

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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 16, 2000

Commission File No. 1-13881

MARRIOTT INTERNATIONAL, INC.

Delaware
(State of Incorporation)

52-2055918
(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 No

Class	Shares outstanding at July 20, 2000
----- Class A Common Stock, \$0.01 par value	----- 240,069,603

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Forward-Looking Statements

When used throughout this report, the words "believes," "anticipates," "expects," "intends," "estimates," "projects," and other similar expressions, which are predictions of or indicate future events and trends, identify forward-looking statements. Such statements are subject to a number of risks and uncertainties which could cause actual results to differ materially from those projected, including: competition within 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 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; the effect of international, national and regional economic conditions; the availability of capital to allow us and potential hotel and senior living community owners to fund investments; satisfaction of the conditions to consummation of the litigation settlement transactions referred to below; and other risks described from time to time in our filings with the Securities and Exchange Commission, including those set forth on Exhibit 99 filed herewith. Given these uncertainties, we caution you not to place undue reliance on such statements. We also undertake no obligation to publicly update or revise any forward-looking statement to reflect current or future events or circumstances.

PART I -- FINANCIAL INFORMATION

Item 1. Financial Statements

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

	Twelve weeks ended		Twenty-four weeks ended	
	June 16, 2000	June 18, 1999	June 16, 2000	June 18, 1999
SALES	\$ 2,391	\$ 2,042	\$ 4,558	\$ 3,937
OPERATING COSTS AND EXPENSES	2,144	1,826	4,118	3,528
OPERATING PROFIT BEFORE CORPORATE EXPENSES AND INTEREST	247	216	440	409
Corporate expenses	(25)	(28)	(51)	(57)
Interest expense	(27)	(11)	(50)	(22)
Interest income	5	6	10	13
INCOME BEFORE INCOME TAXES	200	183	349	343
Provision for income taxes	74	69	129	129

NET INCOME	\$ 126	\$ 114	\$ 220	\$ 214
	=====	=====	=====	=====
DIVIDENDS DECLARED PER SHARE	\$.06	\$.055	\$.115	\$.105
	=====	=====	=====	=====
EARNINGS PER SHARE				
Basic Earnings Per Share	\$.53	\$.46	\$.91	\$.87
	=====	=====	=====	=====
Diluted Earnings Per Share	\$.50	\$.42	\$.87	\$.80
	=====	=====	=====	=====

See notes to condensed consolidated financial statements.

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

	June 16, 2000	December 31, 1999
	(Unaudited)	
ASSETS		
Current assets		
Cash and equivalents	\$ 410	\$ 489
Accounts and notes receivable	750	740
Inventory	110	93
Other	283	278
	-----	-----
	1,553	1,600
	-----	-----
Property and equipment	3,001	2,845
Intangibles	1,815	1,820
Investments in affiliates	336	294
Notes and other receivables	548	473
Other	305	292
	-----	-----
	\$ 7,558	\$ 7,324
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 561	\$ 628
Other	1,144	1,115
	-----	-----
	1,705	1,743
	-----	-----
Long-term debt	1,958	1,676
Other long-term liabilities	1,025	997
Shareholders' equity		
ESOP preferred stock		
Class A common stock, 255.6 million shares issued	3	3
Additional paid-in capital	3,749	2,738
Retained earnings	641	508
Unearned ESOP shares	(991)	-
Treasury stock, at cost	(492)	(305)
Accumulated other comprehensive income	(40)	(36)
	-----	-----
	2,870	2,908
	-----	-----
	\$ 7,558	\$ 7,324
	=====	=====

See notes to condensed consolidated financial statements.

