gain related to the restructuring of a capital lease in 2011 and a gain related to the discounted repayment of senior unsecured debt in 2010.

(d) Represents adjustments for certain legal expenses, severance, and certain guarantee payments. Includes $150 million of legal settlement expense, including a cash payment of $75 million, for the year ended December 31, 2010.

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RISK FACTORS

Investing in our 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 common stock.

Risks Relating to Our Business and Industry

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

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

- significant competition from multiple hospitality providers in all parts of the world;
- changes in operating costs, including energy, food, compensation, benefits and insurance;
- increases in costs due to inflation that may not be fully offset by price and fee increases in our business;
- changes in tax 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;
- significant increases in cost for health care coverage for employees and potential government regulation with respect to health care coverage;
- shortages of labor or labor disruptions;
- the availability and cost of capital necessary for us and third-party hotel owners to fund investments, capital expenditures and service debt obligations;
- delays in or cancellations of planned or future development or refurbishment projects, which in the case of our managed and franchised hotels and timeshare properties controlled by homeowner associations are

generally not within our control;

- the quality of services provided by franchisees;

- the financial condition of third-party property owners, developers and joint venture partners;

- relationships with third-party property owners, developers and joint venture partners, including the risk that owners may terminate our management, franchise or joint venture agreements;

- changes in desirability of geographic regions of the hotels or timeshare resorts in our business, geographic concentration of our operations and customers, and shortages of desirable locations for development;

- changes in the supply and demand for hotel services (including rooms, food and beverage, and other products and services) and vacation ownership services and products;

- the ability of third-party internet and other travel intermediaries to attract and retain customers; and

- decreases that may result in the frequency of business travel as a result of alternatives to in person meetings, including virtual meetings hosted on-line or over private teleconferencing networks.

Any of these factors could increase our costs or limit or reduce the prices we are able to charge for hospitality services and timeshare products, or otherwise affect our ability to maintain existing properties or develop new properties. As a result, any of these factors can reduce our revenues and limit opportunities for growth.

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Macroeconomic and other factors beyond our control can adversely affect and reduce demand for our products and services.

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, lease or develop, as well as demand for timeshare properties. These factors include, but are not limited to:

- changes in general economic conditions, including low consumer confidence, unemployment levels, depressed real estate prices resulting from the severity and duration of any downturn in the U.S. or global economy;

- war, political conditions or civil unrest, terrorist activities or threats and heightened travel security measures instituted in response to these events;

- decreased corporate or government travel-related budgets and spending, as well as cancellations, deferrals or renegotiations of group business such as industry conventions;

- 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;

- the financial and general business condition of the airline, automotive, and other transportation-related industries and its impact on travel, including decreased airline capacity and routes;

- conditions which negatively shape public perception of travel, including travel-related accidents and outbreaks of pandemic or contagious diseases, such as avian flu, severe acute respiratory syndrome (SARS) and H1N1 (swine flu);

- climate change or availability of natural resources;

- natural or man-made disasters, such as earthquakes, tsunamis, tornadoes, hurricanes, typhoons, floods, volcanic eruptions, oil spills and nuclear incidents;

- changes in the desirability of particular locations or travel patterns of customers;

- cyclical over-building in the hotel and timeshare industries; and organized labor activities, which could cause a diversion of business from hotels involved in labor negotiations and loss of business for our hotels generally as a result of certain labor tactics.

Any one or more of these factors could limit or reduce overall demand for our products and services or could negatively impact our revenue sources, which could adversely affect our business, financial condition and results of operations.

Contraction in the global economy or low levels of economic growth could adversely affect our revenues and profitability as well as limit or slow our future growth.

Consumer demand for our services is closely linked to the performance of the general economy and is sensitive to business and personal discretionary spending levels. Decreased global or regional demand for hospitality products and services can be especially pronounced during periods of economic contraction or low levels of economic growth, and the recovery period in our industry may lag overall economic improvement. Declines in demand for our products and services due to general economic conditions could negatively impact our business by decreasing the revenues and profitability of our owned properties, limiting the amount of fee revenues we are able to generate from our managed and franchised properties, and reducing overall demand for timeshare intervals. In addition, many of the expenses associated with our business, including personnel costs, interest, rent, property taxes, insurance and utilities, are relatively fixed. During a period of overall economic weakness, if we are unable to meaningfully decrease these costs as demand for our hotels and timeshare properties decreases, our business operations and financial performance may be adversely affected.

The hospitality industry is subject to seasonal and cyclical volatility, which may contribute to fluctuations in our results of operations and financial condition.

The hospitality industry is seasonal in nature. The periods during which our lodging properties experience higher revenues vary from property to property, depending principally upon location and the customer base served. We generally expect our revenues to be lower in the first quarter of each year than in each of the three subsequent quarters with the fourth quarter being the highest. In addition, the hospitality industry is cyclical and demand generally follows, on a lagged basis, the general economy. The seasonality and cyclicality of our industry may contribute to fluctuations in our results of operations and financial condition.

Because we operate in a highly competitive industry, our revenues or profits 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 luxury, full-service and focused-service and timeshare properties, including other major hospitality chains with well-established and recognized brands. We also compete against smaller hotel chains, independent and local hotel owners and operators and independent timeshare operators. If we are unable to compete successfully, our revenues or profits may decline.

Competition for hotel guests

We face competition for individual guests, group reservations and conference business. We compete for these customers based primarily on brand name recognition and reputation, as well as location, room rates, property size and availability of rooms and conference space, quality of the accommodations, customer satisfaction, amenities and the ability to earn and redeem loyalty program points. Our competitors may have greater financial and marketing resources and more efficient technology platforms, 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.

Competition for management and franchise agreements

We compete to enter into management and franchise agreements. Our ability to compete effectively is based primarily on the value and quality of our management services, brand name recognition and reputation, our ability and willingness to invest capital, availability of suitable properties in certain geographic areas, and the overall economic terms of our agreements and the economic advantages to the property owner of retaining our management services and using our brands. 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 timeshare properties

We compete with other timeshare operators for sales of timeshare intervals based principally on location, quality of accommodations, price, financing terms, quality of service, terms of property use, opportunity for timeshare owners to exchange into time at other timeshare properties or other travel rewards as well as brand name recognition and reputation. Our ability to attract and retain purchasers of timeshare intervals depends on our success in distinguishing the quality and value of our timeshare offerings from those offered by others. If we are unable to do so, our ability to compete effectively for sales of timeshare intervals could be adversely affected.

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Any deterioration in the quality or reputation of our brands could have an adverse impact on our reputation, business, financial condition or results of operations.

Our brands and our reputation are among our most important assets. Our ability to attract and retain guests depends, in part, on the public recognition of our brands and their associated reputation. In addition, the success of our hotel owners businesses and their ability to make payments to us may indirectly depend on the strength and reputation of our brands. Such dependence makes our business susceptible to risks regarding brand obsolescence and to reputational damage. If our brands become obsolete or are viewed as unfashionable or lacking in consistency and quality, we may be unable to attract guests to our hotels, and further we may be unable to attract or retain our hotel owners.

In addition, there are many factors which can negatively affect the reputation of any individual brand, or the overall brand of our company. Changes in ownership or management practices, the occurrence of accidents or injuries, natural disasters, crime, individual guest notoriety, or similar events can have a substantial negative impact on our reputation, create adverse publicity and cause a loss of consumer confidence in our business. Because of the global nature of our brands and the broad expanse of our business and hotel locations, events occurring in one location could have a resulting negative impact on the reputation and operations of otherwise successful individual locations. In addition, the considerable expansion in the use of social media over recent years has compounded the potential scope of the negative publicity that could be generated by such incidents. We could also face legal claims related to these events, along with adverse publicity resulting from such litigation. If the perceived quality of our brands declines, or if our reputation is damaged, our business, financial condition or results of operations could be adversely affected.

If we are unable to maintain good relationships with third-party hotel owners and renew or enter into new management and franchise agreements, we may be unable to expand our presence and our business, financial condition and results of operations may suffer.

Our management and franchising business depends on our ability to establish and maintain long-term, positive relationships with third-party property owners and on our ability to renew existing, and enter into new, management and franchise agreements. The management and franchise contracts we enter into with third-party owners are typically long-term arrangements, but may allow the hotel owner to terminate the agreement under certain circumstances, including in certain cases, the failure to meet certain financial or performance criteria. Our ability to meet these financial and performance criteria is subject to, among other things, risks common to the overall hotel industry, including factors outside of our control. In addition, any negative management and franchise pricing trends could adversely affect our ability to negotiate with hotel owners. If we fail to maintain and renew existing management and franchise agreements, and enter into new agreements on favorable terms, we may be unable to expand our presence and our business, financial condition and results of operations may suffer.

Our management and franchise business is subject to real estate investment risks for third-party owners which could adversely affect our operational results and our prospects for growth.

The ability to grow our management and franchise business is subject to the range of risks associated with real estate investments. Our ability to sustain continued growth through management and franchise agreements for new hotels and the conversion of existing facilities to managed or franchised branded hotels is affected, and may potentially be limited, by a variety of factors influencing real estate development generally. These include site availability, the availability of financing, planning, zoning and other local approvals. Other limitations that may be imposed by market factors include projected room occupancy, changes in growth in demand compared to projected supply, geographic area restrictions in management and franchise agreements, costs of construction and anticipated room rate structure. Any inability by us or our third-party owners to manage these factors effectively could adversely affect our operational results and our prospects for growth.

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If our third-party property owners are unable to repay or refinance loans secured by the mortgaged properties, or to obtain financing adequate to fund current operations or growth plans, our revenues, profits and capital resources could be reduced and our business could be harmed.

Many of the properties owned by our third-party property owners are pledged as collateral for mortgage loans entered into when such properties were purchased or refinanced by them. If our third-party property owners are unable to repay or refinance maturing indebtedness on favorable terms or at all, their lenders could declare a default, accelerate the related debt and repossess the property. Any such repossessions could result in the termination of our management and franchise agreements or eliminate revenues and cash flows from such property, which could negatively affect our business and results of operations. In addition, the owners of managed and franchised hotels depend on financing to buy, develop and improve hotels and in some cases, fund operations during down cycles. Our hotel owners inability to obtain adequate funding could materially adversely impact the maintenance and improvement plans with respect to existing hotels, as well as result in the delay or stoppage of the development of our existing pipeline.

If third-party property owners fail to make investments necessary to maintain or improve their properties, guest preference for Hilton brands and reputation and performance results could suffer.

Substantially all of our management and franchise agreements require third-party property owners to comply with standards that are essential to maintaining the quality and reputation of our branded hotel properties. This includes requirements related to the physical condition, safety standards and appearance of the properties as well as the service levels provided by employees. These standards may evolve with customer preference, or we may introduce new requirements and team members over time. If our property owners fail to make investments necessary to maintain or improve the properties in accordance with such standards, guest preference for our brands could diminish, and this could result in an adverse impact on our results of operations. In addition, if third-party property owners fail to observe standards and meet their contractual requirements, we may elect to exercise our termination rights, which would eliminate revenues from these properties and cause us to incur expenses related to terminating these relationships. We may be unable to find suitable or offsetting replacements for any terminated relationships.

Contractual and other disagreements with third-party property owners could make us liable to them or result in litigation costs or other expenses.

Our management and franchise agreements require us and our hotel owners to comply with operational and performance conditions that are subject to interpretation and could result in disagreements. At any given time, we may be in disputes with one or more of our hotel owners. Any such dispute could be very expensive for us, even if the outcome is ultimately in our favor. We cannot predict the outcome of any arbitration or litigation, the effect of any negative judgment against us or the amount of any settlement that we may enter into with any third-party. An adverse result in any of these proceedings could materially adversely affect our results of operations. Furthermore, specific to our industry, some courts have applied principles of agency law and related fiduciary standards to managers of third-party hotel properties, which means that property owners may assert the right to terminate agreements even where the agreements do not expressly provide for termination. In the event of any such termination, our fees from such properties would be eliminated, and accordingly may negatively impact our results of operations.

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

We own or lease a substantial amount of real property as one of our three business segments. Real estate ownership and leasing is subject to various risks which may or may not be applicable to managed or franchised properties, including:

governmental regulations relating to real estate ownership or operations, including tax, environmental, zoning, and eminent domain laws;

- changes in market conditions or the area in which real estate is located losing value;

- differences in potential civil liability between owners and operators for accidents or other occurrences on owned or leased properties;

- the ongoing need for owner-funded capital improvements and expenditures to maintain or upgrade properties;

- periodic total or partial closures due to renovations and facility improvements;

- risks associated with mortgage debt, including the possibility of default, fluctuating interest rate levels and uncertainties in 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 some other assets.

The negative impact on profitability and cash flow from declines in revenues is more pronounced in owned properties because we, as the owner, bear the risk of their high fixed-cost structure. Further, during times of economic distress, declining demand and declining earnings often result in declining asset values and we may not be able to sell properties on favorable terms or at all. Accordingly, we may not be able to adjust our owned property portfolio promptly in response to changes in economic or other conditions.

Our efforts to develop, redevelop or renovate our owned and leased properties could be delayed or become more expensive, which could reduce revenues or impair our ability to compete effectively.

Certain of our owned and leased properties were constructed more than a century ago. The condition of aging properties could negatively impact our ability to attract guests or result in higher operating and capital costs, either of which could reduce revenues or profits from these properties. While we have budgeted for replacements and repairs to furniture, fixtures and hotel equipment at our properties there can be no assurance that these replacements and repairs will occur, or even if completed, will result in improved performance. In addition, 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;

- changes in economic conditions that may result in weakened or lack of demand or negative project returns;

- governmental restrictions on the size or kind of development;

- volatility in the debt and capital markets that may limit our ability to raise capital for projects or improvements;

- lack of availability of rooms or meeting spaces for revenue-generating activities during construction, modernization or renovation projects;

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

- design defects that could increase costs.

If our properties are not updated to meet guest preferences, if properties under development or renovation are delayed in opening as scheduled, or if renovation investments adversely affect or fail to improve performance, our operations and financial results could be negatively impacted.

Our properties may not be permitted to be rebuilt if destroyed.

Certain of our properties may qualify as legally permissible nonconforming uses and improvements, including certain of our iconic and most profitable properties. If a substantial portion of any such properties were to be destroyed by fire or other casualty, we might not be permitted to rebuild that property as it now exists, regardless of the availability of insurance proceeds. Any loss of this nature, whether insured or not, could materially adversely affect our results of operations and prospects.

We share control in joint venture projects, which limits our ability to manage third-party risks associated with these projects.

Joint venturers often have shared control over the operation of our joint venture assets. In most cases, we are minority participants and do not control the decisions of the ventures. Therefore, joint venture investments may involve risks such as the possibility that a co-venturer in an investment might become bankrupt, be unable to meet its capital contribution obligations, have economic or business interests or goals that are inconsistent with our business interests or goals, or take actions that are contrary to our instructions or to applicable laws and regulations. In addition, we may be unable to take action without the approval of our joint venture partners, or our joint venture partners could take actions binding on the joint venture without our consent. Consequently, actions by a co-venturer or other third-party could expose us to claims for damages, financial penalties and reputational harm, any of which could have an adverse effect on our business and operations. In addition, we may agree to guarantee indebtedness incurred by a joint venture or co-venturer or provide standard indemnifications to lenders for loss liability or damage occurring as a result of our actions or actions of the joint venture or other co-venturers. Such a guarantee or indemnity may be on a joint and several basis with a co-venturer, in which case we may be liable in the event such co-venturer defaults on its guarantee obligation. The non-performance of such obligations may cause losses to us in excess of the capital we initially may have invested or committed under such obligations.

Preparing our financial statements requires us to have access to information regarding the results of operations, financial position and cash flows of our joint ventures. Any deficiencies in our joint ventures internal controls over financial reporting may affect our ability to report our financial results accurately or prevent or detect fraud. Such deficiencies also could 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 joint 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.

Although our joint ventures may generate positive cash flow, in some cases they may be unable to distribute that cash to the joint venture partners. Additionally, in some cases our joint venture partners control distributions and may choose to leave capital in the joint venture rather than distribute it. Because our ability to generate liquidity from our joint ventures depends in part on their ability to distribute capital to us, our failure to receive distributions from our joint venture partners could reduce our return on these investments.

The timeshare business is subject to extensive regulation and failure to comply with such regulation may have an adverse impact on our business.

We develop, manage, market and sell timeshare intervals. Certain of these activities are subject to extensive state regulation in both the state in which the timeshare property is located and the states in which the timeshare property is marketed and sold. Federal regulation of certain marketing practices also applies. In addition, we provide financing to some purchasers of timeshare intervals and we also service the resulting loans. This practice subjects us to various federal and state regulations, including those which require disclosure to borrowers regarding the terms of their loans as well as settlement, servicing and collection of loans. If we fail to comply with applicable federal, state, and local laws in connection with our timeshare business, we may not be able to offer timeshare intervals or associated financing in certain areas, and as a result, the timeshare business could suffer a decline in revenues.

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A decline in timeshare interval inventory or our failure to enter into and maintain timeshare management agreements may have an adverse effect on our business or results of operations.

In addition to timeshare interval inventory from our owned timeshare properties, we source inventory through sales and marketing agreements with third-party developers. If we fail to develop timeshare properties or are unsuccessful in entering into new agreements with third-party developers, we may experience a decline in timeshare interval inventory available to be sold by us, which could result in a decrease in our revenues. In addition, a decline in timeshare interval inventory could result in both a decrease of financing revenues that are generated from purchasers of timeshare intervals and fee revenues that are generated by providing management services to the timeshare properties.

If purchasers default on the loans that we provide to finance their purchases of timeshare intervals, the revenues and profits that we derive from the timeshare business could be reduced.

Providing secured financing to some purchasers of timeshare intervals subjects us to the risk of purchaser default. As of June 30, 2013, we had approximately $979 million of timeshare financing receivables outstanding. If a purchaser defaults under the financing that we provide, we could be forced to write off the loan and reclaim ownership of the timeshare interval through foreclosure or deed in lieu of foreclosure. If the timeshare interval has declined in value, we may incur impairment losses that reduce our profits. In addition, we may be unable to resell the property in a timely manner or at the same price, or at all. Also, if a purchaser of a timeshare interval 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 that timeshare interval. If we are unable to recover any of the principal amount of the loan from a defaulting purchaser, or if the allowances for losses from such defaults are inadequate, the revenues and profits that we derive from the timeshare business could be reduced.

Some of our existing development pipeline may not be developed into new hotels, which could materially adversely affect our growth prospects.

As of June 30, 2013, we had a total of 1,007 hotels in our development pipeline, which we define as hotels under construction or approved for development under one of our brands. The commitments of owners and developers with whom we have agreements are subject to numerous conditions, and the eventual development and construction of our pipeline not currently under construction is subject to numerous risks, including, in certain cases, obtaining governmental and regulatory approvals and adequate financing. As a result, we cannot assure you that our entire development pipeline will develop into new hotels.

New brands or services that we launch in the future may not be as successful as we anticipate, which could have a material adverse effect on our business, financial condition or results of operations.

We opened our first Home2 Suites by Hilton hotel in 2011 and we launched our eforea spa concept in 2010. We may launch additional branded hotel products and services in the future. We cannot assure you that any new hotel products we launch will be accepted by hotel owners, franchisees or customers, that we will recover the costs we incurred in developing the brands, or that the brands, products or services will be successful. If new branded hotel products and services are not as successful as we anticipate, it could have a material adverse effect on our business, financial condition or results of operations.

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. These acquisition and disposition activities may be unsuccessful or divert management s attention.

We may consider strategic and complementary acquisitions of and investments in other hotel or hospitality brands, 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

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these opportunities with third parties that may have substantially greater financial resources than us. Acquisitions or investments in brands, 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; or
- creating additional expenses.

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 indebtedness. In addition, the success of any acquisitions or investments also will depend, in part, on our ability to integrate the acquisition or investment with our existing operations.

We may also divest certain properties or assets, and any such divestments may yield lower than expected returns. In some circumstances, sales of properties or other assets may result in losses. Upon a sale of properties or assets, we may become subject to contractual indemnity obligations, incur material tax liabilities or, as a result of required debt repayment, face a shortage of liquidity. Finally, any acquisitions, investments or dispositions could demand significant attention from management that would otherwise be available for business operations, which could harm our business.

Failure to keep pace with developments in technology could adversely affect our operations or competitive position.

The hospitality industry demands the use of sophisticated technology and systems for property management, brand assurance and compliance, procurement, reservation systems, operation of our customer loyalty programs, distribution of hotel resources to current and future customers, and guest amenities. These technologies may require refinements and upgrades. The development and maintenance of these technologies may require significant investment by us. We cannot assure you that as various systems and technologies become outdated or new technology is required, we will be able to replace or introduce them as quickly as needed or in a cost-effective and timely manner. We also cannot assure you that we will achieve the benefits we may have been anticipating from any new technology or system.

Failures in, material damage to, or interruptions in our information technology systems, software or websites, including as a result of cyber-attacks, and difficulties in updating our existing software or developing or implementing new software could have a material adverse effect on our business or results of operations.

We depend heavily upon our information technology systems in the conduct of our business. We own and license or otherwise contract for sophisticated technology and systems for property management, procurement, reservations and the operation of the Hilton HHonors customer loyalty program. Such systems are subject to, among other things, damage or interruption from power outages, computer and telecommunications failures, computer viruses, and natural and man-made disasters. In particular, from time to time we and third parties who serve us experience cyber-attacks, attempted breaches of our or their information technology systems and networks or similar events, which could result in a loss of sensitive business or customer information, systems interruption or the disruption of our operations. For example, in 2011 we were notified by Epsilon, our database marketing vendor, that we were among a group of companies served by Epsilon that were affected by a data breach that resulted in an unauthorized third party gaining access to Epsilon s files that included names and e-mails of certain of our customers. In addition, substantially all of our data center operations are currently located in a single facility, and any loss or damage to the facility could result in operational disruption and data loss.

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Damage or interruption to our information systems may require a significant investment to update, remediate or replace with alternate systems, and we may suffer interruptions in our operations as a result. In addition, costs and potential problems and interruptions associated with the implementation of new or upgraded systems and technology or with maintenance or adequate support of existing systems could also disrupt or reduce the efficiency of our operations. Any material interruptions or failures in our systems, including those that may result from our failure to adequately develop, implement and maintain a robust disaster recovery plan and backup systems could severely affect our ability to conduct normal business operations and, as a result, have a material adverse effect on our business operations and financial performance.

We rely on third parties for the performance of a significant portion of our information technology functions worldwide and the provision of information technology and business process services. In particular, our reservation system relies on data communications networks operated by unaffiliated third parties. The success of our business depends in part on maintaining our relationships with these third parties and their continuing ability to perform these functions and services in a timely and satisfactory manner. If we experience a loss or disruption in the provision of any of these functions or services, or they are not performed in a satisfactory manner, we may have difficulty in finding alternate providers on terms favorable to us, in a timely manner or at all, and our business could be adversely affected.

We rely on certain software vendors to maintain and periodically upgrade many of these systems so that they can continue to support our business. The software programs supporting many of our systems were licensed to us by independent software developers. The inability of these developers or us to continue to maintain and upgrade these information systems and software programs would disrupt or reduce the efficiency of our operations if we were unable to convert to alternate systems in an efficient and timely manner.

We are vulnerable to various risks and uncertainties associated with our websites and mobile applications, including changes in required technology interfaces, website and mobile application downtime and other technical failures, costs and issues as we upgrade our website software and mobile applications. Additional risks include computer viruses, changes in applicable federal and state regulation, security breaches, legal claims related to our website operations and e-commerce fulfillment and other consumer privacy concerns. Our failure to successfully respond to these risks and uncertainties could reduce website and mobile application sales and have a material adverse effect on our business or results of operations.

We may be exposed to risks and costs associated with protecting the integrity and security of our guests personal information.

We are subject to various risks associated with the collection, handling, storage and transmission of sensitive information, including risks related to compliance with U.S. and foreign data collection and privacy laws and other contractual obligations, as well as the risk that our systems collecting such information could be compromised. In the course of doing business, we collect large volumes of internal and customer data, including credit card numbers and other personally identifiable information for various business purposes, including managing our workforce, providing requested products and services, and maintaining guest preferences to enhance customer service and for marketing and promotion purposes. Our various information technology systems enter, process, summarize and report such data. If we fail to maintain compliance with the various U.S. and foreign data collection and privacy laws or with credit card industry standards or other applicable data security standards, we could be exposed to fines, penalties, restrictions, litigation or other expenses, and our business could be adversely impacted.

In addition, even if we are fully compliant with legal standards and contractual requirements, we still may not be able to prevent security breaches involving sensitive data. The sophistication of efforts by hackers to gain unauthorized access to information systems has increased in recent years. Any breach, theft, loss, or fraudulent use of customer, employee or company data could cause consumers to lose confidence in the security of our websites, mobile applications and other information technology systems and choose not to purchase from us. Any such security breach could expose us to risks of data loss, business disruption, litigation and other liability, any of which could adversely affect our business.

In addition, states and the federal government have recently enacted additional laws and regulations to protect consumers against identity theft. These laws and similar laws in other jurisdictions have increased the costs of doing business and, if we fail to implement appropriate safeguards or we fail to detect and provide prompt notice of unauthorized access as required by some of these laws, we could be subject to potential claims for damages and other remedies. If we were required to pay any significant amounts in satisfaction of claims under these laws, or if we were forced to cease our business operations for any length of time as a result of our inability to comply fully with any such law, our business, operating results and financial condition could be adversely affected.

Failure to comply with marketing and advertising laws, including with regard to direct marketing, could result in fines or place restrictions on our business.

We rely on a variety of direct marketing techniques, including telemarketing, email marketing and postal mailings, and we are subject to various laws and regulations in the U.S. and internationally which govern marketing and advertising practices. Any further restrictions in laws, such as the Telephone Consumer Protection Act of 1991, the Telemarketing Sales Rule, CAN-SPAM Act of 2003, and various U.S. state laws, new laws, or international data protection laws, such as the EU member states implementation of proposed privacy regulation, that govern these activities could adversely affect current or planned marketing activities and cause us to change our marketing strategy. If this occurs, we may not be able to develop adequate alternative marketing strategies, which could impact our ability to maintain relationships with our customers and acquire new customers. We also obtain access to names of potential customers from travel service providers or other companies and we market to some individuals on these lists directly or through other companies marketing materials. If access to these lists was prohibited or otherwise restricted, our ability to develop new customers and introduce them to products could be impaired.

The growth of internet reservation channels could adversely affect our business and profitability.

A significant percentage of hotel rooms for individual guests is booked through internet travel intermediaries. We contract with such intermediaries and pay them various commissions and transaction fees for sales of our rooms through their systems. If such bookings increase, these intermediaries may be able to obtain higher commissions, reduced room rates or other significant concessions from us or our franchisees. Although we have established agreements with many of these intermediaries that limit transaction fees for hotels, there can be no assurance that we will be able to renegotiate these agreements upon their expiration with terms as favorable as the provisions that existed before the expiration, replacement or renegotiation. Moreover, hospitality intermediaries generally employ aggressive marketing strategies, including expending significant resources for online and television advertising campaigns to drive consumers to their websites. As a result, consumers may develop brand loyalties to the intermediaries offered brands, websites and reservations systems rather than to the Hilton brands and systems. If this happens, our business and profitability may be significantly impacted as shifting customer loyalties divert bookings away from our websites.

In addition, in general, internet travel intermediaries have traditionally competed to attract individual consumers or transient business rather than group and convention business. However, hospitality intermediaries have recently grown their business to include marketing to large group and convention business. If that growth continues, it could both divert group and convention business away from our hotels, and it could also increase our cost of sales for group and convention business.

Recent class action litigation against several online travel intermediaries and lodging companies, including Hilton, challenges the legality under certain antitrust laws of certain provisions in contracts and alleged practices with third-party intermediaries. While we are vigorously defending the litigation, and believe the contract

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provisions are lawful, the courts will ultimately determine this issue. Our fees and expenses associated with this litigation, even if we ultimately prevail, could be material. Any adverse outcome could require us to alter our business arrangements with these intermediaries, and consequently could have a negative impact on our financial condition and results of operations.

Our reservation system is an important component of our business operations and a disruption to its functioning could have an adverse effect on our performance and results.

We manage a global reservation system that communicates reservations to our branded hotels when made by individuals directly, either online or by telephone to our call centers, or through intermediaries like travel agents, internet travel web sites and other distribution channels. The cost, speed, efficacy and efficiency of the reservation system are important aspects of our business and is an important consideration of hotel owners in choosing to affiliate with our brands. Any failure to maintain or upgrade, and any other disruption to our reservation system may adversely affect our business.

The cessation, reduction or taxation of program benefits of our Hilton HHonors loyalty program could adversely affect the Hilton brands and guest loyalty.

We manage the Hilton HHonors guest loyalty and rewards program for the Hilton brands. Program members accumulate points based on eligible stays and hotel charges and redeem the points for a range of benefits including free rooms and other items of value. The program is an important aspect of our business and of the affiliation value for hotel owners under management and franchise agreements. System hotels (including, without limitation, third-party hotels under management and franchise arrangements) contribute a percentage of the guest s charges to the program for each stay of a program member. In addition to the accumulation of points for future hotels stays at our brands, Hilton HHonors arranges with third-party service providers such as airlines and rail companies to exchange monetary value represented by points for program awards. Currently, the program benefits are not taxed as income to members. If the program awards and benefits are materially altered, curtailed or taxed such that a material number of HHonors members choose to no longer participate in the program, this could adversely affect our business.

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, own or lease hotels and resorts in 90 countries around the world. Our operations outside the United States represented approximately 27% and 26% of our revenues for the year ended December 31, 2012 and the six months ended June 30, 2013, respectively. 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:

- rapid changes in governmental, economic and political policy, political or civil unrest, acts of terrorism or the threat of international boycotts or U.S. anti-boycott legislation;
- increases in anti-American sentiment and the identification of the licensed brands as an American brand;
- recessionary trends or economic instability in international markets;

changes in foreign currency exchange rates or currency restructurings and hyperinflation or deflation in the countries in which we operate;

the effect of disruptions caused by severe weather, natural disasters, outbreak of disease or other events that make travel to a particular region less attractive or more difficult;

the presence and acceptance of varying levels of business corruption in international markets and the impact of various anti-corruption and other laws;

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- the imposition of restrictions on currency conversion or the transfer of funds or limitations on our ability to repatriate non-U.S. earnings in a tax efficient manner;

- the ability to comply with or impact of complying with complex and changing laws, regulations and policies of foreign governments that may affect investments or operations, including foreign ownership restrictions, import and export controls, tariffs, embargoes, increases in taxes paid and other changes in applicable tax laws;

- uncertainties as to local laws and enforcement of contract and intellectual property rights;

- forced nationalization of our properties by local, state or national governments; and

- the difficulties involved in managing an organization doing business in many different countries.

These factors may adversely affect the revenues from and the market value of our properties located in international markets. 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 operations.

Failure to comply with laws and regulations applicable to our international operations may increase costs, reduce profits, limit growth or subject us to broader liability.

Our business operations in countries outside the U.S. are subject to a number of laws and regulations, including restrictions imposed by the Foreign Corrupt Practices Act, or FCPA, as well as trade sanctions administered by the Office of Foreign Assets Control, or OFAC. The FCPA is intended to prohibit bribery of foreign officials and requires companies whose securities are listed in the U.S. to keep books and records that accurately and fairly reflect those companies transactions and to devise and maintain an adequate system of internal accounting controls. OFAC administers and enforces economic and trade sanctions based on U.S. foreign policy and national security goals against targeted foreign states, organizations and individuals. We have policies in place designed to comply with applicable sanctions, rules and regulations. Given the nature of our business, it is possible that hotels we own or manage in the 90 countries and territories in which we operate may provide services to persons subject to sanctions. Where we have identified potential violations in the past, we have taken appropriate remedial action including filing voluntary disclosures to OFAC. In addition, some of our operations may be subject to the laws and regulations of non-U.S. jurisdictions, including the U.K. s Bribery Act 2010, which contains significant prohibitions on bribery and other corrupt business activities, and other local anti-corruption laws in the countries in which we conduct operations.

If we fail to comply with these laws and regulations, we could be exposed to claims for damages, financial penalties, reputational harm, and incarceration of employees or restrictions on our operation or ownership of hotels and other properties, including the termination of management, franchising, and ownership rights. In addition, in certain circumstances, the actions of parties affiliated with us (including our owners, joint venture partners, team members and agents) may expose us to liability under the FCPA, U.S. sanctions or other laws. These restrictions could increase costs of operations, reduce profits or cause us to forgo development opportunities that would otherwise support growth.

In August 2012, Congress enacted the Iran Threat Reduction and Syria Human Rights Act of 2012, or ITRSHRA, which expands the scope of U.S. sanctions against Iran and Syria. In particular, Section 219 of the ITRSHRA amended the Securities Exchange Act of 1934, as amended, or Exchange Act, to require companies subject to Securities and Exchange Commission, or SEC, reporting obligations under Section 13 of the Exchange Act to disclose in their periodic reports specified dealings or transactions involving Iran or other individuals and entities targeted by certain OFAC sanctions engaged in by the reporting company or any of its affiliates during the period covered by the relevant periodic report. In some cases, ITRSHRA requires companies to disclose these types of transactions even if they would otherwise be permissible under U.S. law. These companies are required to separately file with the SEC a notice that such activities have been disclosed in the relevant periodic report, and the SEC is required to post this notice of disclosure on its website and send the report to the U.S. President and certain U.S. Congressional committees. The U.S. President thereafter is required to initiate an investigation and, within 180 days of initiating such an investigation with respect to certain disclosed activities, to determine whether sanctions should be imposed.

Under ITRSHRA, we will be required to report if we or any of our affiliates knowingly engaged in certain specified activities during a period covered by one of our annual reports on Form 10-K or quarterly reports on Form 10-Q. We have engaged in, and may in the future engage in, activities that would require disclosure pursuant to Section 219 of ITRSHRA, including the activities discussed in the disclosures included on Exhibit 99.1 to the registration statement of which this prospectus forms a part, which disclosures are hereby incorporated by reference herein. In addition, because the SEC defines the term affiliate broadly, it includes any entity controlled by us as well as any person or entity that controls us or is under common control with us. Because we may be deemed to be a controlled affiliate of Blackstone, affiliates of Blackstone may also be considered our affiliates. Other affiliates of Blackstone have in the past and may in the future be required to make disclosures pursuant to ITRSHRA. Disclosure of such activities, even if such activities are permissible under applicable law, and any sanctions imposed on us or our affiliates as a result of these activities could harm our reputation and brands and have a negative impact on our results of operations.

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

Our ability to maintain our competitive position depends somewhat on the efforts and abilities of our senior executives. Finding suitable replacements for senior executives could be difficult. Losing the services of one or more of these senior executives could adversely affect strategic relationships, including relationships with third-party property owners, joint venture partners and vendors, and limit our ability to execute our business strategies.

We also rely on the general managers at each of our managed, owned, leased and joint venture hotels to manage daily operations and oversee the efforts of team members. 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 general managers for our managed, owned, leased and joint venture hotels could negatively affect our operations.

Collective bargaining activity could disrupt our operations, increase our labor costs or interfere with the ability of our management to focus on executing our business strategies.

A significant number of our employees (approximately 27%) and employees of our hotel owners are covered by collective bargaining agreements and similar agreements. If relationships with our employees or employees of our hotel owners or the unions that represent them become adverse, the properties we manage, franchise or own could experience labor disruptions such as strikes, lockouts, boycotts and public demonstrations. A number of our collective bargaining agreements, representing approximately 6% of our organized employees, have expired and are in the process of being renegotiated, and we may be required to negotiate additional collective bargaining agreements in the future if more employees become unionized. Labor disputes, which may be more likely when collective bargaining agreements are being negotiated, could harm our relationship with our employees or employees of our hotel owners, result in increased regulatory inquiries and enforcement by governmental authorities and deter guests. Further, adverse publicity related to a labor dispute could harm our reputation and reduce customer demand for our services. Labor regulation and the negotiation of new or existing collective bargaining agreements 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 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 many third-party property owners. Increased unionization of our workforce, new labor legislation or changes in regulations could disrupt our operations, reduce our profitability, or interfere with the ability of our management to focus on executing our business strategies.

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Labor shortages could restrict our ability to operate our properties or grow our business or result in increased labor costs that could adversely affect our results of operations.

Our success depends in large part on our ability to attract, retain, train, manage, and engage employees. Our managed, owned, leased and joint venture hotels are staffed by approximately 147,000 team members around the world. If we are unable to attract, retain, train, manage, and engage skilled employees, our ability to manage and staff the managed, owned, leased and joint venture hotels could be impaired, which could reduce customer satisfaction. In addition, the inability of our franchisees to attract, retain, train, manage, and engage skilled employees for the franchised hotels could adversely affect the reputation of our brands. Staffing shortages in various parts of the world also could hinder our ability to grow and expand our businesses. Because payroll costs are a major component of the operating expenses at our hotels and our franchised hotels, a shortage of skilled labor could also require higher wages that would increase labor costs, which could adversely affect our results of operations.

Any failure to protect our trademarks and other intellectual property could reduce the value of the Hilton brands and harm our business.

The recognition and reputation of our brands are important to our success. We have over 4,000 trademark registrations in jurisdictions around the world for use in connection with our services. At any given time, we also have a number of pending applications to register trademarks and other intellectual property in the U.S. and other jurisdictions. However, we cannot assure you that those trademark or other intellectual property registrations will be granted or that the steps we take to use, control or protect our trademarks or other intellectual property in the U.S. and other jurisdictions will always be adequate to prevent third parties from copying or using the trademarks or other intellectual property without authorization. We may also fail to obtain and maintain trademark protection for all of our brands in all jurisdictions. For example, in certain jurisdictions, third parties have registered or otherwise have the right to use certain trademarks that are the same as or similar to our trademarks, which could prevent us from registering trademarks and opening hotels in that jurisdiction. Third parties may also challenge our rights to certain trademarks or oppose our trademark applications. Defending against any such proceedings may be costly, and if unsuccessful, could result in the loss of important intellectual property rights. Obtaining and maintaining trademark protection for multiple brands in multiple jurisdictions is also expensive, and we may therefore elect not to apply for or to maintain certain trademarks.

Our intellectual property is also vulnerable to unauthorized copying or use in some jurisdictions outside the U.S., where local law, or lax enforcement of law, may not provide adequate protection. If our trademarks or other intellectual property are improperly used, the value and reputation of the Hilton brands could be harmed. There are times where 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 or reputation. In addition, we license certain of our trademarks to third parties. For example, we grant our franchisees a right to use certain of our trademarks in connection with their operation of the applicable property. If a franchisee or other licensee fails to maintain the quality of the goods and services used in connection with the licensed trademarks, our rights to, and the value of, our trademarks could potentially be harmed. Failure to maintain, control and protect our trademarks and other intellectual property could likely adversely affect our ability to attract guests or third-party owners, and could adversely impact our results.

In addition, we license the right to use certain intellectual property from unaffiliated third parties. Such rights include the right to grant sublicenses to franchisees. If we are unable to use such intellectual property, our ability to generate revenue from such properties may be diminished.

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

Third parties may make claims against us for infringing their patent, trademark, copyright or other intellectual property rights or for misappropriating their trade secrets. We have been and are currently party to a

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number of such claims and may receive additional claims in the future. Any such claims, even those without merit, could:

- be expensive and time consuming to defend, and result in significant damages;
- force us to stop using the intellectual property that is being challenged or to stop providing products or services that use the challenged intellectual property;
- force us to redesign or rebrand our products or services;
- require us to enter into royalty, licensing, co-existence or other agreements to obtain the right to use a third party s intellectual property;
- divert management s attention and resources; and
- limit the use or the scope of our intellectual property or other rights.

In addition, we may be required to indemnify third-party owners of the hotels that we manage for any losses they incur as a result of any infringement claims against them. All necessary royalty, licensing or other agreements may not be available to us on acceptable terms. Any adverse results associated with third-party intellectual property claims could negatively impact our business.

Exchange rate fluctuations and foreign exchange hedging arrangements could result in significant foreign currency gains and losses and impact our business results.

Conducting business in currencies other than the U.S. dollar subjects us to fluctuations in currency exchange rates that could have a negative impact on financial results. We earn revenues and incur expenses in foreign currencies as part of our operations outside of the U.S. As a result, fluctuations in currency exchange rates may significantly increase the amount of U.S. dollars required for foreign currency expenses or significantly decrease the U.S. dollars received from foreign currency revenues. We also have exposure to currency translation risk because, generally, the results of our business outside of the U.S. are reported in local currency and then translated to U.S. dollars for inclusion in our consolidated financial statements. As a result, changes between the foreign exchange rates and the U.S. dollar will affect the recorded amounts of our foreign assets, liabilities, revenues and expenses and could have a negative impact on financial results. Our exposure to foreign currency exchange rate fluctuations will grow if the relative contribution of our operations outside the U.S. increases.

To attempt to mitigate foreign currency exposure, we may enter into foreign exchange hedging agreements with financial institutions to reduce certain of our exposures to fluctuations in currency exchange rates. However, these hedging agreements may not eliminate foreign currency risk entirely and involve costs and risks of their own in the form of transaction costs, credit requirements and counterparty risk.

If the insurance that we or our owners carry does not sufficiently cover damage or other potential losses or liabilities to third parties involving properties that we manage, franchise or own, our profits could be reduced.

We operate in certain areas where the risk of natural disaster or other catastrophic losses vary, and the occasional incidence of such an event could cause substantial damage to us, our owners or the surrounding area. We carry, and we require our owners to carry, insurance from solvent insurance carriers that we believe is adequate for foreseeable first- and third-party 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 and our owners can obtain or which may otherwise restrict our or our owners ability to buy insurance coverage at reasonable rates. In the event of a substantial loss, the insurance coverage that we and/or our owners carry may not be sufficient to pay the full value of our financial obligations, our liabilities or the replacement cost of any lost investment or property. Because certain types of losses are uncertain, they can be uninsurable or prohibitively expensive. In addition, there are other risks that may fall outside the general coverage terms and limits of our policies.

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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, profits, management fees or franchise fees from the property.

Terrorism insurance may not be available at all or at commercially reasonable rates.

Following the September 11, 2001 terrorist attacks in New York City and the Washington, D.C. area, Congress passed the Terrorism Risk Insurance Act of 2002, which established the Terrorism Insurance Program to provide insurance capacity for terrorist acts. On December 26, 2007, the Terrorism Insurance Program was extended by the Terrorism Risk Insurance Program Reauthorization Act of 2007 through December 31, 2014, or TRIPRA. We carry, and we require our owners and our franchisees to carry, insurance from solvent insurance carriers to respond to both first-party and third-party liability losses related to terrorism. We purchase our first-party property damage and business interruption insurance from a stand-alone market in place of and to supplement insurance from government run pools. If TRIPRA is not extended or renewed upon its expiration in 2014, premiums for terrorism insurance coverage will likely increase and/or the terms of such insurance may be materially amended to increase stated exclusions or to otherwise effectively decrease the scope of coverage available, perhaps to the point where it is effectively unavailable.

Terrorist attacks and military conflicts may adversely affect the hospitality industry.

The terrorist attacks on the World Trade Center and the Pentagon on September 11, 2001 underscore the possibility that large public facilities or economically important assets could become the target of terrorist attacks in the future. In particular, properties that are well-known or are located in concentrated business sectors in major cities may be subject to the risk of terrorist attacks.

The occurrence or the possibility of terrorist attacks or military conflicts could:

- cause damage to one or more of our properties that may not be fully covered by insurance to the value of the damages;
- cause all or portions of affected properties to be shut down for prolonged periods, resulting in a loss of income;
- generally reduce travel to affected areas for tourism and business or adversely affect the willingness of customers to stay in or avail themselves of the services of the affected properties;
- expose us to a risk of monetary claims arising out of death, injury or damage to property caused by any such attacks; and
- result in higher costs for security and insurance premiums or diminish the availability of insurance coverage for losses related to terrorist attacks, particularly for properties in target areas, all of which could adversely affect our results.

Certain of our buildings are also highly profitable properties to our business. In addition to the impacts noted above, the occurrence of a terrorist attack with respect to one of these properties could directly and materially adversely affect our results of operations. Furthermore, the loss of any of our well-known buildings could indirectly impact the value of our brands, which would in turn adversely impact our business prospects.

Changes in U.S. federal, state and local or foreign tax law, interpretations of existing tax law, or adverse determinations by tax authorities, could increase our tax burden or otherwise adversely affect our financial condition or results of operations.

We are subject to taxation at the federal, state or provincial and local levels in the U.S. and various other countries and jurisdictions. Our future effective tax rate could be affected by changes in the composition of earnings in jurisdictions with differing tax rates, changes in statutory rates and other legislative changes, 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 and local and foreign governments make substantive changes to tax rules and their application, which could result in materially higher corporate taxes than would be incurred under existing tax law and could adversely affect our financial condition or results of operations.

We record tax expense based in part on our estimates of expected future tax rates, reserves for uncertain tax positions in multiple tax jurisdictions, and valuation allowances related to certain net deferred tax assets, including net operating loss carryforwards.

