SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

OR

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

For the Quarter Ended June 14, 2002 Commission File No. 1-13881

MARRIOTT INTERNATIONAL, INC.

Delaware	52-2055918
(State of Incorporation)	(I.R.S. Employer Identification Number)

10400 Fernwood Road
Bethesda, Maryland 20817
(301) 380-3000

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days.

Yes [X] No [_]

Class	Shares outstanding at July 5, 2002
Class A Common Stock, $0.01 par value	241,801,438

MARRIOTT INTERNATIONAL, INC.

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Forward-Looking Statements

We have made forward-looking statements in this document that are based on the beliefs and assumptions of our management, and on information currently available to our management. Forward-looking statements include the information concerning our possible or assumed future results of operations and statements preceded by, followed by or that include the words "believes," "expects," "anticipates," "intends," "plans," "estimates," or similar expressions.

Forward-looking statements involve risks, uncertainties and assumptions. Actual results may differ materially from those expressed in these forward-looking statements. We caution you not to put undue reliance on any forward-looking statements.

You should understand that the following important factors, in addition to those discussed in Exhibit 99 and elsewhere in this quarterly report, could cause results to differ materially from those expressed in such forward-looking statements.

- competition in each of our business segments;
- business strategies and their intended results;
- the balance between supply of and demand for hotel rooms, timeshare units, senior living accommodations and corporate apartments;
- our continued ability to obtain new operating contracts and franchise agreements;
- our ability to develop and maintain positive relations with current and potential hotel and senior living community owners;
- our ability to obtain adequate property and liability insurance to protect against losses or to obtain such insurance at reasonable rates;
- the effect of international, national and regional economic conditions, including the duration and severity of the current economic downturn in the United States and the pace of the lodging industry's recovery in the aftermath of the terrorist attacks on September 11, 2001;
- our ability to recover loan and guaranty advances from hotel operations or from owners through the proceeds of hotel sales, refinancing of debt or otherwise;
- the availability of capital to allow us and potential hotel owners to fund investments;
- the effect that internet reservation channels may have on the rates that we are able to charge for hotel rooms and timeshare intervals;
- the anticipated time-frame for exiting our distribution services business; and
- other risks described from time to time in our filings with the Securities and Exchange Commission (the SEC).

PART I -- FINANCIAL INFORMATION

Item 1. Financial Statements

MARRIOTT INTERNATIONAL, INC.
CONDENSED CONSOLIDATED STATEMENT OF INCOME
($ in millions, except per share amounts)
(Unaudited)

	Twelve weeks ended		Twenty-four weeks ended	
	June 14, 2002	June 15, 2001	June 14, 2002	June 15, 2001
SALES				
Management and franchise fees	$ 206	$ 227	$ 382	$ 431
Distribution services	375	397	751	758
Other	571	517	1,031	998
	1,152	1,141	2,164	2,187
Other revenues from managed and franchised properties	1,434	1,309	2,786	2,724
	2,586	2,450	4,950	4,911
OPERATING COSTS AND EXPENSES				
Distribution services	377	394	759	753
Other	623	508	1,106	969
	1,000	902	1,865	1,722
Other costs from managed and franchised properties	1,434	1,309	2,786	2,724
	2,434	2,211	4,651	4,446
OPERATING PROFIT BEFORE CORPORATE EXPENSES AND INTEREST	152	239	299	465
Corporate expenses	(23)	(29)	(52)	(59)
Interest expense	(21)	(27)	(40)	(49)
Interest income	28	20	47	36
INCOME BEFORE INCOME TAXES	136	203	254	393
Provision for income taxes	(7)	(73)	(43)	(142)
NET INCOME	$ 129	$ 130	$ 211	$ 251
DIVIDENDS DECLARED PER SHARE	$ .070	$ .065	$ .135	$ .125
EARNINGS PER SHARE				
Basic Earnings Per Share	$ .53	$ .53	$ .87	$ 1.03
Diluted Earnings Per Share	$ .50	$ .50	$ .82	$ .97

See notes to condensed consolidated financial statements.

MARRIOTT INTERNATIONAL, INC.
CONDENSED CONSOLIDATED BALANCE SHEET
($ in millions)

	June 14, 2002 (Unaudited)	December 28, 2001
ASSETS		
Current assets		
Cash and equivalents	$ 200	$ 817
Accounts and notes receivable	653	611
Inventory	94	96
Other	638	606
	1,585	2,130
Property and equipment	2,923	2,930
Goodwill	1,092	1,092
Other intangibles	476	672
Investments in affiliates	1,109	823
Notes and other receivables	924	1,038
Other	423	422
	$ 8,532	$ 9,107
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$ 698	$ 697
Other	1,163	1,105
	1,861	1,802
Long-term debt	1,850	2,408
Other long-term liabilities	990	1,012
Convertible debt	61	407
Shareholders' equity		
ESOP preferred stock	-	-
Class A common stock, 255.6 million shares issued	3	3
Additional paid-in capital	3,186	3,378
Retained earnings	1,103	941
Unearned ESOP shares	(22)	(291)
Treasury stock, at cost	(457)	(503)
Accumulated other comprehensive income	(43)	(50)
	3,770	3,478
	$ 8,532	$ 9,107

See notes to condensed consolidated financial statements.

MARRIOTT INTERNATIONAL, INC.
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
($ in millions)
(Unaudited)

	Twenty-four weeks ended	
	June 14, 2002	June 15, 2001
OPERATING ACTIVITIES		
Net income	$ 211	$ 251
Adjustments to reconcile to cash provided by operations:		
Depreciation and amortization	86	96
Income taxes and other	63	95
Timeshare activity, net	(63)	(143)
Working capital changes	(7)	(115)
Cash provided by operations	290	184
INVESTING ACTIVITIES		
Dispositions	282	361
Capital expenditures	(172)	(251)
Note advances	(64)	(82)
Note collections and sales	29	34
Other	(53)	(145)
Cash provided by (used in) investing activities	22	(83)
FINANCING ACTIVITIES		
Commercial paper activity, net	353	(424)
(Repayment) issuance of convertible debt	(347)	405
Issuance of other long-term debt	11	313
Repayment of other long-term debt	(922)	(9)
Issuance of Class A common stock	27	57
Dividends paid	(31)	(29)
Purchase of treasury stock	(20)	(74)
Cash (used in) provided by financing activities	(929)	239
(DECREASE) INCREASE IN CASH AND EQUIVALENTS	(617)	340
CASH AND EQUIVALENTS, beginning of period	817	334
CASH AND EQUIVALENTS, end of period	$ 200	$ 674

See notes to condensed consolidated financial statements.

1. Basis of Presentation

The accompanying condensed consolidated financial statements present the results of operations, financial position and cash flows of Marriott International, Inc. (together with its subsidiaries, we, us or the Company).

The accompanying condensed consolidated financial statements have not been audited. We have condensed or omitted certain information and footnote disclosures normally included in financial statements presented in accordance with accounting principles generally accepted in the United States. We believe the disclosures made are adequate to make the information presented not misleading. However, you should read the condensed consolidated financial statements in conjunction with the consolidated financial statements and notes to those financial statements included in our Annual Report on Form 10-K for the fiscal year ended December 28, 2001. Capitalized terms not otherwise defined in this quarterly report have the meanings specified in our Annual Report.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the financial statements, the reported amounts of sales and expenses during the reporting period and the disclosures of contingent liabilities. Accordingly, ultimate results could differ from those estimates.

In our opinion, the accompanying condensed consolidated financial statements reflect all normal and recurring adjustments necessary to present fairly our financial position as of June 14, 2002 and December 28, 2001, the results of operations for the twelve and twenty-four weeks ended June 14, 2002 and June 15, 2001 and cash flows for the twenty-four weeks ended June 14, 2002 and June 15, 2001. Interim results may not be indicative of fiscal year performance because of seasonal and short-term variations. We have eliminated all material intercompany transactions and balances between entities included in these financial statements.