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

	Twenty-four weeks ended	
	June 16, 2000	June 18, 1999
OPERATING ACTIVITIES		
Net income	\$ 220	\$ 214
Adjustments to reconcile to cash provided by operations:		
Depreciation and amortization	87	69
Income taxes and other	103	63
Timeshare activity, net	(73)	13
Working capital changes	(62)	10
Cash provided by operations	275	369
INVESTING ACTIVITIES		
Acquisitions	--	(55)
Dispositions	294	235
Capital expenditures	(455)	(394)
Note advances	(88)	(68)
Note collections and sales	21	20
Other	(103)	(96)
Cash used in investing activities	(331)	(358)
FINANCING ACTIVITIES		
Commercial paper activity, net	(21)	(107)
Issuance of other long-term debt	304	6
Repayment of other long-term debt	(7)	(37)
Issuance of Class A common stock	14	34
Dividends paid	(27)	(25)
Purchase of treasury stock	(286)	(32)
Cash used in financing activities	(23)	(161)
DECREASE IN CASH AND EQUIVALENTS	(79)	(150)
CASH AND EQUIVALENTS, beginning of period	489	390
CASH AND EQUIVALENTS, end of period	\$ 410	\$ 240

See notes to condensed consolidated financial statements.

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MARRIOTT INTERNATIONAL, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

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 generally accepted accounting principles. 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 (our Annual Report) for the fiscal year ended December 31, 1999. 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 generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the financial statements, and the reported amounts of sales and expenses during the reporting period. Accordingly, ultimate results could differ from those estimates.

In our opinion, the accompanying condensed consolidated financial statements reflect all adjustments necessary to present fairly our financial position as of June 16, 2000 and December 31, 1999, the results

of operations for the twelve and twenty-four weeks ended June 16, 2000 and June 18, 1999 and cash flows for the twenty-four weeks ended June 16, 2000 and June 18, 1999. 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.

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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 16, 2000	June 18, 1999	June 16, 2000	June 18, 1999
Computation of Basic Earnings Per Share				
Net income.....	\$ 126	\$ 114	\$ 220	\$ 214
Weighted average shares outstanding.....	239.7	249.5	241.9	247.3
Basic Earnings Per Share	\$.53	\$.46	\$.91	\$.87
Computation of Diluted Earnings Per Share				
Net income.....	\$ 126	\$ 114	\$ 220	\$ 214
After-tax interest expense on convertible subordinated debt.....	-	2	-	4
Net income for diluted earnings per share....	\$ 126	\$ 116	\$ 220	\$ 218
Weighted average shares outstanding.....	239.7	249.5	241.9	247.3
Effect of Dilutive Securities				
Employee stock purchase plan.....	-	0.1	-	0.1
Employee stock option plan.....	7.0	9.2	6.5	9.4
Deferred stock incentive plan.....	5.1	5.1	5.1	5.3
Convertible subordinated debt.....	-	9.5	-	9.5
Shares for diluted earnings per share.....	251.8	273.4	253.5	271.6
Diluted Earnings Per Share.....	\$.50	\$.42	\$.87	\$.80

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 subordinated debt.

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3. Acquisition

ExecuStay Corporation. On February 17, 1999, we completed a cash tender offer for approximately 44 percent of the outstanding common stock of ExecuStay Corporation (ExecuStay), a leading provider of leased corporate apartments in the United States. On February 24, 1999, substantially all of the remaining common stock of ExecuStay was converted into nonvoting preferred stock of ExecuStay which we acquired, on March 26, 1999, for approximately 2.1 million shares of our Class A Common Stock. Our aggregate purchase price totaled \$116 million. We consolidated the operating results of ExecuStay from February 24, 1999, and have accounted for the acquisition using the purchase method of accounting. We are amortizing the resulting goodwill on a straight-line basis over 30 years.

4. Dispositions

Senior Living Services. On April 28, 2000, we sold 14 senior living communities for cash proceeds of \$194 million. We simultaneously entered into long-term management agreements for the communities with a third party

tenant which leases the communities from the buyer. In connection with the sale we provided a credit facility to the buyer to be used, if necessary, to meet its debt service requirements. The buyer's obligation to repay us under the facility is guaranteed by an unaffiliated third party. We also extended a limited credit facility to the tenant to cover operating shortfalls, if any.