We are subject to ongoing and periodic tax audits and disputes in various state, local and foreign jurisdictions. In particular, our consolidated U.S. federal income tax returns for the fiscal years ended December 31, 2006 and October 24, 2007 are under audit by the Internal Revenue Service, or IRS, and the IRS has proposed adjustments to increase our taxable income based on several assertions involving intercompany loans, our Hilton HHonors guest loyalty and reward program and our foreign-currency denominated loans issued by one of our subsidiaries. In total, the proposed adjustments sought by the IRS would result in U.S. federal tax owed of approximately $695 million, excluding interest and penalties and potential state income taxes. We disagree with the IRS s position on each of the assertions and intend to vigorously contest them. See Note 18: Income Taxes in our audited consolidated financial statements included elsewhere in this prospectus for additional information. An unfavorable outcome from any tax audit could result in higher tax costs, penalties and interest, thereby adversely impacting our financial condition or results of operations.

Changes to accounting rules or regulations may adversely affect our financial condition and results of operations.

New accounting rules or regulations and varying interpretations of existing accounting rules or regulations have occurred and may occur in the future. A change in accounting rules or regulations may even affect our reporting of transactions completed before the change is effective, and future changes to accounting rules or regulations or the questioning of current accounting practices may adversely affect our financial condition and results of operations. For example, in 2013, the Financial Accounting Standards Board, or FASB, issued a revised exposure draft outlining proposed changes to current lease accounting in FASB Accounting Standards Codification Topic 840, *Leases*. The proposed accounting standards update, if ultimately adopted in its current form, could result in significant changes to current accounting, including the capitalization of leases on the balance sheet that currently are recorded off balance sheet as operating leases. While this change would not impact the cash flow related to our leased hotels and other leased assets, it could adversely impact our balance sheet and could therefore impact our ability to raise financing from banks or other sources.

Changes to estimates or projections used to assess the fair value of our assets, or operating results that are lower than our current estimates at certain locations, may cause us to incur impairment charges that could adversely affect our results of operations.

Our total assets include goodwill, intangible assets with an indefinite life, other intangible assets with finite useful lives, and substantial amounts of long-lived assets, principally property and equipment, including hotel properties. We evaluate our goodwill and trademarks for impairment on an annual basis or at other times during the year if events or circumstances indicate that it is more likely than not that the fair value is below the carrying value. We evaluate intangible assets with finite useful lives and long-lived assets for impairment when circumstances indicate that the carrying amount may not be recoverable. Our evaluation of impairment requires us to make certain estimates and assumptions including projections of future results. After performing our evaluation for impairment, including an analysis to determine the recoverability of long-lived assets, we will record an impairment loss when the carrying value of the underlying asset, asset group or reporting unit exceeds its fair value. If the estimates or assumptions used in our evaluation of impairment change, we may be required to record additional impairment losses on certain of these assets. If these impairment losses are significant, our results of operations would be adversely affected.

Governmental regulation may adversely affect the operation of our properties.

In many jurisdictions, the hotel industry is subject to extensive foreign or U.S. federal, state and local governmental regulations, including those relating to the service of alcoholic beverages, the preparation and sale of food and those relating to building and zoning requirements. We are also subject to licensing and regulation by foreign or U.S. state and local departments relating to health, sanitation, fire and safety standards, and to laws governing their relationships with employees, including minimum wage requirements, overtime, working conditions and citizenship requirements. We or our third-party owners may be required to expend funds to meet foreign or U.S. federal, state and local regulations in connection with the continued operation or remodeling of certain of our properties. The failure to meet the requirements of applicable regulations and licensing requirements, or publicity resulting from actual or alleged failures, could have an adverse effect on our results of operations.

Foreign or U.S. environmental laws and regulations may cause us to incur substantial costs or subject us to potential liabilities.

We are subject to certain compliance costs and potential liabilities under various foreign and U.S. federal, state and local environmental, health and safety laws and regulations. These laws and regulations govern actions including air emissions, the use, storage and disposal of hazardous and toxic substances, and wastewater disposal. Our failure to comply with such laws, including any required permits or licenses, could result in substantial fines or possible revocation of our authority to conduct some of our operations. We could also be liable under such laws for the costs of investigation, removal or remediation of hazardous or toxic substances at our currently or formerly owned, leased or operated real property (including managed and franchised properties) or at third-party locations in connection with our waste disposal operations, regardless of whether or not we knew of, or caused, the presence or release of such substances. From time to time, we may be required to remediate such substances or remove, abate or manage asbestos, mold, radon gas, lead or other hazardous conditions at our properties. The presence or release of such toxic or hazardous substances could result in third-party claims for personal injury, property or natural resource damages, business interruption or other losses. Such claims and the need to investigate, remediate, or otherwise address hazardous, toxic or unsafe conditions could adversely affect our operations, the value of any affected real property, or our ability to sell, lease or assign our rights in any such property, or could otherwise harm our business or reputation. Environmental, health and safety requirements have also become increasingly stringent, and our costs may increase as a result. For example, Congress, the U.S. Environmental Protection Agency, or EPA, and some states are considering or have undertaken actions to regulate and reduce greenhouse gas emissions. New or revised laws and regulations or new interpretations of existing laws and regulations, such as those related to climate change, could affect the operation of our properties or result in significant additional expense and operating restrictions on us. The potential for changes in the frequency, duration and severity of extreme weather events that may be a result of climate change could lead to significant property damage at our hotels and other assets, impact our ability to obtain insurance coverage in areas that are most vulnerable to such events, such as the coastal resort areas where we operate, and have a negative effect on revenues.

The cost of compliance with the Americans with Disabilities Act and similar legislation outside of the U.S. may be substantial.

We are subject to the Americans with Disabilities Act, or ADA, and similar legislation in certain jurisdictions outside of the U.S. Under the ADA all public accommodations are required to meet certain federal requirements related to access and use by disabled persons. These regulations apply to accommodations first occupied after January 26, 1993, and older structures that undergo material renovations. The regulations also mandate certain operational requirements that hotel operators must observe. The failure of a property to comply with the ADA could result in injunctive relief, fines, an award of damages to private litigants or mandated capital expenditures to remedy such noncompliance. Any imposition of injunctive relief, fines, damage awards or capital expenditures could adversely affect the ability of an owner or franchisee to make payments under the applicable management or franchise agreement or negatively impact the reputation of our brands. In November 2010, we entered into a settlement with the U.S. Department of Justice related to compliance with the ADA. Under the terms of the settlement, we must: ensure compliance with ADA regulations at our owned and joint venture properties built after January 26, 1993; require managed or franchised hotels that enter into a new management or franchise agreement, experience a change in ownership, or renew or extend a franchise agreement, to conduct a survey of its facilities and to certify that the hotel complies with the ADA; ensure that new hotels constructed in our system are compliant with ADA regulations; provide ADA training to our team members; improve the accessibility of our websites and reservations system for individuals with disabilities; appoint a national ADA compliance officer; and appoint an ADA contact on-site at each hotel. If we fail to comply with the requirements of the ADA and our related consent decree, we could be subject to fines, penalties, injunctive action, reputational harm, and other business impacts which could materially and negatively affect our performance and results of operations.

Casinos featured on certain of our properties are subject to gaming laws and noncompliance could result in the revocation of the gaming licenses.

Several of our properties feature casinos, most of which are operated by third-parties. Factors affecting the economic performance of a casino property include:

- location, including proximity to or easy access from major population centers;
- appearance;
- local, regional or national economic conditions, which may limit the amount of disposable income that potential patrons may have for gambling;
- the existence or construction of competing casinos;
- dependence on tourism; and
- governmental regulation.

Jurisdictions in which our properties containing casinos are located, including Nevada, New Jersey, Puerto Rico and Egypt have laws and regulations governing the conduct of casino gaming. These jurisdictions generally require that the operator of a casino must be found suitable and be registered. Once issued, a registration remains in force until revoked. The law defines the grounds for registration, as well as revocation or suspension of such registration. The loss of a gaming license for any reason would have a material adverse effect on the value of a casino property and could reduce fee income associated with such operations and consequently negatively impact our business results.

We are subject to risks from litigation filed by or against us.

Legal or governmental proceedings brought by or on behalf of franchisees, third-party owners of managed properties, employees or customers may adversely affect our financial results. In recent years, a number of hospitality companies have been subject to lawsuits, including class action lawsuits, alleging violations of federal laws and regulations regarding workplace and employment matters, consumer protection claims and other commercial matters. A number of these lawsuits have resulted in the payment of substantial damages by the defendants. Similar lawsuits have been and may be instituted against us from time to time, and we may incur substantial damages and expenses resulting from lawsuits of this type, which could have a material adverse effect on our business. At any given time, we may be engaged in lawsuits involving third-party owners of our hotels. Similarly, we may from time to time institute legal proceedings on behalf of ourselves or others, the ultimate outcome of which could cause us to incur substantial damages and expenses, which could have a material adverse effect on our business.

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Risks Relating to Our Indebtedness

Our substantial indebtedness and other contractual obligations could adversely affect our financial condition, our ability to raise additional capital to fund our operations, our ability to operate our business, our ability to react to changes in the economy or our industry and pay our debts and could divert our cash flow from operations for debt payments.

We have a significant amount of indebtedness. As of June 30, 2013, as adjusted to give effect to this offering and the use of proceeds to repay certain of our outstanding indebtedness, our total indebtedness would have been approximately $ billion. After giving effect to the transactions described in Unaudited Pro Forma Condensed Consolidated Financial Information, our contractual debt maturities as of June 30, 2013, including maturities of non-recourse debt and capital lease obligations of consolidated variable interest entities, for the six months ended December 31, 2013 and the years ended December 31, 2014, 2015 and 2016, respectively, would be $ million, $ million, $ million and $ million. Our substantial debt and other contractual obligations could have important consequences, including:

- requiring a substantial portion of cash flow from operations to be dedicated to the payment of principal and interest on our indebtedness, thereby reducing our ability to use our cash flow to fund our operations, capital expenditures and pursue future business opportunities;

- increasing our vulnerability to adverse economic, industry or competitive developments;

- exposing us to increased interest expense, as our degree of leverage may cause the interest rates of any future indebtedness (whether fixed or floating rate interest) to be higher than they would be otherwise;

- exposing us to the risk of increased interest rates because certain of our indebtedness is at variable rates of interest;

- making it more difficult for us to satisfy our obligations with respect to our indebtedness, and any failure to comply with the obligations of any of our debt instruments, including restrictive covenants, could result in an event of default that accelerates our obligation to repay indebtedness;

- restricting us from making strategic acquisitions or causing us to make non-strategic divestitures;

- limiting our ability to obtain additional financing for working capital, capital expenditures, product development, satisfaction of debt service requirements, acquisitions and general corporate or other purposes; and limiting our flexibility in planning for, or reacting to, changes in our business or market conditions and placing us at a competitive disadvantage compared to our competitors who may be better positioned to take advantage of opportunities that our leverage prevents us from exploiting.

We are a holding company and substantially all of our consolidated assets are owned by, and most of our business is conducted through, our subsidiaries. Revenues from these subsidiaries are our primary source of funds for debt payments and operating expenses. If our subsidiaries are restricted from making distributions to us, that may impair our ability to meet our debt service obligations or otherwise fund our operations. Moreover, there may be restrictions on payments by subsidiaries to their parent companies under applicable laws, including laws that require companies to maintain minimum amounts of capital and to make payments to stockholders only from profits. As a result, although a subsidiary of ours may have cash, we may not be able to obtain that cash to satisfy our obligation to service our outstanding debt or fund our operations.

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Certain of our debt agreements impose significant operating and financial restrictions on us and our subsidiaries, which may prevent us from capitalizing on business opportunities.

The indenture that governs our senior notes, the credit agreement that will govern our new senior secured credit facilities and the agreements that will govern our new commercial mortgage-backed securities loan and the mortgage loan secured by our Waldorf=Astoria New York property, will impose significant operating and financial restrictions on us. These restrictions will limit our ability and/or the ability of our subsidiaries to, among other things:

- incur or guarantee additional debt or issue disqualified stock or preferred stock;
- pay dividends (including to us) and make other distributions on, or redeem or repurchase, capital stock;
- make certain investments;
- incur certain liens;
- enter into transactions with affiliates;
- merge or consolidate;
- enter into agreements that restrict the ability of restricted subsidiaries to make dividends or other payments to the issuers;
- designate restricted subsidiaries as unrestricted subsidiaries; and
- transfer or sell assets.

In addition, if, on the last day of any period of four consecutive quarters on or after the date to be specified in the new credit agreement, the aggregate principal amount of revolving credit loans, swing line loans and/or letters of credit (excluding up to $50 million of letters of credit and certain other letters of credit that have been cash collateralized or back-stopped) that are issued and/or outstanding is greater than 25% of the revolving credit facility, the new credit agreement will require us to maintain a consolidated first lien net leverage ratio not to exceed 7.9 to 1.0. Our subsidiaries mortgage-backed loans will also require them to maintain certain debt service coverage ratios and minimum net worth requirements.

As a result of these restrictions, we will be limited as to how we conduct our business and we may be unable to raise additional debt or equity financing to compete effectively or to take advantage of new business opportunities. The terms of any future indebtedness we may incur could include more restrictive covenants. We cannot assure you that we will be able to maintain compliance with these covenants in the future and, if we fail to do so, that we will be able to obtain waivers from the lenders and/or amend the covenants.

Our failure to comply with the restrictive covenants described above as well as other terms of our other indebtedness and/or the terms of any future indebtedness from time to time could result in an event of default, which, if not cured or waived, could result in our being required to repay these borrowings before their due date. If we are forced to refinance these borrowings on less favorable terms or are unable to refinance these borrowings, our results of operations and financial condition could be adversely affected.

Servicing our indebtedness will require a significant amount of cash. Our ability to generate sufficient cash depends on many factors, some of which are not within our control.

Our ability to make payments on our indebtedness and to fund planned capital expenditures will depend on our ability to generate cash in the future. To a certain extent, this is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control. If we are unable to generate sufficient cash flow to service our debt and meet our other commitments, we may need to restructure or refinance all or a portion of our debt, sell material assets or operations or raise additional debt or equity capital. We may not be able to effect any of these actions on a timely basis, on commercially reasonable terms or at all, and these actions may not be sufficient to meet our capital requirements. In addition, the terms of our existing or future debt arrangements may restrict us from effecting any of these alternatives.

Despite our current level of indebtedness, we may be able to incur substantially more debt and enter into other transactions, which could further exacerbate the risks to our financial condition described above.

We may be able to incur significant additional indebtedness in the future. Although the credit agreements and indentures that govern substantially all of our indebtedness contain restrictions on the incurrence of additional indebtedness and entering into certain types of other transactions, these restrictions are subject to a number of qualifications and exceptions. Additional indebtedness incurred in compliance with these restrictions could be substantial. These restrictions also do not prevent us from incurring obligations, such as trade payables, that do not constitute indebtedness as defined under our debt instruments. To the extent new debt is added to our current debt levels, the substantial leverage risks described in the preceding two risk factors would increase.

Risks Related to this Offering and Ownership of Our Common Stock

Affiliates of our Sponsor control us and their interests may conflict with ours or yours in the future.

Immediately following this offering, affiliates of our Sponsor will beneficially own approximately % of our common stock, or % if the underwriters exercise in full their option to purchase additional shares. Moreover, under our bylaws and the stockholders agreement with our Sponsor and its affiliates that will be in effect by the completion of this offering, for so long as our existing owners and their affiliates retain significant ownership of us, we will agree to nominate to our board individuals designated by our Sponsor, whom we refer to as the Sponsor Directors. Even when our Sponsor and its affiliates cease to own shares of our stock representing a majority of the total voting power, for so long as our Sponsor continues to own a significant percentage of our stock our Sponsor will still be able to significantly influence the composition of our board of directors and the approval of actions requiring stockholder approval. Accordingly, for such period of time, our Sponsor will have significant influence with respect to our management, business plans and policies, including the appointment and removal of our officers. In particular, for so long as our Sponsor continues to own a significant percentage of our stock, our Sponsor will be able to cause or prevent a change of control of our company or a change in the composition of our board of directors and could preclude any unsolicited acquisition of our company. The concentration of ownership could deprive you of an opportunity to receive a premium for your shares of common stock as part of a sale of our company and ultimately might affect the market price of our common stock.

Our Sponsor and its affiliates engage in a broad spectrum of activities, including investments in real estate generally and in the hospitality industry in particular. In the ordinary course of their business activities, our Sponsor and its affiliates may engage in activities where their interests conflict with our interests or those of our stockholders. For example, our Sponsor owns interests in Extended Stay America, Inc. and La Quinta Hotels, and certain other investments in the hotel industry that compete directly or indirectly with us. In addition, affiliates of our Sponsor directly and indirectly own hotels that we manage or franchise, and they may in the future enter into other transactions with us, including hotel or timeshare development projects, that could result in their having interests that could conflict with ours. Our amended and restated certificate of incorporation will provide that none of our Sponsor, any of its affiliates or any director who is not employed by us (including any non-employee director who serves as one of our officers in both his director and officer capacities) or his or her affiliates will have any duty to refrain from engaging, directly or indirectly, in the same business activities or similar business activities or lines of business in which we operate. Our Sponsor also may pursue acquisition opportunities that may be complementary to our business, and, as a result, those acquisition opportunities may not be available to us. In addition, Blackstone may have an interest in pursuing acquisitions, divestitures and other transactions that, in its judgment, could enhance its investment, even though such transactions might involve risks to you.

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Upon the listing of our shares on , we will be a controlled company within the meaning of rules and, as a result, will qualify for, and intend to rely on, exemptions from certain corporate governance requirements. You will not have the same protections afforded to stockholders of companies that are subject to such requirements.

After completion of this offering, affiliates of our Sponsor will continue to control a majority of the combined voting power of all classes of our stock entitled to vote generally in the election of directors. As a result, we will be a controlled company within the meaning of the corporate governance standards of . Under these rules, a company of which more than 50% of the voting power in the election of directors is held by an individual, group or another company is a controlled company and may elect not to comply with certain corporate governance requirements. For example, controlled companies, within one year of the date of the listing of their common stock:

- are not required to have a board that is composed of a majority of independent directors, as defined under the rules of such exchange;

- are not required to have a compensation committee that is composed entirely of independent directors; and

- are not required to have a nominating and corporate governance committee that is composed entirely of independent directors.

Following this offering, we intend to utilize these exemptions. As a result, we do not expect a majority of the directors on our board will be independent upon closing this offering. In addition, although we will have a fully independent audit committee and have independent director representation on our compensation and nominating and corporate governance committees upon closing this offering, we do not expect that our compensation and nominating and corporate governance committees will consist entirely of independent directors. Accordingly, you will not have the same protections afforded to stockholders of companies that are subject to all of the corporate governance requirements of .

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, or Sarbanes-Oxley Act, and related rules implemented by the SEC and . 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 also could make it more difficult or costly for us to obtain certain types of insurance, including director and officer liability insurance, and we may be forced to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. These laws and regulations could also make it more difficult for us to attract and retain qualified persons to serve on our board of directors, our board committees or as our executive officers. Furthermore, if we are unable to satisfy our obligations as a public company, we could be subject to delisting of our common stock, fines, sanctions and other regulatory action and potentially civil litigation.

If we are unable to implement and maintain effective internal control over financial reporting in the future, investors may lose confidence in the accuracy and completeness of our financial reports and the market price of our common stock may be negatively affected.

As a public company, we will be required to maintain internal controls over financial reporting and to report any material weaknesses in such internal controls. In addition, beginning with our second annual report on

Form 10-K, we will be required to furnish a report by management on the effectiveness of our internal control over financial reporting, pursuant to Section 404 of the Sarbanes-Oxley Act. Our independent registered public accounting firm is required to express an opinion as to the effectiveness of our internal control over financial reporting beginning with our second annual report on Form 10-K. The process of designing, implementing, and testing the internal control over financial reporting required to comply with this obligation is time consuming, costly, and complicated. If we identify material weaknesses in our internal control over financial reporting, if we are unable to comply with the requirements of Section 404 of the Sarbanes-Oxley Act in a timely manner or to assert that our internal control over financial reporting is effective, or if our independent registered public accounting firm is unable to express an opinion as to the effectiveness of our internal control over financial reporting, investors may lose confidence in the accuracy and completeness of our financial reports and the market price of our common stock could be negatively affected, and we could become subject to investigations by the stock exchange on which our securities are listed, the SEC, or other regulatory authorities, which could require additional financial and management resources.

There may not be an active trading market for shares of our common stock, which may cause shares of our common stock to trade at a discount from the initial offering price and make it difficult to sell the shares of common stock you purchase.

Prior to this offering, there has not been a public trading market for shares of our common stock. It is possible that after this offering an active trading market will not develop or continue or, if developed, that any market will be sustained which would make it difficult for you to sell your shares of common stock at an attractive price or at all. The initial public offering price per share of common stock will be determined by agreement among us and the representatives of the underwriters, and may not be indicative of the price at which shares of our common stock will trade in the public market after this offering.

The market price of shares of our common stock may be volatile, which could cause the value of your investment to decline.

Even if a trading market develops, the market price of our common stock may be highly volatile and could be subject to wide fluctuations. Securities markets worldwide experience significant price and volume fluctuations. This market volatility, as well as general economic, market or political conditions, could reduce the market price of shares of our common stock in spite of our operating performance. In addition, our operating results could be below the expectations of public market analysts and investors due to a number of potential factors, including variations in our quarterly operating results, additions or departures of key management personnel, failure to meet analysts earnings estimates, publication of research reports about our industry, litigation and government investigations, changes or proposed changes in laws or regulations or differing interpretations or enforcement thereof affecting our business, adverse market reaction to any indebtedness we may incur or securities we may issue in the future, changes in market valuations of similar companies or speculation in the press or investment community, announcements by our competitors of significant contracts, acquisitions, dispositions, strategic partnerships, joint ventures or capital commitments, adverse publicity about the industries we participate in or individual scandals, and in response the market price of shares of our common stock could decrease significantly. You may be unable to resell your shares of common stock at or above the initial public offering price.

In the past few years, stock markets have experienced extreme price and volume fluctuations. In the past, following periods of volatility in the overall market and the market price of a company s securities, securities class action litigation has often been instituted against these companies. This litigation, if instituted against us, could result in substantial costs and a diversion of our management s attention and resources.

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Because we have no current plans to pay cash dividends on our common stock, you may not receive any return on investment unless you sell your common stock for a price greater than that which you paid for it.

We have no current plans to pay any cash dividends. The declaration, amount and payment of any future dividends on shares of common stock will be at the sole discretion of our board of directors. Our board of directors may take into account general and economic conditions, our financial condition and results of operations, our available cash and current and anticipated cash needs, capital requirements, contractual, legal, tax and regulatory restrictions and implications on the payment of dividends by us to our stockholders or by our subsidiaries to us and such other factors as our board of directors may deem relevant. In addition, our ability to pay dividends will be limited by our new senior secured credit facility and our new senior notes and first priority senior secured notes and may be limited by covenants of other indebtedness we or our subsidiaries incur in the future. As a result, you may not receive any return on an investment in our common stock unless you sell our common stock for a price greater than that which you paid for it.

Investors in this offering will suffer immediate and substantial dilution.

The initial public offering price per share of common stock will be substantially higher than our pro forma net tangible book value per share immediately after this offering. As a result, you will pay a price per share of common stock that substantially exceeds the per share book value of our tangible assets after subtracting our liabilities. In addition, you will pay more for your shares of common stock than the amounts paid by our existing owners. Assuming an offering price of $ per share of common stock, which is the midpoint of the range on the front cover of this prospectus, you will incur immediate and substantial dilution in an amount of $ per share of common stock. See Dilution.

You may be diluted by the future issuance of additional common stock in connection with our incentive plans, acquisitions or otherwise.

After this offering we will have approximately million shares of common stock authorized but unissued. Our amended and restated certificate of incorporation to become effective immediately prior to the consummation of this offering authorizes us to issue these shares of common stock and options, rights, warrants and appreciation rights relating to common stock for the consideration and on the terms and conditions established by our board of directors in its sole discretion, whether in connection with acquisitions or otherwise. We have reserved shares for issuance under our Omnibus Incentive Plan, including . See Management Omnibus Incentive Plan. Any common stock that we issue, including under our Omnibus Incentive Plan or other equity incentive plans that we may adopt in the future, would dilute the percentage ownership held by the investors who purchase common stock in this offering.

If we or our existing investors sell additional shares of our common stock after this offering, the market price of our common stock could decline.

The sale of substantial amounts of shares of our common stock in the public market, or the perception that such sales could occur, could harm the prevailing market price of shares of our common stock. These sales, or the possibility that these sales may occur, also might make it more difficult for us to sell equity securities in the future at a time and at a price that we deem appropriate. Upon completion of this offering we will have a total of shares of our common stock outstanding (or shares if the underwriters exercise in full their option to purchase additional shares). Of the outstanding shares, the shares sold in this offering (or shares if the underwriters exercise their option to purchase additional shares) will be freely tradable without restriction or further registration under the Securities Act, except that any shares held by our affiliates, as that term is defined under Rule 144 of the Securities Act, may be sold only in compliance with the limitations described in Shares Eligible for Future Sale.

The remaining outstanding shares of common stock held by our existing owners after this offering will be subject to certain restrictions on resale. We, our officers, directors and holders of certain of our outstanding shares of common stock immediately prior to this offering, including our Sponsor, will sign lock-up agreements with the underwriters that will, subject to certain customary exceptions, restrict the sale of the shares of our common stock held by them for 180 days following the date of this prospectus, subject to extension in the case of an earnings release or material news or a material event relating to us. The representatives of the underwriters may, in their sole discretion and without notice, release all or any portion of the shares of common stock subject to lock-up agreements. See Underwriting for a description of these lock-up agreements.

Upon the expiration of the lock-up agreements described above, all of such shares, or shares if the underwriters exercise their over-allotment option in full, will be eligible for resale in a public market, subject, in the case of shares held by our affiliates, to volume, manner of sale and other limitations under Rule 144. We expect that our Sponsor will be considered an affiliate 180 days after this offering based on their expected share ownership (consisting of shares), as well as their board nomination rights. Certain other of our stockholders may also be considered affiliates at that time. However, commencing 180 days following this offering, the holders of these shares of common stock will have the right, subject to certain exceptions and conditions, to require us to register their shares of common stock under the Securities Act, and they will have the right to participate in future registrations of securities by us. Registration of any of these outstanding shares of common stock would result in such shares becoming freely tradable without compliance with Rule 144 upon effectiveness of the registration statement. See Shares Eligible for Future Sale.

We intend to file one or more registration statements on Form S-8 under the Securities Act to register shares of our common stock or securities convertible into or exchangeable for shares of our common stock issued pursuant to our Omnibus Incentive Plan. Any such Form S-8 registration statements will automatically become effective upon filing. Accordingly, shares registered under such registration statements will be available for sale in the open market. We expect that the initial registration statement on Form S-8 will cover shares of our common stock.

As restrictions on resale end, the market price of our shares of common stock could drop significantly if the holders of these restricted shares sell them or are perceived by the market as intending to sell them. These factors could also make it more difficult for us to raise additional funds through future offerings of our shares of common stock or other securities.

Anti-takeover provisions in our organizational documents and Delaware law might discourage or delay acquisition attempts for us that you might consider favorable.

Our amended and restated certificate of incorporation and amended and restated bylaws to become effective immediately prior to the consummation of this offering will contain provisions that may make the merger or acquisition of our company more difficult without the approval of our board of directors. Among other things:

- although we do not have a stockholder rights plan, and would either submit any such plan to stockholders for ratification or cause such plan to expire within a year, these provisions would allow us to authorize the issuance of undesignated preferred stock in connection with a stockholder rights plan or otherwise, the terms of which may be established and the shares of which may be issued without stockholder approval, and which may include super voting, special approval, dividend, or other rights or preferences superior to the rights of the holders of common stock;

these provisions prohibit stockholder action by written consent from and after the date on which the parties to our stockholders agreement cease to beneficially own at least 40% of the total voting power of all then outstanding shares of our capital stock unless such action is recommended by all directors then in office;

these provisions provide that the board of directors is expressly authorized to make, alter, or repeal our bylaws and that our stockholders may only amend our bylaws with the approval of 80% or more of all the outstanding shares of our capital stock entitled to vote; and

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these provisions establish advance notice requirements for nominations for elections to our board or for proposing matters that can be acted upon by stockholders at stockholder meetings.

Further, as a Delaware corporation, we are also subject to provisions of Delaware law, which may impair a takeover attempt that our stockholders may find beneficial. These anti-takeover provisions and other provisions under Delaware law could discourage, delay or prevent a transaction involving a change in control of our company, including actions that our stockholders may deem advantageous, or negatively affect the trading price of our common stock. These provisions could also discourage proxy contests and make it more difficult for you and other stockholders to elect directors of your choosing and to cause us to take other corporate actions you desire.

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FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that reflect our current views with respect to, among other things, our operations and financial performance. Forward-looking statements include all statements that are not historical facts. In some cases, you can identify these forward-looking statements by the use of words such as outlook, believes, expects, potential, continues, may, will, should, could, seeks, approximately, predicts, estimates, anticipates or the negative version of these words or other comparable words. Such forward-looking statements are subject to various risks and uncertainties. Accordingly, there are or will be important factors that could cause actual outcomes or results to differ materially from those indicated in these statements. We believe these factors include but are not limited to those described under Risk Factors. These factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements that are included in this prospectus. We undertake no obligation to publicly update or review any forward-looking statement, whether as a result of new information, future developments or otherwise, except as required by law.

TRADEMARKS AND SERVICE MARKS

Hilton Hotels & Resorts , Waldorf Astoria Hotels & Resorts , Conrad Hotels & Resorts®, DoubleTree by Hilton®, Embassy Suites Hotels®, Hilton Garden Inn®, Hampton Inn®, Homewood Suites by Hilton®, Home2 Suites by Hilton®, Hilton Grand Vacations®, Hilton Grand Vacations Club ®, The Hilton Club®, Hilton HHonors , eforea®, OnQ®, LightStay®, the Hilton Hawaiian Village®, Requests Upon Arrival and other trademarks, trade names, and service marks of Hilton and our brands appearing in this prospectus are the property of Hilton and our affiliates.

Solely for convenience, the trademarks, service marks and trade names referred to in this prospectus are without the ® and symbols, but such references are not intended to indicate, in any way, that we will not assert, to the fullest extent under applicable law, our rights or the rights of the applicable licensors to these trademarks, service marks, and trade names. All trademarks, service marks and trade names appearing in this prospectus are the property of their respective owners.

INDUSTRY AND MARKET DATA

Within this prospectus, we reference information and statistics regarding various industries and sectors. We have obtained this information and statistics from various independent third-party sources, including independent industry publications, reports by market research firms and other independent sources. STR and PKF-HR are the primary sources for third-party market data and industry statistics and forecasts, respectively, included in this prospectus. STR does not guarantee the performance of any company about which it collects and provides data. Nothing in the STR or PKF-HR data should be construed as advice. 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. We believe that these external sources and estimates are reliable, but have not independently verified them.

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USE OF PROCEEDS

We estimate that the net proceeds from our sale of shares of common stock in this offering at an assumed initial public offering price of $ per share, which is the midpoint of the price range set forth on the cover page of this prospectus, after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us, will be approximately $ million (or $ million if the underwriters exercise in full their option to purchase additional shares). A $1.00 increase or decrease in the assumed initial public offering price of $ per share would increase or decrease, as applicable, the net proceeds to us from this offering by approximately $ million (or $ million if the underwriters exercise in full their option to purchase additional shares), assuming the number of shares offered by us remains the same as set forth on the cover page of this prospectus and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us.

We intend to use the net proceeds from this offering to repay certain of our then outstanding indebtedness. Any remaining net proceeds will be used for general corporate purposes.

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DIVIDEND POLICY

We have no current plans to pay dividends on our common stock. Any decision to declare and pay dividends in the future will be made at the sole discretion of our board of directors and will depend on, among other things, our results of operations, cash requirements, financial condition, contractual restrictions and other factors that our board of directors may deem relevant. Because we are a holding company and have no direct operations, we will only be able to pay dividends from funds we receive from our subsidiaries.

We did not declare or pay any dividends on our common stock in 2012, 2011 or in the first six months of 2013.

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CAPITALIZATION

The following table sets forth our consolidated cash and cash equivalents, restricted cash and cash equivalents and capitalization as of June 30, 2013 on:

- an actual basis; and
- an as adjusted basis to reflect:
  - the sale by us of shares of common stock in this offering at an assumed initial public offering price of $ per share, which is the midpoint of the price range set forth on the cover page of this prospectus; and
  - the application of net proceeds from this offering as described under Use of Proceeds, as if this offering and the application of the net proceeds of this offering had occurred on June 30, 2013.

The information below is illustrative only and our capitalization following this offering will be adjusted based on the actual initial public offering price and other terms of this offering determined at pricing. Cash and cash equivalents and restricted cash and cash equivalents are not components of our total capitalization. You should read this table together with the information contained in this prospectus, including Use of Proceeds, Management s Discussion and Analysis of Financial Condition and Results of Operations, Description of Certain Indebtedness and our historical financial statements and related notes included elsewhere in this prospectus.

	As of June 30, 2013	
	Actual	As Adjusted(1)
	(In millions, except share and per share data)	
Cash and cash equivalents	$ 661	$
Restricted cash and cash equivalents(2)	625	
Total	$ 1,286	$
Total long-term debt and obligations under capital leases:		
Long-term debt, including current portion	$ 14,668	$
Revolving non-recourse timeshare notes credit facility	400	
Non-recourse debt and capital lease obligations of consolidated variable interest entities, including current portion	319	
Total debt	15,387	
Equity:		

Common stock, par value $0.01 per share, 1,000 shares authorized and 100 shares issued and outstanding, actual; and shares authorized and shares issued and outstanding, as adjusted	1	
Additional paid-in capital	8,452	
Accumulated deficit	(5,557)	
Accumulated other comprehensive loss	(591)	
Total stockholders equity	2,305	
Noncontrolling interests	(127)	
Total equity	2,178	
Total capitalization	$ 17,565	$

(1) Each $1.00 increase or decrease in the assumed initial public offering price of $ per share would increase or decrease, as applicable, total debt, additional paid-in capital and total stockholders deficit by approximately $ million, assuming the number of shares offered by us remains the same as set forth on the cover page of this prospectus and after deducting the estimated underwriting discounts and commissions and estimated offering expenses that we must pay.

(2) The majority of our restricted cash and cash equivalents balances relate to prefunded cash reserves and cash collateral on our self-insurance programs. The prefunded cash reserves are required under the terms of the agreements for our existing senior mortgage loans. They may be used to pay debt service and other amounts due under the existing senior mortgage loans and for general corporate purposes, including capital expenditures, but are classified in our consolidated balance sheets as restricted cash and cash equivalents in accordance with U.S. GAAP because they generally require lender consent to be used.

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DILUTION

If you invest in shares of our common stock in this offering, your investment will be immediately diluted to the extent of the difference between the initial public offering price per share of common stock and the net tangible book value per share of common stock after this offering. Dilution results from the fact that the per share offering price of the shares of common stock is substantially in excess of the net tangible book value per share attributable to the shares of common stock held by existing owners.

Our net tangible book value as of June 30, 2013 was approximately $, or $ per share of common stock. We calculate net tangible book value per share by taking the amount of our total tangible assets, reduced by the amount of our total liabilities, and then dividing that amount by the total number of shares of common stock outstanding.

After giving effect to our sale of the shares in this offering at an assumed initial public offering price of $ per share, the midpoint range described on the cover of this prospectus, and after deducting estimated underwriting discounts and commissions and offering expenses payable by us, our net tangible book value as of June 30, 2013 would have been $, or $ per share of common stock. This represents an immediate increase in net tangible book value of $ per share of common stock to our existing owners and an immediate and substantial dilution in net tangible book value of $ per share of common stock to investors in this offering at the assumed initial public offering price.

The following table illustrates this dilution on a per share of common stock basis:

Assumed initial public offering price per share of common stock		$
Net tangible book value per share of common stock as of June 30, 2013	$	
Increase in net tangible book value per share of common stock attributable to investors in this offering	$	
Net tangible book value per share of common stock after giving effect to this offering		$
Dilution per share of common stock to investors in this offering		$

A $1.00 increase in the assumed initial public offering price of $ per share of our common stock would increase our net tangible book value after giving effect to this offering by $ million, or by $ per share of our common stock, assuming the number of shares offered by us remains the same and after deducting the underwriting discount and the estimated offering expenses payable by us. A $1.00 decrease in the assumed initial public offering price per share would result in equal changes in the opposite direction.

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The following table summarizes, as of June 30, 2013, the total number of shares of common stock purchased from us, the total cash consideration paid to us, and the average price per share paid by existing owners and by new investors. As the table shows, new investors purchasing shares in this offering will pay an average price per share substantially higher than our existing owners paid. The table below assumes an initial public offering price of $ per share, the midpoint of the range set forth on the cover of this prospectus, for shares purchased in this offering and excludes underwriting discounts and commissions and estimated offering expenses payable by us:

	Shares of Common Stock Purchased		Total Consideration		Average Price Per Share of Common Stock
	Number	Percent	Amount	Percent	
		(Dollar amounts in millions, except per share amounts)			
Existing owners		%	$	%	$
Investors in this offering		%	$	%	$
Total		100.0%	$	100.0%	$

Each $1.00 increase in the assumed offering price of $ per share would increase total consideration paid by investors in this offering and total consideration paid by all stockholders by $ million, assuming the number of shares offered by us remains the same and after deducting the underwriting discount and the estimated offering expenses payable by us. A $1.00 decrease in the assumed initial public offering price per share would result in equal changes in the opposite direction.

The dilution information above is for illustration purposes only. Our net tangible book value following the consummation of this offering is subject to adjustment based on the actual initial public offering price of our shares and other terms of this offering determined at pricing.

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UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The following unaudited pro forma financial information has been prepared to reflect (1) the issuance of shares of our common stock in this offering at an assumed initial public offering price of $, which is the midpoint of the range set forth on the cover of this prospectus and (2) the Refinancing Transactions, the Timeshare ABS notes issuance, additional borrowings under the revolving non-recourse timeshare notes credit facility (the Timeshare Facility), the Hilton HHonors point sales and the use of proceeds from the foregoing (collectively, the Financing Transactions), in our historical consolidated financial statements.

The unaudited pro forma condensed consolidated balance sheet as of June 30, 2013 is presented on a pro forma adjusted basis to give effect to this offering and the Financing Transactions. The following unaudited pro forma condensed consolidated statements of operations for the year ended December 31, 2012 and the six months ended June 30, 2013 are presented on a pro forma adjusted basis to give effect to this offering and the Financing Transactions as if they had been completed on January 1, 2012.

The pro forma adjustments are based on preliminary estimates, accounting judgments and currently available information and assumptions that management believes are reasonable. The notes to the unaudited pro forma statements provide a detailed discussion of how such adjustments were derived and presented in the unaudited pro forma financial information. The unaudited pro forma financial information should be read in conjunction with Summary-Refinancing Transactions, Capitalization, Use of Proceeds, Selected Financial Data, Management s Discussion and Analysis of Financial Condition and Results of Operations, and our consolidated financial statements and related notes thereto included elsewhere in this prospectus.

The unaudited pro forma financial information has been prepared for illustrative purposes only and is not necessarily indicative of our financial position or results of operations had the transactions actually occurred on the dates indicated, nor is such unaudited pro forma financial information necessarily indicative of the results to be expected for any future period. A number of factors may affect our results. See Risk Factors and Forward-Looking Statements.

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Hilton Worldwide Holdings Inc.

Unaudited Pro Forma Condensed Consolidated Balance Sheet

As of June 30, 2013

(in millions)

		Pro Forma Adjustments[1]		
	Historical	Financing Transactions	Common Stock Offering	Pro Forma
ASSETS				
Current Assets:				
Cash and cash equivalents	$ 661	$ (372) (a)	$	$
Restricted cash and cash equivalents	625	(248) (a)		
Accounts receivable, net of allowance for doubtful accounts	830			
Inventories	395			
Deferred income tax assets	75			
Current portion of financing receivables, net	116			
Prepaid expenses	139			
Other	49			
Total current assets	2,890	(620)		
Property, Investments, and Other Assets:				
Property and equipment, net	9,084			
Financing receivables, net	817			
Investments in affiliates	274			
Goodwill	6,172			
Brands	4,993			
Management and franchise contracts, net	1,505			
Other intangible assets, net	710			
Deferred income tax assets	103			
Other	237	249 (b)		
Total property, investments, and other assets	23,895	249		
TOTAL ASSETS	$ 26,785	$ (371)	$	$
LIABILITIES AND EQUITY				
Current Liabilities:				
Accounts payable, accrued expenses, and other	$ 1,914	$ (22) (b)	$	$
Current maturities of long-term debt	388	(276) (b)		
Current maturities of non-recourse debt	13	48 (c)		
Income taxes payable	72	124 (d)		

Total current liabilities	2,387	(126)		
Long-term debt	14,280	(1,036) (b)		
Non-recourse debt[2]	706	252 (c)(e)		
Deferred income tax liabilities	5,132	(37) (d)		
Liability for guest loyalty program	529			
Other[3]	1,573	437 (b)(f)		
Total liabilities	24,607	(510)		
Equity:				
Common stock	1			
Additional paid-in capital	8,452			
Accumulated deficit	(5,557)	139 (g)		
Accumulated other comprehensive loss	(591)			
Total Hilton stockholder s equity	2,305	139		
Noncontrolling interests	(127)			
Total equity	2,178	139		
TOTAL LIABILITIES AND EQUITY	$ 26,785	$ (371)	$	$

(1) For details of the adjustments referenced, see Note 4: Pro Forma Adjustments.

(2) Historical balance includes the revolving non-recourse timeshare notes credit facility and non-recourse debt and capital lease obligations of our consolidated variable interest entities.

(3) Pro forma adjustments to other liabilities include deferred revenue of $650 million related to our Hilton HHonors point sales. See Note 4: Pro Forma Adjustments adjustment (f) and Summary Recent Developments for further discussion of this transaction.

See notes to unaudited pro forma condensed consolidated financial statements.

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Hilton Worldwide Holdings Inc.

Unaudited Pro Forma Condensed Consolidated Statement of Operations

For the Six Months Ended June 30, 2013

(in millions, except per share data)

		Pro Forma Adjustments[1]		
	Historical	Financing Transactions	Common Stock Offering	Pro Forma
Revenues				
Owned and leased hotels	$ 1,984	$	$	$
Management and franchise fees and other	561			
Timeshare	507			
	3,052			
Other revenues from managed and franchised properties	1,591			
Total revenues	4,643			
Expenses				
Owned and leased hotels	1,547			
Timeshare	351			
Depreciation and amortization	309			
General, administrative, and other	189			
	2,396			
Other expenses from managed and franchised properties	1,591			
Total expenses	3,987			
Operating income	656			
Interest income	3			
Interest expense	(274)	(71) (h)		
Equity in earnings from unconsolidated affiliates	8			
Loss on foreign currency transactions	(82)			
Other gain, net	6			
Income before income taxes	317	(71)		
Income tax expense	(122)	27 (i)		

Net income		195		(44)						
Net income attributable to noncontrolling interests		(6)								
Net income attributable to Hilton stockholder	$	189	$	(44)	$		$			

(1) For details of the adjustments referenced, see Note 4: Pro Forma Adjustments.

See notes to unaudited pro forma condensed consolidated financial statements.

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Hilton Worldwide Holdings Inc.

Unaudited Pro Forma Condensed Consolidated Statement of Operations

For the Year Ended December 31, 2012

(in millions)

		Pro Forma Adjustments[1]		
	Historical	Financing Transactions	Common Stock Offering	Pro Forma
Revenues				
Owned and leased hotels	$ 3,979	$	$	$
Management and franchise fees and other	1,088			
Timeshare	1,085			
	6,152			
Other revenues from managed and franchised properties	3,124			
Total revenues	9,276			
Expenses				
Owned and leased hotels	3,230			
Timeshare	758			
Depreciation and amortization	550			
Impairment losses	54			
General, administrative, and other	460			
	5,052			
Other expenses from managed and franchised properties	3,124			
Total expenses	8,176			
Operating income	1,100			
Interest income	15			
Interest expense	(569)	(145) (h)		
Equity in losses from unconsolidated affiliates	(11)			
Gain on foreign currency transactions	23			
Other gain, net	15			
Income before income taxes	573	(145)		

Income tax expense		(214)		56 (i)		
Net income		359		(89)		
Net income attributable to noncontrolling interests		(7)				
Net income attributable to Hilton stockholder	$	352	$	(89)	$	$

(1) For details of the adjustments referenced, see Note 4: Pro Forma Adjustments.

See notes to unaudited pro forma condensed consolidated financial statements.

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NOTES TO UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION

Note 1: Basis of Presentation

The unaudited pro forma financial information is based on our historical financial statements, which are included elsewhere in this prospectus, and has been prepared to reflect this offering and the Financing Transactions.

The unaudited pro forma condensed consolidated balance sheet as of June 30, 2013 is presented on a pro forma adjusted basis to give effect to this offering and the Financing Transactions. The unaudited pro forma condensed consolidated statements of operations for the year ended December 31, 2012 and the six months ended June 30, 2013 are presented on a pro forma adjusted basis to give effect to this offering and the Financing Transactions as if they had been completed on January 1, 2012.