Revenue Recognition

Our sales include (1) management and franchise fees, (2) sales from our distribution services business, (3) sales from lodging properties and senior living communities owned or leased by us, and sales made by our other businesses; and (4) certain other revenues from properties franchised or managed by us. Management fees comprise a base fee, which is a percentage of the revenues of hotels or senior living communities, and an incentive fee, which is generally based on unit profitability. Franchise fees comprise initial application fees and continuing royalties generated from our franchise programs, which permit the hotel owners and operators to use certain of our brand names. Other revenues from managed and franchised properties include direct and indirect costs that are reimbursed to us by lodging and senior living community owners for properties that we manage or franchise. Other revenues include revenues from hotel properties and senior living communities that we own or lease, along with sales from our timeshare, ExecuStay and Synthetic Fuel businesses.

Management Fees: We recognize base fees as revenue when earned in accordance with the contract. In interim periods and at year end we recognize incentive fees that would be due as if the contract were to terminate at that date, exclusive of any termination fees payable or receivable by us. For the twenty-four weeks ended June 14, 2002 we have recognized $84 million of incentive management fees, retention of which is dependent on achievement of hotel profitability for the balance of the year at levels specified in a number of our management contracts.

Distribution Services: We recognize revenue from our distribution services business when goods have been shipped and title passes to the customer in accordance with the terms of the applicable distribution contract.

Timeshare: We recognize revenue from timeshare interest sales in accordance with Statement of Financial Accounting Standards (FAS) No. 66, "Accounting for Sales of Real Estate." We recognize sales when a minimum of 10 percent of the purchase price for the timeshare interval has been received, the period of cancellation with refund has expired, receivables are deemed collectible and certain minimum sales and construction levels have been attained. For sales that do not meet these criteria, we defer all revenue using the percentage-of-completion or the deposit method as applicable.

Owned and Leased Units: We recognize room sales and revenues from guest services for our owned and leased units, including ExecuStay, when rooms are occupied and services have been rendered.

Franchise Revenue: We recognize franchise fee revenues in accordance with FAS No. 45, "Accounting for Franchise Fee Revenue." Franchise fees are recognized as revenue in each accounting period as fees are earned and become receivable from the franchisee.

Other Revenues from Managed and Franchised Properties: We recognize other revenues from managed and franchised properties when we incur the related reimbursable costs.

Synthetic Fuel: We recognize revenue from the Synthetic Fuel business when the synthetic fuel is produced and sold.

We recognized sales and operating profit in the twelve and twenty-four weeks ended June 14, 2002 and June 15, 2001 as shown in the following table. Lodging includes our Full-Service, Select-Service, Extended-Stay and Timeshare business segments.

Twelve weeks ended June 14, 2002 ($ in millions)	Lodging	Senior Living Services	Distribution Services	Synthetic Fuel	Total
Sales					
Management and franchise fees	$ 197	$ 9	$ -	$ -	$ 206
Other	441	77	375	53	946
	638	86	375	53	1,152
Other revenues from managed and franchised properties	1,343	91	-	-	1,434
	1,981	177	375	53	2,586
Operating costs and expenses					
Operating costs	446	81	377	96	1,000
Other costs from managed and franchised properties	1,343	91	-	-	1,434
	1,789	172	377	96	2,434
Operating profit (loss) before corporate expenses and interest	$ 192	$ 5	$ (2)	$ (43)	$ 152

Twelve weeks ended June 15, 2001 ($ in millions)	Lodging	Senior Living Services	Distribution Services	Synthetic Fuel	Total
Sales					
Management and franchise fees	$ 219	$ 8	$ -	$ -	$ 227
Other	442	75	397	-	914
	661	83	397	-	1,141
Other revenues from managed and franchised properties	1,228	81	-	-	1,309
	1,889	164	397	-	2,450
Operating costs and expenses					
Operating costs	430	78	394	-	902
Other costs from managed and franchised properties	1,228	81	-	-	1,309
	1,658	159	394	-	2,211
Operating profit before corporate expenses and interest	$ 231	$ 5	$ 3	$ -	$ 239

Sales ($ in millions)	Twenty-four weeks ended June 14, 2002 Lodging	Senior Living Services	Distribution Services	Synthetic Fuel	Total
Management and franchise fees	$ 365	$ 17	$ -	$ -	$ 382
Other	814	159	751	58	1,782
	1,179	176	751	58	2,164
Other revenues from managed and franchised properties	2,605	181	-	-	2,786
	3,784	357	751	58	4,950
Operating costs and expenses					
Operating costs	834	165	759	107	1,865
Other costs from managed and franchised properties	2,605	181	-	-	2,786
	3,439	346	759	107	4,651
Operating profit (loss) before corporate expenses and interest	$ 345	$ 11	$ (8)	$ (49)	$ 299

Sales ($ in millions)	Twenty-four weeks ended June 15, 2001 Lodging	Senior Living Services	Distribution Services	Synthetic Fuel	Total
Management and franchise fees	$ 415	$ 16	$ -	$ -	$ 431
Other	847	151	758	-	1,756
	1,262	167	758	-	2,187
Other revenues from managed and franchised properties	2,562	162	-	-	2,724
	3,824	329	758	-	4,911
Operating costs and expenses					
Operating costs	808	161	753	-	1,722
Other costs from managed and franchised properties	2,562	162	-	-	2,724
	3,370	323	753	-	4,446
Operating profit before corporate expenses and interest	$ 454	$ 6	$ 5	$ -	$ 465

2. Earnings Per Share

The following table reconciles the earnings and number of shares used in the basic and diluted earnings per share calculations (in millions, except per share amounts).

	Twelve weeks ended		Twenty-four weeks ended	
	June 14, 2002	June 15, 2001	June 14, 2002	June 15, 2001
Computation of Basic Earnings Per Share				
Net income	$ 129	$ 130	$ 211	$ 251
Weighted average shares outstanding	242.8	243.9	242.4	243.7
Basic Earnings Per Share	$ .53	$ .53	$ .87	$ 1.03
Computation of Diluted Earnings Per Share				
Net income	$ 129	$ 130	$ 211	$ 251
After-tax interest expense on convertible debt	1	1	3	1
Net income for diluted earnings per share	$ 130	$ 131	$ 214	$ 252
Weighted average shares outstanding	242.8	243.9	242.4	243.7
Effect of Dilutive Securities				
Employee stock option plan	8.1	8.1	7.9	8.4
Deferred stock incentive plan	4.9	5.3	4.9	5.3
Convertible debt	4.0	3.0	5.2	1.5
Shares for diluted earnings per share	259.8	260.3	260.4	258.9
Diluted Earnings Per Share	$ .50	$ .50	$ .82	$ .97

We compute the effect of dilutive securities using the treasury stock method and average market prices during the period. We use the if-converted method for convertible debt. The calculations of diluted earnings per share exclude the following options because the inclusion would have an antidilutive impact for the applicable period: (a) for the twelve week and twenty-four week periods ended June 14, 2002, 5.6 million and 5.8 million options respectively, and (b) for the twelve week and twenty-four week periods ended June 15, 2001, 5.7 million and 4.6 million options, respectively.

3. Marriott Rewards

We defer revenue received from managed, franchised, and Marriott-owned/leased hotels and program partners equal to the fair value of our future redemption obligations. We recognize the component of revenue from program partners that corresponds to program maintenance services over the expected life of the points awarded. Upon the redemption of points, we recognize as revenue the amounts previously deferred, and recognize the corresponding expense relating to the cost of the awards redeemed. The liability for the Marriott Rewards program was $674 million at June 14, 2002 and $631 million at December 28, 2001, of which $423 million and $380 million, respectively, are included in other long-term liabilities in the accompanying condensed consolidated balance sheets.

4. Dispositions

In the second quarter of 2002, we sold two lodging properties and one piece of undeveloped land for $148 million. We will continue to operate the two hotels under long-term management agreements. One lodging sale is accounted for under the full accrual method in accordance with FAS No. 66. The other lodging sale is accounted for under the cost recovery method because the buyer did not make an adequate minimum initial investment. The sale of one of the two lodging properties was to a joint venture in which we have a non-controlling equity interest.

In the second quarter of 2002, we sold five senior living communities for $59 million. We will continue to operate the communities under long-term management agreements. These sales are accounted for under the full accrual method in accordance with FAS No. 66. We will recognize pretax gains of approximately $6 million provided certain contingencies in the sales contract expire.

In the first quarter of 2002, we closed on sales of four hotels for cash proceeds of $97 million, resulting in gains of $13 million. The gains have been deferred and will be recognized provided certain contingencies in the sales contracts expire. We will continue to operate the hotels under long-term management agreements.

5. Comprehensive Income

Total comprehensive income was $138 million and $119 million, respectively, for the twelve weeks ended June 14, 2002 and June 15, 2001 and $218 million and $234 million, respectively, for the twenty-four weeks ended June 14, 2002 and June 15, 2001. The principal differences between net income and total comprehensive income for 2002 and 2001 relate to foreign currency translation adjustments and fair value changes of certain financial instruments.

6. New Accounting Standards

In the first quarter of 2002, we adopted FAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." The adoption of FAS No. 144 had no impact on the Company.

We adopted FAS No. 142, "Goodwill and other Intangible Assets," in the first quarter of 2002. The new rules require that goodwill is not amortized, but is reviewed annually for impairment. The adoption of FAS No. 142 resulted in an increase in net income of approximately $8 million for the twelve weeks ended June 14, 2002 and $15 million for the twenty-four weeks ended June 14, 2002. We completed our testing of goodwill for impairment and have determined that no impairment exists upon initial adoption of FAS No. 142.

The impact of the adoption of FAS No. 142 on our net income, basic earnings per share, and diluted earnings per share for the twelve and twenty-four weeks ended June 14, 2002 and June 15, 2001, as if the adoption had taken place in the first quarter of 2001, is presented in the following table (in millions, except per share amounts):

	Twelve weeks ended		Twenty-four weeks ended	
	June 14, 2002	June 15, 2001	June 14, 2002	June 15, 2001
Reported net income	$ 129	$ 130	$ 211	$ 251
Goodwill amortization	-	8	-	15
Adjusted net income	$ 129	$ 138	$ 211	$ 266
Reported basic earnings per share	$ .53	$ .53	$ .87	$ 1.03
Goodwill amortization	-	.03	-	.06
Adjusted basic earnings per share	$ .53	$ .56	$ .87	$ 1.09
Reported diluted earnings per share	$ .50	$ .50	$ .82	$ .97
Goodwill amortization	-	.03	-	.06
Adjusted diluted earnings per share	$ .50	$ .53	$ .82	$ 1.03

7. Business Segments

We are a diversified hospitality company with operations in seven business segments:

- Full-Service Lodging, which includes Marriott Hotels, Resorts and Suites; The Ritz-Carlton Hotels; Renaissance Hotels, Resorts and Suites; Ramada International; and Marriott Executive Apartments;
- Select-Service Lodging, which includes Courtyard, Fairfield Inn and SpringHill Suites;
- Extended-Stay Lodging, which includes Residence Inn, TownePlace Suites and Marriott ExecuStay;
- Timeshare, which includes the operation, ownership, development and marketing of Marriott's timeshare properties under the Marriott Vacation Club International, The Ritz-Carlton Club, Horizons and Marriott Grand Residence Club brands;

- Senior Living Services, which includes the operation, ownership and development of senior living communities;
- Distribution Services, which includes our wholesale food distribution business; and
- Synthetic Fuel, which includes the operation of our coal-based synthetic fuel production facilities. The Synthetic Fuel business generated a tax benefit of $15 million and tax credits of $43 million in the twelve weeks ended June 14, 2002 and a tax benefit of $17 million and tax credits of $48 million in the twenty-four weeks ended June 14, 2002.

We evaluate the performance of our segments based primarily on operating profit before corporate expenses and interest. We do not allocate income taxes at the segment level.

We have aggregated the brands and businesses presented within each of our segments considering their similar economic characteristics, types of customers, distribution channels, and the regulatory business environment of the brands and operations within each segment.

	Twelve weeks ended		Twenty-four weeks ended	
	June 14, 2002	June 15, 2001	June 14, 2002	June 15, 2001
($ in millions)				
Sales				
Full-Service	$ 1,299	$ 1,260	$ 2,520	$ 2,609
Select-Service	238	223	445	436
Extended-Stay	148	162	269	301
Timeshare	296	244	550	478
Total Lodging	1,981	1,889	3,784	3,824
Senior Living Services	177	164	357	329
Distribution Services	375	397	751	758
Synthetic Fuel	53	-	58	-
	$ 2,586	$ 2,450	$ 4,950	$ 4,911
Operating profit (loss) before corporate expenses and interest				
Full-Service	$ 103	$ 127	$ 189	$ 244
Select-Service	40	43	68	88
Extended-Stay	10	22	18	40
Timeshare	39	39	70	82
Total Lodging	192	231	345	454
Senior Living Services	5	5	11	6
Distribution Services	(2)	3	(8)	5
Synthetic Fuel	(43)	-	(49)	-
	$ 152	$ 239	$ 299	$ 465

Sales from Distribution Services exclude sales (made at market terms and conditions) to our other business segments of $27 million and $41 million for the twelve weeks ended June 14, 2002 and June 15, 2001, respectively, and $53 million and $80 million for the twenty-four weeks ended June 14, 2002 and June 15, 2001, respectively.

8. Contingencies

We issue guarantees to lenders and other third parties in connection with financing transactions and other obligations. These guarantees totaled $577 million at June 14, 2002, including guarantees involving major customers. In addition, we have made a physical completion guarantee relating to one hotel property with minimal expected funding. As of June 14, 2002, we had extended approximately $590 million of loan commitments to owners of lodging properties and senior living communities under which we expect to fund approximately $112 million by January 3, 2003, and $268 million in total.

Letters of credit outstanding on our behalf at June 14, 2002, totaled $92 million, the majority of which related to our self-insurance programs. At June 14, 2002, we had repurchase obligations of $61 million related to notes receivable from timeshare interval purchasers, which have been sold with limited recourse. Surety bonds issued on our behalf as of June 14, 2002 totaled $490 million, the majority of which were requested by federal, state, or local governments related to our timeshare and lodging operations and self-insurance programs.

Third-parties have severally indemnified us for guarantees by us of leases with minimum annual payments of approximately $57 million.

On March 30, 2001, Green Isle Partners, Ltd., S.E. (Green Isle) filed a 63-page complaint in Federal District Court in Delaware against The Ritz-Carlton Hotel Company, L.L.C., The Ritz-Carlton Hotel Company of Puerto Rico, Inc. (Ritz-Carlton Puerto Rico), Marriott International, Inc., Marriott Distribution Services, Inc., Marriott International Capital Corp. and Avendra L.L.C. (Green Isle Partners, Ltd. S.E., v. The Ritz-Carlton Hotel Company, L.L.C., et al, civil action no. 01-202). Ritz-Carlton Puerto Rico manages The Ritz-Carlton San Juan Hotel, Spa and Casino located in San Juan, Puerto Rico under an operating agreement with Green Isle dated December 15, 1995 (the Operating Agreement).