The unaudited pro forma adjustments are based on preliminary estimates, accounting judgments and currently available information and assumptions that management believes are reasonable. These adjustments are included only to the extent they are directly attributable to this offering and the Financing Transactions and the appropriate information is known and factually supportable. We continue to evaluate the accounting impact of the Financing Transactions and believe that substantially all of the existing long-term debt (and related current portion) to be repaid as a part of the Financing Transactions will be considered extinguished. Accordingly, the pro forma financial information reflects all of the repaid debt being accounted for as an extinguishment of debt. We believe that any portion of the repaid debt that may be required to be subject to modification of debt accounting guidance will not have a material impact on the pro forma financial information. Pro forma adjustments reflected in the unaudited pro forma condensed consolidated statements of operations are expected to have a continuing effect on us. As a result, the unaudited pro forma condensed consolidated statements of operations exclude gains and losses related to the Financing Transactions that will not have a continuing effect on us, although these items are reflected in the unaudited pro forma condensed consolidated balance sheet.

Note 2: Financing Transactions

Prior to consummating this offering, we closed or expect to close various debt refinancing and related transactions. These Financing Transactions, which are discussed in greater detail elsewhere in this prospectus, include the following:

- entry into a new $1 billion senior secured revolving credit facility (the Revolving Credit Facility), with no expected borrowings upon the completion of the Financing Transactions;

- entry into a new $7.6 billion senior secured term loan facility (the Term Loan);

- the issuance of $1.5 billion of our 5.625% Senior Notes due 2021 (the Senior Notes);

- entry into a new $3.5 billion commercial mortgage-backed securities loan (the CMBS Loan) secured by 23 of our U.S. owned real estate assets;

- entry into a new $525 million mortgage loan (the Waldorf=Astoria Loan) secured by our Waldorf=Astoria New York property;

- issuance of $250 million of Timeshare ABS notes;

- additional borrowings of $50 million under our Timeshare Facility;

- sale of Hilton HHonors points for cash proceeds of $650 million, classified as deferred revenue at the date of receipt; and

- the repayment of our senior mortgage loans and secured mezzanine loans and the redemption of our unsecured notes due 2031 with available cash and proceeds from the transactions described above.

For more information regarding these transactions, see Summary Refinancing Transactions, Use of Proceeds, Management s Discussion and Analysis of Financial Condition and Results of Operations Overview Recent Events and Description of Certain Indebtedness.

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Note 3: The Common Stock Offering

We intend to use the net proceeds from this offering to repay certain of our then outstanding indebtedness.

Note 4: Pro Forma Adjustments

Adjustments included under the heading Pro Forma Adjustments Financing Transactions represent the following:

a. To adjust cash for the transactions discussed below, as follows:

	(in millions)
Cash paid to repay debt principal[1]	$ (14,350)
Cash paid for interest on repaid debt[2]	(40)
Cash paid for debt issuance costs	(267)
Cash received from new debt issuances	13,387
Cash received from Hilton HHonors point sales	650
Net adjustment to cash[3]	**$ (620)**

(1) The long-term debt balance of our senior mortgage loans and secured mezzanine loans include $20 million and $29 million, respectively, of yield adjustments related to prior debt modifications. Thus, the principal balance of our debt to be repaid in cash is presented net of this amount. These yield adjustments, totaling $49 million, will be released concurrent with the repayment of the debt. This release is not considered to have a continuing effect on us and, therefore, it is not reflected in our unaudited pro forma condensed consolidated statements of operations.

(2) Includes our accrued balance of $22 million and $18 million of additional interest we are required to pay, concurrent with the principal repayment of our senior mortgage loans and secured mezzanine loans.

(3) The above adjustments result in changes to cash and cash equivalents of $372 million and to restricted cash and cash equivalents of $248 million.

b. To adjust for the completion of the Financing Transactions and the repayment of our senior mortgage loans, secured mezzanine loans and unsecured notes due 2031, as follows:

	Long-term Debt (in millions)
Repayment of existing debt:	
Senior mortgage loans	$ (7,094)
Secured mezzanine loans	(7,209)
Unsecured notes due 2031	(96)

		(14,399)[1]
Issuance of new debt:		
Term Loan		7,562[2][3]
Senior Notes		1,500
CMBS Loan		3,500
Waldorf=Astoria Loan		525
		13,087
Net effect of refinancing on long-term debt, including current maturities	**$**	**(1,312)**

(1) Includes current maturities of long-term debt of $352 million.

(2) Long-term debt for the Term Loan is net of the original issue discount of $38 million.

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(3) The Term Loan requires amortization payments of one percent of the principal balance per year; therefore, $76 million of this balance is reflected as current maturities of long-term debt on a pro forma basis.

The Financing Transactions also reflect:

- the release of debt issuance costs of $18 million related to the existing debt payoff and the addition of debt issuance costs of $267 million related to the new debt being issued, which includes $2 million of debt issuance costs related to the Timeshare ABS discussed below. The net increase to the debt issuance costs, which are classified as other assets in our unaudited pro forma condensed consolidated balance sheet, was $249 million;

- the release of current accrued interest of $22 million related to the existing debt payoff, which was reflected in accounts payable, accrued expenses, and other in our unaudited pro forma condensed consolidated balance sheet. This release is not considered to have a continuing effect on us and, therefore, it is not reflected in our unaudited pro forma condensed consolidated statements of operations; and

- the release of $213 million of interest, which was reflected in other liabilities in our unaudited pro forma condensed consolidated balance sheet, that related to our senior mortgage loans and secured mezzanine loans. The interest expense was recognized using the interest method and has exceeded the cash paid due to the fact that the terms of the senior mortgage loans and secured mezzanine loans require annual increases in the interest rate. Since we have assumed all extensions of the senior mortgage loans and secured mezzanine loans, which were at our option, our accrual of interest under the interest method contemplated these increases in interest expense over the fully extended life of the debt, resulting in an accrual of interest expected to be paid over the term of the debt based on increased cash payments of interest in subsequent periods. Upon consummation of the Financing Transactions, such payments will no longer be required and the accrual for these amounts will be reversed. Refer to adjustment (d) for the associated adjustment to deferred tax liabilities. This release is not considered to have a continuing effect on us and, therefore, it is not reflected in our unaudited pro forma condensed consolidated statements of operations.

c. To adjust for the issuance of the $250 million Timeshare ABS notes, of which $48 million is current.

d. To adjust for the tax effects of the gains and losses referenced in adjustment (g) and the Hilton HHonors point sales referenced in adjustment (f), using the statutory tax rate of 38.4% referenced in adjustment (i), as follows:

		(in millions)
Income taxes payable:		
Unamortized portion of yield adjustments of debt principal	$	19
Interest not accrued[1]		(7)

Unamortized debt issuance costs		(32)
Hilton HHonors point sales		144
Net adjustment to income taxes payable	**$**	**124**
Deferred tax liabilities:		
Other liabilities - interest accrued under the interest method	$	82
Unamortized debt issuance costs		25
Hilton HHonors point sales		(144)
Net adjustment to deferred tax liabilities	**$**	**(37)**

(1) Represents interest we are required to pay, concurrent with the principal repayment of our senior mortgage loans and secured mezzanine loans.

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e. To adjust for additional borrowings of $50 million under our Timeshare Facility.

f. To adjust for proceeds of $650 million presented as deferred revenue as a result of the Hilton HHonors point sales. Refer to adjustment (d) for related tax adjustments.

g. To adjust accumulated deficit for amounts related to the senior mortgage loans and secured mezzanine loans that do not have a continuing effect on us, as follows:

		(in millions)
Unamortized portion of yield adjustments of debt principal, net of taxes of $19 million	$	30
Other liabilities - interest accrued under the interest method, net of taxes of $82 million		131
Interest not accrued, net of taxes of $7 million[(1)]		(11)
Unamortized debt issuance costs, net of taxes of $7 million		(11)
Net adjustment to accumulated deficit	**$**	**139**

(1) Represents interest we are required to pay, concurrent with the principal repayment of our senior mortgage loans and secured mezzanine loans.

h. To adjust interest expense for the repayment of the existing indebtedness and additional borrowings discussed above, as follows:

	Six Months Ended June 30, 2013		**Year Ended December 31, 2012**
	(in millions)		
Repayment of existing debt:			
Interest expense	$ (228)	$	(461)
Amortization expense of debt issuance costs	(5)		(9)
	(233)		(470)
Issuance of new debt:			
Interest expense[(1)(2)]	280		566
Amortization expense of debt issuance costs and discounts[(1)]	24		49
	304		615
Net adjustment to interest expense	**$ 71**	**$**	**145**

(1) Includes interest expense and amortization expense of the debt issuance costs of the revolving non-recourse timeshare notes credit facility as if the facility was in place on January 1, 2012.

(2) We applied the interest rates that were prevailing during the periods presented for our variable interest rate debt totaling approximately $9.5 billion. A 0.125 percent change to interest rates on our variable rate debt would result in an increase in interest expense of approximately $6 million and $12 million for the six months ended June 30, 2013 and the year ended December 31, 2012, respectively.

i. To adjust income tax expense for the changes in the expense items noted above in adjustment (h). The statutory tax rate of 38.4% is a blended U.S. federal and state income tax rate.

Adjustments included under the heading Pro Forma Adjustments Common Stock Offering represent the following:

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SELECTED FINANCIAL DATA

We derived the selected statement of operations data for the years ended December 31, 2012, 2011 and 2010 and the selected balance sheet data as of December 31, 2012 and 2011 from our audited consolidated financial statements included elsewhere in this prospectus. We derived the selected balance sheet data as of December 31, 2010 from our unaudited consolidated financial statements that are not included in this prospectus. We derived the selected statement of operations data for the years ended December 31, 2009 and 2008 and the selected balance sheet data as of December 31, 2009 and 2008 from Hilton Worldwide, Inc. s audited consolidated financial statements, which are not included in this prospectus. We derived the selected statement of operations data for the six months ended June 30, 2013 and 2012 and the selected consolidated balance sheet data as of June 30, 2013 from our unaudited condensed consolidated financial statements included elsewhere in this prospectus. We have prepared our unaudited consolidated financial statements on the same basis as our audited consolidated 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 consolidated financial data below together with the consolidated financial statements including the related notes thereto appearing elsewhere in this prospectus, as well as Management s Discussion and Analysis of Financial Condition and Results of Operations and Description of Certain Indebtedness, and the other financial information included elsewhere in this prospectus.

	Six Months Ended June 30,		Year Ended December 31,				
	2013	2012	2012	2011	2010	2009	2008
				(in millions)			
Statement of Operations Data:							
Revenues							
Owned and leased hotels	$ 1,984	$ 1,925	$ 3,979	$ 3,898	$ 3,667	$ 3,540	$ 4,301
Management and franchise fees and other	561	521	1,088	1,014	901	807	901
Timeshare	507	515	1,085	944	863	832	920
	3,052	2,961	6,152	5,856	5,431	5,179	6,122
Other revenues from managed and franchised properties	1,591	1,560	3,124	2,927	2,637	2,397	2,753
Total revenues	4,643	4,521	9,276	8,783	8,068	7,576	8,875
Expenses							
Owned and leased hotels	1,547	1,595	3,230	3,213	3,009	2,904	3,328
Timeshare	351	363	758	668	634	644	682
Depreciation and amortization	309	259	550	564	574	587	598
Impairment losses		16	54	20	24	475	5,611
General, administrative and other	189	236	460	416	637	423	416

	2,396	2,469	5,052	4,881	4,878	5,033	10,635
Other expenses from managed and franchised properties	1,591	1,560	3,124	2,927	2,637	2,394	2,746
Total expenses	3,987	4,029	8,176	7,808	7,515	7,427	13,381
Operating income (loss)	656	492	1,100	975	553	149	(4,506)
Net income (loss) attributable to Hilton stockholder	189	114	352	253	128	(532)	(5,663)

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	June 30, 2013	December 31, 2012	2011	2010	2009	2008
	(in millions)					
Selected Balance Sheet Data:						
Cash and cash equivalents	$ 661	$ 755	$ 781	$ 796	$ 738	$ 397
Restricted cash and cash equivalents	625	550	658	619	394	691
Total assets	26,785	27,066	27,312	27,750	29,140	30,639
Long-term debt(1)(2)	14,280	15,183	15,969	16,673	20,987	21,079
Revolving non-recourse timeshare notes credit facility	400					
Total debt(1)	15,068	15,575	16,311	16,995	21,125	21,157
Non-recourse debt and capital lease obligations of consolidated variable interest entities(2)	306	405	439	512	457	454
Total equity (deficit)	2,178	2,155	1,702	1,544	(1,470)	(1,253)

(1) Excludes non-recourse debt and capital lease obligations of consolidated variable interest entities.

(2) Excludes current portion.

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 Summary Summary Historical Financial Data, Selected Financial Data and our consolidated financial statements and related notes that appear elsewhere in this prospectus. In addition to historical consolidated financial information, the following discussion contains forward-looking statements that reflect our plans, estimates, and beliefs. Our actual results could differ materially from those discussed in the forward-looking statements. Factors that could cause or contribute to these differences include those discussed below and elsewhere in this prospectus, particularly in Risk Factors.

Overview

Our Business

Hilton Worldwide is one of the largest and fastest growing hospitality companies in the world, with 4,041 hotels, resorts and timeshare properties comprising 665,667 rooms in 90 countries and territories. In the nearly 100 years since our founding, we have defined the hospitality industry and established a portfolio of 10 world-class brands. Our flagship full-service Hilton Hotels & Resorts brand is the most recognized hotel brand in the world. Our premier brand portfolio also includes our luxury hotel brands, Waldorf Astoria Hotels & Resorts and Conrad Hotels & Resorts, our full-service hotel brands, DoubleTree by Hilton and Embassy Suites Hotels, our focused-service hotel brands, Hilton Garden Inn, Hampton Inn, Homewood Suites by Hilton and Home2 Suites by Hilton, and our timeshare brand, Hilton Grand Vacations (HGV). We own or lease interests in 157 hotels, many of which are located in global gateway cities, including iconic properties such as The Waldorf=Astoria New York, the Hilton Hawaiian Village, and the London Hilton on Park Lane. More than 300,000 team members proudly serve in our properties and corporate offices around the world, and we have approximately 38 million members in our award-winning customer loyalty program, Hilton HHonors.

Segments and Regions

Management analyzes our operations and business by both operating segments and geographic regions. Our operations consist of three reportable segments that are based on similar products or services: management and franchise, ownership, and timeshare. The management and franchise segment provides services, which include hotel management and licensing of our brands to franchisees, as well as property management at timeshare properties. This segment generates its revenue from management and franchise fees charged to hotel owners, including our owned and leased hotels, and to homeowners associations at timeshare properties. As a manager of hotels and timeshare resorts, we typically are responsible for supervising or operating the property in exchange for management fees, which, at hotels, are based on a percentage of the hotel s gross revenue, operating profits, cash flows, or a combination thereof, and, at timeshare properties, are fixed amounts stated in the management agreements. As a franchisor of hotels, we charge franchise fees, which generally are based on a percentage of room revenue, and in some instances, may also include a percentage of food and beverage and other revenues in exchange for the use of one of our brand names and related commercial services, such as our reservation system, marketing, and information technology services. The ownership segment derives earnings from providing hotel room rentals, food and beverage sales, and other services at our owned and leased hotels. The timeshare segment consists of multi-unit vacation ownership properties. This segment generates revenue by marketing and selling timeshare interests owned by Hilton and third parties, providing consumer financing, and resort operations.

Geographically, management conducts business through three distinct geographic regions: the Americas; Europe, Middle East, and Africa (EMEA); and Asia Pacific. The Americas region includes North America, South America, and Central America, including all Caribbean nations. Although the U.S. is included in the Americas, it is often analyzed separately and apart from the Americas geographic region and, as such, it is presented separately within the analysis herein. The EMEA region includes Europe, which represents the western-most peninsula of Eurasia stretching from Ireland in the west to Russia in the east, and the Middle East and Africa (MEA), which represents the Middle East region and all African nations, including the Indian Ocean island nations. Europe and MEA are often analyzed separately by management and, as such, are presented separately within the analysis herein. The Asia Pacific region includes the eastern and southeastern nations of Asia, as well as India, Australia, New Zealand, and the Pacific island nations.

As of June 30, 2013, approximately 78 percent of our system-wide hotel rooms were located in the U.S. We expect that the percentage of our hotels outside the U.S. will continue to increase in future years as hotels in our pipeline open.

System Growth and Pipeline

In recent years, we have made significant progress on our strategic priorities including the expansion of our global footprint, particularly in our management and franchise business, and as of June 30, 2013, we had the largest rooms pipeline in the lodging industry according to data provided by STR. From June 30, 2007 through June 30, 2013, we added a net 1,142 managed and franchised hotels to our system with 166,242 rooms, of which 28.7 percent of the rooms were located outside the U.S.

To support our growth strategy, we also continue to expand our development pipeline. As of June 30, 2013, we had a total of 1,007 hotels in our development pipeline, representing 176,449 rooms under construction or approved for development throughout 70 countries. As of June 30, 2013, 92,457 rooms, representing 52.4 percent of our development pipeline, are under construction. Over 99% of the rooms under construction are within our management and franchise segment. Of the 176,449 rooms in the pipeline, 107,269 rooms, representing 60.8 percent of the pipeline, were located outside the U.S. Over 99% of the hotels in our pipeline as of June 30, 2013 are within our management and franchise segment. As of June 30, 2013, only one development project was within our ownership segment. We do not consider such project, or any development project relating to properties under our management and franchise segment, to be material to us.

Our management and franchise contracts are designed to expand our business with limited or no capital investment. The capital required to build and maintain hotels that we manage or franchise, is typically provided by the owner of the respective hotel with minimal or no capital required by us as the manager or franchisor. Additionally, prior to approving the addition of new hotels to our management and franchise development pipeline, we evaluate the economic viability of the hotel based on the geographic location, the credit quality of the third-party owner, and other factors. As a result, by increasing the number of management and franchise agreements with third-party owners we expect to achieve a higher overall return on invested capital.

Recent Events

In October 2013, we sold Hilton HHonors points to American Express Travel Related Services Company, Inc., or Amex, and Citibank, N.A., or Citi, for $400 million and $250 million, respectively, in cash. We used the proceeds of the HHonors points sales to reduce outstanding indebtedness. Amex and Citi and their respective designees may use the points in connection with Hilton HHonors co-branded credit cards and for promotions, rewards and incentive programs or other certain activities as they may establish or engage in from time to time.

Principal Components and Factors Affecting our Results of Operations

Revenues

Principal Components

We primarily derive our revenues from the following sources:

- *Owned and leased hotels.* Represents revenues derived from hotel operations, including room rentals and food and beverage sales and other ancillary services.

Revenues from room rentals, food and beverage sales, and other ancillary services are primarily derived from two categories of customers: transient and group. Transient guests are individual travelers who are traveling for business or leisure. Our group guests are traveling for group events that reserve rooms for meetings, conferences, or social functions sponsored by associations, corporate, social, military, educational, religious or other organizations. Group business usually includes a block of room accommodations as well as other ancillary services, such as catering and banquet services.

Management and franchise fees and other. Represents revenues derived from fees earned from hotels and timeshare properties managed by us, franchise fees received in connection with the franchising of our brands, and other revenue generated by the incidental support of hotel operations for owned, leased, managed, and franchised properties, and other rental income.

Terms of our management agreements vary, but our fees generally consist of a base fee, which is generally a percentage of each hotel s gross revenue, and in some cases an incentive fee, which is based on gross operating profits, cash flow or a combination thereof. Management fees from timeshare properties are generally a fixed amount as stated in the management agreement. Outside of the U.S., our fees are often more dependent on hotel profitability measures, either through a single management fee structure where the entire fee is based on a profitability measure, or because our two-tier fee structure is more heavily weighted toward the incentive fee than the base fee. Additionally, we receive one-time upfront fees upon execution of certain management contracts. In general, the hotel owner pays all operating and other expenses and reimburses our out-of-pocket expenses. The initial terms of our management agreements for full service hotels typically are 20 years. Extensions are negotiated and vary, but typically are more prevalent in full-service hotels. These extensions typically are either for five or ten years and can be exercised once or twice at our or the other party s option or by mutual agreement. Some of our management agreements provide early termination rights to hotel owners upon certain events, including the failure to meet certain financial or performance criteria. Performance test measures typically are based upon the hotel s performance individually and/or in comparison to specified hotels.

Under our franchise agreements, franchisees pay us franchise fees which consist of an initial application and initiation fees for new hotels entering the system and monthly royalty fees, generally calculated as a percentage of room revenue. Royalty fees for our full-service brands may also include a percentage of gross food and beverage revenues and other revenues, where applicable. In addition to the franchise application and royalty fees, franchisees also generally pay a monthly program fee based on a percentage of the total gross room revenue that covers the cost of advertising and marketing programs; internet, technology and reservation system expenses; and quality assurance program costs. Our franchise agreements typically have initial terms of approximately 20 years for new construction and approximately 10 to 20 years for properties that are converted from other brands. At the expiration of the initial term, we may relicense the hotel to the franchisee, at our or the other party s option or by mutual agreement, for an additional term ranging from 10 to 15 years. We have the right to terminate a franchise agreement upon specified events of default, including nonpayment of fees or noncompliance with brand standards. If a franchise agreement is terminated by us because of a franchisee s default, the franchisee is contractually required to pay us liquidated damages.

Timeshare. Represents revenues derived from the sale and financing of timeshare units and revenues from enrollments and other fees, rentals of timeshare units, food and beverage sales, and other ancillary services at our timeshare properties, which we refer to as resort operations.

Other revenues from managed and franchised properties. These revenues represent the payroll and its related costs for hotels that we manage where the hotel employees are legally our responsibility, as well as certain other operating costs of the managed and franchised hotels operations, marketing expenses, and other expenses associated with our brands and shared services that are contractually either reimbursed to us by the hotel owners or paid from fees collected in advance from these hotels. The corresponding expenses are presented as other expenses from managed and franchised properties in our consolidated statements of operations resulting in no impact to operating income or net income.

Factors Affecting our Revenues

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

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

Our results of operations have steadily improved as the global economy continues to improve following the global recession in recent years. Our comparable system-wide RevPAR increased 19.1% from the year ended December 31, 2009 to the six months ended June 30, 2013.

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

Expenses

Principal Components

We primarily incur the following expenses:

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

Timeshare. Timeshare expenses include the cost of inventory sold during the period, sales and marketing expenses, resort operations expenses, bad debt expense on financing of timeshare units, and other overhead expenses associated with our timeshare business.

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

General, administrative, and other expenses. General, administrative, and other expenses consist primarily of compensation expense for our corporate staff and personnel supporting our business segments (including divisional offices that support our management and franchising segments), professional fees (including consulting, audit and legal fees), travel and entertainment expenses, bad debt expenses, contractual performance obligations and office administrative and related expenses. Expenses incurred by our supply management business, laundry facilities and other ancillary businesses are also included in general, administrative and other expenses. Certain members of our senior management team were offered the opportunity to participate in an executive compensation plan (the Promote plan). The Promote plan provides for the grant of a Tier I liability award, or an alternative cash payment in lieu thereof, and a Tier II equity award. The Tier I liability awards provide the participants the right to share in 2.75 percent of the equity value of Hilton up to $8.352 billion (or $230 million) based on the achievement of certain service and performance conditions. The awards vest based on continued employment in equal annual installments over five years and certain performance conditions. Compensation expense associated with the Promote plan is recognized in general, administrative, and other expenses in our consolidated statements of operations. For further discussion of the Promote plan, refer to our audited consolidated financial statements included elsewhere within this prospectus.

Impairment losses. We hold goodwill, amortizing and non-amortizing intangible assets, long-lived assets and equity method investments. We evaluate these assets for impairment as further discussed in Critical Accounting Policies and Estimates. These evaluations have, in the past, resulted in impairment losses for certain of these assets based on the specific facts and circumstances surrounding those assets and our estimates of the fair value of those assets. Based on economic conditions or other factors at a property-specific or company-wide level, we may be required to take additional impairment losses to reflect further declines in our asset and/or investment values.

Other expenses from managed and franchised properties. These expenses represent the payroll and its related costs for hotels that we manage where the hotel employees are legally our responsibility, as well as certain other operating costs of the managed and franchised hotels operations, marketing expenses, and other expenses associated with our brands and shared services that are contractually either reimbursed to us by the hotel owners or paid from fees collected in advance from these hotels. The corresponding revenues are presented as other revenues from managed and franchised properties in our consolidated statements of operations resulting in no impact to operating income or net income.

Factors Affecting our Costs and Expenses

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

Fixed nature of expenses. Many of the expenses associated with managing, franchising, and owning hotels and timeshare resorts are relatively fixed. These expenses include personnel costs, rent, property taxes, insurance and utilities, as well as sales and marketing expenses for our timeshare segment. If we are unable

to decrease these costs significantly or rapidly when demand for our hotels and other properties decreases, the resulting decline in our revenues can have an adverse effect on our net cash flow, margins and profits. This effect can be especially pronounced during periods of economic contraction or slow economic growth. Economic downturns generally affect the results of our ownership segment more significantly than the results of our management and franchise segment due to the high fixed costs associated with operating an owned or leased hotel. The effectiveness of any cost-cutting efforts is limited by the fixed-cost nature of our business. As a result, we may not be able to offset further revenue reductions through cost cutting.
Employees at some of our owned hotels are

parties to collective bargaining agreements that may also limit our ability to make timely staffing or labor changes in response to declining revenues. In addition, any of our efforts to reduce costs, or to defer or cancel capital improvements, could adversely affect the economic value of our hotels and brands. We have taken steps to reduce our fixed costs to levels we feel are appropriate to maximize profitability and respond to market conditions without jeopardizing the overall customer experience or the value of our hotels or brands. Also, a significant portion of our costs to support our timeshare business relates to direct sales and marketing of these units. In periods of decreased demand for timeshare units, we may be unable to reduce our sales and marketing expenses quickly enough to prevent a deterioration of our profit margins on our timeshare business.

Changes in depreciation and amortization expense. Changes in depreciation expenses may be driven by renovations of existing hotels, acquisition or development of new hotels or the disposition of existing hotels through sale or closure. As we place new assets into service, we will be required to record additional depreciation expense on those assets. Additionally, we capitalize costs associated with certain software development projects, and as those projects are completed and placed into service, amortization expense will increase.

Other Items

Effect of foreign currency exchange rate fluctuations

Significant portions of our operations are conducted in functional currencies other than our reporting currency, which is the U.S. dollar, and we have assets and liabilities denominated in a variety of foreign currencies. As a result, we are required to translate those results, assets and liabilities from the functional currency into U.S. dollars at market-based exchange rates for each reporting period. When comparing our results of operations between periods, there may be material portions of the changes in our revenues or expenses that are derived from fluctuations in exchange rates experienced between those periods.

Seasonality

The lodging industry is seasonal in nature. However, the periods during which our hotels experience higher or lower levels of demand vary from property to property and depend upon location, type of property, and competitive mix within the specific location. Based on historical results, we generally expect our revenue to be lower during the first calendar quarter of each year than during each of the three subsequent quarters, with the fourth quarter producing the strongest revenues of the year.

Key Business and Financial Metrics Used by Management

Comparable Hotels

We define our comparable hotels as those that: (i) were active and operating in our system for at least one full calendar year as of the end of the current period, and were open as of January 1st of the previous year; (ii) have not undergone a change in brand or ownership during the current or comparable periods reported; and (iii) have not sustained substantial property damage, business interruption, undergone large-scale capital projects, or for which comparable results are not available.

Of the 4,000 hotels in our system as of June 30, 2013, 3,583 have been classified as comparable hotels for the six months ended June 30, 2013. Our non-comparable hotels include 16 properties, or less than one percent of the total hotels in our system, that have been removed from the comparable group during the last twelve months because they have sustained substantial property damage, business interruption, undergone large-scale capital projects or comparable results were not available.

Of the 3,926, 3,806 and 3,671 hotels in our system as of December 31, 2012, 2011, and 2010, respectively, 3,484, 3,401, and 3,164 have been classified as comparable hotels for the years ended December 31, 2012, 2011, and 2010, respectively.

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Occupancy

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

Average Daily Rate (ADR)

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

Revenue per Available Room (RevPAR)

We calculate RevPAR by dividing hotel room revenue by room nights available to guests for the period. We consider RevPAR to be a meaningful indicator of our performance as it provides a metric correlated to two primary and key drivers of operations at our hotels: occupancy and ADR. RevPAR is also a useful indicator in measuring performance over comparable periods for comparable hotels.

References to RevPAR and ADR throughout this report are presented on a currency neutral (all periods using the same exchange rates) and comparable basis, unless otherwise noted.

Earnings before Interest Expense, Taxes, Depreciation and Amortization (EBITDA) and Adjusted EBITDA

EBITDA, presented herein, is a non-GAAP financial measure that reflects net income attributable to Hilton stockholder, excluding interest expense, a provision for income taxes, and depreciation and amortization. We consider EBITDA to be a useful measure of operating performance, due to the significance of our long-lived assets and level of indebtedness.

Adjusted EBITDA, presented herein, is calculated as EBITDA, as previously defined, further adjusted to exclude gains, losses and expenses in connection with (i) asset dispositions for both consolidated and unconsolidated investments, (ii) foreign currency transactions; (iii) debt restructurings/retirements; (iv) non-cash impairment charges; (v) furniture, fixtures and equipment, or FF&E, replacement reserves required under certain lease agreements; (vi) reorganization costs; (vii) share-based and certain other compensation expenses; (viii) severance, relocation and other expenses and (ix) other items.

EBITDA and Adjusted EBITDA are not recognized terms under generally accepted accounting principles in the United States, or U.S. GAAP, and should not be considered as alternatives to net income (loss) or other measures of financial performance or liquidity derived in accordance with U.S. GAAP. In addition, our definitions of EBITDA and Adjusted EBITDA may not be comparable to similarly titled measures of other companies.

We believe that EBITDA and Adjusted EBITDA provide useful information to investors about us and our financial condition and results of operations for the following reasons: (i) EBITDA and Adjusted EBITDA are among the measures used by our management team to evaluate our operating performance and make day-to-day operating decisions; and (ii) EBITDA and Adjusted EBITDA are frequently used by securities analysts, investors and other interested parties as a common performance measure to compare results or estimate valuations across companies in our industry.

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EBITDA and Adjusted EBITDA have limitations as analytical tools, and should not be considered either in isolation or as a substitute for profit (loss), cash flow or other methods of analyzing our results as reported under U.S. GAAP. Some of these limitations are:

- EBITDA and Adjusted EBITDA do not reflect changes in, or cash requirements for, our working capital needs;
- EBITDA and Adjusted EBITDA do not reflect our interest expense, or the cash requirements necessary to service interest or principal payments, on our indebtedness;
- EBITDA and Adjusted EBITDA do not reflect our tax expense or the cash requirements to pay our taxes;
- EBITDA and Adjusted EBITDA do not reflect historical cash expenditures or future requirements for capital expenditures or contractual commitments;
- EBITDA and Adjusted EBITDA do not reflect the impact on earnings or changes resulting from matters that we consider not to be indicative of our future operations;
- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and EBITDA and Adjusted EBITDA do not reflect any cash requirements for such replacements; and
- other companies in our industry may calculate EBITDA and Adjusted EBITDA differently, limiting their usefulness as comparative measures.

Because of these limitations, EBITDA and Adjusted EBITDA should not be considered as discretionary cash available to us to reinvest in the growth of our business or as measures of cash that will be available to us to meet our obligations.

Results of Operations

Our business has steadily improved in recent years, resulting in higher RevPAR on a year-over-year basis since 2010. We have experienced occupancy increases in all segments of our business and we have been able to increase rates in market segments where demand has outpaced supply. The following table presents hotel operating statistics for our system-wide comparable hotels:

	Six Months Ended June 30, 2013	Variance 2013 vs. 2012	Year Ended December 31,	Variance 2012 vs. 2011	Year Ended December 31,	Variance 2011 vs. 2010

			2012		2011	
Occupancy	72.3%	1.5% pts	71.1%	1.9% pts	69.7%	2.1% pts
ADR	$ 136.43	3.2%	$ 131.35	2.9%	$ 130.15	2.8%
RevPAR	$ 98.69	5.4%	$ 93.38	5.7%	$ 90.70	5.9%

We anticipate that if worldwide gross domestic product continues to exhibit growth, we will continue to experience increases in demand for lodging accommodations. Because this continued increase in demand is not expected to be met with a corresponding significant increase in hotel room supply in the near term, particularly in the U.S., we expect to see continued improvement in our operational and financial metrics. While we expect operating results at existing properties to improve and our business to continue to grow based on our business strengths and strategies that have and will continue to maximize our performance, our ability to do so is dependent in part on increases in discretionary spending and continued stabilization and recovery in the global economic environment. We also anticipate growth in our management and franchise fee business, driven both by improvements in performance at our existing hotels and by increases in the number of hotels in our system based on our management and franchise property development pipeline. However, should hotel developers experience difficulty in securing on-going financing for hotel projects or a decline in demand for any other reason, our pipeline may be adversely affected, resulting in delays in the opening of new hotels or decreases in the number of future properties that we could potentially manage or franchise.

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As of June 30, 2013, we had sales and marketing agreements with third-party developers to sell approximately 69,000 timeshare intervals. We expect sales and marketing agreements with third-party developers and resort operations to comprise a growing percentage of our timeshare revenue and revenues derived from the sale and financing of timeshare units developed by us to comprise a smaller percentage of our timeshare revenue in future periods, consistent with our strategy to focus our business on the management aspects and deploy less of our capital to asset construction. As a result of these changes, our overall timeshare segment revenue and segment Adjusted EBITDA is not expected to materially change.

Six Months Ended June 30, 2013 Compared with Six Months Ended June 30, 2012

During the six months ended June 30, 2013, we experienced system-wide improvement at our comparable hotels in occupancy, ADR, and RevPAR, compared to the six months ended June 30, 2012. As discussed above, trends in both occupancy and rate have been improving since 2010 and that momentum has carried into 2013. Despite challenges in specific markets, we were able to increase rates in markets where demand outpaced supply resulting in a 3.2 percent increase in system-wide ADR in the six months ended June 30, 2013, compared to the six months ended June 30, 2012. System-wide occupancy increased 1.5 percentage points in the six months ended June 30, 2013, compared to the six months ended June 30, 2012; and, the combination of improved occupancy and ADR drove a system-wide RevPAR increase of 5.4 percent in the six months ended June 30, 2013, compared to the six months ended June 30, 2012.

The system-wide increase in occupancy was led by our Asia Pacific region, which had an increase of 5.5 percentage points. In the Americas region, which includes the U.S., occupancy grew by 1.2 percentage points; however, RevPAR experienced a 5.3 percent increase due to increases in ADR of 3.6 percent during the six months ended June 30, 2013, compared to the six months ended June 30, 2012.

There continues to be political unrest and macroeconomic uncertainty in certain portions of the Europe, Middle East and Africa (EMEA) region; however, our hotels in the Middle East and Africa experienced a 14.1 percent increase in RevPAR in the six months ended June 30, 2013, compared to the six months ended June 30, 2012. Despite general economic weakness, our European hotels experienced a 4.4 percent increase in RevPAR in the six months ended June 30, 2013, compared to the six months ended June 30, 2012.

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Our overall operating performance during the six months ended June 30, 2013 improved when compared to the six months ended June 30, 2012, driven by improvements in both system-wide occupancy and ADR. Our results for the periods are as follows:

	Six Months Ended June 30, 2013	Six Months Ended June 30, 2012	Increase / (Decrease) $ change	Increase / (Decrease) % change
	(in millions)			
Revenues				
Owned and leased hotels	$ 1,984	$ 1,925	$ 59	3.1
Management and franchise fees and other	561	521	40	7.7
Timeshare	507	515	(8)	(1.6)
	3,052	2,961	91	3.1
Other revenues from managed and franchised properties	1,591	1,560	31	2.0
Total revenues	4,643	4,521	122	2.7
Expenses				
Owned and leased hotels	1,547	1,595	(48)	(3.0)
Timeshare	351	363	(12)	(3.3)
Depreciation and amortization	309	259	50	19.3
Impairment losses		16	(16)	NM[(1)]
General, administrative, and other	189	236	(47)	(19.9)
	2,396	2,469	(73)	(3.0)
Other expenses from managed and franchised properties	1,591	1,560	31	2.0
Total expenses	3,987	4,029	(42)	(1.0)
Operating income	656	492	164	33.3
Interest income	3	9	(6)	(66.7)
Interest expense	(274)	(281)	7	(2.5)
Equity in earnings (losses) from unconsolidated affiliates	8	(2)	10	NM[(1)]
Gain (loss) on foreign currency transactions	(82)	1	(83)	NM[(1)]
Other gain, net	6	9	(3)	(33.3)
Income before income taxes	317	228	89	39.0
Income tax expense	(122)	(112)	(10)	8.9
Net income	195	116	79	68.1
Net income attributable to noncontrolling interests	(6)	(2)	(4)	NM[(1)]
Net income attributable to Hilton stockholder	$ 189	$ 114	$ 75	65.8

(1) Fluctuation in terms of percentage change is not meaningful.

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	Six Months Ended June 30, 2013	Variance 2013 vs. 2012
Comparable Hotel Statistics		
Owned and leased hotels		
Occupancy	75.4%	1.4% pts
ADR	$ 187.82	3.4%
RevPAR	$ 141.53	5.3%
Managed and franchised hotels		
Occupancy	72.0%	1.5% pts
ADR	$ 131.01	3.3%
RevPAR	$ 94.38	5.5%
System-wide		
Occupancy	72.3%	1.5% pts
ADR	$ 136.43	3.2%
RevPAR	$ 98.69	5.4%

Revenues

	Six Months Ended June 30, 2013	Six Months Ended June 30, 2012	Percent Change 2013 vs. 2012
	(in millions)		
Owned and leased hotels	$ 1,984	$ 1,925	3.1
Management and franchise fees and other	561	521	7.7
Timeshare	507	515	(1.6)
	$ 3,052	$ 2,961	3.1

Revenues as presented in this section, excludes other revenues from managed and franchised properties of $1,591 million and $1,560 million during the six months ended June 30, 2013 and 2012, respectively.

Owned and leased hotels

During the six months ended June 30, 2013, the improved performance of our owned and leased hotels primarily was a result of improvement in RevPAR of 5.3 percent at our comparable owned and leased hotels.

As of June 30, 2013, we had 35 consolidated owned and leased hotels located in the U.S., comprising 24,050 rooms. Revenue at our U.S. owned and leased hotels for the six months ended June 30, 2013 and 2012 totaled $1,014 million and $931 million, respectively. The increase of $83 million, or 8.9 percent, was primarily driven by an increase in RevPAR of 7.5 percent, which was due to increases in ADR and occupancy at our U.S. comparable owned and leased hotels of 4.5 percent and 2.2 percentage points, respectively.

The increase in our U.S. owned and leased hotel revenue was driven by a combination of transient and group business. Room revenue from transient guests at our U.S. comparable owned and leased hotels increased 4.2 percent, primarily due to increased transient ADR of 3.6 percent. Room revenue from group travel at our U.S. comparable owned and leased hotels increased 7.8 percent, primarily due to increases in group ADR of 2.5 percent and group occupancy of

5.1 percent.

As of June 30, 2013, we had 89 consolidated owned and leased hotels located outside of the U.S., comprising 25,778 rooms. Revenue from our international (non-U.S.) owned and leased hotels totaled $970 million and $994 million for the six months ended June 30, 2013 and 2012, respectively. The revenue decrease of $24 million, or 2.4 percent, was primarily due to an unfavorable movement in foreign currency rates of

$30 million. On a currency neutral basis, international owned and leased hotel revenue was consistent in these periods.

Management and franchise fees and other

Management and franchise fee revenue for the six months ended June 30, 2013 and 2012 totaled $536 million and $495 million, respectively. The increase of $41 million, or 8.3 percent, in our management and franchise business reflects increases in RevPAR of 6.4 percent and 5.1 percent at our comparable managed and franchised properties, respectively. The increases in RevPAR for managed and franchised hotels were primarily driven by increased occupancy and rates charged to guests.

The addition of new hotels to our managed and franchised system also contributed to the growth in revenue. From June 30, 2012 to June 30, 2013 we added 39 managed properties on a net basis, contributing an additional 6,468 rooms to our system, as well as 107 franchised properties on a net basis, providing an additional 16,526 rooms to our system. As new hotels are established in our system, we expect the fees received from such hotels to increase as they are part of our system for full periods.

Other revenues for the six months ended June 30, 2013 and 2012 were relatively unchanged at $25 million and $26 million, respectively.

Timeshare

The decrease in timeshare revenue was primarily due to a decrease of approximately $59 million in real estate sales due to lower sales volumes on our developed properties, which we expect to continue as we further develop our capital light timeshare business. These decreases were partially offset by increases of $38 million in sales commissions and fees earned on projects developed by third-party developers, due to two properties comprising 1,033 units commencing sales after June 30, 2012. There were also increases of approximately $12 million in financing and other revenues.

Operating Expenses

	Six Months Ended June 30,		**Percent Change**
	2013	**2012**	**2013 vs. 2012**
	(in millions)		
Owned and leased hotels	$ 1,547	$ 1,595	(3.0)
Timeshare	351	363	(3.3)

Fluctuations in operating expenses at our owned and leased hotels can be related to various factors, including changes in occupancy levels, labor costs, utilities, taxes, and insurance costs. The change in the number of occupied room nights directly impacts certain variable expenses, which include payroll, supplies, and other operating expenses.

U.S. owned and leased hotel expense totaled $698 million and $680 million, respectively, for the six months ended June 30, 2013 and 2012. The increase of $18 million, or 2.6 percent, was partially due to increased occupancy of 2.2 percentage points at our comparable U.S. owned and leased hotels, which resulted in an increase in labor and utility costs. The expense increases resulting from increased occupancy were partially offset by the effects of cost mitigation strategies and operational efficiencies employed at all of our owned and leased properties.

International owned and leased hotel expense decreased $66 million, or 7.2 percent, to $849 million from $915 million. Foreign currency movements contributed $25 million of the decrease, as international owned and

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leased hotel expenses, on a currency neutral basis, decreased $41 million. The decrease in currency neutral expense was primarily due to decreases in rent expense resulting from lease terminations of certain properties (mainly in Europe) after June 30, 2012 and cost mitigation strategies and operational efficiencies employed at all of our owned and leased properties. Occupancy at our international comparable owned and leased hotels was relatively consistent period over period.

Timeshare expense decreased $12 million for the six months ended June 30, 2013, compared to the six months ended June 30, 2012. The decrease was primarily due to lower sales volume at our developed properties resulting in lower cost of sales, offset by an increase in sales and marketing expenses of $11 million for the six months ended June 30, 2013. This is consistent with the slight decrease in timeshare revenue during the same periods.

	Six Months Ended June 30,		Percent Change
	2013	2012	2013 vs. 2012
	(in millions)		
Depreciation and amortization	$ 309	$ 259	19.3

Depreciation and amortization expense increased $50 million primarily due to $311 million in capital expenditures between June 30, 2012 and June 30, 2013, resulting in additional depreciation on certain owned and leased assets in 2013. Amortization expense increased $24 million primarily due to capitalized software costs that were placed into service during the fourth quarter of 2012.

	Six Months Ended June 30,		Percent Change
	2013	2012	2013 vs. 2012
	(in millions)		
Impairment losses	$	$ 16	NM[(1)]

(1) Fluctuation in terms of percentage change is not meaningful.

During the first six months of 2012, certain specific markets and properties, particularly in our EMEA region, faced operating and competitive challenges. Such challenges caused a decline in expected future results for certain owned and leased properties, which caused us to evaluate the carrying values of these affected properties for impairment. As a result of this evaluation, we recognized impairment losses of $16 million related to our owned and leased hotels for the six months ended June 30, 2012.

	Six Months Ended June 30,		Percent Change
	2013	2012	2013 vs. 2012
	(in millions)		
General, administrative, and other expenses	$ 189	$ 236	(19.9)

General and administrative expenses consist of our corporate operations, compensation and related expenses, including share-based compensation, and other operating costs.

General and administrative expenses decreased $46 million from $211 million for the six months ended June 30, 2012 to $165 million for the six months ended June 30, 2013, primarily as a result of legal and other operating costs incurred during the six months ended June 30, 2012 that did not occur in the six months ended June 30, 2013. The decrease also included a $14 million decrease in share-based compensation expense due to the acceleration of certain payments under our share-based compensation plan in the first quarter of 2012. Additionally, there was a net periodic pension credit of $13 million on our pension plan in the United Kingdom (U.K. Pension Plan) during the first quarter of 2012, which resulted in a reduction to general and administrative expenses during the six months ended June 30, 2012.

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Other expenses were relatively unchanged at $24 million and $25 million for the six months ended June 30, 2013 and 2012, respectively.

Non-operating Income and Expenses

	Six Months Ended June 30, 2013	Six Months Ended June 30, 2012	Percent Change 2013 vs. 2012
	(in millions)		
Interest expense	$ 274	$ 281	(2.5)

Interest expense decreased $7 million as a result of reductions in our debt balances, including our unsecured notes, which were repaid in the fourth quarter of 2012, as well as additional unscheduled, voluntary debt payments of $700 million that occurred during the six months ended June 30, 2013.

The weighted average effective interest rate on our outstanding debt was approximately 3.2 percent and 3.1 percent for the six months ended June 30, 2013 and 2012, respectively.

	Six Months Ended June 30, 2013	Six Months Ended June 30, 2012	Percent Change 2013 vs. 2012
	(in millions)		
Equity in earnings (losses) from unconsolidated affiliates	$ 8	$ (2)	NM[1]

(1) Fluctuation in terms of percentage change is not meaningful.

The $10 million increase in equity in earnings (losses) from unconsolidated affiliates was primarily due to increased earnings of $4 million resulting from lower depreciation and amortization expense for the six months ended June 30, 2013, compared to the same period in 2012. In addition, for the six months ended June 30, 2012, we recognized $4 million of impairments losses on our equity investments, compared to none in the same period of 2013.

	Six Months Ended June 30, 2013	Six Months Ended June 30, 2012	Percent Change 2013 vs. 2012
	(in millions)		
Gain (loss) on foreign currency transactions	$ (82)	$ 1	NM[1]

(1) Fluctuation in terms of percentage change is not meaningful.

The net gain (loss) on foreign currency transactions primarily relates to changes in foreign currency rates relating to short-term cross-currency intercompany loans.

	Six Months Ended June 30,		Percent Change
	2013	2012	2013 vs. 2012
	(in millions)		
Other gain, net	$ 6	$ 9	(33.3)

The other gain, net for the six months ended June 30, 2013 was primarily related to a capital lease restructuring by one of our consolidated variable interest entities (VIEs) during the period. The revised terms reduced the future minimum lease payments, resulting in a reduction of the capital lease obligation and a residual amount, which was recorded in other gain, net.

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The other gain, net for the six months ended June 30, 2012 was primarily related to the pre-tax gain of $5 million resulting from the sale of our interest in an investment in affiliate accounted for under the equity method.

	Six Months Ended June 30, 2013	Six Months Ended June 30, 2012	Percent Change 2013 vs. 2012
	(in millions)		
Income tax expense	$ 122	$ 112	8.9

The effective income tax rate is determined by the level and composition of pre-tax income which is subject to federal, foreign, state, and local income taxes. The Company s effective tax rate for the six months ended June 30, 2013 was 39 percent, compared to 49 percent for the six months ended June 30, 2012. The tax rate for the six months ended June 30, 2013 was lower, primarily as a result of increases in unrecognized tax benefits that occurred during the six months ended June 30, 2012 that did not occur during the six months ended June 30, 2013.

Segment Results

We evaluate our business segment operating performance using segment Adjusted EBITDA, as described in Note 15: Business Segments in our unaudited condensed consolidated financial statements included elsewhere in this prospectus. Refer to those financial statements for a reconciliation of Adjusted EBITDA, a non-GAAP financial measure, to net income attributable to Hilton stockholder. For a discussion of our definition of EBITDA and Adjusted EBITDA, how management uses it to manage our business and material limitations on its usefulness, refer to Key Business and Financial Metrics Used by Management. The following table sets forth revenues and Adjusted EBITDA by segment, reconciled to consolidated amounts, for the six months ended June 30, 2013 and 2012:

	Six Months Ended June 30, 2013	Six Months Ended June 30, 2012	Percent Change 2013 vs. 2012
	(in millions)		
Revenues			
Ownership	$ 1,998	$ 1,942	2.9
Management and franchise	608	564	7.8
Timeshare	507	515	(1.6)
Segment revenues	3,113	3,021	3.0
Other revenues from managed and franchised properties	1,591	1,560	2.0
Other	30	30	0.0
Intersegment fees elimination(1)(2)(3)	(91)	(90)	1.1
	$ 4,643	$ 4,521	2.7
Adjusted EBITDA:			
Ownership(1)(4)	$ 445	$ 358	24.3
Management and franchise(2)	608	564	7.8
Timeshare	119	113	5.3

Corporate and other[3]	(135)	(148)	(8.8)
	$ 1,037	$ 887	16.9

[1] Includes charges to our timeshare segment by our ownership segment for rental fees and fees for other amenities, which are eliminated in our condensed consolidated financial statements. These charges totaled $12 million and $15 million for the six months ended June 30, 2013 and 2012, respectively. While the net impact is zero, our measure of segment Adjusted EBITDA includes these fees as a benefit to the ownership

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segment and a cost to the timeshare segment. Additionally, includes various other intercompany charges of $2 million for the six months ended June 30, 2013 and 2012, which are eliminated in our condensed consolidated financial statements.

(2) Includes management, royalty, and intellectual property fees of $47 million and $45 million for the six months ended June 30, 2013 and 2012, respectively. These fees are charged to consolidated owned and leased properties and are eliminated in our condensed consolidated financial statements. Also, includes a licensing fee of $25 million and $24 million for the six months ended June 30, 2013 and 2012, respectively, which is charged to our timeshare segment by our management and franchise segment and is eliminated in our condensed consolidated financial statements.

(3) Includes charges to consolidated owned and leased properties for laundry services of $5 million and $4 million for the six months ended June 30, 2013 and 2012, respectively. These charges are earned by our Other category and therefore are eliminated in our condensed consolidated financial statements.

(4) Includes Adjusted EBITDA from unconsolidated affiliates.

Ownership

Ownership segment revenues increased primarily due to an improvement in RevPAR of 5.3 percent at our comparable owned and leased hotels. Refer to Revenues Owned and leased hotels within this section for further discussion on the increase in revenues from our comparable owned and leased hotels. Our ownership segment s Adjusted EBITDA increased primarily as a result of the increase in ownership segment revenues of $56 million and the decrease in operating expenses of $48 million at our owned and leased hotels. Refer to Operating Expenses Owned and leased hotels within this section for further discussion on the decrease in operating expenses at our owned and leased hotels.

Management and franchise

Management and franchise segment revenues increased primarily as a result of increases in RevPAR of 6.4 percent and 5.1 percent at our comparable managed and franchised properties, respectively, and the net addition of hotels added to our managed and franchised system. Refer to Revenues Management and franchise fees and other within this section for further discussion on the increase in revenues from our comparable managed and franchised properties. Our management and franchise segment s Adjusted EBITDA increased as a result of the increase in management and franchise segment revenues.

Timeshare

Refer to Revenues Timeshare within this section for a discussion of the decrease in revenues from our timeshare segment. Our timeshare segment s Adjusted EBITDA increased as a result of the $12 million decrease in timeshare operating expense, offset by an $8 million decrease in timeshare revenue. Refer to Operating Expenses Timeshare within this section for a discussion of the decrease in operating expenses from our timeshare segment.

Year Ended December 31, 2012 Compared with Year Ended December 31, 2011

For 2012, the growth in hotel room demand continued from 2011 and 2010, as we experienced system-wide improvement in occupancy, ADR, and RevPAR, compared to the year ended December 31, 2011. Despite challenges in specific markets, we were able to increase rates in markets where demand outpaced supply resulting in a 2.9 percent increase in system-wide ADR in the year ended December 31, 2012, compared to the year ended December 31, 2011. System-wide occupancy increased 1.9 percentage points in the year ended December 31, 2012, compared to the year ended December 31, 2011; and, the combination of improved occupancy and ADR drove a system-wide RevPAR increase of 5.7 percent in the year ended December 31, 2012, compared to the year ended December 31, 2011.

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The system-wide increase in occupancy was led by our Asia Pacific region, which had an increase of 4.8 percentage points, and was lagged by our European hotels, which had a growth in occupancy of 1.3 percentage points. Our European hotels experienced a 2.5 percent increase in RevPAR in the year ended December 31, 2012, compared to the year ended December 31, 2011, partially attributable to the 2012 Summer Olympics held in London. While political unrest in portions of the Middle East continued throughout 2012, the Middle East and Africa experienced a 2.8 percent increase in RevPAR in the year ended December 31, 2012, compared to the year ended December 31, 2011.

As of December 31, 2012, we had ten hotels in Japan, five of which were included in our ownership segment. Additionally, HGV had eight sales centers and offices in Japan. None of our hotels or offices in Japan were damaged in the March 2011 earthquake and tsunami. Our Japanese operations stabilized during the third quarter of 2011 and, from that time on, our Japanese hotels have experienced continued improvement in RevPAR, which increased 14.9 percent in the year ended December 31, 2012, compared to the year ended December 31, 2011 and supported the increase in RevPAR of 8.7 percent in our Asia Pacific region between periods. The Asia Pacific region experienced the largest increase in RevPAR of all our regions from 2011.

	Year Ended December 31, 2012	Year Ended December 31, 2011	Increase / (Decrease) $ change	Increase / (Decrease) % change
	(in millions)			
Revenues				
Owned and leased hotels	$ 3,979	$ 3,898	$ 81	2.1
Management and franchise fees and other	1,088	1,014	74	7.3
Timeshare	1,085	944	141	14.9
	6,152	5,856	296	5.1
Other revenues from managed and franchised properties	3,124	2,927	197	6.7
Total revenues	9,276	8,783	493	5.6
Expenses				
Owned and leased hotels	3,230	3,213	17	0.5
Timeshare	758	668	90	13.5
Depreciation and amortization	550	564	(14)	(2.5)
Impairment losses	54	20	34	NM(1)
General, administrative, and other	460	416	44	10.6
	5,052	4,881	171	3.5
Other expenses from managed and franchised properties	3,124	2,927	197	6.7
Total expenses	8,176	7,808	368	4.7
Operating income	1,100	975	125	12.8
Interest income	15	11	4	36.4
Interest expense	(569)	(643)	74	(11.5)
Equity in losses from unconsolidated affiliates	(11)	(145)	134	(92.4)
Gain (loss) on foreign currency transactions	23	(21)	44	NM(1)
Other gain, net	15	19	(4)	(21.1)

Income before income taxes	573	196	377	NM[1]
Income tax benefit (expense)	(214)	59	(273)	NM[1]
Net income	359	255	104	40.8
Net income attributable to noncontrolling interests	(7)	(2)	(5)	NM[1]
Net income attributable to Hilton stockholder	$ 352	$ 253	$ 99	39.1

(1) Fluctuation in terms of percentage change is not meaningful.

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	Year Ended December 31, 2012	Variance 2012 vs. 2011
Comparable Hotel Statistics		
Owned and leased hotels		
Occupancy	74.5%	2.3%pts
ADR	$ 183.29	1.0%
RevPAR	$ 136.55	4.2%
Managed and franchised hotels		
Occupancy	70.8%	1.9%pts
ADR	$ 126.17	3.0%
RevPAR	$ 89.34	5.8%
System-wide		
Occupancy	71.1%	1.9%pts
ADR	$ 131.35	2.9%
RevPAR	$ 93.38	5.7%

Revenues

	Year ended December 31, 2012	2011	Percent Change 2012 vs. 2011
	(in millions)		
Owned and leased hotels	$ 3,979	$ 3,898	2.1
Management and franchise fees and other	1,088	1,014	7.3
Timeshare	1,085	944	14.9
	$ 6,152	$ 5,856	5.1

Revenues as presented in this section, excludes other revenues from managed and franchised properties of $3,124 million and $2,927 million during the years ended December 31, 2012 and 2011, respectively.

Owned and leased hotels

During the year ended December 31, 2012, the improved performance of our owned and leased hotels primarily was a result of improvement in RevPAR of 4.2 percent at our comparable owned and leased hotels.

As of December 31, 2012, we had 35 consolidated owned and leased hotels located in the U.S., comprising 24,054 rooms. Revenue at our U.S. owned and leased hotels for the years ended December 31, 2012 and 2011 totaled $1,922 million and $1,822 million, respectively. The increase of $100 million, or 5.5 percent, was primarily driven by an increase in RevPAR of 5.1 percent, which was due to increases in ADR and occupancy at our U.S. comparable owned and leased hotels of 1.5 percent and 2.7 percentage points, respectively.

Room revenue from transient guests at our U.S. comparable owned and leased hotels increased 10.4 percent, due to increases in transient ADR of 2.9 percent and transient occupancy of 7.3 percent. The increased transient room revenue was in part offset by decreases in room revenue from group travel at our U.S. comparable owned and leased hotels of 3.0 percent during the year ended December 31, 2012, compared to the year ended December 31, 2011. The decrease in group room revenue at our U.S. comparable owned and leased hotels was primarily due to one large group at one hotel driving significant group room revenue in 2011 that did not recur in 2012. Excluding this one hotel from the prior year results, our group room revenue at our U.S. comparable owned and leased hotels increased 2.0 percent.

As of December 31, 2012, we had 94 consolidated owned and leased hotels located outside of the U.S., comprising 26,565 rooms. Revenue from our international owned and leased hotels totaled $2,057 million and $2,076 million for the years ended December 31, 2012 and December 31, 2011, respectively. The revenue decrease of $19 million, or 0.9 percent, was primarily due to an unfavorable movement in foreign currency rates of $76 million. On a currency neutral basis, international owned and leased hotel revenue increased $57 million, or 2.9 percent. The increase was primarily driven by an increase in RevPAR of 3.4 percent, which was due to an increase in occupancy at our comparable international owned and leased hotels of 1.9 percentage points, while ADR remained relatively consistent period over period. The increase was also due to recovery in Japan as operations stabilized in the third quarter of 2011 after the natural disasters negatively impacted revenues for the first half of 2011. This recovery, on a currency neutral basis, resulted in an increase in RevPAR at our comparable Japanese owned and leased hotels of 18.2 percent, which was driven by an increase in occupancy and ADR of 10.5 percentage points and 2.1 percent, respectively.

Management and franchise fees and other

Management and franchise fee revenue for the years ended December 31, 2012 and 2011 totaled $1,032 million and $965 million, respectively. The increase of $67 million, or 6.9 percent, in our management and franchise business reflects increases in RevPAR of 4.9 percent and 6.2 percent at our comparable managed and franchised properties, respectively. The increases in RevPAR for both comparable periods for managed and franchised hotels were primarily driven by increased occupancy and rates charged to guests.

The addition of new hotels to our managed and franchised system also contributed to the growth in revenue. We added 13 managed properties on a net basis, contributing an additional 4,265 rooms to our system, as well as 107 franchised properties on a net basis, providing an additional 14,007 rooms to our system. As new hotels are established in our system, we expect the fees received from such hotels to increase as they are part of our system for full periods.

Other revenues increased $7 million, or 14.3 percent, between periods, totaling $56 million and $49 million, respectively, for the years ended December 31, 2012 and 2011.

Timeshare

Timeshare revenue for the year ended December 31, 2012 was $1,085 million, an increase of $141 million, or 14.9 percent, from $944 million during the year ended December 31, 2011. This increase was primarily due to a $66 million increase in revenue from the sale of timeshare units developed by us, as well as an increase of $46 million in sales commissions and fees earned on projects developed by third parties. Additionally, our revenue from resorts operations and financing and other revenues both increased $9 million.

Operating Expenses

	Year ended December 31,		**Percent Change**
	2012	**2011**	**2012 vs. 2011**
	(in millions)		
Owned and leased hotels	$ 3,230	$ 3,213	0.5
Timeshare	758	668	13.5

U.S. owned and leased hotel expense totaled $1,370 million and $1,345 million, respectively, for the years ended December 31, 2012 and 2011. The increase of $25 million, or 1.9 percent, was partially due to increased occupancy of 2.7 percentage points at our comparable U.S. owned and leased hotels, which resulted in an increase in labor and utility costs. The increase was also due to increases to sales and marketing expenses, insurance expenses, and property taxes at our U.S. owned and leased hotels.

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International owned and leased hotel expense decreased $8 million, or 0.4 percent, to $1,860 million from $1,868 million, respectively, for the year ended December 31, 2012 compared to the year ended December 31, 2011. However, there were foreign currency movements of $66 million between the years ended December 31, 2012 and 2011, which decreased owned and leased hotel expenses. International owned and leased hotel expenses, on a currency neutral basis, increased $58 million. The increase in currency neutral expense was primarily due to increased occupancy of 1.9 percentage points at our comparable international owned and leased hotels, which resulted in an increase in variable operating expenses and energy costs. The increase was also due to increases in rent expenses, certain of which have a variable component based on hotel revenues or profitability, as well as repair and maintenance expenses, insurance expenses, and property taxes at our international owned and leased hotels.

Timeshare expense increased $90 million for the year ended December 31, 2012, compared to the year ended December 31, 2011 primarily due to increased sales, marketing, general, and administrative costs associated with the increase in timeshare revenue during the same period.

	Year ended December 31,		Percent Change
	2012	2011	2012 vs. 2011
	(in millions)		
Depreciation and amortization	$ 550	$ 564	(2.5)

Depreciation and amortization expense decreased $14 million for the year ended December 31, 2012, compared to the year ended December 31, 2011. Depreciation expense, including amortization of assets recorded under capital leases, decreased $33 million primarily due to capital lease amendments which resulted in extending asset useful lives in the second half of 2011, as well as 2011 impairments, which resulted in lower depreciable asset bases for 2012. These instances led to lower depreciation expense on the same assets for the year ended December 31, 2012 compared to the year ended December 31, 2011. Amortization expense increased $19 million primarily due to capitalized software that was placed in service during the year ended December 31, 2012.

	Year ended December 31,		Percent Change
	2012	2011	2012 vs. 2011
	(in millions)		
Impairment losses	$ 54	$ 20	NM(1)

(1) Fluctuation in terms of percentage change is not meaningful.

During the year ended December 31, 2012, certain specific markets and properties, particularly in Europe, continued to face operating and competitive challenges. Such challenges caused a decline in market value of certain corporate buildings in the current year and in expected future results for certain owned and leased properties, which caused us to evaluate the carrying values of these affected properties for impairment. During 2012, we recognized impairment losses of $42 million related to our owned and leased hotels, $11 million of impairment losses related to certain corporate office facilities, and $1 million of impairment losses related to one cost method investment. During 2011, we recognized impairment losses of $17 million related to our owned and leased hotels and $3 million on timeshare properties.

	Year ended December 31, 2012	Year ended December 31, 2011	Percent Change 2012 vs. 2011
	(in millions)		
General, administrative, and other expense	$ 460	$ 416	10.6

General and administrative expenses consist of our corporate operations, compensation and related expenses, including share-based compensation, and other operating costs.

General and administrative expenses for the years ended December 31, 2012 and 2011 totaled $398 million and $377 million, respectively. In 2011, we recorded a one-time $20 million insurance recovery related to a prior year legal settlement. Excluding this recovery, general and administrative expenses increased $1 million for the year ended December 31, 2012, compared to the year ended December 31, 2011. The increase includes a $31 million increase in share-based compensation expense due to the acceleration of certain payments under our share-based compensation plan. These increases were offset by decreases in employee retirement costs from the acceleration of a $13 million prior service credit relating to the freeze of our U.K. Pension Plan agreed to in March 2012, reorganization costs of $16 million that were recorded in 2011, and other operating costs.

Other expenses were $62 million and $39 million, respectively, for the years ended December 31, 2012 and 2011. This increase of $23 million was due to an increase of $16 million in various operating expenses incurred for the incidental support of hotel operations and an increase of $3 million for guarantee payments.

Non-operating Income and Expenses

	Year ended December 31, 2012	Year ended December 31, 2011	Percent Change 2012 vs. 2011
	(in millions)		
Interest expense	$ 569	$ 643	(11.5)

Interest expense decreased $74 million for the year ended December 31, 2012, compared to the year ended December 31, 2011. The decrease in interest expense was attributable to debt payments during the fourth quarter 2011, which resulted in lower 2012 debt principal balances to which interest was applied.

The weighted average effective interest rate on our outstanding debt was approximately 3.4 percent and 3.7 percent for the years ended December 31, 2012 and 2011, respectively.

	Year ended December 31, 2012	Year ended December 31, 2011	Percent Change 2012 vs. 2011
	(in millions)		
Equity in losses from unconsolidated affiliates	$ 11	$ 145	(92.4)

The $134 million decrease in the loss from prior year was primarily due to other-than-temporary impairments on our equity investments of $19 million for the year ended December 31, 2012, as compared to other-than-temporary impairments of $141 million for the year ended December 31, 2011 resulting from declines in certain joint ventures current and expected future operating results.

	Year ended December 31, 2012	Year ended December 31, 2011	Percent Change 2012 vs. 2011
	(in millions)		
Gain (loss) on foreign currency transactions	$ 23	$ (21)	NM[1]

(1) Fluctuation in terms of percentage change is not meaningful.

The net gain (loss) on foreign currency transactions primarily relates to changes in foreign currency rates relating to short-term cross-currency intercompany loans.

	Year ended December 31, 2012	2011	Percent Change 2012 vs. 2011
	(in millions)		
Other gain, net	$ 15	$ 19	(21.1)

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The other gain, net for the year ended December 31, 2012 was primarily related to a pre-tax gain of $5 million resulting from the sale of our interest in an investment in affiliate accounted for under the equity method, as well as a $6 million gain due to the resolution of certain contingencies relating to historical asset sales.

The other gain, net for the year ended December 31, 2011 was primarily due to a gain of $16 million on the sale of our former headquarters building in Beverly Hills, California, as well a gain of $13 million related to the restructuring of a capital lease. These gains were offset by a loss of $10 million related to the sale of our interest in a hotel development joint venture.

	Year ended December 31, 2012	Year ended December 31, 2011	Percent Change 2012 vs. 2011
	(in millions)		
Income tax benefit (expense)	$ (214)	$ 59	NM[(1)]

(1) Fluctuation in terms of percentage change is not meaningful.

Our income tax expense for the year ended December 31, 2012 was primarily a result of $201 million related to our U.S. federal income tax provision. For the year ended December 31, 2011, our income tax expense, which was primarily related to $69 million and $50 million in U.S. federal and foreign income tax provision, respectively, was offset by a release of $182 million in valuation allowance against our deferred tax assets related to U.S. federal foreign tax credits resulting in an overall tax benefit. Based on our consideration of all positive and negative evidence available, we believe that it is more likely than not we will be able to realize our U.S. federal foreign tax credits.

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Segment Results

We evaluate our business segment operating performance using segment revenue and segment Adjusted EBITDA, as described in Note 22: Business Segments in our audited consolidated financial statements included elsewhere in this prospectus. Refer to those financial statements for a reconciliation of Adjusted EBITDA, a non-GAAP financial measure, to net income attributable to Hilton stockholder. For a discussion of our definition of EBITDA and Adjusted EBITDA, how we use it and material limitation on its usefulness, refer to Key Business and Financial Metrics Used by Management. The following table sets forth revenues and Adjusted EBITDA by segment, reconciled to consolidated amounts, for the years ended December 31, 2012 and 2011:

	Year ended December 31,		Percent Change
	2012	2011	2012 vs. 2011
	(in millions)		
Revenues			
Ownership	$ 4,006	$ 3,926	2.0
Management and franchise	1,180	1,095	7.8
Timeshare	1,085	944	14.9
Segment revenues	6,271	5,965	5.1
Other revenues from managed and franchised properties	3,124	2,927	6.7
Other	66	58	13.8
Intersegment fees elimination(1)(2)(3)	(185)	(167)	10.8
	$ 9,276	$ 8,783	5.6
Adjusted EBITDA:			
Ownership(1)(4)	$ 793	$ 725	9.4
Management and franchise(2)	1,180	1,095	7.8
Timeshare	252	207	21.7
Corporate and other(3)	(269)	(274)	(1.8)
	$ 1,956	$ 1,753	11.6

(1) Includes charges to our timeshare segment by our ownership segment for rental fees and fees for other amenities, which are eliminated in our consolidated financial statements. These charges totaled $24 million and $27 million for the years ended December 31, 2012 and 2011, respectively. While the net impact is zero, our measure of segment Adjusted EBITDA includes these fees as a benefit to ownership Adjusted EBITDA and a cost to the timeshare segment. Additionally, includes various other intercompany charges of $3 million for the year ended December 31, 2012, which are eliminated in our consolidated financial statements.

(2) Includes management, royalty, and intellectual property fees of $96 million and $88 million for the years ended December 31, 2012 and 2011, respectively. These fees are charged to consolidated owned and leased properties

and are eliminated in our consolidated financial statements. Also, includes a licensing fee of $52 million and $43 million for the years ended December 31, 2012 and 2011, respectively, charged to our timeshare segment by our management and franchise segment and eliminated in our consolidated financial statements. While the net impact is zero, our measure of segment Adjusted EBITDA includes these fees as a benefit to management and franchise Adjusted EBITDA and a cost to the ownership and timeshare segments.

(3) Includes charges to consolidated owned and leased properties for laundry services of $10 million and $9 million for the years ended December 31, 2012 and 2011, respectively. These charges are earned by our Other category and therefore are eliminated in our consolidated financial statements.

(4) Includes unconsolidated affiliate Adjusted EBITDA.

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Ownership

Ownership segment revenues increased primarily due to an improvement in RevPAR of 4.2 percent at our comparable owned and leased hotels. Refer to Revenues Owned and leased hotels within this section for further discussion on the increase in revenues from our comparable owned and leased hotels. Our ownership segment s Adjusted EBITDA increased primarily as a result of the increase in ownership segment revenues of $80 million offset by an increase in operating expenses of $17 million at our owned and leased hotels. Refer to Operating Expenses Owned and leased hotels within this section for further discussion on the increase in operating expenses at our owned and leased hotels.

Management and franchise

Management and franchise segment revenues increased primarily as a result of increases in RevPAR of 4.9 percent and 6.2 percent at our comparable managed and franchised properties, respectively, and the net addition of hotels added to our managed and franchised system. Refer to Revenues Management and franchise fees and other within this section for further discussion on the increase in revenues from our comparable managed and franchised properties. Our management and franchise segment s Adjusted EBITDA increased as a result of the increase in management and franchise segment revenues.

Timeshare

Refer to Revenues Timeshare within this section for a discussion of the increase in revenues from our timeshare segment. Our timeshare segment s Adjusted EBITDA increased as a result of the $141 million increase in timeshare revenue, offset by a $90 million increase in timeshare operating expenses. Refer to Operating Expenses Timeshare within this section for a discussion of the increase in operating expenses from our timeshare segment.

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Year Ended December 31, 2011 Compared with Year Ended December 31, 2010

In 2011, we continued to experience the recovery in hotel room demand that began in 2010, as we had system-wide improvement in occupancy, ADR, and RevPAR during the year ended December 31, 2011 compared to the year ended December 31, 2010. System-wide occupancy increased 2.1 percentage points, in the year ended December 31, 2011, compared to the year ended December 31, 2010, although certain geographic regions had lower growth or occupancy, which was driven by unrest in the Middle East and the tsunami in Japan. Despite challenges in specific markets, we were able to increase rates in markets where demand outpaced supply. System-wide ADR increased 2.8 percent, on a currency neutral basis, in the year ended December 31, 2011, compared to the year ended December 31, 2010, reflecting an improvement in pricing power and stronger year-over-year revenue from business travel. The combination of improved occupancy and ADR drove a system-wide RevPAR increase of 5.9 percent, on a currency neutral basis, in the year ended December 31, 2011, compared to the year ended December 31, 2010.

	Year Ended December 31,		**Increase / (Decrease)**	
	2011	**2010**	**$ change**	**% change**
	(in millions)			
Revenues				
Owned and leased hotels	$ 3,898	$ 3,667	$ 231	6.3
Management and franchise fees and other	1,014	901	113	12.5
Timeshare	944	863	81	9.4
	5,856	5,431	425	7.8
Other revenues from managed and franchised properties	2,927	2,637	290	11.0
Total revenues	8,783	8,068	715	8.9
Expenses				
Owned and leased hotels	3,213	3,009	204	6.8
Timeshare	668	634	34	5.4
Depreciation and amortization	564	574	(10)	(1.7)
Impairment losses	20	24	(4)	(16.7)
General, administrative, and other	416	637	(221)	(34.7)
	4,881	4,878	3	0.1
Other expenses from managed and franchised properties	2,927	2,637	290	11.0
Total expenses	7,808	7,515	293	3.9
Operating income	975	553	422	76.3
Interest income	11	9	2	22.2
Interest expense	(643)	(946)	303	(32.0)
Equity in losses from unconsolidated affiliates	(145)	(12)	(133)	NM(1)
Gain (loss) on foreign currency transactions	(21)	18	(39)	NM(1)
Gain on debt restructuring		789	(789)	NM(1)
Other gain, net	19	8	11	NM(1)
Income before income taxes	196	419	(223)	(53.2)

Income tax benefit (expense)	59	(308)	367	NM[1]
Net income	255	111	144	NM[1]
Net loss (income) attributable to noncontrolling interests	(2)	17	(19)	NM[1]
Net income attributable to Hilton stockholder	$ 253	$ 128	$ 125	97.7

(1) Fluctuation in terms of percentage change is not meaningful.

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	Year Ended December 31, 2011	Variance 2011 vs. 2010
Comparable Hotel Statistics		
Owned and leased hotels		
Occupancy	73.7%	0.1%pts
ADR	$ 186.56	4.1%
RevPAR	$ 137.41	4.3%
Managed and franchised hotels		
Occupancy	69.4%	2.3%pts
ADR	$ 124.11	2.7%
RevPAR	$ 86.09	6.3%
System-wide		
Occupancy	69.7%	2.1%pts
ADR	$ 130.15	2.8%
RevPAR	$ 90.70	5.9%

Revenues

	Year ended December 31, 2011	Year ended December 31, 2010	Percent Change 2011 vs. 2010
	(in millions)		
Owned and leased hotels	$ 3,898	$ 3,667	6.3
Management and franchise fees and other	1,014	901	12.5
Timeshare	944	863	9.4
	$ 5,856	$ 5,431	7.8

Revenues as presented in this section, excludes other revenues from managed and franchised properties of $2,927 million and $2,637 million during the years ended December 31, 2011 and 2010, respectively.

Owned and leased hotels

During the year ended December 31, 2011, the improved performance of our owned and leased hotels primarily was a result of an increase in RevPAR of 4.3 percent at our comparable owned and leased hotels and an additional $35 million in revenue from the Hilton Orlando Lake Buena Vista, which we acquired in August 2010.

As of December 31, 2011, we had 35 consolidated owned and leased hotels located in the U.S., comprising 24,044 rooms. Revenue at our U.S. owned and leased hotels for the years ended December 31, 2011 and 2010 totaled $1,822 million and $1,707 million, respectively. The increase of $115 million, or 6.7 percent, was primarily driven by an increase in RevPAR of 5.1 percent, which was due to an increase in ADR at our U.S. comparable owned and leased hotels of 5.1 percent, while occupancy remained consistent.

Room revenue from group travel at our U.S. comparable owned and leased hotels increased 8.1 percent, due to increases in group ADR and group occupancy of 4.4 percent and 3.6 percent, respectively. Room revenue from transient guests at our U.S. comparable owned and leased hotels increased 3.3 percent, due to an increase in transient

ADR of 6.0 percent, offset by a decrease in transient occupancy of 2.5 percent.

As of December 31, 2011, we had 94 consolidated owned and leased hotels located outside of the U.S., comprising 26,578 rooms. Revenue from our international owned and leased hotels totaled $2,076 million and $1,960 million for the years ended December 31, 2011 and December 31, 2010, respectively. The revenue increase of $116 million, or 5.9 percent, was primarily due to a favorable movement in foreign currency rates of

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$82 million. On a currency neutral basis, international owned and leased hotel revenue increased $34 million, or 1.7 percent. The increase was primarily driven by an increase in RevPAR of 3.6 percent, which was due to an increase in ADR at our comparable international owned and leased hotels of 3.3 percent, while occupancy remained relatively flat.

Management and franchise fees and other

Management and franchise fee revenue for the years ended December 31, 2011 and 2010 totaled $965 million and $851 million, respectively. The increase of $114 million, or 13.4 percent, in our management and franchise business reflects increases in RevPAR of 4.9 percent and 6.8 percent at our comparable managed and franchised properties, respectively. The increases in RevPAR for both comparable periods for managed and franchised hotels were primarily driven by global economic recovery. Additionally, we recognized $24 million of termination fees during 2011, primarily related to the early termination of two management contracts.

The addition of new hotels to our managed and franchised system also contributed to the growth in revenue. We added 32 managed properties on a net basis, contributing an additional 8,122 rooms to our system, as well as 103 franchised properties on a net basis, providing an additional 15,431 rooms to our system. As new hotels are established in our system, we expect the fees received from such hotels to increase as they are part of our system for full periods.

Other revenues decreased $1 million, or 2.0 percent, between periods, totaling $49 million and $50 million, respectively, for the years ended December 31, 2011 and 2010.

Timeshare

Timeshare revenue for the year ended December 31, 2011 was $944 million, an increase of $81 million, or 9.4 percent, from $863 million during the year ended December 31, 2010. This increase was primarily due to an increase of $28 million in sales and marketing fee revenue from selling timeshare properties developed by third parties and a $23 million increase in revenue from the sale of timeshare units developed by us. Our revenue from resort operations and financing and other revenues also increased $19 million and $7 million, respectively.

Operating Expenses

	Year ended December 31,		Percent Change
	2011	2010	2011 vs. 2010
	(in millions)		
Owned and leased hotels	$ 3,213	$ 3,009	6.8
Timeshare	668	634	5.4

U.S. owned and leased hotel expense totaled $1,345 million and $1,256 million, respectively, for the years ended December 31, 2011 and 2010. As occupancy was relatively unchanged between the years, the increase of $89 million, or 7.1 percent, was primarily due to increases in wages and benefits, energy costs, as well as an increase in food and beverage expenses at our U.S. comparable owned and leased hotels, which correlates with the increase in food and beverage revenue at those hotels.

International owned and leased hotel expense increased $115 million, or 6.6 percent, from $1,753 million to $1,868 million, respectively, for the year ended December 31, 2011, compared to the year ended December 31, 2010. The primary driver of this increase was foreign currency movements of $70 million between the years ended December 31, 2011 and 2010. International owned and leased hotel expenses, on a currency neutral basis, increased $45 million. As occupancy remained relatively consistent, the increase in currency neutral expense was primarily due to increases in wages and benefits at our international owned and leased hotels.

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Timeshare expense increased $34 million for the year ended December 31, 2011, compared to the year ended December 31, 2010, primarily due to increased sales, marketing, general, and administrative costs as well as increased timeshare cost of sales.

	Year ended December 31,		Percent Change
	2011	2010	2011 vs. 2010
	(in millions)		
Depreciation and amortization	$ 564	$ 574	(1.7)

Depreciation and amortization expense decreased $10 million for the year ended December 31, 2011, compared to the year ended December 31, 2010, due to certain furniture, fixtures, and equipment being fully depreciated in 2011.

	Year ended December 31,		Percent Change
	2011	2010	2011 vs. 2010
	(in millions)		
Impairment losses	$ 20	$ 24	(16.7)

While the performance of our owned and leased portfolio generally improved during 2011, certain segments and markets continued to face challenges. Such challenges caused a decline in 2011 results and expected future results for certain owned and leased properties, which caused us to evaluate the carrying values of specific owned and leased properties. During 2011, we recognized impairment on various property and equipment, including $17 million related to our owned and leased hotels and $3 million on timeshare properties. During 2010, we recognized impairment of $23 million related to our owned and leased hotels and $1 million on timeshare properties.

	Year ended December 31,		Percent Change
	2011	2010	2011 vs. 2010
	(in millions)		
General, administrative, and other expenses	$ 416	$ 637	(34.7)

General and administrative expenses consist of our corporate operations, compensation and related expenses, including share-based compensation, and other operating costs.

General and administrative expenses for the years ended December 31, 2011 and 2010 totaled $377 million and $578 million, respectively. In 2011, we recorded a one-time $20 million insurance recovery related to a prior year legal settlement. In 2010, we recorded $150 million of expense related to a legal settlement. Excluding this recovery and legal settlement, general and administrative expenses decreased $31 million. The decrease was primarily due to higher share-based compensation expense in 2010 of $37 million, resulting from the modification of our share-based compensation plan, offset by increases in various other general and administrative costs.

Other expenses were $39 million and $59 million, respectively, for the years ended December 31, 2011 and 2010. This decrease of $20 million, or 33.9 percent, was due to a decrease of $9 million in guarantee payments related to management contracts and a net decrease of $11 million in various operating expenses incurred for the incidental support of hotel operations.

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Non-operating Income and Expenses

	Year ended December 31,		Percent Change
	2011	2010	2011 vs. 2010
	(in millions)		
Interest expense	$ 643	$ 946	(32.0)

Interest expense decreased $303 million for the year ended December 31, 2011, compared to the year ended December 31, 2010. The decrease was primarily due to a decrease in our long-term debt that occurred as a result of the restructuring (the Debt Restructuring) of our senior mortgage loan and our secured mezzanine loans (collectively, the Secured Debt) in April 2010. The Debt Restructuring resulted in a $4.0 billion overall reduction in our indebtedness. Additionally, the decrease is the result of a reduction in the long-term debt balance due to principal payments of $726 million made during the year ended December 31, 2011 and the expiration of our interest rate swaps at the end of 2010. This decrease was partially offset by an increase in the interest rate spreads on certain portions of the Secured Debt in conjunction with the Debt Restructuring. The increases in the interest rate spreads were partially offset by a decrease in the London Interbank Offered Rate (LIBOR) between periods (see Liquidity and Capital Resources) and the reduction of the principal of third-party debt.

The weighted average effective interest rate on our outstanding debt was approximately 3.7 percent and 4.9 percent for the years ended December 31, 2011 and 2010, respectively.

	Year ended December 31,		Percent Change
	2011	2010	2011 vs. 2010
	(in millions)		
Equity in losses from unconsolidated affiliates	$ 145	$ 12	NM[1]

[1] Fluctuation in terms of percentage change is not meaningful.

The increase in the loss from prior year was primarily due to other-than-temporary impairments on our equity investments of $141 million for the year ended December 31, 2011, as compared to other than temporary impairments of $6 million for the year ended December 31, 2010. In connection with the economic downturn and recent valuations received for our equity method investments, which indicate a lack of recoverability to the fair values assigned during our acquisition in October 2007, we determined that we had an other-than-temporary impairment on 20 and three of our equity method investments during 2011 and 2010, respectively. These impairments resulted from declines in certain hotel joint ventures current and expected future operating results. The amount of the impairment was based on the excess of carrying amount of the assets over the fair value as calculated using discounted operating cash flows.

	Year ended December 31,		Percent Change
	2011	2010	2011 vs. 2010
	(in millions)		

Gain (loss) on foreign currency transactions	$ (21)	$ 18	NM[1]

[1] Fluctuation in terms of percentage change is not meaningful.

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The net gain (loss) on foreign currency transactions primarily relates to changes in foreign currency rates relating to short-term cross-currency intercompany loans. Additionally, the gain in 2010 partially resulted from the settlement of our portfolio of Euro (EUR) and Australian dollar (AUD) foreign currency options with a notional value of approximately EUR 540 million and AUD 374 million, as well as the settlement of our remaining undesignated foreign currency options, for a gain of $20 million.

	Year ended December 31, 2011	Year ended December 31, 2010	Percent Change 2011 vs. 2010
	(in millions)		
Gain on debt restructuring	$	$ 789	NM[(1)]

(1) Fluctuation in terms of percentage change is not meaningful.

The gain on debt restructuring of $789 million for the year ended December 31, 2010 relates to the Debt Restructuring, of which $4 million of unamortized deferred financing costs were expensed and $39 million of fees were incurred as part of the overall transaction and were required to be expensed in accordance with the accounting guidance for debt modifications and extinguishments. See the table below for a reconciliation of the $789 million gain:

	(in millions)
Gain on excess of carrying amount over reacquisition price of certain debt	$ 910
Less: write-off of existing deferred financing costs	(4)
Less: fees incurred as part of Debt Restructuring	(39)
Loss on excess of reacquisition price over carrying value of debt extinguished by an affiliate on behalf of the Company	(78)
	$ 789

	Year ended December 31, 2011	Year ended December 31, 2010	Percent Change 2011 vs. 2010
	(in millions)		
Other gain, net	$ 19	$ 8	NM[(1)]

(1) Fluctuation in terms of percentage change is not meaningful.

The other gain, net for the year ended December 31, 2011 was primarily due to a gain of $16 million on the sale of our former headquarters building in Beverly Hills, California, as well a gain of $13 million related to the restructuring of a capital lease. These gains were offset by a loss of $10 million related to the sale of our interest in a hotel development joint venture.

The other gain, net for the year ended December 31, 2010 was primarily related to a gain of $11 million related to the discounted acquisition of senior unsecured debt in December 2010.

	Year ended December 31, 2011	Year ended December 31, 2010	Percent Change 2011 vs. 2010
	(in millions)		
Income tax benefit (expense)	$ 59	$ (308)	NM[1]

[1] Fluctuation in terms of percentage change is not meaningful.

For the year ended December 31, 2011, our income tax expense, which was primarily related to $69 million and $50 million in U.S. federal and foreign income tax provision, respectively, was offset by a release of

$182 million in valuation allowance against our deferred tax assets related to U.S. federal foreign tax credits resulting in an overall tax benefit. Based on our consideration of all positive and negative evidence available, we believe that it is more likely than not that we will be able to realize our U.S. federal foreign tax credits. Our income tax expense for the year ended December 31, 2010 was primarily a result of $147 million related to our U.S. federal income tax provision and $185 million in provision for uncertain tax positions.

Segment Results

We evaluate our business segment operating performance using segment revenue and segment Adjusted EBITDA, as described in Note 22: Business Segments in our audited consolidated financial statements included elsewhere in this prospectus. Refer to those financial statements for a reconciliation of Adjusted EBITDA, a non-GAAP financial measure, to net income attributable to Hilton stockholder. For a discussion of our definition of EBITDA and Adjusted EBITDA, how we use it and material limitation on its usefulness, refer to Key Business and Financial Metrics Used by Management. The following table sets forth revenues and Adjusted EBITDA by segment, reconciled to consolidated amounts, for the years ended December 31, 2011 and 2010:

	Year ended December 31, 2011	2010	Percent Change 2011 vs. 2010
	(in millions)		
Revenues			
Ownership	$ 3,926	$ 3,684	6.6
Management and franchise	1,095	933	17.4
Timeshare	944	863	9.4
Segment revenues	5,965	5,480	8.9
Other revenues from managed and franchised properties	2,927	2,637	11.0
Other	58	59	(1.7)
Intersegment fees elimination(1)(2)(3)	(167)	(108)	54.6
	$ 8,783	$ 8,068	8.9
Adjusted EBITDA:			
Ownership(1)(4)	$ 725	$ 688	5.4
Management and franchise(2)	1,095	927	18.1
Timeshare	207	212	(2.4)
Corporate and other(3)	(274)	(263)	4.2
	$ 1,753	$ 1,564	12.1

(1) Includes charges to our timeshare segment by our ownership segment for rental fees and fees for other amenities, which are eliminated in our consolidated financial statements. These charges totaled $27 million and $17 million for the years ended December 31, 2011 and 2010, respectively. While the net impact is zero, our measure of segment Adjusted EBITDA includes these fees as a benefit to ownership Adjusted EBITDA and a cost to the

timeshare segment.

(2) Includes management, royalty, and intellectual property fees of $88 million and $82 million for the years ended December 31, 2011 and 2010, respectively. These fees are charged to consolidated owned and leased properties and are eliminated in our consolidated financial statements. Effective January 1, 2011, management and franchise began charging a licensing fee to our timeshare segment, which is also eliminated in our consolidated financial statements. This fee was $43 million for the year ended December 31, 2011. While the net impact is zero, our measure of segment Adjusted EBITDA includes these fees as a benefit to management and franchise Adjusted EBITDA and a cost to the ownership and timeshare segments.

(3) Includes charges to consolidated owned and leased properties for services provided by our wholly-owned laundry business of $9 million for the years ended December 31, 2011 and 2010. These charges are eliminated in our consolidated financial statements.

(4) Includes unconsolidated affiliate Adjusted EBITDA.

Ownership

Ownership segment revenues increased primarily due to an improvement in RevPAR of 4.3 percent at our comparable owned and leased hotels. Refer to Revenues Owned and leased hotels within this section for further discussion on the increase in revenues from our comparable owned and leased hotels. Our ownership segment s Adjusted EBITDA increased primarily as a result of the increase in ownership segment revenues of $242 million offset by an increase in operating expenses of $204 million at our owned and leased hotels. Refer to Operating Expenses Owned and leased hotels within this section for further discussion on the increase in operating expenses at our owned and leased hotels.

Management and franchise

Management and franchise segment revenues increased primarily as a result of increases in RevPAR of 4.9 percent and 6.8 percent at our comparable managed and franchised properties, respectively, $24 million in termination fees recognized in 2011 and the net addition of hotels added to our managed and franchised system. Refer to Revenues Management and franchise fees and other within this section for further discussion on the increase in revenues from our comparable managed and franchised properties and the termination fees recognized in 2011. Our management and franchise segment s Adjusted EBITDA increased as a result of the increase in management and franchise segment revenues.

Timeshare

Refer to Revenues Timeshare within this section for a discussion of the increase in revenues from our timeshare segment. Our timeshare segment s Adjusted EBITDA remained relatively flat as a result of the $81 million increase in revenues from our timeshare segment being offset by a $34 million increase in timeshare operating expenses. Refer to Operating Expenses Timeshare within this section for a discussion of the increase in operating expenses from our timeshare segment. The increase in revenues from our timeshare segment was further offset by a $43 million licensing fee charged to our timeshare segment by our management and franchise segment, which was effective on January 1, 2011.

Liquidity and Capital Resources

Overview

As of June 30, 2013, we had total cash and cash equivalents of $1,286 million, including both restricted and unrestricted cash balances. Unrestricted cash and cash equivalents totaled $661 million as of June 30, 2013. Our restricted cash and cash equivalents totaled $625 million as of June 30, 2013. The majority of our restricted cash and cash equivalents balances relates to prefunded cash reserves and cash collateral on our self-insurance programs. The prefunded cash reserves are required under the terms of the loan agreement for our Secured Debt. They may be used to pay debt service and other amounts due under the Secured Debt and for general corporate purposes, including capital expenditures, but are classified in our consolidated balance sheets as restricted cash and cash equivalents in accordance with U.S. GAAP because they generally require lender consent to be used.