The claim asserts 11 causes of action: three Racketeer Influenced and Corrupt Organizations Act (RICO) claims, together with claims based on the Robinson-Patman Act, breach of contract, breach of fiduciary duty, aiding and abetting a breach of fiduciary duty, breach of implied duties of good faith and fair dealing, common law fraud and intentional misrepresentation, negligent misrepresentation, and fiduciary accounting. The complaint does not request termination of the Operating Agreement.

The claim includes allegations of: (i) national, non-competitive contracts and attendant kick-back schemes; (ii) concealing transactions with affiliates; (iii) false entries in the books and manipulation of accounts payable and receivable; (iv) excessive compensation schemes and fraudulent expense accounts; (v) charges of prohibited overhead costs to the project; (vi) charges of prohibited procurement costs; (vii) inflation of Group Service Expense; (viii) the use of prohibited or falsified revenues; (ix) attempts to oust Green Isle from ownership; (x) creating a financial crisis and then attempting to exploit it by seeking an economically oppressive contract in connection with a loan; (xi) providing incorrect cash flow figures and failing appropriately to reveal and explain revised cash flow figures.

The complaint seeks as damages the $140 million which Green Isle claims to have invested in the hotel (which includes $85 million in third party debt), which the plaintiffs seek to treble to $420 million under RICO and the Robinson-Patman Act.

On May 25, 2001, defendants moved to dismiss the complaint or, alternatively, to stay or transfer. Briefing of the motion is complete but oral argument has not yet been scheduled. On June 25, 2001, Green Isle filed its Chapter 11 Bankruptcy Petition in the Southern District of Florida. On November 11, 2001, the Court granted defendants' motion to transfer and subsequently did transfer the matter to the United States District Court for the district of Puerto Rico. In that proceeding, Green Isle's motion to reject the Ritz-Carlton operating agreement was dismissed without prejudice.

On April 8, 2002, the Company and its subsidiary, Renaissance Hotel Operating Company (RHOC), initiated an arbitration proceeding against CTF Hotel Holdings, Inc. (CTF) and CTF's affiliate, Hotel Property Investments (B.V.I.) Ltd. (HPI), in connection with a dispute over procurement issues for certain Renaissance hotels and resorts that RHOC manages for CTF and HPI. On April 12, 2002, CTF filed a lawsuit under seal in U.S. District Court in Delaware against the Company, RHOC and Avendra LLC, alleging that, in connection with procurement at 20 of those hotels, the Company and RHOC engaged in improper acts of self-dealing, and claiming breach of fiduciary, contractual and other duties; fraud; misrepresentation; and violations of the RICO and the Robinson-Patman Acts. CTF seeks various remedies, including a stay of the arbitration proceedings against CTF and unspecified actual, treble and punitive damages.

We believe that the Green Isle and CTF lawsuits are without merit and we intend to vigorously defend against the claims being made against us. However, we cannot assure you as to the outcome of either lawsuit nor can we currently estimate the range of any potential loss to the Company.

In the twelve weeks ended June 14, 2002, Marriott recognized a charge of $7 million in connection with a lawsuit involving the sale of a hotel previously managed by us.

In addition to the foregoing, we are from time to time involved in legal proceedings which could, if adversely decided, result in losses to the Company.

9. Convertible Debt

On May 8, 2001, we received gross proceeds of $405 million from the sale of zero-coupon convertible senior notes due 2021, known as LYONs. On May 9, 2002, we redeemed for cash the approximately 85 percent of the LYONs that were tendered for mandatory repurchase by the holders.

The remaining LYONs are convertible into approximately 1.0 million shares of our Class A Common Stock, have a face value of $70 million and carry a yield to maturity of 0.75 percent. We may not redeem the LYONs prior to May 8, 2004. We may at the option of the holders be required to purchase the LYONs at their accreted value on May 8 of each of 2004, 2011 and 2016. We may choose to pay the purchase price for redemptions or repurchases in cash and/or shares of our Class A Common Stock.

We amortized the issuance costs of the LYONs into interest expense over the one-year period ended May 8, 2002. The LYONs are classified as long-term based on our ability and intent to refinance the obligation with long-term debt if we are required to repurchase the LYONs.

10. Marriott and Cendant Corporation Joint Venture

In the first quarter of 2002, Marriott and Cendant Corporation (Cendant) completed the formation of a joint venture to further develop and expand the Ramada and Days Inn brands in the United States. We contributed the domestic Ramada license agreements and related intellectual property to the joint venture at their carrying value of approximately $200 million. We also contributed a $205 million note receivable from us and the joint venture assumed a $205 million note payable to us, which eliminate upon consolidation. Cendant contributed the Days Inn license agreement and related intellectual property with a fair value of approximately $205 million. We each own approximately 50 percent of the joint venture, with Cendant having the slightly larger interest. We account for our interest in the joint venture using the equity method. The joint venture can be dissolved at any time with the consent of both members and is scheduled to terminate in March 2012. In the event of dissolution, the joint venture's assets will generally be distributed in accordance with each member's capital account. In addition, during certain periods of time commencing in March 2004, first Cendant and later Marriott will have a brief opportunity to cause a mandatory redemption of Marriott's joint venture equity.

11. Restructuring Costs and Other Charges

In 2001, the Company experienced a significant decline in demand for hotel rooms in the aftermath of the September 11, 2001 attacks on New York and Washington and the subsequent dramatic downturn in the economy. This decline resulted in reduced management and franchise fees, cancellation of development projects, and anticipated losses under guarantees and loans. The Company responded by implementing certain companywide cost-saving measures. As a result of our restructuring plan, in the fourth quarter of 2001, we recorded pretax restructuring costs of $124 million, including (1) $16 million in severance costs; (2) $20 million, primarily associated with a loss on a sublease of excess space arising from the reduction in personnel; (3) $28 million related to the write-off of capitalized costs relating to development projects no longer deemed viable; and (4) $60 million related to the write-down of the Village Oaks brand of companion-style senior living communities, which are now classified as held for sale, to their estimated fair value. We also incurred $147 million of other charges including (1) $85 million related to reserves for guarantees and loan losses; (2) $17 million related to accounts receivable reserves; (3) $13 million related to the write-down of properties held for sale; and (4) $32 million related to the impairment of technology related investments and other write-offs.

A summary of the remaining restructuring liability is as follows:

	Restructuring costs and other charges liability at June 14, 2002	Restructuring costs and other charges liability at December 28, 2001
Severance	$ 5	$ 8
Facilities exit costs	15	18
Total restructuring costs	20	26
Reserves for guarantees	27	33
Other	1	1
Total	$ 48	$ 60

12. Assets Held for Sale

Included in other current assets at June 14, 2002 and December 28, 2001 are $316 million and $324 million, respectively, of assets held for sale. At June 14, 2002, assets held for sale consisted of $293 million of property, plant and equipment and $23 million of other related assets. Included in other liabilities at June 14, 2002 are $8 million related to the assets held for sale.

13. Subsequent Events

In June 2002, we sold our interest in a hotel and residential project under development for approximately $190 million in cash, resulting in a pre-tax gain of approximately $55 million. The hotel was not sold subject to a Marriott flag or under Marriott management. We will recognize approximately $5 million of the pre-tax gain in the third quarter of 2002, and will recognize the balance in future years provided certain contingencies in the sales contract expire.

Subsequent to the end of the second quarter, we completed a previously announced strategic review of the distribution services business. We have decided to exit the distribution services business, with an anticipated completion around the end of 2002. We expect the exit will take place through a combination of sale or transfer of some facilities, closing of other facilities and other suitable arrangements. We expect to incur material costs in connection with exiting the business, but we currently are unable to estimate their magnitude.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

RESULTS OF OPERATIONS

The following discussion presents an analysis of results of our operations for the twelve and twenty-four weeks ended June 14, 2002 and June 15, 2001. Revenue per available room (REVPAR) is calculated by dividing room sales for comparable properties by room nights available to guests for the period. We consider REVPAR to be a meaningful indicator of our performance because it measures the period over period change in room revenues for comparable properties. REVPAR may not be comparable to similarly titled measures such as revenues. Comparable REVPAR, room rate and occupancy statistics used throughout this report are based upon U.S. properties operated by us, except that data for Fairfield Inn, TownePlace Suites and SpringHill Suites also include comparable franchised units. The inclusion of data for comparable franchised units for these three brands provides more meaningful information as these brands are predominantly franchised.

Twelve Weeks Ended June 14, 2002 Compared to Twelve Weeks Ended June 15, 2001

We reported net income of $129 million for the 2002 second quarter on sales of $2,586 million. This represents a 1 percent decrease in net income and a 6 percent increase in sales compared to the second quarter of 2001. Diluted earnings per share of $.50 for the quarter was unchanged compared to the 2001 amount. Overall, results reflect weaker hotel demand, stable senior living results, and losses in our distribution services business, largely offset by the lower tax rate associated with our Synthetic Fuel business. Systemwide sales increased to $5.1 billion.

Marriott Lodging, which includes our Full-Service, Select-Service, Extended-Stay, and Timeshare segments, reported a 17 percent decrease in operating profit on 5 percent higher sales. Systemwide lodging sales increased to $4.4 billion.

We added a total of 43 lodging properties (6,662 units) during the second quarter of 2002, and deflagged 8 properties (1,425 units), increasing our total properties to 2,463 (448,004 units). Properties by brand as of June 14, 2002 (excluding 5,296 rental units relating to Marriott ExecuStay) are as indicated in the following table.

	Company-operated		Franchised	
Brand	Properties	Rooms	Properties	Rooms
Full-Service Lodging				
Marriott Hotels, Resorts and Suites	252	109,714	181	50,826
The Ritz-Carlton Hotels	48	15,904	-	-
Renaissance Hotels, Resorts and Suites	86	33,035	38	12,254
Ramada International	4	727	134	19,353
Marriott Executive Apartments and Other	11	1,969	1	99
Select-Service Lodging				
Courtyard	289	45,913	280	35,714
Fairfield Inn	2	890	492	46,474
SpringHill Suites	19	3,023	75	7,723
Extended-Stay Lodging				
Residence Inn	132	17,748	266	29,184
TownePlace Suites	34	3,666	67	6,774
Timeshare				
Marriott Vacation Club International	45	6,526	-	-
Horizons	2	146	-	-
The Ritz-Carlton Club	4	143	-	-
Marriott Grand Residence Club	1	199	-	-
Total	929	239,603	1,534	208,401

Across our Lodging brands, REVPAR for comparable managed U.S. properties declined by an average of 8.0 percent in the second quarter 2002. Average room rates for these hotels declined 6.6 percent and occupancy declined 1.1 percentage points. Management and franchise fees decreased 10 percent compared to the second quarter 2001. The operating results reflect the impact of a weaker economy, offset by the $7 million reduction in amortization expense resulting from the adoption of FAS No. 142 in the first quarter 2002.

Occupancy, average daily rate and REVPAR for each of our principal established brands are shown in the following table.

	Twelve weeks ended June 14, 2002	Change vs. Twelve weeks ended June 15, 2001
Marriott Hotels, Resorts and Suites		
Occupancy	73.4%	-1.8% pts.
Average daily rate	$ 141.59	-6.6%
REVPAR	$ 103.95	-8.9%
The Ritz-Carlton Hotels		
Occupancy	71.9%	-1.1% pts.
Average daily rate	$ 252.42	-7.9%
REVPAR	$ 181.45	-9.3%
Renaissance Hotels, Resorts and Suites		
Occupancy	69.4%	-3.4% pts.
Average daily rate	$ 138.77	-2.6%
REVPAR	$ 96.35	-7.1%
Courtyard		
Occupancy	73.4%	-2.6% pts.
Average daily rate	$ 96.72	-6.7%
REVPAR	$ 71.01	-9.8%
Fairfield Inn		
Occupancy	70.1%	0.4% pts.
Average daily rate	$ 64.91	-1.4%
REVPAR	$ 45.51	-0.8%
SpringHill Suites		
Occupancy	73.3%	3.6% pts.
Average daily rate	$ 78.28	-3.8%
REVPAR	$ 57.37	1.3%
Residence Inn		
Occupancy	80.4%	0.6% pts.
Average daily rate	$ 98.56	-9.2%
REVPAR	$ 79.28	-8.6%
TownePlace Suites		
Occupancy	75.1%	2.7% pts.
Average daily rate	$ 62.69	-8.6%
REVPAR	$ 47.05	-5.2%

Across Marriott's domestic full-service lodging brands, REVPAR for comparable company-operated U.S. properties declined 8.8 percent. Average room rates for these hotels declined 6.3 percent and occupancy decreased 2.0 percentage points to 72.7 percent.

Our domestic select-service and extended-stay brands had average REVPAR declines of 6.7 percent, reflecting occupancy declines of 0.3 percentage points and average room rate declines of 6.3 percent.

Results for international lodging operations declined primarily due to the decrease in international travel.

Our timeshare business achieved a 12 percent increase in contract sales in the quarter. Sales growth was strong at timeshare resorts in Hawaii, California and Colorado, partially offset by declines in Florida. Profits for the quarter were flat compared to the quarter ended June 15, 2001 largely as a result of higher sales and marketing expenses. Note sale gains were approximately $15 million in the quarter, compared to $13 million in the quarter ended June 15, 2001. We sold $85 million in notes in the quarter, compared to $67 million in the quarter ended June 15, 2001. At June 14, 2002, 28 resorts were in active sales, 21 resorts were sold out and an additional 3 resorts were under development.

Senior Living Services (SLS) posted an 8 percent increase in sales and stable operating profit in the second quarter of 2002. Operating profit was impacted by the implementation of cost containment initiatives, $2 million of lower depreciation expense due to the classification of the Village Oaks communities as assets held for sale and $1 million of lower amortization expense associated with the adoption of FAS No. 142 in the first quarter of 2002, offset by higher casualty insurance costs. Occupancy for comparable communities was 83.5 percent in the quarter, stable with a year ago. As of June 14, 2002, we operated 156 facilities (26,272) units. In July 2002, we commenced a strategic review of SLS, which includes an evaluation of all alternatives including a spin-off to shareholders.

Distribution Services (MDS) posted a 6 percent decline in sales in the second quarter of 2002, reflecting lower sales volume, partially offset by the commencement of new contracts since the second quarter of 2001, which include the distribution of higher priced, but lower margin items. The volume decline is largely attributable to the loss of one significant customer. The $2 million operating loss resulted from an overall decline in the number of cases shipped.

Subsequent to the end of the second quarter, we completed a previously announced strategic review of the distribution services business. We have decided to exit the distribution services business, with an anticipated completion around the end of 2002. We expect the exit will take place through a combination of sale or transfer of some facilities, closing of other facilities and other suitable arrangements. We expect to incur material costs in connection with exiting the business, but we currently are unable to estimate their magnitude.