Our known short-term liquidity requirements primarily consist of funds necessary to pay for operating expenses and other expenditures, including corporate expenses, payroll and related benefits, legal costs, operating costs associated with the management of hotels, interest and scheduled principal payments on our outstanding indebtedness, contract acquisition costs, and capital expenditures for renovations and maintenance at our owned hotels. Our long-term liquidity requirements primarily consist of funds necessary to pay for scheduled debt maturities, capital improvements at our owned and leased hotels, purchase commitments, costs associated with potential acquisitions, and corporate capital expenditures.

We finance our business activities primarily with existing cash and cash generated from our operations. We believe that this cash will be adequate to meet anticipated requirements for operating expenses and other expenditures, including corporate expenses, payroll and related benefits, legal costs, and purchase commitments for the foreseeable future. The objectives of our cash management policy are to maintain the availability of liquidity and minimize operational costs. Further, we have an investment policy that is focused on the preservation of capital and maximizing the return on new and existing investments across all three of our business segments.

The following table summarizes our net cash flows and key metrics related to our liquidity:

	As of and for the six months ended June 30,		Percent Change
	2013	2012	2013 vs. 2012
	(in millions)		
Net cash provided by operating activities	$ 638	$ 428	49.1
Net cash used in investing activities	(183)	(296)	(38.2)
Net cash used in financing activities	(534)	(173)	NM[1]
Working capital surplus[2]	503	767	(34.4)

	As of and for the year ended December 31,			Percent Change	
	2012	2011	2010	2012 vs. 2011	2011 vs. 2010
		(in millions)			
Net cash provided by operating activities	$ 1,110	$ 1,167	$ 833	(4.9)	40.1
Net cash used in investing activities	(558)	(463)	(68)	20.5	NM[1]
Net cash used in financing activities	(576)	(714)	(703)	(19.3)	1.6
Working capital surplus[2]	478	826	1,093	(42.1)	(24.4)

(1) Fluctuation in terms of percentage change is not meaningful.
(2) Total current assets less total current liabilities.

Our ratio of current assets to current liabilities was 1.21, 1.20, and 1.37 as of June 30, 2013, December 31, 2012 and 2011, respectively.

Operating Activities

Cash flow from operating activities is primarily generated from management and franchise revenues, operating income from our owned and leased hotels and resorts, and sales of timeshare units. In a recessionary market, we may experience significant declines in travel and, thus, declines in demand for our hotel and resort rooms and timeshare units. A decline in demand could have a material impact on our cash flow from operating activities.

Net cash provided by operating activities was $638 million for the six months ended June 30, 2013, compared to $428 million for the six months ended June 30, 2012. The $210 million increase was primarily due to an increase in operating income of $164 million, a decrease in the change in restricted cash and cash equivalents of $22 million, and an increase in the change in our working capital surplus. These increases were partially offset by lower distributions from unconsolidated affiliates, which was $10 million for the six months ended June 30, 2013 as compared to $20 million for the six months ended June 30, 2012.

The net $57 million decrease in cash provided by operating activities during the year ended December 31, 2012, compared to the year ended December 31, 2011, was primarily due to changes in various working capital components and an increase in the change in restricted cash and cash equivalents of $65 million, which were partially offset by an increase in operating income of $125 million.

The net $334 million increase in cash provided by operating activities during the year ended December 31, 2011, compared to the year ended December 31, 2010, was primarily due to an increase in operating income of $422 million, changes in various working capital components, and a decrease in the change in restricted cash and cash equivalents of $39 million.

Investing Activities

Net cash used in investing activities during the six months ended June 30, 2013 was $183 million, compared to $296 million during the six months ended June 30, 2012. The $113 million decrease in cash used in investing activities was primarily attributable to a decrease in capital expenditures of $122 million and a decrease in software capitalization costs of $25 million. The decrease in capital expenditures compared to the six months ended June 30, 2012 was a result of the completion of renovations at a number of properties in 2012. The decrease in software capitalization costs compared to the six months ended June 30, 2012 was a result of corporate software projects that were completed in 2012. Additionally, for the six months ended June 30, 2013, we had a $13 million distribution from unconsolidated affiliates from the proceeds of a debt refinancing of our equity investments. These decreases were offset by an increase in acquisitions of $30 million during the six months ended June 30, 2013, primarily due to the acquisition of a parcel of land that we previously held under a long-term ground lease for $28 million. For the six months ended June 30, 2013 and 2012, we capitalized labor costs relating to our investing activities, including capital expenditures and software development, of $7 million for both periods.

The $95 million increase in net cash used in investing activities during the year ended December 31, 2012, compared to the year ended December 31, 2011, was primarily attributable to an increase in capital expenditures of $44 million, a decrease in proceeds from asset dispositions of $80 million, and a decrease in contract acquisition costs of $22 million. The majority of the increase in capital expenditures related to improvements at existing hotel properties. The decrease in proceeds from asset dispositions was a result of proceeds of $8 million related to the sale of our interest in an investment accounted for under the equity method in 2012, compared to proceeds of $23 million and $65 million, respectively, from the sales of our interest in a hotel development joint venture and our former corporate headquarters office building in 2011. For the years ended December 31, 2012 and 2011, we capitalized labor costs relating to our investing activities, including capital expenditures and software development, of $14 million for both years.

The $395 million increase in net cash used in investing activities during the year ended December 31, 2011, compared to the year ended December 31, 2010, was primarily due to increases in capital expenditures of $241 million, contract acquisition costs of $47 million, and software capitalization costs of $73 million, offset by decreases in acquisition costs of $204 million, proceeds from asset dispositions of $88 million, and proceeds from the settlement of our foreign currency exchange derivative portfolio of $324 million. The majority of the increase in capital expenditures related to improvements at existing hotel properties. The decrease in acquisition costs was a result of the purchase of the Hilton Orlando Lake Buena Vista for a cash payment of $216 million in 2010, compared to acquisition costs of $12 million for the purchase of the remaining ownership interest in two hotels in 2011. For the years ended December 31, 2011 and 2010, we capitalized labor costs relating to our investing activities, including capital expenditures and software development, of $14 million and $3 million, respectively. The increase in the capitalization of labor was due to increased capital expenditures and increased software capitalization costs in 2011 compared to 2010.

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Financing Activities

Net cash used in financing activities during the six months ended June 30, 2013 was $534 million, compared to $173 million during the six months ended June 30, 2012. The $361 million increase in cash used in financing activities was primarily attributable to unscheduled voluntary debt repayments of $700 million on our Secured Debt offset by borrowings of $400 million received under our revolving timeshare notes credit facility.

Net cash used in financing activities during the year ended December 31, 2012, decreased $138 million compared to the year ended December 31, 2011, due to an increase in borrowings of $56 million, primarily related to our consolidated VIEs and a change in restricted cash and cash equivalents that increased cash available for financing activities by $212 million. The change in restricted cash and cash equivalents was primarily due to a decrease of $174 million in our prefunded cash reserves, which was a result of using the reserves for capital expenditures. These increases in cash provided by financing activities were partially offset by an increase in our debt repayments of $128 million, which primarily related to an increase in non-recourse debt repayments related to our consolidated VIEs of $90 million.

Net cash used in financing activities during the year ended December 31, 2011 was $714 million compared to net cash used in financing activities during the year ended December 31, 2010 of $703 million, an increase of $11 million. During the year ended December 31, 2010, we had financing activities that resulted in $185 million of net cash used in financing activities that did not recur during the year ended December 31, 2011, primarily due to $111 million in net cash used in our debt restructuring that occurred in April 2010 (see Note 13: Debt in our audited consolidated financial statements included elsewhere in this prospectus for further discussion) and the acquisition of noncontrolling interests in two hotels for $107 million, offset by $33 million in contributions from noncontrolling interests.

The remaining increase in net cash used in financing activities during the year ended December 31, 2011 compared to the year ended December 31, 2010 was primarily a result of $448 million in additional repayment of debt offset by a smaller change in our restricted cash and cash equivalents of $224 million, both associated with requirements arising from our debt restructuring that occurred in April 2010.

Capital Expenditures

Our capital expenditures primarily include expenditures related to the renovation of existing owned and leased properties and our corporate facilities, as well as software capitalization costs related to various systems initiatives for the benefit of our hotel owners and our overall corporate operations. As of June 30, 2013 we had outstanding commitments under construction contracts of approximately $61 million for capital expenditures at certain owned and leased properties, including our consolidated variable interest entities. If cancellation of a contract occurred, our commitment would be any costs incurred up to the cancellation date, in addition to any costs associated with the discharge of the contract.

Debt

As of June 30, 2013, our total indebtedness, excluding $310 million of our share of debt of our investments in affiliates, was approximately $15.4 billion, including obligations for capital leases and $319 million of debt and capital lease obligations of consolidated variable interest entities that are non-recourse to us. For further information on our total indebtedness, refer to Note 8: Debt in our unaudited condensed consolidated financial statements included elsewhere in this prospectus. We will refinance a substantial portion of this debt in the Refinancing Transactions. See Description of Certain Indebtedness for a discussion regarding our material indebtedness that will be outstanding following the Refinancing Transactions, including material covenants and minimum ratios required for covenant compliance.

Substantially all of our consolidated assets in which we hold an ownership interest are encumbered or have been pledged as collateral for our Secured Debt. Our debt contains certain restrictions on us incurring any additional indebtedness relating to secured assets, including the prohibition of us incurring indebtedness in the form of borrowed money and/or evidenced by bonds, debentures, notes or other similar instruments without prior approval from our creditors. Further, as a condition to permitting certain events under the Secured Debt, such as a release of certain assets as collateral for the loan or change of control of the Company, we must satisfy certain debt yield tests. We were able to satisfy all of the debt yield tests as of our most recent testing date.

In August 2013, we issued $250 million in aggregate principal amount of 2.28% notes that are secured by a pledge of certain assets, consisting primarily of a pool of our timeshare financing receivables that are secured by a first mortgage or first deed of trust on a timeshare interest. Interest on the notes is payable monthly at a fixed annual rate of 2.28%. The proceeds from the asset-backed notes were used to reduce the outstanding balance on our revolving non-recourse timeshare notes credit facility that we entered into in May 2013. Additionally, in August 2013 we made an unscheduled, voluntary debt repayment of $200 million on our secured mezzanine loans.

As a result of our investment strategy, combined with our discipline for managing costs, we have increased our cash flow from operations from $833 million in 2010 to over $1.1 billion in 2012. As a result, we have taken steps to reduce our long-term debt by almost $2.4 billion between December 31, 2010 and June 30, 2013. The reduction in long-term debt has reduced our interest expense from approximately $946 million for the year ended December 31, 2010 to $569 million for the year ended December 31, 2012.

If we are unable to generate sufficient cash flow from operations in the future to service our debt, we may be required to reduce capital expenditures or refinance all or a portion of our existing debt. Our ability to make scheduled principal payments and to pay interest on our debt depends on the future performance of our operations, which is subject to general conditions in or affecting the hotel and timeshare industries that are beyond our control.

Contractual Obligations

The following table summarizes our significant contractual obligations as of December 31, 2012:

	Payments Due By Period				
	Total	Less than 1 year	1-3 years (in millions)	3-5 years	More than 5 years
Debt					
Recourse[1][3]	$ 18,019	$ 971	$ 16,273	$ 82	$ 693
Non-recourse[2][3]	49	5	29		15
Mortgage notes	134	32		102	
Capital lease obligations[3]					
Recourse	194	8	27	13	146
Non-recourse[2]	593	34	76	78	405
Operating leases	3,528	265	492	456	2,315
Contract acquisition costs	49	24	23	2	
Purchase commitments	92	23	46	23	
Total contractual obligations	$ 22,658	$ 1,362	$ 16,966	$ 756	$ 3,574

(1) The Secured Debt has five one-year extensions solely at our option that effectively extends the maturity date to November 12, 2015. We have assumed all extensions herein, including an extension fee equal to 50 basis points.

(2) Non-recourse debt and capital lease obligations are related to our consolidated VIEs.

(3) Includes principal as well as interest payments. We have assumed a constant 30-day LIBOR rate of 0.21 percent as of December 31, 2012 for our Secured Debt.

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The total amount of unrecognized tax benefits as of December 31, 2012 was $469 million. These amounts are excluded from the table above because they are uncertain and subject to the findings of the taxing authorities in the jurisdictions in which we are subject to tax. It is possible that the amount of the liability for unrecognized tax benefits could change during the next twelve months. Refer to Note 18: Income Taxes in our audited consolidated financial statements included elsewhere in this prospectus for further discussion of our liability for unrecognized tax benefits.

In addition to the purchase commitments in the table above, in the normal course of business we enter into purchase commitments for which we are reimbursed by the owners of our managed and franchised hotels. These obligations have minimal or no impact on our net income and cash flow.

Off-Balance Sheet Arrangements

Our off-balance sheet arrangements as of June 30, 2013 included guarantees of $27 million for debt and obligations of third parties and performance guarantees with possible cash outlays totaling approximately $185 million, of which we have accrued for estimated probable exposure of up to $61 million as of June 30, 2013. Further, we had outstanding construction contract commitments of approximately $61 million for capital expenditures at certain owned and leased properties as of June 30, 2013. Additionally, during 2010, in conjunction with a lawsuit settlement, our owner entered into service contracts with the plaintiff. As part of the settlement, we entered into a guarantee with the plaintiff to pay any shortfall that our owner does not fund related to those service contracts. The remaining potential exposure under this guarantee as of June 30, 2013 was approximately $52 million. See Note 16: Commitments and Contingencies in our unaudited condensed consolidated financial statements included elsewhere in this prospectus for further discussion.

Critical Accounting Policies and Estimates

The preparation of our financial statements in accordance with GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the financial statements, the reported amounts of revenues and expenses during the reporting periods and the related disclosures in the consolidated financial statements and accompanying footnotes. We believe that of our significant accounting policies, which are described in Note 2: Basis of Presentation and Summary of Significant Accounting Policies in our audited consolidated financial statements included elsewhere in this prospectus, the following accounting policies are critical because they involve a higher degree of judgment, and the estimates required to be made were based on assumptions that are inherently uncertain. As a result, these accounting policies could materially affect our financial position, results of operations, and related disclosures. On an ongoing basis, we evaluate these estimates and judgments based on historical experiences and various other factors that are believed to reflect the current circumstances. While we believe our estimates, assumptions and judgments are reasonable, they are based on information presently available. Actual results may differ significantly from these estimates due to changes in judgments, assumptions and conditions as a result of unforeseen events or otherwise, which could have a material impact on financial position or results of operations.

Management has discussed the development and selection of these critical accounting policies and estimates with the audit committee of the board of directors.

Property and Equipment and Intangible Assets with Finite Lives

We evaluate the carrying value of our property and equipment and intangible assets with finite lives by comparing the expected undiscounted future cash flows to the net book value of the assets if we determine there are indicators of potential impairment. If it is determined that the expected undiscounted future cash flows are less than the net book value of the assets, the excess of the net book value over the estimated fair value is recorded in our consolidated statements of operations as impairment losses.

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As part of the process described above, we exercise judgment to:

- determine if there are indicators of impairment present. Factors we consider when making this determination include assessing the overall impact of trends in the hospitality industry and the general economy, historical experience, capital costs, and other asset-specific information;

- determine the projected undiscounted future cash flows when indicators of impairment are present. Judgment is required when developing projections of future revenues and expenses based on estimated growth rates over the expected useful life of the asset group. These estimated growth rates are based on historical operating results, as well as various internal projections and external sources; and

- determine the asset fair value when required. In determining the fair value, we often use internally-developed discounted cash flow models. Assumptions used in the discounted cash flow models include estimating cash flows, which may require us to adjust for specific market conditions, as well as capitalization rates, which are based on location, property or asset type, market-specific dynamics, and overall economic performance. The discount rate takes into account our weighted average cost of capital according to our capital structure and other market specific considerations.

We had $9,084 million of property and equipment, net and $2,215 million of intangible assets with finite lives as of June 30, 2013. Changes in estimates and assumptions used in our impairment testing of property and equipment could result in future impairment losses, which could be material.

In conjunction with our regular assessment of impairment, we did not identify any property and equipment with indicators of impairment for which a 10% reduction in our estimate of undiscounted future cash flows would result in additional impairment losses.

Investments in Affiliates

We evaluate our investments in affiliates for impairment when there are indicators that the fair value of our investment may be less than our carrying value. We record an impairment loss when we determine there has been an other-than-temporary decline in the investment s fair value. If an identified event or change in circumstances requires an evaluation to determine if the value of an investment may have an other-than-temporary decline, we assess the fair value of the investment based on the accepted valuation methods, which include discounted cash flows, estimates of sales proceeds, and external appraisals. If an investment s fair value is below its carrying value and the decline is considered to be other-than-temporary, we will recognize an impairment loss in equity in earnings (losses) from unconsolidated affiliates for equity method investments or impairment losses for cost method investments in our consolidated statements of operations.

Our investments in affiliates consist primarily of our interests in entities that own and/or operate hotels. As such, the factors we consider when determining if there are indicators of potential impairment are similar to property and equipment discussed above. If there are indicators of potential impairment, we estimate the fair value of our equity method and cost method investments by internally developed discounted cash flow models. The principal factors used in our discounted cash flow models that require judgment are the same as the items discussed in property and equipment above.

We had $274 million of investments in affiliates as of June 30, 2013. Changes in the estimates and assumptions used in our investments in affiliates impairment testing can result in additional impairment expense, which can materially change our consolidated financial statements.

In conjunction with our regular assessment of impairment, we did not identify any investments in affiliates with indicators of impairment for which a 10% change in our projected future operating cash flows, capitalization rates and discount rates used to determine fair value would result in impairment losses.

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Goodwill

We review the carrying value of our goodwill by comparing the carrying value of our reporting units to their fair value. Our reporting units are the same as our operating segments as described in Note 22: Business Segments in our audited consolidated financial statements included elsewhere in this prospectus. We perform this evaluation annually or at an interim date if indicators of impairment exist. In any given year we may elect to perform a qualitative assessment to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying value. If we cannot determine qualitatively that the fair value is in excess of the carrying value, or we decide to bypass the qualitative assessment, we proceed to the two-step quantitative process. In the first step, we evaluate the fair value of our reporting units quantitatively. When determining fair value, we utilize discounted future cash flow models, as well as market conditions relative to the operations of our reporting units. Under the discounted cash flow approach, we utilize various assumptions that require judgment, including projections of revenues and expenses based on estimated long-term growth rates, and discount rates based on weighted average cost of capital. Our estimates of long-term growth and costs are based on historical data, as well as various internal projections and external sources. The weighted average cost of capital is estimated based on each reporting units cost of debt and equity and a selected capital structure. The selected capital structure for each reporting unit is based on consideration of capital structures of comparable publicly traded companies operating in the business of that reporting unit. If the carrying amount of a reporting unit exceeds its estimated fair value, then the second step must be performed. In the second step, we estimate the implied fair value of goodwill, which is determined by taking the fair value of the reporting unit and allocating it to all of its assets and liabilities (including any unrecognized intangible assets) as if the reporting unit had been acquired in a business combination.

We had $6,172 million of goodwill as of June 30, 2013. Changes in the estimates and assumptions used in our goodwill impairment testing could result in future impairment losses, which could be material. A 10% change in our estimates of projected future operating cash flows, discount rates, and terminal growth rates used in our discounted cash flow calculations of the fair values of reporting units would not result in an impairment of any of our reporting units.

Brands

We evaluate our brand intangible assets for impairment on an annual basis or at other times during the year if events or circumstances indicate that it is more likely than not that the fair value of the brand is below the carrying value. When determining fair value, we utilize discounted future cash flow models for hotels in which we have an ownership interest or a management or franchise contract. Under the discounted cash flow approach, we utilize various assumptions that require judgment, including projections of revenues and expenses based on estimated long-term growth rates and discount rates based on weighted average cost of capital. Our estimates of long-term growth and costs are based on historical data, as well as various internal estimates that are developed. If a brand s estimated current fair value is less than its respective carrying value, the excess of the carrying value over the estimated fair value is recorded in our consolidated statements of operations within impairment losses.

We had $4,993 million brand intangible assets as of June 30, 2013. Changes in the estimates and assumptions used in our brands impairment testing, most notably revenue growth rates and discount rates, could result in future impairment losses, which could be material. A 10% change in our estimates of projected future operating cash flows used in our discounted cash flow calculations of the fair values of our brands would not result in an impairment of any of the brand intangible assets.

Hilton HHonors

Hilton HHonors defers revenue received from participating hotels and program partners in an amount equal to the estimated cost per point of the future redemption obligation. We engage outside actuaries to assist in determining the fair value of the future award redemption obligation using statistical formulas that project future point redemptions based on factors that require judgment, including an estimate of breakage (points that will never be redeemed), an estimate of the points that will eventually be redeemed, and the cost of the points to be redeemed. The cost of the points to be redeemed includes further estimates of available room nights, occupancy rates, room rates, and any devaluation or appreciation of points based on changes in reward prices or changes in points earned per stay.

We had $796 million of guest loyalty liability as of June 30, 2013. Changes in the estimates used in developing our breakage rate could result in a material change to our loyalty liability. Currently, a 10% decrease to the breakage estimate used in determining future award redemption obligations would increase our loyalty liability by approximately $28 million.

Allowance for Loan Losses

The allowance for loan losses is related to the receivables generated by our financing of timeshare interval sales, which are secured by the underlying timeshare properties. We determine our timeshare notes receivable to be past due based on the contractual terms of the individual mortgage loans. We use a technique referred to as static pool analysis as the basis for determining our general reserve requirements on our timeshare notes receivable. The adequacy of the related allowance is determined by management through analysis of several factors requiring judgment, such as current economic conditions and industry trends, as well as the specific risk characteristics of the portfolio, including assumed default rates.

We had $95 million of allowance for loan losses as of June 30, 2013. Changes in the estimates used in developing our default rates could result in a material change to our allowance. Currently, a 10% increase to our default rates used in the allowance calculation would increase our allowance for loan losses by approximately $34 million.

Income Taxes

We recognize deferred tax assets and liabilities based on the differences between the financial statement carrying amounts and the tax basis of assets and liabilities using currently enacted tax rates. We regularly review our deferred tax assets to assess their potential realization and establish a valuation allowance for portions of such assets that we believe will not be ultimately realized. In performing this review, we make estimates and assumptions regarding projected future taxable income, the expected timing of reversals of existing temporary differences and the implementation of tax planning strategies. A change in these assumptions may increase or decrease our valuation allowance resulting in an increase or decrease in our effective tax rate, which could materially affect our consolidated financial statements.

We use a prescribed more-likely-than-not recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return if there is uncertainty in income taxes recognized in the financial statements. Assumptions and estimates are used to determine the more-likely-than-not designation. Changes to these assumptions and estimates can lead to an additional income tax expense (benefit), which can materially change our consolidated financial statements.

Legal Contingencies

We are subject to various legal proceedings and claims, the outcomes of which are subject to significant uncertainty. An estimated loss from a loss contingency should be accrued by a charge to income if it is probable and the amount of the loss can be reasonably estimated. Significant judgment is required when we evaluate, among other factors, the degree of probability of an unfavorable outcome and the ability to make a reasonable estimate of the amount of loss. Changes in these factors could materially impact our consolidated financial statements.

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Consolidations

We use judgment evaluating whether we have a controlling financial interest in our partnership and other investments, including the assessment of the importance of rights and privileges of the partners based on voting rights, as well as financial interests that are not controllable through voting interests. If the entity is considered to be a variable interest entity (VIE), we use judgment determining whether we are the primary beneficiary, and then consolidate those VIEs for which we have determined we are the primary beneficiary. If the entity in which we hold an interest does not meet the definition of a VIE, we evaluate whether we have a controlling financial interest through our voting interests in the entity. We consolidate entities when we own more than 50 percent of the voting shares of a company or have a controlling general partner interest of a partnership, assuming the absence of other factors determining control, including the ability of minority owners to participate in or block certain decisions. Changes to judgments used in evaluating our partnership and other investments could materially impact our consolidated financial statements.

Quantitative and Qualitative Disclosures about Market Risk

We are exposed to market risk primarily from changes in interest rates and foreign currency exchange rates, which may impact future income, cash flows, and fair value of the Company, depending on changes to interest rates and/or foreign exchange rates. In certain situations, we may seek to reduce cash flow volatility associated with changes in interest rates and foreign currency exchange rates by entering into financial arrangements intended to provide a hedge against a portion of the risks associated with such volatility. We continue to have exposure to such risks to the extent they are not hedged. We enter into derivative financial arrangements to the extent they meet the objective described above, and we do not use derivatives for trading or speculative purposes.

Interest Rate Risk

We are exposed to interest rate risk on our floating rate debt. Interest rates on our floating rate debt discussed below are based on 30-day LIBOR, so we are most vulnerable to changes in this rate. The 30-day LIBOR rate decreased from 0.28 percent per annum as of December 31, 2011, to 0.21 percent per annum as of December 31, 2012. Changes in interest rates also affect the fair value of our fixed rate debt and our fixed rate financing receivables.

Under the terms of our Secured Debt, we are required to hedge interest rate risk using derivative instruments with an aggregate notional amount equal to the principal amount of the Secured Debt. As of December 31, 2012, we held ten interest rate caps with an aggregate notional amount of $15.2 billion that caps the floating portion of the interest rate on our Secured Debt at 6.5 percent. The caps were executed in August 2012 to replace the previous portfolio of interest rate caps that expired in November 2012 and expire in November 2013. We have elected not to designate any of the ten interest rate caps as effective hedging instruments. The fair values of our interest rate caps were immaterial to our consolidated balance sheet as of December 31, 2012. During the year ended December 31, 2012, we recorded a loss of $1 million in other gain, net in our consolidated statement of operations, which represented the premiums paid on these interest rate caps. No other gain or loss related to the ten undesignated interest rate caps in our current portfolio or previous portfolio that expired in November 2012 were recorded for the year ended December 31, 2012 as changes in the fair values of our interest rate caps were immaterial.

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The following table sets forth the scheduled maturities and the total fair value as of December 31, 2012 for our financial instruments that are materially affected by interest rate risks (in millions, excluding average interest rates):

	Maturities by Period						Carrying	Fair
	2013	2014	2015	2016	2017	Thereafter	Value	Value
Fixed rate timeshare financing receivables	$ 131	$ 113	$ 113	$ 115	$ 115	$ 397	$ 984	$ 987
Average interest rate(1)							12.27%	
Fixed rate debt(2)	$ 33	$	$	$ 102	$ 53	$ 96	$ 284	$ 297
Average interest rate(1)							7.02%	
Floating rate Secured Debt	$ 357	$ 383	$ 14,468	$	$	$	$ 15,208	$ 15,571
Average interest rate(1)							3.36%	

(1) Average interest rate as of December 31, 2012.

(2) Excludes capital lease obligations.

Refer to our Note 16: Fair Value Measurements in our audited consolidated financial statements included elsewhere in this prospectus for further discussion of the fair value measurements of our financial assets and liabilities.

Foreign Currency Exchange Rate Risk

We conduct business in various foreign currencies and are exposed to earnings and cash flow volatility associated with changes in foreign currency exchange rates. This exposure is primarily related to our international assets and liabilities, whose value could change materially in reference to our U.S. dollar (USD) reporting currency. The most significant impact of changes to foreign currency values include certain intercompany loans not deemed to be permanently invested and to transactions for management and franchise fee revenues earned in foreign currencies.

Our most significant foreign currency exposure relates to fluctuations in the foreign exchange rate between USD and the British Pound Sterling (GBP) and Euro (EUR). Historically, we used foreign exchange currency option agreements to hedge our exposure to changes in foreign exchange rates on certain of our foreign investments. Under the terms of these currency option contracts, we paid a premium to a counterparty for the right to sell a specified amount of foreign currency at a specified strike rate at the maturity date of the option. During 2010, we settled our remaining foreign currency options, and we have not held any foreign currency options since that time.

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INDUSTRY

Global Hotel Industry

The global hotel industry generated approximately $384 billion of room revenues during 2012, with approximately 156,000 hotels and 14.5 million hotel rooms as of June 2013, according to STR data. Since 2001, global hotel revenues have increased at a CAGR of 4.9%. While the top 10 hotel companies in the U.S. control 58% of U.S. hotel rooms, the industry is significantly more fragmented in markets outside the U.S., where no company controls more than 5% of global hotel rooms.

The following chart sets forth the number of rooms and relative market share for the top 10 global and U.S. hotel companies.

Top 10 Global Hotel Companies	**Rooms (thousands)**	**% of Global**	**Top 10 U.S. Hotel Companies**	**Rooms (thousands)**	**% of U.S.**
Hilton Worldwide	659	5%	Hilton Worldwide	513	10%
Intercontinental Hotels Group	656	5%	Marriott International	505	10%
Marriott International	649	5%	Wyndham Worldwide	455	9%
Wyndham Worldwide	634	4%	Choice Hotels International	398	8%
Choice Hotels International	503	4%	Intercontinental Hotels Group	372	8%
Accor Company	435	3%	Best Western Company	161	3%
Starwood Hotels & Resorts	338	2%	Starwood Hotels & Resorts	155	3%
Best Western Company	313	2%	G6 Hospitality	106	2%
Carlson Hospitality Company	167	1%	Hyatt	93	2%
Hyatt	139	1%	LQ Management LLC	84	2%
Top 10	**4,493**	**31%**	**Top 10**	**2,842**	**58%**
Other	10,018	69%	Other	2,078	42%
Global Total	**14,511**		**U.S. Total**	**4,920**	

Source: STR Global Census, July 2013 (adjusted to June 2013), other than Hilton Worldwide room information which is based on internal room counts and excludes timeshare properties.

Hotel market performance generally is measured by three metrics: (1) average daily rate (ADR); (2) occupancy; and (3) revenue per available room (RevPAR). ADR represents hotel room revenue divided by total number of rooms sold in a given period, measuring average room price attained by a hotel. Occupancy represents the total number of rooms sold divided by the total number of rooms available at a hotel or group of hotels, measuring the utilization of hotels available capacity. RevPAR is calculated by dividing hotel room revenue by room nights available to guests for the period. Because RevPAR combines two key drivers of operations at hotels, ADR and occupancy, it is commonly used to measure performance over comparable periods.

According to STR data, during the past three years, global hotel demand has grown at a CAGR of 5.3%, whereas global hotel supply has grown at a CAGR of just 1.6%, which has driven positive RevPAR growth during the period.

We believe this supply-demand imbalance provides a favorable operating environment for existing hotels, and this trend should continue for the next several years.

Hotel industry fundamentals can vary by region, largely driven by economic trends. Globally, according to STR data, the hotel industry has been in a period of recovery over the past three years despite headwinds in Europe and parts of the Middle East and Africa. In the Americas, RevPAR has increased at a CAGR of 6.9% over the past three years and demand has returned to pre-economic crisis levels. The Asia Pacific region also has experienced high RevPAR growth during the last three years, primarily fueled by China and to a lesser degree Southeast Asia. Weaker economic conditions in Europe dampened RevPAR growth, but recent trends show improvement. The Middle East and Africa region recovered in 2012 with strong growth in key countries, such as Egypt, the United Arab Emirates, and Saudi Arabia, but concerns remain over political unrest in this region. Third-party forecasts indicate that global GDP growth should improve from approximately 2% in 2013 to greater than 3% annually over the next three years. We believe that stronger global economic growth should in turn drive stronger hotel demand and RevPAR growth.

U.S. Hotel Industry

The U.S. has a greater share of global hotel revenues than any other country, with $115 billion in room revenues during 2012, according to STR data. As of June 2013, the U.S. hotel sector comprised approximately 53,000 hotels with 4.9 million hotel rooms, of which 69% were affiliated with a brand. Over the past 25 years, the sector revenue has grown at a CAGR of 4.8%.

According to data provided by STR, U.S. hotel demand has improved with the economic recovery in recent years, experiencing a CAGR of 4.9% over the last three years, while hotel supply growth has experienced a CAGR of 0.9%. This recent demand growth has exceeded the 25-year CAGR of 1.8%, while supply growth has trended lower than the 25-year CAGR of 2.0%. According to PKF-HR, room supply is expected to grow at relatively low rates of 0.8% and 1.1% in 2013 and 2014 respectively, while demand is expected to continue to outpace supply growth, growing at 2.4% and 3.1% in 2013 and 2014, respectively. This imbalance of low supply and high demand growth is expected by analysts to continue at least through 2015, which should drive strong RevPAR growth.

The following graph illustrates historical and projected U.S. supply, demand and RevPAR growth. The trends are derived from historical data provided by STR and projections provided by PKF-HR. Forecasts for RevPAR remain positive for the next several years as the hotel industry is expected to continue to benefit from a supply and demand imbalance, with RevPAR in the U.S. projected to grow at a CAGR of 7% over the next three years, according to PKF-HR, compared to a CAGR of 2% from 2005 to 2012 according to STR data.

Historical and Projected U.S. Supply, Demand and RevPAR Growth

Sources: STR (2005-2012), PKF-HR (2013-2015).

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BUSINESS

Hilton Worldwide is one of the largest and fastest growing hospitality companies in the world, with 4,041 hotels, resorts and timeshare properties comprising 665,667 rooms in 90 countries and territories. In the nearly 100 years since our founding, we have defined the hospitality industry and established a portfolio of 10 world-class brands. Our flagship full-service Hilton Hotels & Resorts brand is the most recognized hotel brand in the world. Our premier brand portfolio also includes our luxury hotel brands, Waldorf Astoria Hotels & Resorts and Conrad Hotels & Resorts, our full-service hotel brands, DoubleTree by Hilton and Embassy Suites Hotels, our focused-service hotel brands, Hilton Garden Inn, Hampton Inn, Homewood Suites by Hilton and Home2 Suites by Hilton, and our timeshare brand, Hilton Grand Vacations (HGV). We own or lease interests in 157 hotels, many of which are located in global gateway cities, including iconic properties such as The Waldorf=Astoria New York, the Hilton Hawaiian Village, and the London Hilton on Park Lane. More than 300,000 team members proudly serve in our properties and corporate offices around the world, and we have approximately 38 million members in our award-winning customer loyalty program, Hilton HHonors.

We operate our business through three segments: (1) management and franchise; (2) ownership; and (3) timeshare. These complementary business segments enable us to capitalize on our strong brands, global market presence and significant operational scale. Through our management and franchise segment, which consists of 3,843 hotels with 596,765 rooms, we manage hotels, resorts and timeshare properties owned by third parties and we license our brands to franchisees. Our management and franchise segment generates high margins and long-term recurring cash flow, and has grown by 39% in terms of number of rooms since June 30, 2007, representing 98% of our overall room growth, with virtually no capital investment by us. Our ownership segment consists of 157 hotels with 62,498 rooms that we own or lease. Through our timeshare segment, which consists of 41 properties comprising 6,404 units, we market and sell timeshare intervals, operate timeshare resorts and a timeshare membership club and provide consumer financing.

In October 2007 we were acquired by affiliates of The Blackstone Group L.P. and assembled a new management team led by Christopher J. Nassetta, our President and Chief Executive Officer. Under our new leadership, we have transformed our business, creating a globally aligned organization and establishing a performance-driven culture. As part of our transformation, we focused on both top- and bottom-line operating performance, strengthening and expanding our brands and commercial services platform, and enhancing our growth rate, particularly in markets outside the U.S. where our brands historically had been underrepresented.

As a result of the transformation of our business, despite the sharp downturn in our industry, between June 30, 2007 and June 30, 2013, we have:

- increased the number of open rooms in our system by 34%, or 170,000 rooms, which represents the highest growth rate of any major lodging company;

- grown the number of rooms in our development pipeline by 52% to an industry-leading 176,000 rooms, over 99% of which are within our higher-margin, capital light management and franchise segment;

- increased our total number of rooms under construction by 121%, to an industry-leading 92,000 rooms, over 99% of which are within our management and franchise segment;

increased the geographic diversity of our pipeline, with rooms in the development pipeline outside the U.S. increasing from less than 20% to more than 60%, and rooms under construction outside the U.S. increasing from less than 15% to nearly 80%;

significantly enhanced our presence in key segments, brands and geographies; for example:

in the luxury segment, the number of hotels in our system and in our development pipeline is more than triple the number of luxury hotels in our system as of June 2007;

the number of DoubleTree by Hilton hotels has grown 96%, with 76% of hotel growth coming through conversions from other hotel brands;

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- our number of hotels in Europe outside of our Hilton Hotels & Resorts and Conrad Hotels & Resorts brands (primarily DoubleTree by Hilton, Hampton Inn and Hilton Garden Inn) has increased from 9 open hotels to 207 hotels open or in our development pipeline;

- our number of hotels in Greater China has grown from 6 open hotels to 160 open and pipeline hotels; and

- our Home2 Suites by Hilton brand, which was launched in 2011 with the opening of its first hotel, now has 18 hotels open and another 82 in our development pipeline;

increased our management and franchise segment s Adjusted EBITDA by 25% from the year ended December 31, 2007 to the year ended December 31, 2012 and grown the proportion of our aggregate segment Adjusted EBITDA contributed by our management and franchise segment from 47% to 53%;

increased the average global revenue per available room, or RevPAR, premium for all brands globally by approximately two percentage points to 15% on a trailing twelve month basis;

expanded membership in our Hilton HHonors program by 83% since December 31, 2007;

significantly outperformed our competitors in the timeshare segment, with annual interval sales increasing over 40% since the year ended December 31, 2007 and segment Adjusted EBITDA as a percentage of timeshare revenue increasing 400 basis points since the year ended December 31, 2010, while beginning a transformation of the business to a more capital-efficient model; for the twelve months ended June 30, 2013, 43% of our sales of timeshare intervals were developed by third parties versus 0% for the year ended December 31, 2009; and

significantly improved profitability, increasing our Adjusted EBITDA by an annual average of 12% from the year ended December 31, 2010 through the year ended December 31, 2012, and for the six months ended June 30, 2013, increasing our Adjusted EBITDA by 17% compared to the six months ended June 30, 2012. Net income attributable to Hilton stockholder increased by 68% on average from the year ended December 31, 2010 through the year ended December 31, 2012, and for the six months ended June 30, 2013 net income attributable to Hilton stockholder increased 66% as compared to the six months ended June 30, 2012.

See Summary Summary Historical Financial Data for the definition of Adjusted EBITDA and a reconciliation of net income attributable to Hilton stockholder to Adjusted EBITDA.

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We believe this transformation positions us to continue to increase our share of the expanding global lodging industry, which continues to exhibit strong fundamentals and significant long-term growth prospects supported by increasing global travel and tourism. Our business has grown during times of economic expansion as well as during global economic downturns. For example, during the period between January 1, 2000 and June 30, 2013, we increased the total number of hotel rooms in our system every year, achieving total growth of 120% and a CAGR of 6%. We expect our global existing room supply and rooms under construction will enable us to build on our leading market position. As illustrated in the table below, our percentage of global rooms under construction of 17.9% significantly exceeds our percentage of the existing global hotel supply of 4.5%, according to data provided by STR.

	Hilton Worldwide Rooms Supply		Hilton Worldwide Rooms Under Construction	
Market	**% of Existing Rooms Supply**	**Industry Rank**	**% of Total**	**Industry Rank**
Americas	8.7%	#1	19.1%	#2
Europe	1.3%	#6	22.3%	#1
Middle East and Africa	2.4%	#4	22.0%	#1
Asia Pacific	1.1%	#8	15.2%	#1
Global	**4.5%**	**#1**	**17.9%**	**#1**

Source: Information as of June 2013, derived from STR Global Census (July 2013) and STR Pipeline (June 2013).

The transformation of our business since 2007 has enabled us to increase the number of hotels and timeshare units in our system at a more rapid rate than any other major lodging company. The following table illustrates our global room supply by business segment.

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Hilton Worldwide Value Proposition

Our value proposition starts with our award-winning brands and industry-leading commercial services platform

This leads to satisfied customers, including nearly 38 million HHonors loyalty members

As a result, we are able to drive premium performance to the hotels in our system

These hotel operating premiums drive strong financial returns, which benefit our hotel owners

Satisfied existing and new owners continue to invest in growing our brands, making us a global leader in hotel supply and pipeline

We believe the reinforcing nature of these activities will allow us to outperform the competition

Our Competitive Strengths

We believe the following competitive strengths provide the foundation for our position as a leading global hospitality company.

World-Class Hospitality Brands. Our globally recognized, world-class brands have defined the hospitality industry. Our flagship Hilton Hotels & Resorts brand often serves as an introduction to our wider range of brands that are designed to accommodate any customer s needs anywhere in the world. Our brands have achieved an average global RevPAR index premium of 15% for the twelve months ended June 30, 2013, based on STR data. This means that our brands achieve on average 15% more revenue per room than competitive properties in similar markets. The global RevPAR index premium is the average RevPAR index premium of our comparable hotels (as defined in Management s Discussion and Analysis of Financial Condition and Results of Operations Key Business and Financial Metrics Used by Management Comparable Hotels on page 64, but excluding hotels that do not receive competitive set information from STR or do not participate with STR). The owner or manager of each Hilton comparable hotel exercises its discretion in identifying the competitive set of properties for such hotel, considering factors such as physical proximity, competition for similar customers, product features, services and amenities, quality and average daily rate, as well as STR rules regarding competitive set makeup. Accordingly, while the hotel brands included in the competitive set for any given Hilton comparable hotel depend heavily on market-specific conditions, the competitive sets for Hilton comparable hotels frequently include properties branded with the competing brands identified for the relevant Hilton comparable hotel listed under Selected Competitors on page 111. STR provides us with the relevant data for competitive sets that we submit for each of our comparable hotels, which we utilize to compute the RevPAR index for our comparable hotels. The demonstrated strength of our brands makes us a preferred partner for hotel owners, who have invested tens of billions of dollars since December 31, 2007 in the development and improvement of our branded hotels.

Leading Global Presence and Scale. We are one of the largest hospitality companies in the world with 4,041 properties and 665,667 rooms in 90 countries and territories. We have hotels in key gateway cities such as New York, London, Dubai, Johannesburg, Tokyo, Shanghai and Sydney and 347 hotels located at or near airports around the world. Our global presence allows us to serve our loyal customers throughout the world and to introduce our award-winning brands to customers in new markets. These world-class brands facilitate system growth by providing hotel owners with a variety of options to address each market s specific needs. In addition, the diversity of our operations reduces our exposure

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to business cycles, individual market disruptions and other risks. Our robust commercial services platform allows us to take advantage of our scale to more effectively deliver products and services that drive customer preference and enhance commercial performance on a global basis.

Large and Growing Loyal Customer Base. Serving our customers is our first priority. By continually adapting to customer preferences and providing our customers with superior experiences, we have improved our overall customer satisfaction ratings four of the last five years. We earned 32 first place awards in the J.D. Power North America Guest Satisfaction rankings since 1999, more than any multi-brand lodging company. Our hotels accommodated more than 125 million customer visits during the twelve months ended June 30, 2013, with members of our Hilton HHonors loyalty program contributing approximately 50% of the more than 170 million resulting room nights. Hilton HHonors unites all our brands, encourages customer loyalty and allows us to provide tailored promotions, messaging and customer experiences. We have grown the membership in our Hilton HHonors program by approximately 83% from approximately 21 million as of December 31, 2007 to nearly 38 million as of June 30, 2013.

Significant Embedded Growth. All of our segments are expected to grow through improvement in same-store performance driven by strong anticipated industry fundamentals. PKF-HR predicts that the lodging industry RevPAR in the U.S., where 78% of our system rooms are located, will grow 7.2% in 2014 and 8.1% in 2015. Our management and franchise segment also is expected to grow through new room additions, as upon completion, our industry-leading development pipeline would result in a 27% increase in our room count with minimal capital investment from us. In addition, our franchise revenues should grow over time as franchise agreements renew at our published license rates, which are higher than our current effective rates. For the twelve months ended June 30, 2013, our weighted average effective license rate across our brands was 4.5% of room revenue, an increase of over 12% since 2007, and our weighted average published license rate was 5.4% as of June 30, 2013. We also expect our incentive management fees, which are linked to hotel profitability measures, to increase as a result of the expected improvements in industry fundamentals. In our ownership segment, we believe we will benefit from strong growth in bottom-line earnings as industry fundamentals continue to improve as a result of this segment s operating leverage, and our large hotels with significant meeting space should benefit from recent improvements in group demand, which we expect will exhibit strong growth as the current stage of the lodging cycle advances. Finally, our timeshare business has over five years of projected interval supply at our current sales pace in the form of existing owned inventory and executed capital light projects, which should enable us to continue to grow our earnings from the segment with lower levels of capital investment from us.

Strong Cash Flow Generation. We generate significant cash flow from operating activities with an increasing percentage from our growing capital light management and franchise and timeshare segments. During the five-year period ended December 31, 2012, we generated an aggregate of $3.6 billion in cash flow from operating activities. We increased our cash flow from operating activities from $219 million for the year ended December 31, 2008 to $1.1 billion for the year ended December 31, 2012. We believe that our focus on cash flow generation, the relatively low investment required to grow our management and franchise and timeshare segments, and our disciplined approach to capital allocation position us to maximize opportunities for profitability and growth while continuing to reduce our indebtedness over time.

Iconic Hotels with Significant Underlying Real Estate Value. Our diverse global portfolio of owned and leased hotels includes a number of iconic properties in major gateway cities such as New York City, London, San Francisco, Chicago, São Paolo, Sydney and Tokyo. The portfolio also includes iconic hotels with significant embedded asset value, including: The Waldorf=Astoria New York, a landmark luxury hotel with 1,413 rooms encompassing an entire city block in the heart of midtown Manhattan near Grand Central Terminal; the Hilton Hawaiian Village, a full-service beach resort with 2,860 rooms that sits on approximately 22 oceanfront acres along Waikiki Beach on the island of Oahu; and the London Hilton on Park Lane, a 453-room hotel overlooking Hyde Park in the exclusive

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Mayfair district of London. Our ten owned hotels with the highest Adjusted EBITDA contributed 54% of our ownership segment s Adjusted EBITDA during the year ended December 31, 2012, which highlights the quality of our key flagship properties. In addition, we believe the iconic nature of many of these properties creates significant value for our entire system of properties by reinforcing the world-class nature of our brands. We continually focus on increasing the value and enhancing the market position of our owned and leased hotels and have invested $1.8 billion in these properties between December 31, 2007 and June 30, 2013. Over time, we believe we can unlock significant incremental value through opportunistically exiting assets or executing on adaptive reuse plans for all or a portion of certain hotels as retail, residential or timeshare uses.

Market-Leading and Innovative Timeshare Platform. Our timeshare business complements our other segments and provides an alternative hospitality product that serves an attractive customer base. Our timeshare customers are among our most loyal hotel customers, with estimated spend in our hotel system increasing approximately 40% after the purchase of their timeshare interests. Historically, we have concentrated our timeshare efforts in four key markets: Florida, Hawaii, New York City and Las Vegas, which has helped us to increase annual sales of timeshare intervals by more than 40% since 2007 while yielding strong profit margins during a time when our competitors generally experienced declines in both sales and profit margins. As a result of this strong operating performance and the returns we were able to drive on our own timeshare developments, in 2010 we began a transformation of our timeshare business to a capital light model in which third-party timeshare owners and developers provide capital for development while we act as sales and marketing agent and property manager. Through these transactions, we receive a sales and marketing commission and branding fees on sales of timeshare intervals, recurring fees to operate the homeowners associations and revenues from resort operations. We also earn recurring fees in connection with the points-based membership programs we operate that provide for exclusive exchange, leisure travel and reservation services, and through fees related to the servicing of consumer loans. We have increased the sales of intervals developed by third parties from zero in 2009 to 43% for the twelve months ended June 30, 2013, which has dramatically reduced the capital requirements of our timeshare segment while continuing to drive strong earnings and cash flows. For the year ended December 31, 2012 and the six months ended June 30, 2013, we incurred $46 million and $35 million, respectively, of inventory costs in the timeshare segment, compared to an average of $405 million annually during 2007 and 2008.

Performance-Driven Culture. We are an organization of people serving people, thus it is imperative that we attract and retain best-in-class talent to serve our various stakeholders. We have a performance-driven culture that begins with an intense alignment around our mission, vision, values and key strategic priorities. Our President and Chief Executive Officer, Christopher J. Nassetta, has nearly 30 years of experience in the hotel industry, previously serving as President and Chief Executive Officer of Host Hotels & Resorts, Inc., where he was named *Institutional Investor* s 2007 REIT CEO of the Year. He and the balance of our executive management team have been instrumental in transforming our organization and installing a culture that develops leaders at all levels of the organization who are focused on delivering exceptional service to our customers every day. We rely on our over 300,000 team members to execute our strategy and continue to enhance our products and services to ensure that we remain at the forefront of performance and innovation in the lodging industry.

Our Business and Growth Strategy

The following are key elements of our strategy to become the preeminent global hospitality company the first choice of guests, team members and owners alike:

Expand our Global Footprint. We intend to build on our leading position in the U.S. and expand our global footprint. In February 2006, we reacquired Hilton International Co., which had operated as a separate company since 1964, and in so doing, reacquired its international Hilton branding rights. Reuniting Hilton s U.S. and international operations has provided us with the platform to grow our business and brands globally. As a result of the reacquisition and focus on global expansion, we currently rank number one or number two in every major region of the world by rooms under construction, based on STR data. We aim to increase the relative contribution of our international operations, which accounted for only 27% of our revenues during the year ended December 31, 2012. Of our new rooms under construction, 79% are located outside of the U.S. We plan to continue to expand our global footprint by introducing the right brands with the right product positioning in targeted markets and allocating business development resources effectively to drive new unit growth in every region of the world.

Grow our Fee-Based Businesses. We intend to grow our higher margin, fee-based businesses. We expect to increase the contribution of our management and franchise segment, which already accounts for more than half of our aggregate segment Adjusted EBITDA, through new third-party hotel development and the conversion of existing hotels to our brands. The number of rooms in our management and franchise segment grew by 39% from June 30, 2007 to June 30, 2013 and substantially all of our current development pipeline of 176,449 rooms consists of hotels in this segment. Upon completion, this pipeline of new, third-party owned hotels would result in a 30% increase in our management and franchise room count with minimal capital investment from us. In addition, we aim to increase the average effective franchise fees we receive over time by renewing and entering into new franchise agreements at our current published franchise fee rates.

Continue to Increase the Capital Efficiency of our Timeshare Business. Traditionally, timeshare operators have funded 100% of the investment necessary to acquire land and construct timeshare properties. In 2010, we began sourcing timeshare intervals through sales and marketing agreements with third-party developers. These agreements enable us to generate fees from the sales and marketing of the timeshare intervals and club memberships and from the management of the timeshare properties without requiring us to fund acquisition and construction costs. Our supply of third-party developed timeshare intervals has increased to 69,000 as of June 2013, compared to no supply in 2009, and the percentage of sales of timeshare intervals developed by third parties has already increased to 43% for the twelve months ended June 30, 2013. We will continue to seek opportunities to grow our timeshare business through this capital light model.

Optimize the Performance of our Owned and Leased Hotels. In addition to utilizing our commercial services platform to enhance the revenue performance of our owned and leased assets, we have focused on maximizing the cost efficiency of the portfolio by implementing labor management practices and systems and reducing fixed costs to drive profitability. Through our disciplined approach to asset management, we have developed and executed on strategic plans for each of our hotels and have invested $1.8 billion in our portfolio since December 31, 2007 to enhance the market position of each property. We expect to continue to enhance the performance of our hotels by improving operating efficiencies, and believe there is an opportunity to drive further improvements in operating margins and Adjusted EBITDA. The Adjusted EBITDA of our owned and leased portfolio for 2012 was still below 2008 levels. Further, at certain of our hotels, we are developing plans for the adaptive reuse of all or a portion of the property to residential, retail or timeshare uses. Finally, we expect to create value over time by opportunistically selling assets and restructuring or exiting leases.

Strengthen our Brands and Commercial Services Platform. We intend to enhance our world-class brands through superior brand management by continuing to develop products and services that drive increased

RevPAR premiums. We will continue to refine our luxury brands to deliver modern products and service standards that are relevant to today s luxury traveler. We will continue to position our full-service operating model and product standards to meet evolving customer needs and drive financial results that support incremental owner investment in our hotels. In our focused-service brands, we will continue to position for growth in the U.S., and tailor our products as appropriate to meet the needs of customers and developers outside the U.S. We will continue to innovate and enhance our commercial services platform to ensure we have the most formidable sales, pricing, marketing and distribution platform in the industry to drive premium commercial performance to our entire system of hotels. We also will continue to invest in our Hilton HHonors customer loyalty program to ensure it remains relevant to our customers and drives customer loyalty and value to our hotel owners.

The Hilton Legacy

Our history dates to 1919, when Conrad Hilton purchased his first hotel in Cisco, Texas. During ensuing decades we expanded our hotel portfolio and established a track record of innovation in our industry, including the first in-room televisions, the first airport hotel and the first centralized reservation system for a hospitality company. Key events in our history are illustrated in the following timeline:

We are guided by a common vision, mission and values:

Vision: To fill the earth with the light and warmth of hospitality.

Mission: To be the preeminent global hospitality company the first choice of guests, team members and owners alike.

Values: **H**ospitality We are passionate about delivering exceptional guest experiences.

Integrity We do the right thing, all the time.

Leadership We are leaders in our industry and in our communities.

Teamwork We are team players in everything we do.

Ownership We are the owners of our actions and decisions.

Now We operate with a sense of urgency and discipline.

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Our Brand Portfolio

The goal of each of our brands is to deliver exceptional customer experiences and superior operating performance. Across our brands, we have improved our overall customer satisfaction ratings over the last five years, which we believe will develop increased customer loyalty to our brands. According to data from STR, all of our brands command premiums in their respective system-wide RevPAR indices, meaning they achieve higher revenue per available room than competitive properties in their respective markets.

		June 30, 2013				
Brand[1]	**Segment**	**Countries/ Territories**	**Hotels**	**Rooms**	**Percentage of Total Rooms**	**Selected Competitors[2]**
	Luxury	9	23	9,990	1.5%	Ritz Carlton, Four Seasons, Peninsula, St. Regis, Mandarin Oriental
	Luxury	17	23	7,895	1.2%	Park Hyatt, Sofitel, Intercontinental, JW Marriott, Fairmont
	Upper Upscale	79	551	194,919	29.3%	Marriott, Sheraton, Hyatt, Radisson Blu, Renaissance, Westin, Sofitel, Swissotel, Moevenpick
	Upscale	30	351	88,386	13.3%	Sheraton, Marriott, Crowne Plaza, Wyndham, Radisson, Moevenpick, Hotel Nikko, Holiday Inn, Renaissance
	Upper Upscale	5	213	50,997	7.7%	Renaissance, Sheraton, Hyatt, Residence Inn by Marriott
	Upscale	19	572	78,716	11.8%	Courtyard by Marriott, Holiday Inn, Hyatt Place, Novotel, Aloft, Four Points by Sheraton
	Upper Midscale	14	1,914	188,271	28.3%	Fairfield Inn by Marriott, Holiday Inn Express, Comfort Inn, Quality Inn, La Quinta Inns, Wyngate by Wyndham
	Upscale	3	325	35,843	5.4%	Residence Inn by Marriott, Hyatt House, Staybridge Suites, Candlewood Suites
	Upper Midscale	1	18	1,873	0.3%	Candlewood Suites, AmericInn, Towne Place Suites
	Timeshare	3	41	6,404	1.0%	Marriott Vacation Club, Starwood Vacation Ownership, Hyatt Residence Club, Wyndham Vacations Resorts

(1) The table above excludes 10 unbranded hotels with 2,373 rooms, representing approximately 0.2% of total rooms.

(2) The table excludes lesser known regional competitors.

Waldorf Astoria Hotels & Resorts: What began as an iconic hotel in New York City is today a portfolio of 23 luxury hotels and resorts. In landmark destinations around the world, Waldorf Astoria Hotels & Resorts reflect their locations, each providing the inspirational environments and personalized attention that are the source of unforgettable moments. Properties typically include elegant spa and wellness facilities, high-end restaurants, golf courses (at resort properties), 24-hour room service, fitness and business centers, meeting, wedding and banquet facilities and special event and concierge services. We continue to extend the brand s reach through the development of new properties in some of the world s most sought after destinations, including recently opened hotels in Berlin, Shanghai and Panama City and hotels under construction in Beijing and Dubai. Between June 30, 2007 and June 30, 2013, we added 18 Waldorf Astoria hotels with 6,224 rooms to our system. There were 14 hotels with 2,936 rooms in the Waldorf Astoria Hotels & Resorts development pipeline as of June 30, 2013.

Conrad Hotels & Resorts: Conrad is a global luxury brand of 23 properties offering guests personalized experiences with sophisticated, locally inspired surroundings and an intuitive service model based on customization and control, as demonstrated by the Conrad Concierge mobile application that enables guest control of on-property amenities and services. Properties typically include convenient and relaxing spa and wellness facilities, enticing restaurants, comprehensive room service, fitness and business centers, multi-purpose meeting facilities and special event and concierge services. With a strong global footprint, Conrad Hotels & Resorts has recently opened hotels in Beijing, Seoul and New York City and plans to add a significant number of new hotels to its portfolio in key gateway cities and resort destinations around the world, such as Hong Kong, Tokyo and Bali. Between June 30, 2007 and June 30, 2013, we added 6 Conrad hotels with 1,878 rooms to our system. There were 13 hotels with 3,795 rooms in the Conrad Hotels & Resorts development pipeline as of June 30, 2013.

Hilton Hotels & Resorts: Hilton is our global flagship brand and ranks number one for global brand awareness in the hospitality industry, with 551 hotels and resorts in 79 countries and territories across six continents. The brand primarily serves business and leisure upper-upscale travelers and meeting groups. Hilton hotels are full-service hotels that typically include meeting, wedding and banquet facilities and special event services, restaurants and lounges, food and beverage services, swimming pools, gift shops, retail facilities and other services. The brand was awarded the Harris Poll EquiTrend Brand of the Year Full Service Hotel for 2010 and 2011. Between June 30, 2007 and June 30, 2013, we added 43 Hilton hotels with 17,172 rooms to our system. There were 142 hotels with 47,209 rooms in the Hilton Hotels & Resorts development pipeline as of June 30, 2013.

DoubleTree by Hilton: DoubleTree by Hilton is an upscale, full-service hotel designed to provide true comfort to today s business and leisure travelers. DoubleTree is united by the brand s CARE (Creating a Rewarding Experience) culture and a warm chocolate chip cookie served at check-in. DoubleTree s diverse portfolio includes historic icons, small contemporary hotels, resorts and large urban hotels. The brand is growing quickly around the world, both with new-build properties and via conversions of existing properties into DoubleTree hotels. Between June 30, 2007 and June 30, 2013, we added 172 DoubleTree by Hilton hotels with 42,109 rooms to our system. There were 125 hotels with 31,928 rooms in the DoubleTree by Hilton development pipeline as of June 30, 2013.

Embassy Suites Hotels: Embassy Suites are our upper upscale, all-suite hotels that feature two-room guest suites with a separate living room and dining/work area, a complimentary cooked-to-order breakfast and complimentary evening receptions every night. Embassy Suites bundled pricing ensures that guests receive value at a single price. Whether traveling for business, with family, with a group, or for leisure, our guests return again and again to experience the consistently award-winning customer service provided at Embassy Suites. Between June 30, 2007 and June 30, 2013, we added 27 Embassy Suites Hotels with 5,109 rooms to our system. There were 30 hotels with 5,945 rooms in the Embassy Suites Hotels development pipeline as of June 30, 2013.

Hilton Garden Inn: Hilton Garden Inn is our award-winning, upscale hotel brand that strives to ensure today s busy travelers have what they need to be productive on the road. From the Serta Perfect Sleeper bed, to complimentary Internet access, to a comfortable lobby pavilion, Hilton Garden Inn is the brand guests can count on to support them on their journeys. Hilton Garden Inn has received numerous awards, including being ranked by J.D. Power for Highest in Guest Satisfaction in its segment nine out of the past twelve years. Between June 30, 2007 and June 30, 2013, we added 246 Hilton Garden Inn hotels with 33,743 rooms to our system. There were 170 hotels with 26,767 rooms in the Hilton Garden Inn development pipeline as of June 30, 2013.

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Hampton: Hampton Inn hotels are our moderately priced upper midscale hotels with limited food and beverage facilities. The Hampton brand also includes Hampton Inn & Suites hotels, which offer both traditional hotel room accommodations and apartment style suites within one property. Across our over 1,900 Hampton locations around the world, guests receive free hot breakfast and free high-speed Internet access, all for a great price and all supported by the Hampton satisfaction guarantee. Hampton s numerous recognitions include #1 in *Entrepreneur Magazine* s 2013, 2012 and 2011 Franchise 500*; Travel Weekly* Readers Choice Awards Survey Best Mid-Priced Hotel; Hospitality Sales & Marketing Association International Gold and Bronze Adrian Awards; and J.D. Power 2012 Customer Service Champion Award. Between June 30, 2007 and June 30, 2013, we added 485 Hampton hotels with 46,812 rooms to our system. There were 326 hotels with 36,403 rooms in the Hampton development pipeline as of June 30, 2013.

Homewood Suites by Hilton: Homewood Suites by Hilton are our upscale, extended-stay hotels that feature residential style accommodations including business centers, swimming pools, convenience stores and limited meeting facilities. The brand provides the touches, familiarity and comforts of home so that extended-stay travelers can feel at home on the road. Homewood Suites by Hilton is consistently ranked above the competition by guests, thanks to an appealing combination of bundled services and award-winning quality. J.D. Power ranked Homewood Suites by Hilton highest in Guest Satisfaction among Upper Extended Stay Hotels in 2013 and highest in segment in 10 out of the last 13 years. Between June 30, 2007 and June 30, 2013, we added 124 Homewood Suites by Hilton hotels with 13,748 rooms to our system. There were 103 hotels with 12,207 rooms in the Homewood Suites by Hilton development pipeline as of June 30, 2013.

Home2 Suites by Hilton: Home2 Suites by Hilton, our newest brand, are upper midscale hotels that provide a modern and savvy option to budget conscious extended-stay travelers. Offering innovative suites with contemporary design and cutting-edge technology, we strive to ensure that our guests are comfortable and productive, whether they are staying a few days or a few months. The hotel offers a complimentary continental breakfast, integrated laundry and exercise facility, recycling and sustainability initiatives and a pet-friendly policy. Home2 Suites by Hilton has grown rapidly since its first hotel opened in 2011, with 18 hotels open, 18 new hotels under construction and 64 additional hotels under development, each as of June 30, 2013. There were 82 hotels with 8,477 rooms in the Home2 Suites by Hilton development pipeline as of June 30, 2013.

Hilton Grand Vacations: HGV is our timeshare brand. Ownership of a deeded real estate interest with club membership points provides members with a lifetime of vacation advantages and the comfort and convenience of residential-style resort accommodations in select, renowned vacation destinations. Each club property provides a distinctive setting, while signature elements remain consistent, such as high-quality guest service, spacious units and extensive on-property amenities. HGV s developed timeshare properties are relatively concentrated in Florida, Nevada, Hawaii and New York, with additional properties available to Club Members at affiliated resorts in the U.S. and internationally. Between June 30, 2007 and June 30, 2013, we have added 8 HGV properties with 2,630 units to our system.

Commercial Services Platform

Our commercial services platform utilizes our global scale and formidable sales, pricing and marketing infrastructure to maximize commercial performance at our hotels, delivering RevPAR index premiums, higher customer loyalty and enhanced financial returns in a cost efficient manner.

Hilton HHonors is our award-winning guest loyalty program that supports our portfolio of 10 brands and our entire system of hotels and timeshare properties. The program generates significant repeat business by rewarding guests with points for each stay at any of our more than 4,000 hotels worldwide, which are then redeemable for free hotel nights and other rewards. Members also can earn points with over 125 partners, including airlines, rail and car rental companies, credit card providers and others. The program provides targeted marketing, promotions and customized guest experiences to nearly 38 million members. Our HHonors members represented approximately 50% of our system-wide occupancy and contributed hotel-level revenues of nearly $12 billion during the twelve months ending June 30, 2013. Affiliation with our loyalty programs encourages members to allocate more of their travel spending to our hotels. The percentage of travel spending we capture from loyalty members increases as they move up the tiers of our program. Our HHonors members on average spend four times as much money in our system of hotels than our non-HHonors members. The program is funded by contributions from eligible revenues generated by HHonors members and collected by us from hotels in our system. These funds are applied to reimburse hotels and partners for HHonors points redemptions and to pay for program administrative expenses and marketing initiatives that support the program. The HHonors program has won many awards, including the 2013 Frequent Business Traveler s GlobeRunner Award for Best Hotel Chain/Group Loyalty Program.

Hilton Worldwide Sales provides our portfolio of branded hotels with the advantages of scale, access, experience and regional expertise to more effectively compete for corporate, group and leisure travel business. The team includes over 700 sales professionals who conduct business in over 40 languages from 36 offices on 6 continents. These teams combine to sell directly to our customers, as well as through relationships with corporations, associations and other organizations. We also actively engage the third-party distribution market, where we continue to expand our relationships with leading online travel agencies, travel management companies and global distribution systems.

Hilton Reservations and Customer Care (HRCC) provides over-the-phone reservations and customer service, serving our guests 24 hours per day, 7 days per week. HRCC is operated by over 3,000 team members with capabilities in over 10 languages. HRCC provides consistently high levels of customer satisfaction while handling over 30 million customer contacts annually.

Global Online Services operates our online and mobile channels. During the twelve months ended June 30, 2013, Global Online Services generated over $7 billion in gross bookings, and with new websites and additional local language capability, we continue to ensure our online channels provide a compelling and easy customer experience. Hilton s mobile applications allow guests to book on-the-go, as well as take advantage of services such as eCheck-In and customized rooms via Requests Upon Arrival. As a result, the total online channel is growing rapidly and is our fastest growing reservations channel in revenue terms. In 2013, a study by Compete, Inc. designated Hilton as #1 in online hotel bookings market share in the U.S.

Revenue Management provides tools to assist our hotels in optimizing room rates through the lowest cost distribution channels. Our global revenue management team works together with hotels that have their own on-property revenue management resources. For hotels without dedicated resources, Revenue Management provides a suite of fee-for-service offerings that can handle all of a hotel s revenue management activities.

Information Technology provides integrated solutions that support seamless online and in-person customer experiences. Our global central reservation system provides a single source of inventory and rates, ensuring that all reservation channels share the same information. Our guest profile management system ensures that team members have the information necessary to deliver superior customer experiences. Our proprietary OnQ property management system links our brands and hotels together to enhance customer service, as well as maximizes operational efficiencies. These three core elements of our information technology system are interlinked and deployed across our portfolio, providing us and our hotel owners a unified, integrated view of the business.

Hilton Supply Management (HSM) offers procurement solutions for our portfolio of hotels and third-party customers. This global program connects leading suppliers across all hospitality categories including food and beverage, operating supplies, furniture and equipment, and works to secure competitive pricing and timely delivery. In addition, HSM also provides project management services for new hotels and renovations. HSM creates value by ensuring supply chain stability, reducing costs and driving incremental revenue by providing services to third parties and franchisees.

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Our Businesses

We operate our business across three segments: (1) management and franchise; (2) ownership; and (3) timeshare. For more information regarding our segments, see Management s Discussion and Analysis of Financial Condition and Results of Operations and Note 22: Business Segments in our audited consolidated financial statements included elsewhere in this prospectus.

Management and Franchise

Through our management and franchise segment we manage hotels and timeshare properties and license our brands to franchisees. This segment generates its revenue primarily from fees charged to hotel owners and to homeowners associations at timeshare properties.

Hotel and Timeshare Management

Our core management services consist of operating hotels under management agreements for the benefit of third parties, who either own or lease the hotels. Under our standard management agreement, we operate a hotel for the benefit of its owner, which either owns or leases the hotel and the associated personal property. Terms of our management agreements vary, but our fees generally consist of a base management fee based on a percentage of each hotel s gross revenue, and we also may earn an incentive fee based on gross operating profits, cash flow, or a combination thereof. In general, the owner pays all operating and other expenses and reimburses our out-of-pocket expenses. In turn, our managerial discretion typically is subject to approval by the owner in certain major areas, including the approval of annual operating and capital expenditure budgets. As of June 30, 2013, we managed 479 hotels with approximately 136,600 rooms, excluding our owned and leased hotels.

The initial terms of our management agreements for full service hotels typically are 20 years. In certain cases where we have entered into a franchise agreement as well as a management agreement, we classify these hotels as managed hotels in our portfolio. Extension options for our management agreements are negotiated and vary, but typically are more prevalent in full-service hotels. These extensions typically are either for five or ten years and can be exercised once or twice at our or the other party s option or by mutual agreement.

Some of our management agreements provide early termination rights to hotel owners upon certain events, including the failure to meet certain financial or performance criteria. Performance test measures typically are based upon the hotel s performance individually and/or in comparison to specified competitive hotels. We often have a cure right by paying an amount equal to the performance shortfall over a specified period, although in some cases our cure rights are limited.

In addition to the third-party owned hotels we manage, we provide management services for 41 timeshare properties owned by homeowners associations and 157 owned, leased and joint venture hotels, from which we recognize management fee revenues.

Franchising

We franchise our brand names, trade and service marks and operating systems to hotel owners under franchise agreements. We do not directly participate in the day-to-day management or operation of franchised hotels. We conduct periodic inspections to ensure that brand standards are maintained and consult with franchisees concerning certain aspects of hotel operations. We approve the location for new construction of franchised hotels, as well as certain aspects of development. In some cases, we provide franchisees with product improvement plans that must be completed in accordance with brand standards to remain in the brand system. As of June 30, 2013, there were 3,364 franchised hotels with approximately 460,100 rooms.

Each franchisee pays us a franchise application fee. Franchisees also pay a royalty fee, generally based on a percentage of the hotel s total gross room revenue (and a percentage of food and beverage revenue in some brands). In addition to the franchise application fee and royalty fee, franchisees generally pay a monthly program fee based on a percentage of the total gross room revenue that covers the costs of advertising and marketing programs; internet, technology and reservation systems expenses; and quality assurance program costs. Franchisees also are responsible for various other fees and charges, including payments for participation in our Hilton HHonors reward program, training, consultation and procurement of certain goods and services.

Our franchise agreements typically have initial terms of approximately 20 years for new construction and approximately 10 to 20 years for properties that are converted from other brands. At the expiration of the initial term, we may relicense the hotel to the franchisee, at our or the other party s option or by mutual agreement, for an additional term ranging from 10 to 15 years. We have the right to terminate a franchise agreement upon specified events of default, including nonpayment of fees or noncompliance with brand standards. If a franchise agreement is terminated by us because of a franchisee s default, the franchisee is contractually required to pay us liquidated damages.

Ownership

We are among the largest hotel owners in the world based upon the number of rooms at our owned, joint venture and leased hotels. Our diverse global portfolio of owned and leased properties includes a number of leading hotels in major gateway cities such as New York, London, San Francisco, Chicago, São Paolo, Sydney and Tokyo. The portfolio includes iconic hotels with significant underlying real estate value, including The Waldorf=Astoria New York, the Hilton Hawaiian Village and the London Hilton on Park Lane. Real estate investment was a critical component of the growth of our business in our early years. Our real estate holdings grew over time through new construction, purchases or leases of hotels, investments in joint ventures, and the acquisition of other hotel companies. In recent years, we have expanded our hotel system less through real estate investment and more by increasing the number of management and franchise agreements we have with third-party hotel owners.

We utilize our commercial services platform to enhance the revenue performance of our owned and leased hotels. We have focused on maximizing the cost efficiency and profitability of the portfolio by, among other things, implementing new labor management practices and systems and reducing fixed costs. Through our disciplined approach to asset management, we have developed and executed on strategic plans for each of our hotels to enhance the market position of each property, and at many of our hotels we have renovated guest rooms and public spaces and added or enhanced meeting and retail space to improve profitability. At certain of our hotels, we are evaluating options for the adaptive reuse of all or a portion of the property to residential, retail or timeshare uses.

As of June 30, 2013, our hotel ownership segment included a portfolio of 157 owned and leased hotels (62,498 rooms), all of which we manage. We own and invest in real estate in a variety of ways:

Owned Hotels As of June 30, 2013, we owned 48 hotels (27,053 rooms) that we own outright or through consolidated joint ventures. For some of these properties, we lease the underlying land. Under these ground leases, we typically own the buildings and leasehold improvements and all furniture and equipment located on the leased land; we are responsible for repairs, maintenance, operating expenses, and lease rentals; and we retain nearly complete managerial discretion over operations.

Joint Venture Hotels As of June 30, 2013, we had 33 hotels (12,670 rooms) in which we have a partial, non-controlling financial interest through one or more entities that own or lease the properties. We manage these hotels on behalf of the joint ventures that own them.

Leased Hotels As of June 30, 2013, we leased 76 hotels (22,775 rooms) that we lease directly or through consolidated joint ventures. We have nearly complete control over the management and operation of our leased hotels, but significant alterations to the physical structures of the hotels may require the consent of our landlords. Leases may require the payment of fixed rent payments, variable rent payments based on a percentage of revenue or income, or both.

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Timeshare

Our timeshare segment generates revenue from three primary sources:

Timeshare Sales We market and sell timeshare interests owned by Hilton and third parties.

Resort Operations We manage the HGV Club, receiving enrollment fees, annual dues and transaction fees from member exchanges for other vacation products. We generate rental revenue from unit rentals of unsold inventory and inventory made available due to ownership exchanges under our HGV Club program. We also earn revenue from the management of retail and spa outlets at our timeshare properties.

Financing We provide consumer financing, which includes interest income generated from the origination of consumer loans to customers to finance their purchase of timeshare intervals and revenue from servicing the loans on our timeshare properties.

HGV s primary product is generally a fee-simple timeshare interest deeded in perpetuity. This ownership interest is an interest in real estate equivalent to annual usage rights for approximately one week at the timeshare resort where the timeshare interval was purchased. Each purchaser is automatically enrolled in the HGV Club, giving the purchaser an annual allotment of Club Points that allow the purchaser to exchange his or her annual usage rights for a number of options, including: a priority reservation period to stay at his or her home resort where his or her timeshare interval is deeded, stays at any resort in the HGV system, reservations for experiential travel such as cruises, conversion to Hilton HHonors points for stays at our hotels and other options, including stays at more than 5,000 resorts included in the RCI timeshare vacation exchange network. In addition, we operate the Hilton Club, which is currently limited to the Hilton Club located in New York City, but whose members also enjoy exchange benefits with the HGV Club. As of June 30, 2013, HGV managed a global system of 41 resorts and the HGV Club and the Hilton Club had more than 200,000 members in total.

Starting in 2010, we began sourcing timeshare intervals through sales and marketing agreements with third-party developers. This allows us to sell timeshare units on behalf of third-party developers in exchange for sales, marketing and branding fees on interval sales, and to earn fees from resort operations and the servicing of consumer loans.

Properties

As of June 30, 2013, we managed, franchised, owned or leased 4,041 properties, totaling 665,667 rooms in 90 countries and territories, including:

- 3,843 managed and franchised hotels (596,765 rooms), all of which are owned by third parties, that include
  - 3,364 franchised hotels (460,102 rooms) that are operated by third parties, and

- 479 managed hotels (136,663 rooms), all of which we operate under management agreements with third parties;

- 157 owned and leased hotels (62,498 rooms), all of which we manage, that include

  - 48 hotels owned by us (27,053 rooms), including through three consolidated joint ventures,

  - 33 hotels owned or leased by unconsolidated joint ventures (12,670 rooms), and

  - 76 hotels leased by us (22,775 rooms), including through three consolidated joint ventures; and

- 41 timeshare properties (6,404 units), all of which we manage.

Our properties are supported by a number of corporate offices, including our four regional headquarters in McLean, Virginia (Americas), which also serves as our corporate headquarters, Watford, England (Europe), Dubai (Middle East & Africa) and Singapore (Asia Pacific).

As of June 30, 2013, our system included the following properties and rooms, by type, brand, and region:

	Owned / Leased[1]		Managed		Franchised		Total	
	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms
Waldorf Astoria Hotels & Resorts								
U.S.	2	1,601	11	4,770	2	1,047	15	7,418
Americas (excluding U.S.)			1	248	1	984	2	1,232
Europe	1	370	3	672			4	1,042
MEA			1	38			1	38
Asia Pacific			1	260			1	260
Conrad Hotels & Resorts								
U.S.			4	1,334			4	1,334
Americas (excluding U.S.)			1	570	1	294	2	864
Europe	2	778	1	154			3	932
MEA	1	617	1	86			2	703
Asia Pacific			11	3,426	1	636	12	4,062
Hilton Hotels & Resorts								
U.S.	23	21,096	43	25,235	181	53,877	247	100,208
Americas (excluding U.S.)	3	1,836	20	6,768	19	5,791	42	14,395
Europe	74	19,015	56	15,802	21	5,309	151	40,126
MEA	6	2,279	42	12,952	1	410	49	15,641
Asia Pacific	8	3,953	47	17,776	7	2,820	62	24,549
DoubleTree by Hilton								
U.S.	13	4,700	27	8,033	229	57,023	269	69,756
Americas (excluding U.S.)			4	737	8	1,550	12	2,287
Europe			9	2,834	34	5,485	43	8,319
MEA			2	299	3	431	5	730
Asia Pacific			21	6,444	1	850	22	7,294
Embassy Suites Hotels								
U.S.	18	4,561	40	10,672	148	34,021	206	49,254
Americas (excluding U.S.)			2	473	5	1,270	7	1,743
Hilton Garden Inn								
U.S.	2	290	5	635	506	68,579	513	69,504
Americas (excluding U.S.)			5	685	23	3,575	28	4,260
Europe			15	2,620	12	1,751	27	4,371
MEA			1	180			1	180
Asia Pacific			3	401			3	401
Hampton Inn								
U.S.	1	130	51	6,428	1,786	171,873	1,838	178,431
Americas (excluding U.S.)			4	519	53	6,642	57	7,161
Europe			3	383	15	2,224	18	2,607
Asia Pacific					1	72	1	72
Homewood Suites by Hilton								
U.S.			37	4,242	277	30,432	314	34,674
Americas (excluding U.S.)			1	102	10	1,067	11	1,169

Home2 Suites by Hilton								
U.S.					18	1,873	18	1,873
Other	3	1,272	6	885	1	216	10	2,373
Lodging	157	62,498	479	136,663	3,364	460,102	4,000	659,263
Hilton Grand Vacations			41	6,404			41	6,404
Total	157	62,498	520	143,067	3,364	460,102	4,041	665,667

(1) Includes hotels owned or leased by entities in which we own a non-controlling interest.

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Owned or Controlled Hotels

As of June 30, 2013, we owned a majority or controlling financial interest in the following 48 hotels, representing 27,053 rooms.

Property	Location	Rooms	Ownership
Waldorf Astoria Hotels & Resorts			
The Waldorf=Astoria New York	New York, NY, USA	1,413	100%
Hilton Hotels & Resorts			
Hilton Hawaiian Village Beach Resort & Spa	Honolulu, HI, USA	2,860	100%
Hilton New York	New York, NY, USA	1,981	100%
Hilton San Francisco Union Square	San Francisco, CA, USA	1,908	100%
Hilton New Orleans Riverside	New Orleans, LA, USA	1,622	100%
Hilton Chicago	Chicago, IL, USA	1,544	100%
Hilton Waikoloa Village	Waikoloa, HI, USA	1,241	100%
Caribe Hilton	San Juan, Puerto Rico	915	100%
Hilton Chicago O Hare Airport	Chicago, IL, USA	860	100%
Hilton Orlando Lake Buena Vista	Orlando, FL, USA	814	100%
Hilton Boston Logan Airport	Boston, MA, USA	599	100%
Hilton Sydney	Sydney, Australia	579	100%
Pointe Hilton Squaw Peak Resort	Phoenix, AZ, USA	563	100%
Hilton Miami Airport	Miami, FL, USA	508	100%
Hilton Atlanta Airport	Atlanta, GA, USA	507	100%
Hilton São Paulo Morumbi	São Paulo, Brazil	503	100%
Hilton McLean Tysons Corner	McLean, VA, USA	458	100%
Hilton Seattle Airport & Conference Center	Seattle, WA, USA	396	100%
Hilton Oakland Airport	Oakland, CA, USA	359	100%
Hilton Paris Orly Airport	Paris, France	340	100%
Hilton Durban	Durban, South Africa	327	100%
Hilton New Orleans Airport	Kenner, LA, USA	317	100%
Hilton Short Hills	Short Hills, NJ, USA	304	100%
Hilton Amsterdam Airport Schiphol	Schiphol, Netherlands	277	100%
Hilton Blackpool	Blackpool, United Kingdom	274	100%
Hilton Rotterdam	Rotterdam, Netherlands	254	100%
Hilton Suites Chicago/Oak Brook	Oakbrook Terrace, IL, USA	211	100%
Hilton Belfast	Belfast, United Kingdom	198	100%
Hilton London Islington	London, United Kingdom	191	100%
Hilton Edinburgh Grosvenor	Edinburgh, United Kingdom	184	100%
Hilton Coylumbridge	Coylumbridge, United Kingdom	175	100%
Hilton Bath City	Bath, United Kingdom	173	100%
Hilton Nuremberg	Nuremberg, Germany	152	100%
Hilton Milton Keynes	Milton Keynes, United Kingdom	138	100%
Hilton Templepatrick Hotel & Country Club	Templepatrick, United Kingdom	129	100%
Hilton Sheffield	Sheffield, United Kingdom	128	100%
Hilton Portsmouth(1)	Portsmouth, United Kingdom	119	100%
DoubleTree by Hilton			

DoubleTree Hotel Crystal City National Airport	Arlington, VA, USA	631	100%
DoubleTree Hotel San Jose	San Jose, CA, USA	505	100%
DoubleTree Hotel Ontario Airport	Ontario, CA, USA	482	67%
DoubleTree Spokane-City Center	Spokane, WA, USA	375	10%
Fess Parker s DoubleTree Resort Santa Barbara	Santa Barbara, CA, USA	360	50%
Embassy Suites Hotels			
Embassy Suites Washington D.C.	Washington, D.C., USA	318	100%
Embassy Suites Austin Downtown/Town Lake	Austin, TX, USA	259	100%
Embassy Suites Phoenix Airport at 24th Street	Phoenix, AZ, USA	182	100%
Hilton Garden Inn			
Hilton Garden Inn LAX/El Segundo	El Segundo, CA, USA	162	100%
Hilton Garden Inn Chicago/Oak Brook	Oakbrook Terrace, IL, USA	128	100%
Hampton Inn			
Hampton Inn & Suites Memphis Shady Grove	Memphis, TN, USA	130	100%

(1) On October 3, 2013, we entered into an agreement to sell this property with an expected closing date in the fourth quarter of 2013.

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Joint Venture Hotels

As of June 30, 2013, we had a minority or noncontrolling financial interest in and operated 33 properties, representing 12,670 rooms. We have a right of first refusal to purchase additional equity interests in certain of these joint ventures. We manage each of the partially owned hotels for the entity owning the hotel.

Property	Location	Rooms	Ownership
Waldorf Astoria Hotels & Resorts			
The Waldorf Astoria Chicago	Chicago, IL, USA	188	15%
Conrad Hotels & Resorts			
Conrad Cairo	Cairo, Egypt	617	10%
Conrad Istanbul	Istanbul, Turkey	587	25%
Conrad Dublin	Dublin, Ireland	191	25%
Hilton Hotels & Resorts			
Hilton Orlando Orange County Convention Center	Orlando, FL	1,417	20%
Hilton San Diego Bayfront	San Diego, CA, USA	1,190	25%
Hilton Tokyo Bay	Urayasu-shi, Japan	818	24%
Hilton Berlin	Berlin, Germany	601	40%
Capital Hilton	Washington, D.C., USA	544	25%
Hilton Nagoya	Nagoya, Japan	448	24%
Hilton La Jolla Torrey Pines	La Jolla, CA, USA	394	25%
Hilton Mauritius Resort & Spa	Flic-en-Flac, Mauritius	193	20%
Hilton Imperial Dubrovnik	Dubrovnik, Croatia	147	18%
DoubleTree by Hilton			
DoubleTree Hotel Wilmington(1)	Wilmington, DE, USA	244	10%
DoubleTree Las Vegas Airport	Las Vegas, NV, USA	190	50%
DoubleTree Guest Suites Austin	Austin, TX, USA	188	10%
DoubleTree Hotel Missoula/Edgewater	Missoula, MT, USA	171	50%
Embassy Suites Hotels			
Embassy Suites Atlanta at Centennial Olympic Park	Atlanta, GA, USA	321	36%
Embassy Suites Alexandria Old Town	Alexandria, VA, USA	288	50%
Embassy Suites Parsippany	Parsippany, NJ, USA	274	50%
Embassy Suites Kansas City Plaza	Kansas City, MO, USA	266	50%
Embassy Suites Chicago Lombard/Oak Brook	Lombard, IL, USA	262	50%
Embassy Suites Secaucus Meadowlands	Secaucus, NJ, USA	261	50%
Embassy Suites San Antonio International Airport	San Antonio, TX, USA	261	50%
Embassy Suites Austin Central	Austin, TX, USA	260	50%
Embassy Suites Baltimore at BWI Airport	Linthicum, MD, USA	251	10%
Embassy Suites Sacramento Riverfront Promenade	Sacramento, CA, USA	242	25%
Embassy Suites Atlanta Perimeter Center	Atlanta, GA, USA	241	50%
Embassy Suites San Rafael Marin County	San Rafael, CA, USA	235	50%
Embassy Suites Raleigh Crabtree	Raleigh, NC, USA	225	50%
Embassy Suites San Antonio NW I-10	San Antonio, TX, USA	216	50%
Embassy Suites Kansas City Overland Park	Overland Park, KS, USA	199	50%
Other			
	Myrtle Beach, SC, USA	740	50%

Myrtle Beach Kingston Plantation (condo management company)

(1) The joint venture that held this property sold the hotel to a third party in September 2013.

Leased Hotels

As of June 30, 2013, we leased the following 76 hotels, representing 22,775 rooms.

Property	Location	Rooms
Waldorf Astoria Hotels & Resorts		
Waldorf Astoria Rome Cavalieri	Rome, Italy	370
Hilton Hotels & Resorts		
Hilton Tokyo(1)	(Shinjuku-ku) Tokyo, Japan	808
Hilton Ramses	Cairo, Egypt	771
Hilton London Kensington	London, United Kingdom	601
Hilton Vienna	Vienna, Austria	579
Hilton Tel Aviv	Tel Aviv, Israel	560
Hilton Osaka(1)	Osaka, Japan	525
Hilton Istanbul	Istanbul, Turkey	499
Hilton Salt Lake City	Salt Lake City, UT, USA	499
Hilton Munich Park	Munich, Germany	484
Hilton Munich City	Munich, Germany	480
London Hilton on Park Lane	London, United Kingdom	453
Hilton Diagonal Mar Barcelona	Barcelona, Spain	433
Hilton Mainz	Mainz, Germany	431
Hilton Trinidad & Conference Centre	Port of Spain, Trinidad	418
Hilton London Heathrow Airport	London, United Kingdom	398
Hilton Izmir	Izmir, Turkey	380
Hilton London Docklands Riverside	London, United Kingdom	378
Hilton Addis Ababa	Addis Ababa, Ethiopia	372
Hilton Vienna Danube	Vienna, Austria	367
Hilton Frankfurt	Frankfurt, Germany	342
Hilton Brighton Metropole	Brighton, United Kingdom	340
Hilton Sandton	Sandton, South Africa	329
Hilton Brisbane	Brisbane, Australia	319
Hilton Glasgow	Glasgow, United Kingdom	319
Hilton Milan	Milan, Italy	319
Hilton Ankara	Ankara, Turkey	315
Hilton Adana	Adana, Turkey	308
Hilton Waldorf	London, United Kingdom	298
Hilton Cologne	Cologne, Germany	296
Hilton Slussen	Stockholm, Sweden	289
Hilton Nairobi(1)	Nairobi, Kenya	287
Hilton Madrid Airport	Madrid, Spain	284
Hilton Parmelia Perth	Parmelia Perth, Australia	284
Hilton London Canary Wharf	London, United Kingdom	282
Hilton Amsterdam	Amsterdam, Netherlands	271
Hilton Newcastle Gateshead	Newcastle Upon Tyne, United Kingdom	254
Hilton Bonn	Bonn, Germany	252
Hilton London Tower Bridge	London, United Kingdom	245

Hilton London Stansted Airport	Stansted, United Kingdom	239
Hilton Manchester Airport	Manchester, United Kingdom	230
Hilton Vienna Plaza	Vienna, Austria	222
Hilton Basel	Basel, Switzerland	220
Hilton Bracknell	Bracknell, United Kingdom	215
Hilton Antwerp	Antwerp, Belgium	210

Property	Location	Rooms
Hilton Reading	Reading, United Kingdom	210
Hilton Leeds City	Leeds, United Kingdom	208
Hilton Watford	Watford, United Kingdom	200
Hilton Mersin	Mersin, Turkey	186
Hilton Warwick/Stratford-upon-Avon	Warwick, United Kingdom	181
Hilton Leicester	Leicester, United Kingdom	179
Hilton Innsbruck	Innsbruck, Austria	176
Hilton Nottingham	Nottingham, United Kingdom	176
Hilton Odawara Resort & Spa	Odawara City, Japan	172
Hilton St. Anne s Manor, Bracknell	Wokingham, United Kingdom	170
Hilton Croydon	Croydon, United Kingdom	168
Hilton London Green Park	London, United Kingdom	163
Hilton Cobham	Cobham, United Kingdom	158
Hilton Paris La Defense	Paris, France	153
Hilton East Midlands	Derby, United Kingdom	152
Hilton Maidstone	Maidstone, United Kingdom	146
Hilton Avisford Park, Arundel	Arundel, United Kingdom	140
Hilton Northampton	Northampton, United Kingdom	139
Hilton London Hyde Park	London, United Kingdom	132
Hilton York	York, United Kingdom	131
Hilton Mainz City	Mainz, Germany	127
Hilton Bradford(2)	Bradford, United Kingdom	121
Hilton ParkSA Istanbul	Istanbul, Turkey	117
Hilton Puckrup Hall, Tewkesbury	Tewkesbury, United Kingdom	112
Hilton Glasgow Grosvenor	Glasgow, United Kingdom	97
DoubleTree by Hilton		
DoubleTree Hotel Seattle Airport	Seattle, WA, USA	850
DoubleTree Hotel San Diego-Mission Valley	San Diego, CA, USA	300
DoubleTree Hotel Sonoma Wine Country	Rohnert Park, CA, USA	245
DoubleTree Hotel Durango	Durango, CO, USA	159
Other		
Scandic Hotel Sergel Plaza	Stockholm, Sweden	403
The Trafalgar London	London, United Kingdom	129

(1) We own a majority or controlling financial interest, but less than a 100% interest, in entities that lease these properties.