Corporate Expenses, Interest and Taxes. Interest expense decreased $6 million reflecting lower average outstanding debt balances as well as lower interest rates, partially offset by less capitalized interest. Corporate expenses decreased $6 million reflecting the following: (i) 2002 items; the reversal of a $5 million accrual recorded in the first quarter of 2002 associated with a payment previously expected to be made in connection with the sale of a parcel of land, the continued favorable impact of our cost containment initiatives, and a $7 million reserve in connection with a lawsuit involving the sale of a hotel previously managed by us; and (ii) 2001 items; the $7 million write-off of an investment in a technology partner, and a $7 million gain from the sale of two affordable housing investments. The effective income tax rate decreased from 36 percent to 5 percent due to the impact of the tax benefit and tax credits arising from our Synthetic Fuel business and the elimination of nondeductible goodwill amortization, partially offset by the 2001 sale of the affordable housing investments.

Synthetic Fuel. In October 2001, we acquired four coal-based synthetic fuel production facilities (the Facilities) for $46 million in cash. The Synthetic Fuel produced at the Facilities qualifies for tax credits based on Section 29 of the Internal Revenue Code. Under Section 29, tax credits are not available for Synthetic Fuel produced after 2007. We began operating these Facilities in the first quarter of 2002. We anticipate that the operation of the Facilities, together with the benefit arising from the tax credits, will be significantly accretive to our net income. Although we expect that the Facilities will produce significant operating losses, we anticipate that these will be offset by the tax credits generated under Section 29, which we expect to reduce our income tax expense. In the second quarter of 2002, our Synthetic Fuel business reflected sales of $53 million and an operating loss of $43 million, resulting in a tax benefit of $15 million and tax credits of $43 million.

Twenty-Four Weeks Ended June 14, 2002 Compared to Twenty-Four Weeks Ended June 15, 2001

We reported net income of $211 million for the first half of 2002 on sales of $4,950 million. This represents a 16 percent decrease in net income and a one percent increase in sales over the same period in 2001. Diluted earnings per share of $.82 for the first half of the year decreased 15 percent compared to 2001. The overall profit decline in 2002 is primarily due to weaker hotel results and losses in our distribution services business, partially offset by the lower tax rate associated with our Synthetic Fuel business and stronger results associated with our Senior Living Services business segment. Systemwide sales increased to $9.6 billion.

Marriott Lodging reported a 24 percent decrease in operating profit to $345 million, on one percent lower sales. Systemwide lodging sales increased to $8.4 billion.

We added a total of 77 lodging properties (13,662 units) during the first half of 2002, and deflagged 12 properties (1,641 units).

Across our Lodging brands, REVPAR for comparable managed U.S. properties declined by an average of 10.3 percent in the first half of 2002. Average room rates for these hotels declined 7.1 percent and occupancy declined 2.5 percentage points. Management and franchise fees decreased 12.0 percent compared to the first half of 2001. The operating results reflect the impact of a weaker economy, offset by the $13 million reduction in amortization expense resulting from the adoption of FAS No. 142 in the first quarter of 2002. Occupancy, average daily rate and REVPAR for each of our principal established brands are shown in the following table.

	Twenty-four weeks ended June 14, 2002	Change vs. Twenty-four weeks ended June 15, 2001
Marriott Hotels, Resorts and Suites		
Occupancy	71.4%	-2.7% pts.
Average daily rate	$ 141.91	-7.4%
REVPAR	$ 101.33	-10.8%
The Ritz-Carlton Hotels		
Occupancy	70.0%	-1.4% pts.
Average daily rate	$ 251.09	-9.3%
REVPAR	$ 175.77	-11.1%
Renaissance Hotels, Resorts and Suites		
Occupancy	66.9%	-4.6% pts.
Average daily rate	$ 136.81	-5.1%
REVPAR	$ 91.59	-11.2%
Courtyard		
Occupancy	69.6%	-4.9% pts.
Average daily rate	$ 96.86	-6.3%
REVPAR	$ 67.43	-12.4%
Fairfield Inn		
Occupancy	65.5%	-1.0% pts.
Average daily rate	$ 64.40	-1.5%
REVPAR	$ 42.15	-3.0%
SpringHill Suites		
Occupancy	70.5%	2.6% pts.
Average daily rate	$ 79.07	-4.7%
REVPAR	$ 55.74	-1.1%
Residence Inn		
Occupancy	77.4%	-2.2% pts.
Average daily rate	$ 98.94	-9.6%
REVPAR	$ 76.53	-12.1%
TownePlace Suites		
Occupancy	72.5%	3.0% pts.
Average daily rate	$ 62.68	-9.4%
REVPAR	$ 45.41	-5.5%

Across Marriott's domestic full-service lodging brands (Marriott Hotels, Resorts and Suites; Renaissance Hotels, Resorts and Suites; and The Ritz-Carlton Hotels), REVPAR for comparable company-operated U.S. properties declined 10.9 percent during the first half of 2002. Average room rates for these hotels declined 7.3 percent and occupancy decreased 2.9 percentage points to 70.7 percent.

Our domestic select-service and extended-stay brands (Fairfield Inn, Courtyard, Residence Inn, SpringHill Suites and TownePlace Suites) had average REVPAR declines of 9.3 percent, reflecting occupancy declines of 2.1 percentage points and average room rate declines of 6.5 percent.

Results for international lodging operations declined due to the impact of the decrease in international travel, partially offset by higher margins.

Our timeshare business achieved an 11 percent increase in contract sales in the first half of 2002. Sales growth was strong at timeshare resorts in Colorado, Hawaii and California but remained soft in Florida. Profits for the first half declined 15% largely as a result of higher marketing and selling expenses and higher product costs. Note sale gains were approximately $28 million compared to $27 million in the prior year. We sold $174 million in notes in the first half of 2002 compared to $129 million in the prior year period.

Senior Living Services posted a 9 percent increase in sales and a $5 million increase in operating profit in the first half of 2002. Operating profit was impacted by higher per diems, the recognition of a $2 million one-time payment associated with the sale of the Crestline Senior Living Communities to an unaffiliated third-party, the result of the implementation of cost containment initiatives, $3 million of lower depreciation expense due to the classification of the Village Oaks Communities as assets held for sale and $2 million of lower amortization expense associated with the adoption of FAS No. 142 in the first quarter of 2002, partially offset by higher casualty insurance cost. Occupancy for comparable communities was 83.2 percent in the first half, relatively stable with a year ago.

Distribution Services posted a 1 percent decrease in sales in the first half of 2002, reflecting lower sales volume, partially offset by the commencement of new contracts since the first half of 2001, which include the distribution of higher priced, but lower margin items. Although a number of new contracts have been obtained over the past year, the number of cases shipped was down 7 percent. The volume decline is largely attributable to the loss of one significant customer. The increased proportion of lower margin business, the volume decline, and a $2 million write-off in the first quarter of 2002 of an investment in a customer contract due to a change in an agreement with one of our customers, caused an operating loss of $8 million despite the relatively small 1 percent decrease in sales.

Corporate Expenses, Interest and Taxes. Interest expense decreased $9 million reflecting lower borrowings and lower interest rates, partially offset by less capitalized interest. Corporate expenses decreased $7 million, reflecting the following: (i) 2002 items; the continued favorable impact of our cost containment initiatives, and a $7 million reserve in connection with a lawsuit involving the sale of a hotel previously managed by us; and (ii) 2001 items; the $13 million write-off of two investments in technology partnerships, $5 million of expenses associated with the start-up of Avendra, LLC, the reversal of a $10 million insurance reserve related to a lawsuit at one of our hotels, and the $7 million gain from the sale of two affordable housing investments. The effective income tax rate decreased from 36 percent to 17 percent primarily due to the impact of the tax benefit and tax credits arising from our Synthetic Fuel business and the elimination of nondeductible goodwill amortization, partially offset by the 2001 sale of the affordable housing investments.

Synthetic Fuel. In the first half of 2002, our Synthetic Fuel business reflected sales of $58 million and an operating loss of $49 million, resulting in a tax benefit of $17 million and tax credits of $48 million.

LIQUIDITY AND CAPITAL RESOURCES

We have credit facilities which support our commercial paper program and letters of credit. At June 14, 2002, our cash balances combined with our available borrowing capacity under the credit facilities amounted to more than $1.7 billion. We consider these resources, together with cash expected to be generated by operations, to be adequate to meet our short-term and long-term liquidity requirements, to finance our long-term growth plans, and to meet debt service and other cash requirements. We monitor the status of the capital markets, and regularly evaluate the effect that changes in capital market conditions may have on our ability to execute our announced growth plans. We expect that part of our financing and liquidity needs will continue to be met through commercial paper borrowings and access to long-term committed credit facilities. If the lodging industry recovers more slowly than we anticipate, we may have to rely more on bank borrowings which may carry a higher cost than commercial paper.

Cash and equivalents totaled $200 million at June 14, 2002, a decrease of $617 million from year-end 2001 primarily resulting from repayment of debt. Net income is stated after recording depreciation expense of $63 million and $61 million for the twenty-four weeks ended June 14, 2002 and June 15, 2001, respectively, and after amortization expense of $23 million and $35 million, respectively, for the same time periods. Earnings before interest expense, income taxes, depreciation and amortization (EBITDA) for the twenty-four weeks ended June 14, 2002 decreased by $158 million, or 29 percent, to $380 million. EBITDA is an indicator of operating performance, which can be used to measure our ability to service debt, fund capital expenditures and expand our business. However, EBITDA is not an alternative to net income, operating profit, cash from operations, or any other operating or liquidity measure prescribed by accounting principles generally accepted in the United States.

Net cash provided by investing activities totaled $22 million for the twenty-four weeks ended June 14, 2002, and consisted of proceeds from the disposition of two lodging properties and five senior living communities, partially offset by capital expenditures and notes receivable advances and equity investments.

In April 1999, January 2000 and January 2001, we filed "universal shelf" registration statements with the Securities and Exchange Commission in the amounts of $500 million, $300 million and $300 million, respectively. As of June 14, 2002, we had offered and sold to the public under these registration statements, $300 million of debt securities at 7 7/8 %, due 2009 and $300 million at 8 1/8 %, due 2005, leaving a balance of $500 million available for future offerings.

In January 2001, we issued, through a private placement, $300 million of 7 percent senior unsecured notes, due 2008, and received net proceeds of $297 million. We agreed to make and complete a registered exchange offer for these notes and completed that exchange offer on January 15, 2002.

On May 8, 2001, we issued zero-coupon convertible senior notes due 2021, known as LYONs, and received cash proceeds of $405 million. On May 9, 2002, we redeemed for cash the approximately 85 percent of the LYONs that were tendered for mandatory repurchase by the holders. The remaining LYONs are convertible into approximately 1.0 million shares of our Class A Common Stock and carry a yield to maturity of 0.75 percent. We may not redeem the LYONs prior to May 8, 2004. We may at the option of the holders be required to purchase the LYONs at their accreted value on May 8 of each of 2004, 2011 and 2016. We may choose to pay the purchase price for redemptions or repurchases in cash and/or shares of our Class A Common Stock.

Our contractual obligations and commitments are as summarized in the following tables:

Contractual Obligations	Total	Before January 3, 2003	1 - 3 years	4 - 5 years	After 5 years
		Payments Due by Period			
($ in millions)					
Debt	$ 1,898	$ 45	$ 772	$ 35	$ 1,046
Operating Leases					
Recourse	1,393	93	262	198	840
Non-recourse	712	5	82	119	506
Total Contractual Cash Obligations	$ 4,003	$ 143	$ 1,116	$ 352	$ 2,392

The $1,898 million of debt is recorded in the condensed consolidated balance sheet as long-term debt of $1,850 million and current liabilities of $48 million, which reflects the portion of debt becoming due by June 20, 2003.

Other Commercial Commitments	Total Amounts Committed	Before January 3 2003	1 - 3 years	4 - 5 years	After 5 years
		Amount of Commitment Expiration Per Period			
($ in millions)					
Guarantees	$ 577	$ 77	$ 128	$ 263	$ 109
Timeshare note repurchase obligations	61	-	-	-	61
Total	$ 638	$ 77	$ 128	$ 263	$ 170

Total unfunded loan commitments amounted to $590 million at June 14, 2002. We expect to fund $112 million by January 3, 2003, $143 million in one to three years, and $13 million in four to five years. We do not expect to fund the remaining $322 million of commitments, which expire as follows: $55 million by January 3, 2003; $14 million in one to three years; $1 million in four to five years; and $252 million after five years.

Share Repurchases

We purchased 0.7 million shares of our Class A Common Stock during the twenty-four weeks ended June 14, 2002. As of June 14, 2002, we were authorized by our Board of Directors to repurchase 12.8 million shares.

Relationship with Host Marriott

In recognition of the significant changes in the lodging industry over the last ten years and the age of our agreements with Host Marriott, many provisions of which predate our 1993 Spinoff, we and Host Marriott concluded that we could mutually enhance the long term strength and growth of both companies by updating our existing relationship. Accordingly, we are currently negotiating certain changes to our management agreements for Host Marriott-owned hotels. The modifications under discussion would, if made, be effective as of the beginning of our 2002 fiscal year and would remain subject to the consent of various lenders to the properties and other third parties. If made, these changes would, among other things,

- Provide Host Marriott with additional approval rights over budgets and capital expenditures;

- Extend the effective management agreement termination dates for several hotels;

- Expand the pool of hotels that Host Marriott could sell with franchise agreements to one of our approved franchisees and revise the method of determining the number of hotels that may be sold without a management agreement or franchise agreement;

- Lower the incentive management fees payable to us by amounts dependent in part on underlying hotel profitability at eight hotels;

- Reduce certain expenses to the properties and lower Host Marriott's working capital requirements;

- Confirm that we and our affiliates may earn a profit (in addition to what we earn through management fees) on certain transactions relating to Host Marriott-owned properties, and establish the specific conditions under which we may profit on future transactions; and

- Terminate our existing right to purchase up to 20 percent of Host Marriott's outstanding common stock upon certain changes of control and clarify our rights in each of our management agreements to prevent either a sale of the hotel to our major competitors or specified changes in control of Host Marriott involving our major competitors.

Although we cannot assure you that these negotiations will be successful, that the changes will be substantially as we have described above, or that the consents necessary to implement these changes will be obtained, the negotiations and documentation have proceeded throughout the second quarter and we anticipate that the modifications will be completed during the third quarter. The monetary effect of the anticipated changes will depend on future events such as the operating results of the hotels. We do not expect these modifications to have a material financial impact on us.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no material changes to our exposures to market risk since December 28, 2001.

PART II -- OTHER INFORMATION

Item 1. Legal Proceedings

Incorporated by reference to the description of legal proceedings in the "Contingencies" footnote in the financial statements set forth in Part I, "Financial Information".

Item 2. Changes in Securities

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Submission of Matters to a Vote of Security Holders

We held our Annual Meeting of Shareholders on May 3, 2002. The shareholders (1) re-elected directors J.W. Marriott, Jr., Ann M. Fudge and William J. Shaw to terms of office expiring at the 2005 Annual Meeting of Shareholders (and voted for the re-election of W. Mitt Romney who resigned as director on April 26, 2002 after shareholder ballots had been mailed); (2) ratified the restatement of the Marriott International, Inc. 1998 Comprehensive Stock and Cash Incentive Plan including an increase of 9 million shares of Class A Common Stock authorized for issuance; (3) defeated a shareholder proposal to adopt cumulative voting for the election of directors; (4) defeated a shareholder proposal to set a goal of establishing a Board with at least two-thirds of its members being "independent directors" as defined in the shareholder proposal; (5) defeated a shareholder proposal to adopt a policy that provides for a transition to a Board Nominating and Corporate Governance Committee composed entirely of "independent directors" as defined in the shareholder proposal; (6) defeated a shareholder proposal to create a committee of independent directors to prepare a report describing the risks to shareholders of operating and/or franchising hotels in Myanmar; (7) defeated a shareholder proposal to adopt, implement and enforce a workforce code of conduct based on the International Labor Organization's conventions on workplace human rights; and (8) defeated a shareholder proposal to adopt a policy that in the future independent accountants will provide only audit services to the Company and no other services. The following table sets forth the votes cast with respect to each of these matters.