(2) On October 7, 2013, we purchased this property from the lessor.

Other Properties

Other non-operating real estate holdings include a centralized operations center and a centralized data center, both located in Memphis, Tennessee; and a Hilton Reservations and Customer Care office in Carrollton, Texas.

Corporate Headquarters and Regional Offices

Our corporate headquarters are located at 7930 Jones Branch Drive, McLean, Virginia 22102. These offices consist of approximately 160,596 square feet of leased space. The lease for this property initially expires on December 31, 2019, with options to renew and increase the rentable square feet.

Additionally, we lease the following properties to support our operations:

- European Regional office in Watford, United Kingdom;
- Asia Pacific Regional office in Singapore;

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- Middle East and Africa Regional office in Dubai, United Arab Emirates;
- Hilton HHonors and other commercial services office in Addison, Texas;
- Hilton Grand Vacations headquarters in Orlando, Florida; and
- Timeshare sales offices in Honolulu, Hawaii, Las Vegas, Nevada, New York, New York, Orlando, Florida, Tumon Bay, Guam and Tokyo, Japan.

We believe that our existing office properties are in good condition and are sufficient and suitable for the conduct of our business. In the event we need to expand our operations, we believe that suitable space will be available on commercially reasonable terms.

Corporate Responsibility

We are committed to responsible global citizenship. We also believe being a good corporate citizen is a smart business practice and creates long-term value for our stockholders, team members, hotel owners, customers and operating communities. Through our corporate responsibility platform, Travel with Purpose, we focus on four areas where we can have the greatest impact: creating opportunities for current and future team members; strengthening our local operating communities; celebrating cultures and global connections; and living sustainably through the measurement, analysis and improvement of our use of natural resources. We engage in a number of programs and partnerships that complement our global footprint and provide financial, volunteer and in-kind support to organizations and issues that are committed to our focus areas. Our commitment to responsible global citizenship includes:

- becoming one of the first global, multi-brand hospitality companies to make sustainability performance a brand standard through the creation of LightStay, our proprietary sustainability measurement tool;
- saving an estimated $253 million in the four years since establishing our sustainability goals in 2008. Our efficiency projects across our participating hotels have delivered a 12% reduction of energy use; a 13% reduction of carbon output; a 25% reduction of waste output; and a 10% reduction of water use. In 2012 we exceeded both the waste and water reduction targets we set in 2008;
- being one of the first multi-brand hospitality companies to receive ISO 9001 certification for Quality Management Systems and ISO 14001 certification for Environmental Management Systems across our entire hotel portfolio;
- signing the ECPAT Tourism Child-Protection Code of Conduct in 2011. Our efforts included training more than 1,000 general managers and hotel team members on child trafficking awareness and prevention and supporting public education efforts;

- launching our Global Team Member Volunteer Program in 2012, which has resulted in team members volunteering over 136,000 hours of service to their communities;

- creating our Travel with Purpose Action Grants program in 2013, an initiative that offers small grants to local community partners in the areas of sustainability awareness, youth education and life skills training and human rights; and

- pledging to hire 10,000 U.S. military veterans over the next five years as part of *Operation: Opportunity*, a new program we established in 2013 to help veterans and their families with job opportunities and career development in the hospitality sector. This program complements our global commitment to youth employment and creating opportunities for young people in the hospitality sector.

Competition

We encounter active and robust competition as a hotel, residential, resort and timeshare manager, franchisor and developer. Competition in the hotel and lodging industry generally is based on the attractiveness of the facility, location, level of service, quality of accommodations, amenities, food and beverage options and outlets, public spaces and other guest services, consistency of service, room rate, brand reputation and the ability to earn and redeem loyalty program points through a global system. Our properties and brands compete with other hotels, resorts, motels and inns in their respective geographic markets or customer segments, including facilities owned by local interests, individuals, national and international chains, institutions, investment and pension funds and real estate investment trusts, or REITs. We believe that our position as a multi-branded owner, operator, manager and franchisor of hotels makes us one of the largest and most geographically diverse lodging companies in the world.

Our principal competitors include other branded and independent hotel operating companies, national and international hotel brands and ownership companies, including hotel REITs. While local and independent brand competitors vary, on a global scale our primary competitors are firms such as Accor S.A., Carlson Rezidor Group, Fairmont Raffles Hotels International, Hong Kong and Shanghai Hotels, Limited, Hyatt Hotels Corporation, Intercontinental Hotel Group, Marriott International, Mövenpick Hotels and Resorts, Starwood Hotels & Resorts Worldwide and Wyndham Worldwide Corporation.

In the timeshare business, we compete with other hotel and resort timeshare operators for sales of timeshare intervals based principally on location, quality of accommodations, price, financing terms, quality of service, terms of property use and opportunity for timeshare owners to exchange into time at other timeshare properties or other travel rewards. In addition, we compete based on brand name recognition and reputation, as well as with national and independent timeshare resale companies and owners reselling existing timeshare intervals, which could reduce demand or prices for sales of new timeshare intervals. Our competitors in the timeshare space include Hyatt Residence Club, Marriott Vacations Worldwide Corp., Starwood Vacation Ownership and Wyndham Vacation Resorts.

Seasonality

The hospitality industry is seasonal in nature. The periods during which our lodging properties experience higher revenues vary from property to property, depending principally upon location and the customer-base served. We generally expect our revenues to be lower in the first quarter of each year than in each of the three subsequent quarters, with the fourth quarter being the highest.

Cyclicality

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

Intellectual Property

In the highly competitive hospitality industry in which we operate, trademarks, service marks, trade names and logos are very important to the success of our business. We have a significant number of trademarks, service marks, trade names, logos and pending registrations and expend significant resources each year on surveillance, registration and protection of our trademarks, service marks, trade names and logos, which we believe have become synonymous in the hospitality industry with a reputation for excellence in service and authentic hospitality.

Government Regulation

Our business is subject to various foreign and U.S. federal and state laws and regulations, including: laws and regulations that govern the offer and sale of franchises, many of which impose substantive requirements on franchise agreements and require that certain materials be registered before franchises can be offered or sold in a particular state; and extensive state and federal laws and regulation relating to our timeshare business, primarily relating to the sale and marketing of timeshare intervals.

In addition, a number of states regulate the activities of hospitality properties and restaurants, including the sale of liquor at such properties, by requiring licensing, registration, disclosure statements and compliance with specific standards of conduct. Operators of hospitality properties also are subject to laws governing their relationship with employees, including minimum wage requirements, overtime, working conditions and work permit requirements. Compliance with, or changes in, these laws could reduce the revenue and profitability of our properties and could otherwise adversely affect our operations.

We also manage and own hotels with casino gaming operations as part of or adjacent to the hotels. However, with the exception of casinos at certain of our properties in Puerto Rico and one property in Egypt, third parties manage and operate the casinos. We hold and maintain the casino gaming license and manage the casinos located in Puerto Rico and Egypt and employ third-party compliance consultants and service providers. As a result, our business operations at these facilities are subject to the licensing and regulatory control of the local regulatory agency responsible for gaming licenses and operations in those jurisdictions.

Finally, as an international owner, operator and franchisor of hospitality properties in 90 countries and territories, we also are subject to the local laws and regulations in each country in which we operate, including employment laws and practices, privacy laws, tax laws, which may provide for tax rates that exceed those of the United States and which may provide that our foreign earnings are subject to withholding requirements or other restrictions, unexpected changes in regulatory requirements or monetary policy and other potentially adverse tax consequences.

Environmental Matters

We are subject to certain requirements and potential liabilities under various foreign and U.S. federal, state and local environmental, health and safety laws and regulations and incur costs in complying with such requirements. These laws and regulations govern actions including air emissions, the use, storage and disposal of hazardous and toxic substances, and wastewater disposal. In addition to investigation and remediation liabilities that could arise under such laws, we may also face personal injury, property damage, fines or other claims by third parties concerning environmental compliance or contamination. In addition to our hotel accommodations, we operate a number of laundry facilities located in certain areas where we have multiple properties. We use and store hazardous and toxic substances, such as cleaning materials, pool chemicals, heating oil and fuel for back-up generators at some of our facilities, and we generate certain wastes in connection with our operations. Some of our properties include older buildings, and some may have, or may historically have had, dry-cleaning facilities and underground storage tanks for heating oil and back-up generators. We have from time to time been responsible for investigating and remediating contamination at some of our facilities, such as contamination that has been discovered when we have removed underground storage tanks, and we could be held responsible for any contamination resulting from the disposal of wastes that we generate, including at locations where such wastes have been sent for disposal. In some cases, we may be entitled to indemnification from the party that caused the contamination, or pursuant to our management or franchise agreements, but there can be no assurance that we would be able to recover all or any costs we incur in addressing such problems. From time to time, we may also be required to manage, abate, remove or contain mold, lead, asbestos-containing materials, radon gas or other hazardous conditions found in or on our properties. We have implemented an on-going operations and maintenance plan at each of our owned and operated properties that seeks to identify and remediate these conditions as appropriate. Although we have incurred, and expect that we will continue to incur, costs relating to

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the investigation, identification and remediation of hazardous materials known or discovered to exist at our properties, those costs have not had, and are not expected to have, a material adverse effect on our financial condition, results of operations or cash flow.

Insurance

We maintain insurance coverage for general liability, property including business interruption, terrorism, workers compensation and other risks with respect to our business for all of our owned hotels. Most of our insurance policies are written with self-insured retentions or deductibles that are common in the insurance market for similar risks. These policies provide coverage for claim amounts that exceed our self-insured retentions or deductibles. Our insurance provides coverage related to any claims or losses arising out of the design, development and operation of our hotels.

U.S. hotels that we manage are permitted to participate in our insurance programs by mutual agreement with our hotel owners or, if not participating, must purchase insurance programs consistent with our requirements. U.S. franchised hotels are not permitted to participate in our insurance programs but rather must purchase insurance programs consistent with our requirements. Non-U.S. managed and franchised hotels are required to participate in certain of our insurance programs. All other insurance programs purchased by hotel owners must meet our requirements. In addition, our management and franchise agreements typically include provisions requiring the owner of the hotel property to indemnify us against losses arising from the design, development and operation of our hotels.

Employees

Our talent management strategy is driven by the simple principle of hiring the best person for each job and giving them the opportunity to do great work and to grow in their career. As of June 30, 2013, approximately 147,000 people were employed at our managed, owned, leased, timeshare and corporate locations in 90 countries and territories around the world. There are an additional estimated 160,000 individuals working at our franchised locations that we do not employ or supervise.

Approximately 27% of our employees globally (or 30% of our employees in the United States) are covered by various collective bargaining agreements generally addressing pay rates, working hours, other terms and conditions of employment, certain employee benefits and orderly settlement of labor disputes.

Legal Proceedings

We are involved in various claims and lawsuits arising in the normal course of business, some of which include claims for substantial sums, including proceedings involving tort and other general liability claims, employee claims, consumer protection claims and claims related to our management of certain hotel properties. Most occurrences involving liability, claims of negligence and employees are covered by insurance with solvent insurance carriers. For those matters not covered by insurance, which include commercial matters, we recognize a liability when we believe the loss is probable and can be reasonably estimated. The ultimate results of claims and litigation cannot be predicted with certainty. We believe we have adequate reserves against such matters. We currently believe that the ultimate outcome of such lawsuits and proceedings will not, individually or in the aggregate, have a material adverse effect on our consolidated financial position, results of operations or liquidity. However, depending on the amount and timing, an unfavorable resolution of some or all of these matters could materially affect our future results of operations in a particular period.

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In re On-Line Travel Company (OTC)/Hotel Booking Antitrust Litigation

We are a defendant in a federal multi-district litigation, currently pending in the U.S. District Court for the Northern District of Texas, which consolidates 30 previously separate actions originally filed in federal courts between August 2012 and February 2013. The consolidated amended complaint alleges that approximately a dozen hotel and online travel company defendants engaged in an anti-competitive scheme to fix the prices of hotel rooms in violation of federal and state antitrust and consumer protection laws. The defendants have filed a joint motion to dismiss the amended complaint on the basis that, among other things, the plaintiffs have failed to demonstrate facts sufficient to support their allegations of an industry-wide conspiracy. We dispute the allegations and will defend our interests vigorously. We currently do not believe the ultimate outcome of this litigation will have a material effect on our consolidated financial position, results of operations or liquidity.

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MANAGEMENT

Directors and Executive Officers

The following table sets forth the names, ages and positions of our directors and executive officers as of the date of this prospectus. We expect to add additional, independent directors prior to the completion of this offering.

Name	Age	Position
Christopher J. Nassetta	51	President, Chief Executive Officer and Director
Jonathan D. Gray	43	Chairman of the Board of Directors
Michael S. Chae	45	Director
Tyler S. Henritze	33	Director
Judith M. McHale	66	Director
John G. Schreiber	66	Director
Douglas M. Steenland	62	Director
William J. Stein	51	Director
Kristin A. Campbell	52	Executive Vice President and General Counsel
Ian R. Carter	52	President, Development, Architecture and Construction
Jeffrey A. Diskin	52	Executive Vice President, Commercial Services
James E. Holthouser	54	Executive Vice President, Global Brands
Kevin J. Jacobs	40	Executive Vice President and Chief Financial Officer
Matthew W. Schuyler	48	Executive Vice President and Chief Human Resources Officer
Mark D. Wang	56	President, Global Sales & Hilton Grand Vacations

Christopher J. Nassetta joined Hilton Worldwide as President and Chief Executive Officer in December 2007 and has served as a director of Hilton Worldwide since that time. Previously, he was President and Chief Executive Officer of Host Hotels and Resorts, Inc., a position he held from May 2000 until October 2007. He joined Host in 1995 as Executive Vice President and was elected Chief Operating Officer in 1997. Before joining Host, Mr. Nassetta co-founded Bailey Capital Corporation, a real estate investment and advisory firm, in 1991. Prior to this, he spent seven years at The Oliver Carr Company, a commercial real estate company, where he ultimately served as Chief Development Officer. Mr. Nassetta is an Advisory Board member for the McIntire School of Commerce at the University of Virginia and is Vice Chairman of the Corporate Fund for The John F. Kennedy Center for the Performing Arts. He is a member of Federal City Council, a member of the Steering Committee of Partners for a New Beginning, and is on the boards of the International Youth Foundation, the Wolf Trap Foundation for the Performing Arts, the Economic Club of Washington, D.C. and CoStar Group, Inc. He is also a member and a past Chairman of The Real Estate Roundtable, an Executive Committee member of the World Travel & Tourism Council and has served in various positions at the Arlington Free Clinic. Mr. Nassetta graduated from the McIntire School of Commerce at the University of Virginia with a degree in Finance.

Jonathan D. Gray has served as a director of Hilton Worldwide since 2007. Mr. Gray has served as Blackstone s global head of real estate since January 2012 and a member of the board of directors of Blackstone since February 2012. He also sits on Blackstone s management and executive committees. Prior to being named global head of real estate at Blackstone, Mr. Gray served as a senior managing director and co-head of real estate from January 2005 to December 2011. Since joining Blackstone in 1992, Mr. Gray has helped build the largest private equity real estate platform in the world with $64 billion in investor capital under management as of June 30, 2013. Mr. Gray received a B.S. in Economics from the Wharton School, as well as a B.A. in English from the College of Arts and Sciences at the University of Pennsylvania, where he graduated *magna cum laude* and was elected to Phi Beta Kappa. He currently serves as a board member of the Pension Real Estate Association and Trinity School and is Chairman of the Board of Harlem Village Academies. Mr. Gray and his wife, Mindy, recently established the Basser Research Center at the University of Pennsylvania School of Medicine focused on the prevention and treatment of certain genetically caused breast and ovarian cancers.

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Michael S. Chae has served as a director of Hilton Worldwide since 2007. Mr. Chae has been a senior managing director of Blackstone since January 2005 and serves as head of international private equity at Blackstone. Since joining Blackstone, Mr. Chae has been involved in numerous private equity investments for Blackstone globally. Before joining Blackstone, he worked at The Carlyle Group, L.P. and prior to that, with Dillon, Read & Co. He serves as a member of the Board of Trustees of the Lawrenceville School. Mr. Chae graduated from Harvard College, and received an M.Phil. from Cambridge University and a J.D. from Yale Law School.

Tyler S. Henritze has served as a director of Hilton Worldwide since 2013. Mr. Henritze has been a senior managing director in the real estate group at Blackstone since January 2013 and currently focuses on investment opportunities in the lodging sector. Prior to being named a senior managing director at Blackstone, Mr. Henritze served as a managing director from January 2011 to December 2012 and as principal from January 2009 to December 2010. Since joining Blackstone in 2004, Mr. Henritze has been involved in over $50 billion of real estate investments across all property types. He played a key role in acquisitions including Motel 6, Duke Realty Office Portfolio, Valad Property Group, Extended Stay Hotels, Equity Office Properties Trust, CarrAmerica Realty, La Quinta and Wyndham International. Before joining Blackstone, Mr. Henritze worked at Merrill Lynch in the real estate investment banking group and was involved in a variety of debt, equity and M&A transactions. Mr. Henritze received a B.S. in Commerce from The McIntire School at the University of Virginia, where he graduated with distinction. He is a member of the IREFAC Council of the American Hotel and Lodging Association and is active with City Year NY, serving on its investment community board.

Judith A. McHale has served as a director of Hilton Worldwide since 2013. Ms. McHale has served as President and Chief Executive Officer of Cane Investments, LLC since August 2011. From May 2009 to July 2011, Ms. McHale served as Under Secretary of State for Public Diplomacy and Public Affairs for the U.S. Department of State. From 2006 to March 2009, Ms. McHale served as a Managing Partner in the formation of GEF/Africa Growth Fund. Prior to that, Ms. McHale served as the President and Chief Executive Officer of Discovery Communications. Ms. McHale currently serves on the board of directors of Ralph Lauren Corporation and SeaWorld Entertainment, Inc. Ms. McHale graduated from the University of Nottingham in England and Fordham University School of Law.

John G. Schreiber has served as a director of Hilton Worldwide since 2007. Mr. Schreiber has served as the President of Centaur Capital Partners since April 1991 and a Partner and Co-Founder of Blackstone Real Estate Advisors (BREA) since October 1992. As Co-Chairman of the BREA Investment Committee, Mr. Schreiber has overseen all Blackstone real estate investments since 1992. During the past 20 years, Blackstone has invested over $40 billion of equity in a wide variety of real estate transactions. Previously, Mr. Schreiber served as Chairman and CEO of JMB Urban Development Co. and Executive Vice President of JMB Realty Corp. During his twenty-year career at JMB, Mr. Schreiber was responsible for over $10 billion of firm and client real estate investments and had overall responsibility for the firm s shopping center development activities. Mr. Schreiber is a past board member of Urban Shopping Centers, Inc., Host Hotels & Resorts, Inc., The Rouse Company, AMLI Residential Properties Trust and General Growth Properties and he currently serves on the board of JMB Realty Corp., Brixmor Property Group and Blackstone Mortgage Trust and is a director/trustee to the mutual funds managed by T. Rowe Price Associates. Mr. Schreiber graduated from Loyola University of Chicago and received an M.B.A. from Harvard Business School.

Douglas M. Steenland has served as a director of Hilton Worldwide since 2009. Mr. Steenland worked for Northwest Airlines Corporation from September 1991 to October 2008, serving as Chief Executive Officer from April 2004 to October 2008 and as President from February 2001 to April 2004. During his tenure at Northwest Airlines, he also served as Executive Vice President, Chief Corporate Officer and Senior Vice President and General Counsel. Mr. Steenland was Chief Executive Officer of Northwest Airlines at the time it filed for Chapter 11 bankruptcy in 2005 following a period of rising fuel prices and other challenges and oversaw its emergence from bankruptcy in 2007. Mr. Steenland retired from Northwest Airlines upon its merger with Delta Air Lines, Inc. Prior to his time at

Northwest Airlines, Mr. Steenland was a senior partner at a Washington, D.C.

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law firm that is now part of DLA Piper. Mr. Steenland is currently a director of American International Group, Inc., where he serves on the finance and risk management committee and the regulatory, compliance and public policy committee; Chrysler Group LLC, where he serves on the audit committee; Digital River, Inc., where he serves on the compensation committee; and Travelport Limited, where he serves on the compensation and audit committees. In the past five years, Mr. Steenland has also served as a director of Delta Airlines, Inc. and Northwest Airlines Corporation. Mr. Steenland received a B.A. from Calvin College and is a graduate from The George Washington University Law School.

William J. Stein has served as a director of Hilton Worldwide since 2007. Mr. Stein has been a senior managing director of Blackstone since January 2006 and serves as global head of asset management in Blackstone s real estate group. Since joining Blackstone in 1997, Mr. Stein has been involved in the direct asset management and asset management oversight of Blackstone s global real estate assets. Before joining Blackstone, Mr. Stein was a Vice President at Heitman Real Estate Advisors and JMB Realty Corp. Mr. Stein received a B.B.A. from the University of Michigan and an M.B.A. from the University of Chicago.

Kristin A. Campbell joined Hilton Worldwide as Executive Vice President and General Counsel in June 2011. She is responsible for leading Hilton Worldwide s global legal, compliance and government relations functions. Prior to Hilton Worldwide, Ms. Campbell was Senior Vice President, General Counsel and Corporate Secretary of Staples, Inc., an international office products company from May 2007 to June 2011. Before joining Staples, Inc. in 1993, Ms. Campbell worked at the law firms Goodwin Procter LLP and Rackemann, Sawyer & Brewster. Ms. Campbell graduated *summa cum laude* from Arizona State University and received a J.D. from Cornell University Law School.

Ian R. Carter has served as President, Development, Architecture and Construction for Hilton Worldwide since October 2012 and previously oversaw Operations since August 2009 for Hilton Worldwide. He previously served as Chief Executive Officer of Hilton International Co. prior to its re-acquisition by Hilton Worldwide in February 2006. Prior to joining Hilton International in January 2005, Mr. Carter served as Officer and President of Black & Decker Corporation, Middle East, Africa and Asia. Prior to Black & Decker, Mr. Carter spent more than a decade with General Electric Plastics, ultimately serving as President of General Electric Specialty Chemical. Mr. Carter serves as a non-Executive Director on the Board of Burberry Group plc, where he serves as chairman of the compensation committee, and is a Patron of Hospitality in Action and Chairman of the Hilton in the Community Foundation. He is also Chairman of the International Tourism Partnership. He serves on the board of the International Business Leaders Forum and the board of advisors of Boston University School of Hospitality Administration, serves as a Commissioner of the California Travel and Tourism Commission and is a fellow of the Institute of Hospitality. Mr. Carter is a graduate of the University of West London, School of Business and Management, and received an honorary doctorate from the university.

Jeffrey A. Diskin has served as Executive Vice President of Commercial Services at Hilton Worldwide since November 2012 and oversees Customer Marketing, Revenue Management, E-Commerce and Online Service divisions globally, including our Hilton HHonors guest loyalty program. From March 2009 to November 2012, Mr. Diskin was Senior Vice President of Global Customer Marketing, and prior to that role he was Senior Vice President, Brand Management. Mr. Diskin first joined Hilton in 1988 and has held numerous marketing and management positions since that time, including roles where he was responsible for developing the company s customer marketing websites and online strategies to overseeing our Hilton and luxury brands. He was also President and Chief Operating Officer of the Hilton HHonors Worldwide subsidiary from March 1997 to June 2004. Before joining Hilton, Mr. Diskin worked for MPI, a subsidiary of United Airlines, specializing in loyalty program design and implementation. Mr. Diskin is Chairman of the Room Key board, and was previously a board director for Doubletree Hotel Systems, Inc., Hilton Inns, Inc. and Promus Hotels Inc. He was elected president of the Frequent Traveler Marketing Association, and has been a recipient of three annual Best in Show awards from Hospitality Sales and Marketing

Association International.

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James E. Holthouser has served as Hilton Worldwide s Executive Vice President of Global Brands since November 2012. In this role, he serves as our global leader for brand management and customer marketing. Mr. Holthouser also oversees the Product Management group and the Global Brands Strategy group. The Product Management group is responsible for the development and management of products for Food & Beverage, Meetings & Events, Spa, Fitness, Guest Technology and Sustainability. The Global Brands Strategy group is responsible for developing strategies for all brand and product groups across the enterprise. With more than 20 years of experience in the lodging, restaurant and gaming industries, Mr. Holthouser has held a series of senior management positions within Hilton Worldwide in the branding, franchising and marketing arenas. Most recently, he was Global Head of Full Service Brands and Global Head of Embassy Suites Hotels from June 2009 to November 2012, overseeing all aspects of brand management. From October 2005 to June 2009, Mr. Holthouser was Senior Vice President of Brand Management for Embassy Suites. From February 1999 to October 2005, Mr. Holthouser served as Senior Vice President of Brand Management for Homewood Suites by Hilton. His career with the company began in 1989 in Market Research for Promus. Mr. Holthouser received his M.A. in Economics and Political Science from the University of Louisville and his international M.B.A. from the American Graduate School of International Management. He received undergraduate degrees from the University of Louisville in Political Science and Foreign Languages.

Kevin J. Jacobs serves as Executive Vice President and Chief Financial Officer of Hilton Worldwide and is responsible for the oversight of all of our global finance, information technology and real estate functions. He joined Hilton Worldwide as Senior Vice President, Corporate Strategy in June 2008, was elected Treasurer in May 2009, became Executive Vice President and Chief of Staff in September 2012 and assumed his current role in August 2013. Previously, from July 2007 to June 2008 he was Senior Vice President, Mergers & Acquisitions and Treasurer of Fairmont Raffles Hotels International. Prior to joining Fairmont Raffles, Mr. Jacobs spent seven years with Host Hotels & Resorts, Inc., most recently as Vice President, Corporate Finance & Investor Relations. Prior to joining Host, Mr. Jacobs held various roles in the Hospitality Consulting practice of PricewaterhouseCoopers LLP and the Hospitality Valuation Group at Cushman & Wakefield, Inc. Mr. Jacobs is a member of the Advisory Board of the Center for Hospitality Research at Cornell University and a member of the Hotel Development Council of the Urban Land Institute. He is a graduate of the Cornell University School of Hotel Administration.

Matthew W. Schuyler has served as our Executive Vice President and Chief Human Resources Officer since June 2009 and leads the company s global human resources organization. Mr. Schuyler was previously Chief Human Resources Officer at Capital One Financial Corporation from April 2002 to June 2009. Prior to Capital One, Mr. Schuyler served as Vice President of Human Resources with Cisco Systems, Inc. and as a Partner with PricewaterhouseCoopers in the Global Human Resources Group. He serves on the board of the Make-A-Wish Foundation of America, where he serves as chairman of the compensation committee, and is a member of the Penn State University Business School Board of Visitors and Penn State s College of Information Sciences and Technology Advisory Board. Mr. Schuyler holds a B.S. from Penn State University and an M.B.A. from the University of Michigan.

Mark D. Wang has served as President of Hilton Worldwide Global Sales since November 2012 and Hilton Grand Vacations since March 2008. In his Global Sales role, Mr. Wang is responsible for sales operations worldwide including hotel sales, distribution, reservations and customer care. He also oversees our global timeshare operations for Hilton Grand Vacations. Mr. Wang first joined Hilton in 1999 as Managing Director for Hawaii and Asia Pacific and has held a series of senior management positions within Hilton Grand Vacations. Before joining Hilton, Mr. Wang spent nearly 20 years in sales and marketing roles serving as President & Chief Operating Officer of Pahio Resorts, President of Aloha Resorts International and Founder of Grand Ownership Resorts. Mr. Wang serves on the Board of Directors of the American Resort Development Association.

There are no family relationships among any of our directors or executive officers.

Our Corporate Governance

We have structured our corporate governance in a manner we believe closely aligns our interests with those of our stockholders. Notable features of our corporate governance include:

- Blackstone has advised us that, when it ceases to own a majority of our common stock, it will ensure that its employees will no longer constitute a majority of our board of directors;
- our board of directors is not classified and each of our directors is subject to re-election annually;
- under our bylaws and our corporate governance guidelines, directors (other than directors designated pursuant to our stockholders agreement) who fail to receive a majority of the votes cast in uncontested elections will be required to submit their resignation to our board of directors;
- we will have a fully independent audit committee and independent director representation on our compensation and nominating and corporate governance committees immediately at the time of the offering, and our independent directors will meet regularly in executive sessions without the presence of our corporate officers or non-independent directors;
- we anticipate that at least one of our directors will qualify as an audit committee financial expert as defined by the SEC;
- we do not have a stockholder rights plan, and if our board of directors were ever to adopt a stockholder rights plan in the future without prior stockholder approval, our board of directors would either submit the plan to stockholders for ratification or cause the rights plan to expire within one year; and
- we will implement a range of other corporate governance best practices, including placing limits on the number of directorships held by our directors to prevent overboarding and implementing a robust director education program.

Composition of the Board of Directors after this Offering

Prior to the completion of this offering, we expect that additional, independent directors will be elected to our board of directors.

Upon completion of this offering, our charter and bylaws will provide that our board of directors will consist of such number of directors as may from time to time be fixed by our board of directors. So long as our existing owners and their affiliates together continue to beneficially own at least 5% of the total shares of our common stock entitled to vote generally in the election of our directors as of the record date of such meeting, we will agree to nominate individuals designated by Blackstone for election as directors as specified in our stockholders agreement and Blackstone must consent to any change to the number of our directors. Each director will serve until our next annual meeting and until his or her successor is duly elected and qualifies or until the director s earlier death, resignation or removal. For a description of Blackstone s right to require us to nominate its designees to our board of directors, see Certain Relationships and Related Person Transactions Stockholders Agreement.

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Background and Experience of Directors

When considering whether directors and nominees have the experience, qualifications, attributes or skills, taken as a whole, to enable our board of directors to satisfy its oversight responsibilities effectively in light of our business and structure, the board of directors focuses primarily on each person s background and experience as reflected in the information discussed in each of the directors individual biographies set forth above. We believe that our directors provide an appropriate mix of experience and skills relevant to the size and nature of our business. In particular, the members of our board of directors considered the following important characteristics, among others:

Mr. Nassetta we considered his experience as an executive in the hospitality industry, his extensive financial background and experience with real estate investments. Furthermore, we also considered how his additional role as our President and Chief Executive Officer would bring management perspective to board deliberations and provide valuable information about the status of our day-to-day operations.

Mr. Gray we considered his affiliation with Blackstone, his significant experience in working with companies controlled by private equity sponsors, particularly in the real estate industry, his experience in working with the management of various other companies owned by Blackstone s funds, his experience with real estate investing and his extensive financial background.

Mr. Chae we considered his affiliation with Blackstone, his significant experience in working with companies controlled by private equity sponsors, his experience in working with the management of various other companies owned by Blackstone s funds and his extensive financial background.

Mr. Henritze we considered his affiliation with Blackstone, his significant experience in working with companies controlled by private equity sponsors, particularly in the real estate industry, his experience in working with the management of various other companies owned by Blackstone s funds, his experience with real estate investing and his extensive financial background.

Ms. McHale we considered her extensive business and management expertise, including her experience as an executive officer and director of several public companies, as well as her prior service as a high-ranking official in the U.S. Department of State.

Mr. Schreiber we considered his affiliation with Blackstone, his significant experience in working with companies controlled by private equity sponsors, particularly in the real estate industry, his experience in working with the management of various other companies owned by Blackstone s funds, his experience with real estate investing and his extensive financial background.

Mr. Steenland we considered his experience in managing large, complex, international institutions generally and his experience as an executive in the travel and hospitality industries in particular.

Mr. Stein we considered his 16-year tenure with Blackstone involving the direct asset management and asset management oversight of Blackstone s global real estate assets, his extensive financial background and experience as an asset manager focusing on real estate and hospitality investments.

Controlled Company Exception

After the completion of this offering, affiliates of Blackstone who are party to the stockholders agreement will continue to beneficially own shares representing more than 50% of the voting power of our shares eligible to vote in the election of directors. As a result, we will be a controlled company within the meaning of corporate governance standards. Under these corporate governance standards, a company of which more than 50% of the voting power is held by an individual, group or another company is a controlled company and may elect not to comply with certain corporate governance standards, including the requirements (1) that a majority of our board of directors consist of independent directors, (2) that our board of directors have a compensation committee that is comprised entirely of independent directors with a written charter addressing the committee s purpose and responsibilities and (3) that our board of directors have a nominating and corporate governance committee that is

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comprised entirely of independent directors with a written charter addressing the committee s purpose and responsibilities. For at least some period following this offering, we intend to utilize these exemptions. As a result, although we will have a fully independent audit committee and have independent director representation on our compensation and nominating and corporate governance committees upon closing this offering, immediately following this offering we do not expect the majority of our directors will be independent or that our compensation committee or nominating and corporate governance committee will be comprised entirely of independent directors. Accordingly, although we may transition to fully independent compensation and nominating and corporate governance committees prior to the time we cease to be a controlled company, for such period of time you will not have the same protections afforded to stockholders of companies that are subject to all of these corporate governance requirements. In the event that we cease to be a controlled company and our shares continue to be listed on , we will be required to comply with these provisions within the applicable transition periods.

Committees of the Board of Directors

Our board of directors has an audit committee, a compensation committee and a nominating and corporate governance committee, each of which will have the composition and responsibilities described below. Our board of directors may also establish from time to time any other committees that it deems necessary or desirable.

Audit Committee

Upon completion of this offering, we expect our audit committee will consist of and , with serving as chair. and qualify as independent directors under governance standards and the independence requirements of Rule 10A-3 of the Exchange Act. The audit committee has oversight responsibilities regarding:

- the adequacy and integrity of our financial statements and our financial reporting and disclosure practices;
- the soundness of our system of internal controls regarding finance and accounting compliance;
- the annual independent audit of our consolidated financial statements;
- the independent registered public accounting firm s qualifications and independence;
- the engagement of the independent registered public accounting firm;
- the performance of our internal audit function and independent registered public accounting firm;
- our compliance with legal and regulatory requirements in connection with the foregoing; and

compliance with our Code of Conduct.

The audit committee shall also prepare the report of the committee required by the rules and regulations of the SEC to be included in our annual proxy statement.

Compensation Committee

Upon completion of this offering, we expect our compensation committee will consist of , and , with serving as chair. The compensation committee is authorized to discharge the board s responsibilities relating to:

- the establishment, maintenance and administration of compensation and benefit policies designed to attract, motivate and retain personnel with the requisite skills and abilities to contribute to the long term success of the Company;

- the goals, objectives and compensation of our President and Chief Executive Officer, including evaluating the performance of the President and Chief Executive Officer in light of those goals;

- the compensation of our other executives and non-management directors;
- our compliance with the compensation rules, regulations and guidelines promulgated by , the SEC and other law, as applicable; and
- the issuance of an annual report on executive compensation for inclusion in our annual proxy statement, once required.

Nominating and Corporate Governance Committee

Upon completion of this offering, we expect our nominating and corporate governance committee will consist of , and , with serving as chair. The nominating and corporate governance committee is authorized to:

- advise the board concerning the appropriate composition of the board and its committees;
- identify individuals qualified to become board members;
- recommend to the board the persons to be nominated by the board for election as directors at any meeting of stockholders;
- recommend to the board the members of the board to serve on the various committees of the board;
- develop and recommend to the board a set of corporate governance guidelines and assist the board in complying with them; and
- oversee the evaluation of the board, the board s committees, and management.

Compensation Committee Interlocks and Insider Participation

None of the members of our compensation committee has at any time been one of our executive officers or employees. None of our executive officers currently serves, or has served during the last completed fiscal year, on the compensation committee or board of directors of any other entity that has one or more executive officers serving as a member of our board of directors or compensation committee.

Director Compensation

None of our directors other than Mr. Steenland received compensation for the year ended December 31, 2012. For 2012, Mr. Steenland received a quarterly stipend of $31,250 for serving on our board of directors and as chairman of our audit committee. Our employee directors and Sponsor-affiliated directors receive no additional compensation for serving on the board of directors or committees thereof. We anticipate that each outside director (other than the directors employed by our Sponsor) will be entitled to compensation arrangements to be determined.

Executive Compensation

Compensation Discussion and Analysis

Section Overview

Our executive compensation program is designed to attract and retain individuals with the skills and qualifications to manage and lead the Company effectively. The overarching goal of our programs is to motivate our leaders to contribute to the achievement of our financial goals and to focus on long-term value creation for our stockholders.

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Our named executive officers, or NEOs, for 2012 were:

Name	Position
Christopher J. Nassetta	President and Chief Executive Officer (CEO)
Thomas C. Kennedy	Former Executive Vice President and Chief Financial Officer (CFO)[(1)]
Ian R. Carter	Executive Vice President and President, Development, Architecture & Construction
Mark D. Wang	Executive Vice President, Global Sales and President, Hilton Grand Vacations (HGV)
Kristin A. Campbell	Executive Vice President and General Counsel
Paul J. Brown	Former Executive Vice President and President, Global Brands and Commercial Services[(2)]

(1) Mr. Kennedy served as our Executive Vice President and Chief Financial Officer from September 15, 2008 until his resignation from these positions effective August 8, 2013. Mr. Kennedy agreed to provide services to the Company following his resignation until the earlier of December 31, 2013 or the date he commences employment with a new employer. On August 8, 2013, Kevin J. Jacobs, previously our Executive Vice President and Chief of Staff, became our Executive Vice President and Chief Financial Officer.

(2) Mr. Brown served as our Executive Vice President and President, Global Brands and Commercial Services from November 13, 2008 until his resignation from this position effective November 1, 2012. Mr. Brown provided services to the Company as a Special Advisor to the CEO through April 30, 2013.

Executive Summary

Compensation Philosophy and Approach. At Hilton Worldwide, we expect our executive team to possess and demonstrate strong leadership and management capabilities. To reward and retain our leaders, including our NEOs, we have designed a total compensation approach that rewards both short-term and long-term success.

Compensation Objectives. Our compensation program for executives is designed to support the following objectives:

- foster a strong relationship between stockholder value and executive compensation by having a significant portion of compensation composed of equity-based incentive awards;
- provide annual and long-term incentive awards that emphasize performance-based compensation contingent upon achieving corporate and individual performance goals; and
- provide overall levels of compensation that are competitive to attract, retain and motivate highly-qualified executives to continue to enhance long-term equity value.

Program Design. Our executive compensation program has three main components: (1) base salary; (2) annual cash incentive compensation; and (3) long-term incentive awards. Each component is designed to be consistent with the Company s compensation philosophy.

To align pay with the interests of our stockholders, we strive to create competitive compensation packages for all employees that cultivate long-term growth without taking unnecessary risks. We believe that a combination of both short-term and long-term compensation creates an optimal pay-for-performance environment. We motivate and reward NEOs for successfully executing our business strategy. The compensation program for our NEOs has been designed to emphasize variable pay over fixed pay, which directly ties to our objectives to retain valuable talent, yet also create a motivated work environment that rewards long-term achievements.

Pay for Performance. In structuring our executive compensation packages, the compensation committee of our board of directors considers how each element of compensation promotes retention and motivates performance. We believe that, to attract and retain senior executives, we must provide them with a competitive level of predictable compensation that rewards their continued service. We also believe that performance-based compensation plays the most significant role in aligning management s interests with those of our stockholders. For this reason, performance-based compensation constitutes a substantial portion of the overall compensation for our senior executives. Our compensation packages are designed to promote hospitality, integrity, leadership, teamwork, ownership and initiative by team members whose performance and responsibilities directly impact our results of operations.

As we transition from being privately held to publicly traded, we intend to critically evaluate our executive compensation program annually, or more frequently as circumstances require, to maintain a competitive environment for talent and to ensure that our incentive programs are achieving their desired results. Consistent with prior practice, we do not intend to adhere to rigid formulas or react to short-term changes in business performance in determining the amount and mix of compensation elements. We expect to continue to emphasize pay-for-performance and long-term incentive compensation when designing our executive officers compensation.

Employment Agreements. As discussed in more detail below, we previously entered into employment agreements with Messrs. Nassetta, Kennedy, Carter and Brown to attract and retain these executives. These agreements generally have similar provisions that define the nature of each NEO s employment, compensation and benefits provided in connection with his initial employment (such as initial base salary and/or other personal benefits or perquisites), compensation and benefits upon termination and restrictive covenants relating to intellectual property, confidential information and competitive business activities. See Narrative to Summary Compensation Table and 2012 Grants of Plan-Based Awards Employment Agreements. The compensation committee believes that employment agreements will no longer be necessary to attract members of our executive team following the offering, and therefore, the Company and Messrs. Nassetta and Carter are expected to mutually agree to terminate their respective employment agreements in connection with this offering. Due to the changing marketplace in which we compete for talent, the compensation committee intends to regularly review this practice to help ensure that we remain competitive in our industry.

Our Annual Compensation-Setting Process

Role of Our Compensation Committee. The compensation committee is responsible for overseeing key aspects of the executive compensation program, including executive salaries, goals and payouts under the annual cash incentive plan, the size and structure of equity awards and any executive perquisites or other benefits. The compensation committee is responsible for determining the compensation of the CEO and reviews and recommends compensation of other executive officers for the board of directors to approve. At the beginning of each performance cycle, the compensation committee approves financial goals designed to align executive pay with company performance and stockholder interests, provide competitive pay opportunities dependent on performance, retain talent, create optimal stockholder value and mitigate material risk.

Role of Management. The compensation committee approves all compensation decisions with respect to our NEOs. In setting executive compensation for 2012, our CEO and our Chief Human Resources Officer (CHRO) worked closely with the compensation committee in managing the executive compensation program and attended meetings of the compensation committee. Because of his daily involvement with the executive team, the CEO made recommendations to the compensation committee regarding compensation for the executive officers other than himself.

Role of the Compensation Consultant. The compensation committee has the authority to engage its own advisors to assist in carrying out its responsibilities. In May 2012, after completing a thorough review process, the compensation committee selected Exequity, LLP, or Exequity, as its independent compensation consultant to assist the compensation committee in providing analytical data and establishing and implementing our executive and director compensation strategy in the short- and long-term. Following their selection, Exequity has advised us in selecting our current Peer Group (as described below), provides us with compensation data for the Peer Group and has advised on best practices when developing executive pay programs and policies. Exequity reports to and is instructed in its duties by the compensation committee and carries out its responsibilities in coordination with the Human Resources department. Exequity performs no other services for the Company.

Use of Comparative Market Data. We aim to compensate our executive officers competitively in the market for executive talent. When determining final target pay levels, the compensation committee reviews and considers individual factors, such as the knowledge, experience and capabilities of each executive.

Historically, in order to gain a general understanding of current compensation practices, the compensation committee has analyzed pay of executives serving in similar positions at peer companies with whom we compete for hiring and retaining executive talent. The external market data reviewed for 2012 included peer group proxy data, several broad industry-comparative compensation surveys that included many of the companies contained in the Peer Group as defined below, and data provided by peer group companies that participate in Equilar s Annual Top 25 Survey.

Following the retention of Exequity in May 2012, the compensation committee, with the assistance of Exequity, selected a group of peer companies, which we refer to as our Peer Group. Exequity provided the compensation committee with annual (base salary and annual incentive) and long-term (equity and long-term cash incentive) compensation for the Peer Group.

The metrics used for selecting the Peer Group included the industry, annual revenue, EBITDA, market capitalization, brand recognition, global presence and number of employees. Other factors considered were performance measures such as revenue growth, net income growth, earnings per share growth, return on equity and total stockholder return.

The Peer Group currently consists of the following companies:

Avis Budget Group, Inc.	McDonald s Corporation
Darden Restaurants, Inc.	MGM Resorts International
FedEx Corporation	Nike, Inc.
General Mills, Inc.	Starbucks Corporation
Hyatt Hotels Corporation	Starwood Hotels & Resorts Worldwide, Inc.
Host Hotels & Resorts, Inc.	United Continental Holdings, Inc.
Kellogg Company	The Walt Disney Company
Las Vegas Sands Corp.	Wyndham Worldwide Corporation
Marriott International, Inc.	Wynn Resorts, Limited

The compensation committee generally reviewed the compensation data regarding the Peer Group and determined not to make any changes to the NEO s 2012 compensation. Going forward, the compensation committee does not intend to set compensation using a formula based solely on the Peer Group compensation data but instead intends to continue to use the Peer Group compensation data to generally inform the compensation committee regarding competitive pay levels with a focus on the median level for each pay component.

Compensation Elements

The compensation committee recognizes the need to develop a compensation program that responds to the executive talent market in such a way that we can attract individuals of the highest caliber. To accomplish this, the compensation committee considers the competitive landscape in determining the mix of compensation elements, the level of compensation and other specific terms of compensation packages. We seek to attract and retain executives by offering the opportunity to earn a competitive compensation package.

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When designing and establishing NEO pay for the year ended December 31, 2012, the compensation committee worked with management, specifically our CEO and CHRO, to design a program that rewarded performance without encouraging excessive risk-taking to achieve such performance. We directed our corporate goals toward executing on our business strategy to achieve strong financial performance and company growth in 2012 and aligned incentives accordingly.

Base Salary

We believe it is important to provide a competitive fixed level of pay to attract and retain experienced and successful executives. In determining the amount of base salary that each NEO receives, we look to the executive s current compensation, time in position, any change in the executive s position or responsibilities, including complexity and scope and the relation of his or her position to those of other executives within the Company and in similar positions at peer companies. Base salaries are reviewed annually or at other times when appropriate and may be increased from time to time pursuant to such review, but other than with respect to Mr. Wang, have not been adjusted since each of the NEOs commencement of employment. Mr. Wang s base salary was adjusted by $13,000 in April 2012 in connection with the elimination of his auto allowance.

Annual Cash Incentive Compensation

Our annual cash incentive program rewards NEOs for their contributions towards specific annual, short-term financial and operational goals and is designed to motivate executive officers to focus on company-wide priorities and reward them for individual results and achievements with respect to their business units or function.

For the year ended December 31, 2012, our annual cash incentive compensation plan compensated and rewarded successful achievement of both short-term financial and non-financial goals that were closely aligned with the long-term goals of the Company. The 2012 annual incentive program was based on a combination of (1) financial performance and (2) individual performance.

The financial component of our NEOs annual bonus opportunity, other than for Mr. Wang, was based on the Company s consolidated Adjusted EBITDA (calculated as set forth in the section entitled Summary Summary Historical Financial Data). Due to Mr. Wang s role as President of HGV, 20% of the financial component for his annual bonus opportunity was based on the Company s consolidated Adjusted EBITDA and 80% of the financial component was based on our timeshare segment s Adjusted EBITDA (calculated as set forth in Summary Summary Historical Financial Data).

The individual performance component was measured by (A) the performance of the consolidated business unit(s) that the executive oversaw and (B), as to our NEOs other than Mr. Nassetta, the executive s achievement of individual competency goals. The financial component composed 50% of the total award opportunity, and the individual performance component composed 50% of the total award opportunity, with 80% (100% in the case of Mr. Nassetta) of the individual performance component based on the achievement of performance objectives tied to the consolidated business unit(s) that the executive oversaw and 20% of the individual performance component based on the executive s achievement of individual competency goals.

Each NEO s target annual bonus is expressed as a percentage of his or her base salary and ranges from 60% to 100% of base salary. The annual incentive target bonus opportunities and corresponding minimum and maximum bonus as a percentage of each executive s base salary are approved annually by the compensation committee. The annual incentive target bonus opportunities were established in 2008, or, if later, the NEO s commencement of employment, and have not been adjusted since that time. For the year ended December 31,

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2012, the NEOs target and maximum bonus opportunity as a percentage of such executive s base salary were as follows:

Name	Target	Maximum
Christopher J. Nassetta	100.0%	200.0%
Thomas C. Kennedy	75.0%	112.5%
Ian R. Carter	60.0%	90.0%
Mark D. Wang	75.0%	112.5%
Kristin A. Campbell	75.0%	112.5%
Paul J. Brown	75.0%	112.5%

For the year ended December 31, 2012, the financial component of the bonus would be paid at 100% of target if the Company s consolidated Adjusted EBITDA was $1,903 million (and with respect to the 40% of Mr. Wang s total bonus opportunity subject to the performance of HGV, if our timeshare segment s Adjusted EBITDA was $236 million). Participants were eligible to receive a threshold payout percentage, defined as 50% of the target bonus with respect to the financial component, if actual performance was 90% of target and were eligible to receive the maximum payout percentage, defined as 150% (200% with respect to Mr. Nassetta) of the target bonus with respect to the financial component, if actual performance met or exceeded 110% of target. For actual performance between the specified threshold, target and maximum levels, the resulting payout percentage would be adjusted on a linear basis.

For the year ended December 31, 2012, the Company s actual consolidated Adjusted EBITDA achieved was $1,956 million, or 103% of target, resulting in a payout percentage of 114% of target (128% for Mr. Nassetta) with respect to the company-wide financial component. The actual timeshare segment Adjusted EBITDA achieved was $252 million, or 107% of target, resulting in a payout percentage of 135% of target with respect to 40% of Mr. Wang s total bonus opportunity.

The remaining 50% portion of each NEO s annual cash incentive award, other than for Mr. Nassetta, was determined based on individual performance where 80% of the individual performance component was based on the achievement of performance objectives tied to the consolidated business unit(s) that the executive oversaw and 20% of the individual performance component was based on the executive s achievement of qualitative individual competency goals.

In establishing the individual performance goals, Mr. Nassetta works with senior management to establish business priorities at the beginning of each performance year. These business priorities are used to create the individual performance objectives for our annual cash incentive program for each of the NEOs. The compensation committee then reviews and approves the individual performance objectives recommended for each NEO.

For the year ended December 31, 2012, the personal objectives of each NEO were generally focused on the core duties of his or her position. Each personal objective was given a specific weighting based on the scope, importance and overall time burden of the task. For the year ended December 31, 2012, the individual performance objectives (and the weightings assigned to each individual performance objective) for each of the NEOs were as follows:

For Mr. Nassetta, the individual performance component of his annual compensation award was reviewed and approved by the compensation committee and was based on the Company s overall performance as well as a compilation of all of his direct reports objectives and success rates, each of which accounted for 12.5%

of his individual performance component. The compensation committee considered the performance of our overarching business units, which include: Global Brands and Commercial Services; Operations and Development; Hilton Grand Vacations; Architecture, Design and Construction and Real Estate; Finance; Corporate Communications; Human Resources; and Legal.

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For Mr. Kennedy, in addition to the qualitative individual competency goals which account for 20% of the individual performance component, the compensation committee considered his preparation for the Company s public offering and status as a public company (16%); his implementation of global financial management information systems (16%); his success defining an optimal corporate structure (16%); his efforts improving productivity and reducing operating costs (12%); his expansion and standardization of a captive procurement organization (10%); and cost effectiveness (10%).

For Mr. Carter, in addition to the qualitative individual competency goals of 20%, the compensation committee considered the Company s operating margins (10%) and market share (8%); customer satisfaction (6%); his cost effectiveness (10%) and operational initiatives (10%); hotel openings (10%); hotel construction starts (10%); hotel development approvals (10%); and other development initiatives (6%).

For Mr. Wang, in addition to the qualitative individual competency goals of 20%, the compensation committee considered approved deals with a capital efficient structure (20%); efforts increasing industry-leading margins (20%) and maximizing synergy with Hilton Worldwide (14%); contributing to HGV member loyalty (6%); sales cost effectiveness (10%); and HGV cost effectiveness (10%).

For Ms. Campbell, in addition to the qualitative individual competency goals of 20%, the compensation committee considered her contribution to corporate governance policies, practices and structure (20%); efforts supporting the client base (20%), team member engagement (20%) and cost management (10%); and contribution to the Company s business plan (10%).

For Mr. Brown, in addition to the qualitative individual competency goals of 20%, the compensation committee considered his contribution to market share (8%); customer satisfaction (8%); IT initiatives (10%); development approvals (8%); implementation of sales and marketing initiatives (10%); other key initiatives (20%); organizational synergies (8%); and cost effectiveness (8%).

Shortly after the completion of the year ended December 31, 2012, the compensation committee, with the help of the CEO, conducted a rigorous evaluation of each NEO s accomplishments in relation to the personal objectives set at the beginning of the year.

Actual annual cash incentive awards were calculated by multiplying each NEO s base salary by his or her target bonus potential, which was then adjusted by an achievement factor based on the combined achievement of the financial component and the individual performance objectives. Each of the NEOs earned annual cash incentive awards for the year ended December 31, 2012 as follows, which are included in the Non-Equity Incentive Plan column of the Summary Compensation Table :

Name	2012 Year-End Base Salary	Target Bonus as a Percentage of Base Salary	Target Bonus Potential	Combined Achievement Factor as a Percent of	2012 Amount Earned under Annual Cash Incentive Program*

				Target	
Christopher J. Nassetta	$ 850,000	100%	$ 850,000	127%	$ 1,077,375
Thomas C. Kennedy	650,000	75%	487,500	117%	572,569
Ian R. Carter	690,000	60%	414,000	119%	493,488
Mark D. Wang(1)	513,000	75%	375,000	108%	405,600
Kristin A. Campbell(2)	500,000	75%	375,000	114%	427,613
Paul J. Brown	600,000	75%	450,000	110%	497,025

* Amounts may not total due to rounding.

(1) The compensation committee determined it was appropriate to award Mr. Wang an additional bonus of $94,400 in recognition of his increased duties and responsibilities overseeing Global Sales beginning October 2012. This additional discretionary bonus awarded to Mr. Wang is reported in the Bonus column of the Summary Compensation Table. Mr. Wang s bonus was calculated based on his $500,000 salary at the beginning of the year.

(2) Ms. Campbell was guaranteed a bonus pursuant to her terms of employment of no less than $500,000 with respect to the year ended December 31, 2012. Therefore, Ms. Campbell received an additional bonus amount equal to $72,387, which reflects the guaranteed portion of her bonus in excess of the amount earned under the annual cash incentive program. This additional amount is reported in the Bonus column of the Summary Compensation Table.

Long-Term Incentive Awards

Like the annual cash incentive compensation described above, long-term incentive awards are a key component of our executive compensation program.

Each NEO has been granted long-term incentive awards that provide our executives an incentive to remain in the Company s service and align executives interests with those of our equity holders and the investors in our parent company, BH Hotels Holdco LLC, which we refer to as BH Hotels or our Ultimate Parent. We believe this helps motivate performance and attracts and fosters the retention of senior executives.

Because we have been privately held, the long-term incentive compensation awarded to our NEOs primarily consisted of the opportunity to make investments in the capital interests of our Ultimate Parent, as discussed below and the grant of awards under a Tier I long-term equity-based incentive program that generally provides for the payment of cash amounts to selected participants based on the value of our Ultimate Parent s equity over an extended period of time. In addition, our NEOs had the opportunity to receive Class B Units in our Ultimate Parent, which we sometimes refer to as Tier II awards. The principal terms of each of these grants are summarized immediately below and in Narrative to Summary Compensation Table and 2012 Grants of Plan-Based Awards Equity Awards.

Tier I Awards. In December 2010, we offered certain members of our senior management team, including the NEOs employed at that time, the opportunity to participate in an equity-based incentive plan. These Tier I awards provided participants the opportunity to share in a portion of our Ultimate Parent s equity value up to a specified amount based on the achievement of specified service and performance conditions. The maximum value available to be distributed in respect of all Tier I awards was approximately $230 million or 2.75% of the equity value of the Company (capped at a total equity value of $8.352 billion). The Tier I awards generally are payable in cash by us on the date that our Sponsor ceases to own 50% or more of the Class A Units in our Ultimate Parent (the Acceleration Date), so long as the participant is employed on that date. If, prior to the date on which a Tier I award becomes payable, a participant s employment is terminated by us without cause or by the participant for good reason or as a result of disability or death, a portion of the award vests based on length of service (20% per year, with the vesting of a portion of the Tier I award payable to Mr. Nassetta measured from the date on which he commenced employment with the Company). The entire Tier I award is payable by us on an Acceleration Date or, if the Acceleration Date did not occur by April 2013, the program is structured to pay installments of a maximum aggregate value of $50 million per year (depending on the overall percentage of Tier I awards owned by participants) over three years, with the remaining value payable upon an Acceleration Date. Because none of our long-term incentive arrangements had resulted in any cash payments to our team between the end of 2007 and 2012, the compensation committee decided in the first quarter of 2012 to accelerate the installment payments. During the first quarter of 2012, the first installment payments for the Tier I awards were accelerated for our participating NEOs (other than Mr. Nassetta). In addition, during the fourth quarter of 2012, the second and third installment payments for the Tier I awards were accelerated and paid for our participating NEOs (other than Mr. Nassetta). With respect to Mr. Nassetta s Tier I award, during the fourth quarter of 2012, our compensation committee determined to accelerate the payment of his remaining installment payments and Mr. Nassetta also received payment of an additional portion of such award as contemplated by the terms and conditions thereof. As a result of these payments as of December 31, 2012, the maximum potential remaining payment under the Tier I award was approximately $64.7 million across all Tier I recipients, including our NEOs. The amounts paid to each of the NEOs for their Tier I awards are reflected in the 2012 Option Exercises and Stock Vested table below, and the remaining value of each NEO s Tier I award is reflected in the Outstanding Equity Awards at 2012 Fiscal Year End table below.

Tier II (Class B Units). The Tier II units (Class B Units) of our Ultimate Parent are profits interests having economic characteristics similar to stock appreciation rights. Therefore, the Class B Units only have value to the extent there is an appreciation in the value of our business from and after the applicable date of grant. All of the Class B Units are exit-vesting units and will vest on the date when our Sponsor ceases to beneficially own more than 50% of the Class A Units, subject to the NEO s continued employment with the Company on such date. In addition, if the executive s employment is terminated without cause, as a result of a constructive termination or as a result of disability or death (each as defined in the management subscription agreement for the Class B Units), then 20% of the Class B Units will be deemed to have vested ratably in equal, annual installments over five years, beginning on April 8, 2011 (or June 27, 2011 with respect to Ms. Campbell). For example, if the executive is terminated without cause on April 8, 2014, then 80% of the executive s Class B Units will vest. As a further example, if a termination without cause occurs on or after April 8, 2015, then 100% of the Class B Units will vest. If the NEO s employment is terminated voluntarily by the NEO, other than as a result of a constructive termination, no unvested Class B Units will vest and, if the executive is terminated for cause, all Class B Units, whether vested or unvested, will be forfeited. The Class B Units awarded to our NEOs and outstanding as of fiscal year end are included in the Outstanding Equity Awards at 2012 Fiscal Year End table below.

The number of Class B Units granted to each NEO was determined based on each NEO s position, role and responsibilities within the organization as well as the overall market practice for privately held portfolio companies of private equity firms. No equity awards of Class B Units were made to the NEOs during the year ended December 31, 2012. The table below sets forth the total number of Class B Units previously granted to our NEOs.

Name	**Class B Units Granted (#)**
Christopher J. Nassetta	81,028,782
Thomas C. Kennedy	13,804,880
Ian R. Carter	21,432,076
Mark D. Wang	8,628,050
Kristin A. Campbell	5,176,830
Paul J. Brown(1)	17,256,100

(1) In connection with his resignation, Mr. Brown forfeited all of his Class B Units.

Class A Units. In addition to the Tier I awards and the Class B Units described above, Messrs. Nassetta, Kennedy, Carter, Wang and Brown also purchased for cash at fair market value Class A-2 Units in Parent, and Mr. Nassetta received a grant of 5,000,000 restricted equity units in our Ultimate Parent in connection with the commencement of his employment. On December 31, 2012, the restricted equity units vested and were converted into Class A-2 Units. The Class A-2 Units are equity interests, have economic characteristics that are similar to those of shares of common stock in a corporation and have no vesting schedule.

Perquisites and Other Benefits

Our team members, including the NEOs, are eligible for specified benefits, such as group health, dental and disability insurance and basic life insurance premiums. These benefits are intended to provide competitive and adequate protection in case of sickness, disability or death, and the NEOs participate in these plans on the same basis as all other team members.

We provide specified perquisites to our NEOs when determined to be necessary and appropriate, particularly in connection with enabling the executives and their families to transition from previous positions, which may require relocation. In addition, we provide our NEOs with the opportunity for an annual physical examination service and pay for personal hotel costs when they stay at Company-branded hotels. We also provide Mr. Nassetta with a life insurance benefit for his family and the associated taxes and Mr. Carter with

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tuition reimbursement and tax preparation services. In addition, given our wide geographic footprint, Mr. Nassetta has use of the Company aircraft for both business and personal travel. The value of these perquisites and other personal benefits are reflected in the All Other Compensation column to the Summary Compensation Table and the accompanying footnote. We believe that these benefits are competitive in our industry and consistent with our overall compensation program. The cost of these benefits is a small percentage of the overall compensation package, and the compensation committee believes that they allow the executives to work more efficiently.

Retirement Benefits

The Company maintains a tax-qualified 401(k) plan, under which the Company matches each team member s contributions up to 3% dollar-for-dollar and $0.50 for every $1 for the next 2% contributed. In addition to the 401(k) plan, the Company also offers the NEOs and other senior management the opportunity to supplement their retirement and other tax-deferred savings through Hilton Worldwide s Executive Deferred Compensation Plan, or EDCP. Those that are eligible to participate in the EDCP may elect to defer up to 100% of both their annual salary and bonus. The Company currently provides no contribution or match to the EDCP. Additional information about the EDCP is reflected in 2012 Non-Qualified Deferred Compensation below.

Pension Benefits

In addition to our 401(k) plan and EDCP, one of our NEOs, Mr. Carter, participated in two of our defined benefit pension plans, the Hilton U.K. Pension Plan (the U.K. Pension Plan) and the Hilton U.K. Hotels Employer-Finance Retirement Benefit Plan (the Supplemental U.K. Pension Plan) between 2005 and 2009. Mr. Carter s benefit under the U.K. Pension Plan was closed to further accrual in 2009, and the Supplemental U.K. Pension Plan was frozen to all participants in 2009. See the Pension Benefits table and accompanying narrative below for a description of these defined-benefit pension plans.

Severance Benefits

The compensation committee believes that with carefully structured severance benefits, the NEOs are better able to perform their duties with respect to any potential proposed corporate transaction without concern for the impact of the transaction on their individual employment. In addition, the compensation committee believes that the interests of our stockholders are better protected and enhanced by providing greater certainty regarding executive pay obligations in the context of planning and negotiating any potential corporate transactions.

The employment agreements with Messrs. Nassetta, Kennedy, Carter and Brown provide for severance benefits in connection with a termination of employment under certain specified qualifying termination events. The severance benefits under these agreements are contingent upon the affected executive s execution of a general release of claims and compliance with specified post-termination restrictive covenants. See Potential Payments Upon Termination or Change in Control which describes the payments that each of these NEOs may be entitled to under these agreements.

The Company also provides severance benefits under a broad-based protection plan (the Severance Plan). We believe the Severance Plan is necessary to attract and retain the talent necessary for our long-term success. We view the Severance Plan as a recruitment and retention device that helps secure the continued employment and dedication of team members, including when we are considering strategic alternatives. The Severance Plan provides severance benefits to eligible team members who are not entitled to severance pay under the terms of another agreement (i.e., an employment agreement) and who are involuntarily terminated by us without cause or as a result of a constructive termination, each as defined in the Severance Plan and each a qualifying termination. The severance benefits under the Severance Plan are contingent upon the executive experiencing a qualifying termination (and as such, in the case of a change of control, are double trigger arrangements) and are further contingent upon and non-revocation of a release of claims against us, and continued compliance with agreed upon restrictive covenants. Ms. Campbell and Mr. Wang are each entitled to severance under the Severance Plan, however, in connection with her hiring, the Company agreed to increase the amount of Ms. Campbell s cash severance upon a qualifying termination. In addition, with respect to Ms. Campbell, a constructive termination has substantially the same meaning as that under the employment agreements for our other NEOs. See Potential Payments upon Termination or Change in Control, which describes the payments to which each of the NEOs may be entitled under the Severance Plan. We intend to implement a new severance plan in connection with this offering.

Where there is a termination from the Company or reduction in the executive s role in connection with a change in control, the Company does not provide for tax gross-ups on any benefits but limits the payments and benefits to avoid adverse tax consequences to the Company. Specifically, each of these payments and benefits is subject to a cut-back, so that the amount payable will not be provided to the extent it would result in the loss of a tax deduction by the Company or imposition of excise taxes under the golden parachute excess parachute payment provisions of the Internal Revenue Code.

In addition to the Severance Plan and the terms of the employment agreements, any compensation and benefits to be made in connection with a separation are determined at the discretion of the compensation committee and may be based on the executive, his or her position, nature of the potential separation and such executive s compliance with specified post-termination restrictive covenants. In connection with their resignations, the compensation committee determined that, in consideration for entering into a general release of claims and each serving as a Special Advisor, it was appropriate to enter into a separation agreement with each of Messrs. Brown and Kennedy, which agreements are described under Potential Payments Upon Termination or Change in Control below.

Tax and Accounting Considerations

The compensation committee recognizes the tax and regulatory factors that can influence the structure of executive compensation programs. Section 162(m) of the Internal Revenue Code will limit the Company s federal income tax deduction for compensation in excess of $1 million paid to NEOs except for the Chief Financial Officer. However, performance-based compensation can be excluded from the limitation as long as specified requirements are met.

Following this offering, we expect to be able to claim the benefit of a special exemption rule that applies to compensation paid (or compensation in respect of equity awards such as stock options or restricted stock granted) during a specified transition period. This transition period may extend until the first annual stockholders meeting that occurs after the close of the third calendar year following the calendar year in which this offering occurs, unless the transition period is terminated earlier under the Section 162(m) post-offering transition rules. At such time as we are subject to the deduction limitations of Section 162(m), we expect that the compensation committee will take the deductibility limitations of Section 162(m) into account in its compensation decisions; however, the compensation committee may, in its judgment, authorize compensation payments that are not exempt under Section 162(m) when it believes that such payments are appropriate to attract or retain talent.

The compensation committee also intends to regularly consider the accounting implications of our future equity-based awards, including the variable accounting treatment of the performance share units under the Financial Accounting Standards Board Accounting Standards Codification Topic 718, *Stock Compensation*.

The compensation committee is also cognizant of Section 409A of the Internal Revenue Code, the limitations of which in the case of the Company primarily relate to the deferral and payment of benefits under the Executive Deferred Compensation Plan. The compensation committee continues to consider the impact of the changes to Section 409A and in general, the evolving tax and regulatory landscape in which its compensation decisions are made.

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Committee Actions Taken in 2013

New Chief Financial Officer

On August 8, 2013, Kevin J. Jacobs, previously our Executive Vice President and Chief of Staff, was appointed as Executive Vice President and Chief Financial Officer of our Company. It is expected that the compensation committee will increase Mr. Jacobs s base salary and annual bonus target and grant Mr. Jacobs a long-term incentive award commensurate with his new role. Consistent with our overall approach to our compensation programs following this offering, we do not intend to enter into an employment agreement with Mr. Jacobs. Mr. Jacobs will be eligible to participate in our broad-based severance plan.

Actions Taken in Connection with This Offering

Following this offering, as the Company transitions from being privately held to being publicly traded, we intend to critically evaluate our executive compensation program annually, or more frequently as circumstances require, to maintain a competitive environment for talent and ensure that our incentive programs are achieving their desired results. In 2013, the Company spent considerable time reviewing and preparing a compensation framework to align our pay practices with stockholders, the marketplace, and government requirements. After reviewing best practices and the approach taken by our peer companies and industry competitors, the compensation committee has agreed upon a general framework for our ongoing executive compensation programs.

New Long-Term Incentive Program

In connection with and prior to this offering, we expect that our Board of Directors will adopt, and our stockholders will approve, an Omnibus Incentive Plan. Following this offering, we will award our executives equity-based awards and we expect all such equity-based awards to be granted under the Omnibus Incentive Plan. For long-term awards, the compensation committee agreed that long-term incentive awards will be granted based on annual market data assessments of pay components for each NEO relative to their respective role. We expect the awards will consist of performance shares, restricted stock and stock options. See Omnibus Incentive Plan.

Ownership Guidelines

In connection with and prior to this offering, we expect that our Board of Directors will adopt an executive stock ownership program for our NEOs and other executives that will take effect following this offering. Each of our NEOs will be required to own shares of our Company in the following amounts by the later of August 7, 2018, or five years from the executive s date of hire.

Chief Executive Officer	5 times base salary
All other executive officers	3 times base salary

Clawback Policy

In connection with this offering, we expect to adopt a clawback policy that will take effect immediately following this offering. Consistent with the Company s core values, the compensation committee determined that it may be appropriate to recover annual and/or long-term incentive compensation in specified situations. Specifically, the Company may recoup incentive compensation from any current or former executive officer if: (1) he or she engages in intentional misconduct pertaining to any financial reporting requirement under the Federal securities laws resulting in the Company being required to prepare and file an accounting restatement with the SEC as a result of such misconduct; (2) there is a material negative revision of a financial or operating measure on the basis of which incentive compensation was awarded or paid to the executive officer; or (3) he or she engages in any fraud, theft, misappropriation, embezzlement or dishonesty to the material detriment of the

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Company s financial results as reflected in financial statements filed with the SEC. If the compensation committee determines that under the clawback policy, circumstances warrant clawback of any payments to an executive officer, then to the fullest extent permitted by law, the Company may require the executive officer to reimburse the Company for all or a portion of any cash, stock and stock options received as incentive compensation during the three years prior to the accounting restatement. If an executive officer engages in conduct that is not in good faith, and which disrupts, damages, impairs or interferes with the business, reputation or employees of the Company, the compensation committee may also seek to recoup any economic gain that the executive officer receives as a result of such conduct.

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Summary Compensation Table

The following table presents summary information regarding the total compensation awarded to, earned by, or paid to each of our NEOs for services rendered in all capacities for the fiscal year ended December 31, 2012.

Name and Principal Position	Salary(1)	Bonus	Stock Awards	Option Awards	Non-Equity Incentive Plan Compensation	Change in Pension Value and Nonqualified Deferred Compensation Earnings(6)	All Other Compensation(7)	Total
Christopher J. Nassetta (President & Chief Executive Officer)	$ 850,000	$	$	$	$ 1,077,375	$	$ 114,330	$ 2,041,705
Thomas C. Kennedy(2) (Former Executive Vice President and Chief Financial Officer)	650,000				572,569		17,285	1,239,854
Ian R. Carter (Executive Vice President and President, Development, Architecture & Construction)	690,000				493,488	82,700	239,452	1,505,640
Mark D. Wang (Executive Vice President, Global Sales and President, Hilton Grand Vacations)	508,500	94,400(3)			405,600		14,577	1,023,077
Kristin A. Campbell (Executive Vice President and General Counsel)	500,000	72,387(4)			427,613		12,742	1,012,742
Paul J. Brown(5) (Former Executive	600,000				497,025		8,748,268	9,845,293

Vice President and
President, Global
Brands and
Commercial Services)

(1) Amounts in this column reflect the salary earned during the fiscal year, whether paid or deferred under the Company s employee benefit plans.

(2) Mr. Kennedy served as our Executive Vice President and Chief Financial Officer from September 2008 until his resignation effective August 8, 2013. Mr. Kennedy agreed to provide services to the Company following his resignation until the earlier of December 31, 2013 or the date he commences employment with a new employer. In connection with his resignation, Mr. Kennedy forfeited all of his remaining Tier I award and all of his Class B Units. On August 8, 2013, Kevin J. Jacobs became our Executive Vice President and Chief Financial Officer.

(3) Amount reported represents the discretionary bonus paid to Mr. Wang. See Compensation Discussion and Analysis Compensation Elements Annual Cash Incentive Compensation.

(4) Amount reported represents the guaranteed portion of Ms. Campbell s bonus in excess of the amount earned under the annual cash incentive program. See Compensation Discussion and Analysis Compensation Elements Annual Cash Incentive Compensation.

(5) Mr. Brown served as our Executive Vice President and President, Global Head of Brands and Commercial Services from November 2008 until his resignation effective November 1, 2012. Mr. Brown provided services to the Company as a Special Advisor to the CEO through April 30, 2013. In connection with his resignation, Mr. Brown forfeited all of his remaining Tier I award and all of his Class B Units.

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(6) Amounts reported represent the aggregate increase in the actuarial present value of Mr. Carter s accumulated benefit under the defined-benefit pension plans during the year ended December 31, 2012. See the Pension Benefits table and the accompanying narrative below. The present value is calculated by the Trustee of the U.K. Pension Plan and represents the present value of the retirement pension due based on assumptions described below. This value is the sum that would be payable should Mr. Carter choose to transfer his benefits from the U.K. Pension Plan in full as of December 31, 2012 and 2011. The key financial assumptions used in the calculation of the present value included discount rates of 4.5% and 4.55% for 2012 and 2011, respectively, CPI inflation of 1.15% and 1.75% for 2012 and 2011, respectively and pension inflation of 1.2% and 1.45% for 2012 and 2011, respectively.

(7) All other compensation for 2012 includes:

Name	Company 401(k) Match	Personal Use of Company Aircraft [(a)]	Reimbursements for Taxes Incurred for Specified Perquisites[(b)]	Severance Benefits[(c)]	Other[(d)]	Total
Christopher J. Nassetta	$ 9,800	$ 11,277	$ 41,567	$	$ 51,686	$ 114,330
Thomas C. Kennedy	10,000				7,285	17,285
Ian R. Carter					239,452	239,452
Mark D. Wang	9,800				4,777	14,577
Kristin A. Campbell	10,000				2,742	12,742
Paul J. Brown	9,800			8,737,957	511	8,748,268

(a) Amounts reported reflect the incremental costs associated with guests accompanying Mr. Nassetta on the Company aircraft during the year ended December 31, 2012. For purposes of the Summary Compensation Table, we value the incremental cost associated with these accompanying guests by using a method that takes into account the variable costs. Since the aircraft is used primarily for business travel, the calculation does not include the fixed costs that do not change based on usage, such as crew salaries, hangar storage costs and cost of maintenance not related to trips.

(b) Reflects for Mr. Nassetta, $9,645 of employer-paid taxes owed with respect to personal use of the Company aircraft, $26,968 of employer-paid taxes owed with respect to Mr. Nassetta s personal use of Company-branded hotels and $4,954 of employer-paid taxes owed in connection with his employer-paid executive life insurance policy.

(c) Reflects amounts paid or accrued during the year ended December 31, 2012 pursuant to the terms of Mr. Brown s separation agreement as follows: an $8.5 million separation payment paid to Mr. Brown on November 13, 2012, $55,000 of which represents the gain on his Class A Units in our Ultimate Parent repurchased by the Company in 2012, $50,000 paid for executive consulting services, $40,000 accrued with respect to a lump sum payment to be paid as soon as practicable following the Separation Date (as defined in the separation agreement) representing the portion of the monthly premiums for group health coverage for Mr. Brown and his family paid by the Company, multiplied by 24, $80,769 for all accrued but unused vacation time through the Separation Date and $12,188 paid for reimbursement of legal fees incurred in connection with his separation agreement.

(d) For Mr. Nassetta, this amount includes $40,962 employer-paid expenses incurred at Company-branded hotels while on personal travel, the cost of his executive physical and premiums for life insurance policies.

For Mr. Kennedy, this amount includes employer-paid expenses incurred at Company-branded hotels while on personal travel and premiums for a life insurance policy.

For Mr. Carter, this amount includes a $207,000 payment for a retirement benefit pursuant to the terms of his employment agreement, $30,000 for tuition reimbursement pursuant to the terms of his employment agreement, tax preparation services, reimbursement for the cost of his executive physical and premiums for a life insurance policy.

For Mr. Wang, this amount represents the employer-paid auto-allowance, which he received through April 2012, and premiums for a life insurance policy.

For Ms. Campbell, this amount represents a one-time payment for her 2011 relocation to McLean, Virginia and premiums for a life insurance policy.

For Mr. Brown, this amount represents the employer-paid life insurance premium.

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2012 Grants of Plan-Based Awards

The following table sets forth information concerning grants of plan-based awards to the NEOs during the fiscal year ended December 31, 2012.

	Estimated Possible Payouts under Non-Equity Incentive Plan Awards[(1)]		
Name	**Threshold**	**Target**	**Maximum**
Christopher J. Nassetta	$ 26,563	$ 850,000	$ 1,700,000
Thomas C. Kennedy	12,188	487,500	731,250
Ian R. Carter	6,210	414,000	621,000
Mark D. Wang	5,771	375,000	562,500
Kristin A. Campbell[(2)]	9,375	375,000	562,500
Paul J. Brown	9,000	450,000	675,000

(1) Reflects the possible payouts of cash incentive compensation under the 2012 Annual Incentive Program. Amounts reported in the Threshold column assumes that there is no payout under the financial component of the annual cash incentive program and that the NEO only earns the minimum payout for the one individual performance objective that has been assigned the lowest weighting. The actual amounts paid are described in the Non-Equity Incentive Plan Compensation column of the Summary Compensation Table.

(2) Ms. Campbell was guaranteed a bonus for the year ended December 31, 2012 of no less than $500,000. Since Ms. Campbell s bonus payout under the annual cash incentive program was less than $500,000, Ms. Campbell received an additional bonus amount which represented the guaranteed portion of her bonus in excess of the amount earned under the annual cash incentive program. This additional amount is reported in the Bonus column of the Summary Compensation Table.

Narrative to Summary Compensation Table and 2012 Grants of Plan-Based Awards

Employment Agreements

Upon their commencement of employment, some of our NEOs entered into employment agreements, each of which contain substantially similar terms. Each of the employment agreements provides for a five-year initial employment term that extends automatically for additional one-year periods unless either we or the executive elects not to extend the term. Under the employment agreements, each executive is eligible to receive a minimum base salary, as set forth in the applicable agreement, and annual cash incentive compensation based on the achievement of specified financial and individual goals as defined by the compensation committee each year. If these goals are achieved, each executive may receive a cash bonus based on a target percentage of his or her base salary as described below. Each NEO is also entitled to participate in all employee benefit plans, programs and arrangements made available to other executive officers generally.

Following are the material individual provisions of the NEOs employment agreements, except with respect to potential payments and other benefits upon specified terminations, which are summarized below in Potential Payments Upon Termination or Change in Control.

Mr. Nassetta s Employment Agreement. Mr. Nassetta s employment agreement dated as of January 4, 2011 provides that he is to serve as Hilton Worldwide s President and Chief Executive Officer, and is eligible to receive a base salary of $850,000, subject to periodic adjustments as may be approved by the Board. Mr. Nassetta is also eligible to receive a target bonus of 100% of his annual base salary at the end of the fiscal year if targets established by the Board are achieved, 50% of his base salary if minimum performance objectives are achieved and 200% of his base salary if high performance objectives are achieved. Mr. Nassetta s agreement also provides for the reasonable payment of premiums for his existing life insurance policy and provides that Mr. Nassetta may use the Company airplane for business and personal travel.

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Mr. Kennedy s Employment Agreement. Mr. Kennedy s employment agreement dated as of September 15, 2008 provides that he was to serve as Hilton Worldwide s Executive Vice President and Chief Financial Officer and was eligible to receive a base salary of $650,000, subject to periodic adjustments as approved by our Board. Mr. Kennedy was also eligible to receive a target bonus of 75% of his annual base salary at the end of the fiscal year if performance objectives and targets established by the Board were achieved.

Mr. Kennedy resigned as Executive Vice President and Chief Financial Officer as of August 8, 2013, but will continue his employment as a Special Advisor to the CEO through December 31, 2013.

Mr. Carter s Employment Agreement. Mr. Carter s employment agreement dated as of January 1, 2010, provides that he is to serve as Hilton Worldwide s President, Global Operations, or a commensurate role, and is eligible to receive a base salary of $690,000, subject to periodic adjustments as may be approved by our Board. Mr. Carter is also eligible to receive a target bonus of 60% of his base salary if targets established by the Board are achieved and 90% of his base salary if high performance objectives are achieved. Mr. Carter s agreement did not provide a threshold award percentage if minimum performance objectives were achieved.

Mr. Brown s Employment Agreement. Mr. Brown s employment agreement dated November 13, 2008 provided that he was to serve as Hilton Worldwide s Executive Vice President and President, Global Brands and Commercial Services and was eligible to receive a base salary of $600,000, subject to periodic adjustments as may be approved by our Board. Mr. Brown was also eligible to receive a target bonus of 75% of his annual base salary at the end of the fiscal year if targets established by the Board were achieved.

Mr. Brown resigned as Executive Vice President and President, Global Brands and Commercial Services as of November 1, 2012, but continued his employment through April 30, 2013. On October 31, 2012, we entered into a separation agreement with Mr. Brown. The material terms of the separation agreement are summarized below under Potential Payments upon Termination or Change in Control.

In addition, each employment agreement, other than that for Mr. Carter, provides for the following:

- Reimbursement by us for specified expenses, such as business travel; and
- Reimbursements at Company-branded hotels for the executive and his family.

Each employment agreement provides for reimbursement by us on a grossed up basis for all taxes incurred in connection with certain specific benefits and payments provided by the respective agreements.

Each employment agreement may be terminated by us with or without cause, or by the executive as a result of constructive termination, each as defined in the respective employment agreement. We refer to a termination without cause or by the executive as a result of constructive termination collectively as a qualifying termination.

The employment agreements define cause generally as willful misconduct in connection an executive s role with our Company. The employment agreements define constructive termination generally as a diminution of the material conditions of the executive s employment with the company including pay, responsibilities and place of employment.

Each of the employment agreements also contains restrictive covenants, including an indefinite covenant on confidentiality of information and covenants related to non-competition and non-solicitation of employees and customers of the Company and its affiliates at all times during the executive s employment, and for one year after any termination of his employment. If a termination occurs after our Sponsor ceases to beneficially own 25% of the voting power of the Company, however, the entire non-competition covenant lapses.

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Equity Awards

As a condition to receiving the Class B Units, each NEO was required to enter into a subscription agreement with our Ultimate Parent to become a party to our Ultimate Parent s limited liability company agreement as well as an equity holders agreement. These agreements generally govern the NEOs rights with respect to their Class B Units.

The Class B Units are profits interests having economic characteristics similar to stock appreciation rights and represent the right to share in any increase in the equity value of our Ultimate Parent. Therefore, the Class B Units only have value to the extent there is an appreciation in the value of our business from and after the applicable date of grant. All of the Class B Units are exit-vesting units and have the vesting terms described in Compensation Discussion and Analysis Compensation Elements Long-Term Incentive Awards above and in Potential Payments Upon Termination or Change in Control below.

In addition to the Class B Units, in November 2010, our Ultimate Parent offered some members of our senior management team, including the NEOs (other than Ms. Campbell who joined the Company in 2011), the opportunity to participate in a Tier I award. The Tier I awards have such vesting terms described in Compensation Discussion and Analysis Compensation Elements Long-Term Incentive Awards above. As discussed above, the installment payments for the Tier I awards were accelerated in the year ended December 31, 2012. There was no incremental fair value recognized in connection with these accelerations, and therefore no amounts are reflected in the Summary Compensation Table or the 2012 Grants of Plan-Based Awards table above. The amounts paid to each of the participating NEOs for their Tier I awards are reflected in the 2012 Option Exercises and Stock Vested table below.

The subscription agreements also contain restrictive covenants that are substantially similar to the restrictive covenants contained in the employment agreements with the NEOs, including an indefinite covenant on confidentiality of information and covenants related to non-competition and non-solicitation of employees and customers of the Company and its affiliates at all times during the executive s employment, and for one year after any termination of his or her employment. If a termination occurs after our Sponsor ceases to beneficially 25% of the voting power of the Company, however, the non-competition lapses.

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Outstanding Equity Awards at 2012 Fiscal Year-End

The following table sets forth information regarding outstanding equity awards made to our NEOs as of December 31, 2012.

				Stock Awards	
Name	**Grant Date**	**Number of Shares of Units of Stock That Have Not Vested (#)**	**Market Value of Shares of Units of Stock That Have Not Vested ($)**	**Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)**	**Equity Incentive Plan Awards: Market Value of Shares, Units or Other Rights That Have Not Vested ($)**
Christopher J. Nassetta	12/03/2010	81,028,782(1)	36,608,804		
	12/03/2010		18,710,074(3)		
Thomas C. Kennedy	12/03/2010	13,804,880(1)	6,237,045(2)		
	12/03/2010		3,187,363(3)		
Ian R. Carter	12/03/2010	21,432,076(1)	9,683,012(2)		
	12/03/2010		4,948,381(3)		
Mark D. Wang	12/03/2010	8,628,050(1)	3,898,153(2)		
	12/03/2010		1,992,102(3)		
Kristin A. Campbell	06/27/2011	5,176,830(1)	2,338,892(2)		
Paul J. Brown(4)					

(1) Reflects the number of Class B Units, all of which are exit-vesting and vest on the date when our Sponsor ceases to beneficially own 50% or more of the Class A Units in our Ultimate Parent, subject to the NEO s continued employment on such date. In addition, if the executive s employment is terminated without cause, as a result of a constructive termination or as a result of disability or death (each as defined in the management subscription agreement for the Class B Units), then the executive will vest in a percentage of Class B Units based on a vesting schedule where 20% of the Class B Units will be deemed to have vested ratably in equal, annual installments over five years, beginning on April 8, 2011 (or June 27, 2011 with respect to Ms. Campbell). Additional terms of the Class B Units are described under Compensation Discussion and Analysis Compensation Elements Long-Term Incentive Program above and Potential Payments Upon Termination or Change in Control below.

(2) Based on the appreciation in the value of our business from and after the date of grant through December 31,

2012.

(3) Reflects the remaining value of each NEO s Tier I award. The Tier I awards originally granted were represented as a percentage of the total dollar amount available to be awarded and were not expressed as a number of units. The amount in the table reflects the cash value to be realized on vesting. Vesting of the outstanding Tier I awards occurs on the date that our Sponsor ceases to own 50% or more of the Class A Units in our Ultimate Parent.

(4) In connection with his resignation, Mr. Brown forfeited all of his Class B Units and his outstanding Tier I awards.

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2012 Option Exercises and Stock Vested

The following table provides information regarding the number of Tier I Units held by our NEOs that vested during 2012.

	Option Awards		Stock Awards[1]	
Name	**Number of Shares Acquired on Exercise (#)**	**Value Realized on Exercise ($)**	**Number of Shares Acquired on Vesting (#)**	**Value Realized on Vesting ($)**
Christopher J. Nassetta			5,000,000	41,617,450
Thomas C. Kennedy				6,000,000
Ian R. Carter				9,315,000
Mark D. Wang				3,750,000
Kristin A. Campbell				
Paul J. Brown				2,500,000

(1) Reflects the amounts paid to the NEOs for their Tier I award installment payments that were accelerated during the year ended December 31, 2012. The amount of Tier I awards originally granted were represented as a percentage of the total dollar amount available to be awarded and were not expressed as a number of units. The amount in the table reflects the cash value realized on vesting. The amount for Mr. Nassetta also reflects the additional portion of his Tier I award paid to him in December 2012 as well as $6.4 million, which was the value realized upon the vesting of the 5,000,000 restricted equity units originally granted in our Ultimate Parent in 2008 pursuant to the terms of Mr. Nassetta s employment agreement. These restricted equity units vested and were converted into Class A-2 Units of our Ultimate Parent on December 31, 2012.

2012 Pension Benefits

Name	**Plan Name**	**Number of Years Credited Service (#)**	**Present Value of Accumulated Benefit ($)[1]**	**Payments During Last Fiscal Year ($)**
Christopher J. Nassetta				
Thomas C. Kennedy				
Ian R. Carter	Hilton UK Pension Plan[2]	4	459,739	
	Hilton UK Hotels Employer-Finance Retirement Benefit[3]	3	691,822	
Mark D. Wang				
Kristin A. Campbell				
Paul J. Brown				

(1)

The present value is calculated by the Trustee of the U.K. Pension Plan and represents the present value of the retirement pension due based on assumptions described below. This value is the sum that would be payable should Mr. Carter choose to transfer his benefits from the U.K. Pension Plan in full as of December 31, 2012. The key financial assumptions used in the calculation of the present value included discount rates of 4.5% and 4.55% for 2012 and 2011, respectively, CPI inflation of 1.15% and 1.75% for 2012 and 2011, respectively, and pension inflation of 1.2% and 1.45% for 2012 and 2011, respectively.

(2) The U.K. Pension Plan is a defined benefit pension plan in the U.K., for which benefit payments are payable monthly from retirement age (age 60 in accordance with the terms of the plan). The pension value is determined based on years of service, final salary of active membership (final salary in the final year of the membership in the plan minus applicable restrictions of earning offsets) in the plan and an accrual ratio. The funds are invested through a trustee, who has full investment discretion. For Mr. Carter, the U.K. Pension Plan has been frozen since 2009, and neither the Company, nor Mr. Carter have contributed to the plan since that time. The purpose of the U.K. Pension Plan is to provide a retirement benefit based on U.K. market

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practice. The U.K. Pension Plan does not provide special policies such as granting extra years of credited service, however, it provides tax advantages such as tax relief on employee contributions and a tax-free cash payment at retirement.

(3) The Supplemental U.K. Pension Plan is a supplement to the U.K. Pension Plan and provides an additional retirement benefit to top management of the Company in the U.K. Mr. Carter participated in the Supplemental U.K. Pension Plan from 2006 to 2009, after which the Company ceased contributing to the plan and the plan was frozen. The funds in the Supplemental U.K. Pension Plan have been invested based on Mr. Carter s elected investment portfolio. The terms of the U.K. Pension Plan provide that the funds be paid in lump sum upon retirement, or age 60 in accordance with the terms of the plan. The annual amount the Company contributed was calculated based on a percentage of Mr. Carter s base salary above the annual earnings cap under the U.K. Pension Plan. The Supplemental U.K. Pension Plan does not provide any special tax treatment, and payment under this plan is triggered upon Mr. Carter s retirement.

2012 Non-Qualified Deferred Compensation

The Company offers to its executives, including all of the NEOs, the opportunity to participate in the Executive Deferred Compensation Plan (EDCP). The table below provides information as of December 31, 2012, for those NEOs who chose to participate in this plan.

Name	Executive Contributions in Last FY[(1)]	Registrant Contributions in the Last FY	Aggregate Earnings in Last FY[(2)]	Aggregate Withdrawals/ Distributions	Aggregate Balance at Last FYE
Christopher J. Nassetta	$	$	$ 12,251	$	$ 175,853
Thomas C. Kennedy					
Ian R. Carter					
Mark D. Wang	93,308		75,811		783,521
Kristin A. Campbell					
Paul J. Brown					

(1) The amount in this column is included in the Salary column for 2012 in the Summary Compensation Table above.

(2) Amounts in this column are not reported as compensation for fiscal year 2012 in the Summary Compensation Table since they do not reflect above-market or preferential earn