MATTER	FOR	AGAINST	WITHHELD	ABSTAIN
Re-election of J.W. Marriott, Jr.	2,061,956,106		6,911,800	
Re-election of Ann M. Fudge	2,050,629,016		18,238,890	
Re-election of William J. Shaw	2,061,714,176		7,153,730	
Re-election of W. Mitt Romney	2,051,450,586		17,417,320	
Ratification of the reinstatement of the 1998 Comprehensive Stock and Cash Incentive Plan	1,534,795,850	526,798,902		7,280,550
Shareholder proposal on cumulative voting	383,991,660	1,477,079,202		13,018,240
Shareholder proposal on Board of Directors composition	236,930,810	1,624,136,672		13,021,620
Shareholder proposal on composition of Nominating and Corporate Governance Committee	264,964,200	1,593,822,802		15,302,100

MATTER	FOR	AGAINST	WITHHELD	ABSTAIN
Shareholder proposal on Myanmar	73,134,120	1,750,542,272		50,412,710
Shareholder proposal on workforce code of conduct	259,195,170	1,551,567,942		63,325,990
Shareholder proposal on independent accountant services	553,396,892	1,301,104,230		19,587,980

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

Exhibit No.	Description
12	Statement of Computation of Ratio of Earnings to Fixed Charges
99	Forward-Looking Statements

(b) Reports on Form 8-K

On May 3, 2002, we filed a report on Form 8-K announcing that our Board of Directors had appointed Ernst & Young LLP as the Company's independent auditor for 2002, replacing Arthur Andersen LLP.

On May 10, 2002, we filed a report on Form 8-K announcing that we had repurchased for cash approximately $400 million aggregate principal amount at maturity of Liquid Yield Option Notes due 2021.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

MARRIOTT INTERNATIONAL, INC.

18th day of July, 2002

/s/ Arne M. Sorenson

Arne M. Sorenson
Executive Vice President and
Chief Financial Officer

/s/ Michael J. Green

Michael J. Green
Vice President, Finance and
Principal Accounting Officer

Exhibit 12

MARRIOTT INTERNATIONAL, INC.
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
($ in millions, except ratio)

	Twenty-four weeks ended June 14, 2002
Income/(loss) before income taxes	$254
Loss/(income) related to equity method investees	2
	256
Add/(deduct):	
Fixed charges	95
Interest capitalized	(23)
Distributed income of equity method investees	8
Earnings available for fixed charges	$336
Fixed charges:	
Interest expensed and capitalized (1)	$ 63
Estimate of the interest within rent expense	32
Total fixed charges	$ 95
Ratio of earnings to fixed charges	3.5

(1) "Interest expensed and capitalized" includes amortized premiums, discounts and capitalized expenses related to indebtedness.

EXHIBIT 99

Forward-Looking Statements

The following factors, among others, could cause actual results to differ materially from those contained in forward-looking statements made in this report or presented elsewhere by management.

Dependence on others: Our present growth strategy for development of additional facilities entails entering into and maintaining various arrangements with present and future property owners, including Host Marriott Corporation and New World Development Company Limited. There can be no assurance that any of our current strategic arrangements will continue, or that we will be able to enter into future collaborations.

Contract terms for new units: The terms of the operating contracts, distribution agreements, franchise agreements and leases for each of our lodging facilities and senior living communities are influenced by contract terms offered by our competitors at the time such agreements are entered into. Accordingly, we cannot assure you that contracts entered into or renewed in the future will be on terms that are as favorable to us as those under existing agreements.

Competition: The profitability of hotels, vacation timeshare resorts, senior living communities, corporate apartments, and distribution centers we operate is subject to general economic conditions, competition, the desirability of particular locations, the relationship between supply of and demand for hotel rooms, vacation timeshare resorts, senior living facilities, corporate apartments, distribution services, and other factors. We generally operate in markets that contain numerous competitors and our continued success will depend, in large part, upon our ability to compete in such areas as access, location, quality of accommodations, amenities, specialized services, cost containment and, to a lesser extent, the quality and scope of food and beverage services and facilities.

Supply and demand: The lodging industry may be adversely affected by (1) supply additions, (2) international, national and regional economic conditions, including the present economic downturn in the United States, (3) changes in travel patterns, (4) taxes and government regulations which influence or determine wages, prices, interest rates, construction procedures and costs, and (5) the availability of capital to allow us and potential hotel owners to fund investments. Our timeshare and senior living service businesses are also subject to the same or similar uncertainties and, accordingly, we cannot assure you that the present downturn in demand for hotel rooms in the United States will not continue, become more severe, or spread to other regions; that the present level of demand for timeshare intervals and senior living communities will continue; or that there will not be an increase in the supply of competitive units, which could reduce the prices at which we are able to sell or rent units. Weaker hotel and senior living community performance could give rise to losses under loans, guarantees and minority equity investments that we have made in connection with hotels and senior living communities that we manage.

Internet reservation channels: Some of our hotel rooms are booked through internet travel intermediaries such as Travelocity, Expedia and Priceline. As this percentage increases, these intermediaries may be able to obtain higher commissions, reduced room rates or other significant contract concessions from us. Moreover, some of these internet travel intermediaries are attempting to commoditize hotel rooms, by increasing the importance of price and general indicators of quality (such as "three-star downtown hotel") at the expense of brand identification. These agencies hope that consumers will eventually develop brand loyalties to their reservations system rather than to our lodging brands. Although most of our business is expected to be derived from traditional channels, if the amount of sales made through internet intermediaries increases significantly, our business and profitability may be significantly harmed.

The pace of the lodging industry's recovery from the September 11, 2001 attacks will continue to impact our financial results and growth. Both the Company and the lodging industry have been adversely affected in the aftermath of the terrorist attacks on New York and Washington. Domestic and international business and leisure travel, which already had been adversely affected by the recent economic downturn in the United States and internationally, have decreased further and have remained depressed as some potential travelers reduced or avoided discretionary air and other travel in light of the increased safety concerns and travel delays. The attacks have also decreased consumer confidence, and a resulting further decline in the U.S. and global economies has reduced travel. Weaker hotel performance has reduced management and franchise fees and given rise to fundings or losses under loans, guarantees and minority investments that we have made in connection with hotels that we manage, which has, in turn, had a material adverse impact on our financial performance. Timeshare sales have also been impacted negatively. Adverse economic conditions have also resulted in decreased and delayed development of new hotel properties, which will lead to decreased growth in management and franchise fees. Although both the lodging and travel industries have begun to recover from the September 11 attacks, it remains unclear whether, at what pace, and to what extent, that recovery will continue, and adverse impacts on our business can be expected to continue for an unknown period of time.

Exit from the distribution services business: We expect our decision to exit the distribution services business will take place through a combination of sale or transfer of some facilities, closing of other facilities and other suitable arrangements. Although we anticipate a completion date around the end of 2002 and expect to incur material costs in connection with exiting the business, the timing of our exit and the magnitude of those costs will remain uncertain until the implementing transactions are fully negotiated.