Lodging. On June 15, 2000, we agreed to sell, subject to long-term management agreements, 10 lodging properties for \$145 million in cash. Sales of eight of the properties were completed simultaneously with the signing of the agreement, and the remaining two properties are expected to be sold in the fourth quarter of 2000, upon completion of construction. The properties will be leased from the buyer by an unaffiliated third party tenant, which has also agreed to become the tenant on nine other properties sold and leased back by us in 1997 and 1998. We now plan to manage these nine previously leased properties under long-term management agreements, and the gains on the sales of these properties will be recognized as our leases are cancelled throughout 2000.

5. Comprehensive Income

Total comprehensive income was \$127 million and \$113 million, respectively, for the twelve weeks ended June 16, 2000 and June 18, 1999 and \$216 million and \$203 million, respectively, for the twenty-four weeks ended June 16, 2000 and June 18, 1999. The principal difference between net income and total comprehensive income relates to foreign currency translation adjustments.

6. Intangible Assets

In 1996, MDS became the exclusive provider of distribution services to Boston Chicken, Inc. (BCI). On October 5, 1998, BCI and its Boston Market-controlled subsidiaries filed voluntary bankruptcy petitions for protection under Chapter 11 of the Federal Bankruptcy Code in the U.S. Bankruptcy Court in Phoenix (the Court). In December 1999, McDonald's Corporation (McDonald's) announced that it had reached a definitive agreement to purchase the majority of the assets of BCI subject to confirmation of the pending BCI plan of reorganization, including Court approval. In March 2000, MDS reached an agreement with McDonald's on a new contract providing for continuation of distribution services to Boston Market restaurants. Because the existing distribution contract was terminated upon confirmation of the pending reorganization, MDS wrote off the unamortized balance of the existing investment, resulting in a \$15 million pretax charge in the first quarter of 2000. In

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June 2000, McDonald's completed its acquisition of Boston Market. MDS is now providing distribution services under the contract with McDonald's.

7. New Accounting Standards

We will adopt Financial Accounting Standard (FAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities," which we do not expect to have a material effect on our consolidated financial statements, in or before the first quarter of 2001.

We will adopt the SEC's Staff Accounting Bulletin (SAB) No. 101, "Revenue Recognition in Financial Statements," in the fourth quarter of 2000. Implementation of SAB No. 101 is expected to have no impact on annual earnings or the timing of revenue and profit recognition between quarters during the year.

8. Business Segments

We are a diversified hospitality company operating in three business segments: Lodging, which includes the development, ownership, operation and franchising of lodging properties, including vacation timesharing resorts; Senior Living Services, which consists of the development, ownership and operation of senior living communities; and Distribution Services, which operates a wholesale food distribution business. 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.

The following table shows our sales and operating profit by business segment for the twelve and twenty-four weeks ended June 16, 2000 and June 18, 1999.

	Twelve weeks ended		Twenty-four weeks ended	
	June 16, 2000	June 18, 1999	June 16, 2000	June 18, 1999
SALES				
Lodging	\$ 1,860	\$ 1,659	\$ 3,571	\$ 3,182
Senior Living Services	150	124	299	244
Distribution Services	381	259	688	511
	<u>\$ 2,391</u>	<u>\$ 2,042</u>	<u>\$ 4,558</u>	<u>\$ 3,937</u>
OPERATING PROFIT BEFORE CORPORATE				
EXPENSES AND INTEREST				
Lodging	\$ 244	\$ 210	\$ 447	\$ 397
Senior Living Services	(3)	1	(1)	3
Distribution Services	6	5	(6)	9
	<u>\$ 247</u>	<u>\$ 216</u>	<u>\$ 440</u>	<u>\$ 409</u>

Sales of Distribution Services do not include sales (made at market terms and conditions) to our other business segments of \$43 million and \$39 million for the twelve weeks ended June 16, 2000 and June 18, 1999, respectively, and \$82 million and \$76 million for the twenty-four weeks ended June 16, 2000 and June 18, 1999.

9. Contingencies

We issue guarantees to lenders and other third parties in connection with financing and other transactions. These guarantees were limited, in the aggregate, to \$180 million at June 16, 2000, including guarantees involving major customers, with no expected funding. As of June 16, 2000, we had extended approximately \$595 million of loan commitments to owners of lodging and senior living communities under which we expect to fund \$374 million. Letters of credit outstanding on our behalf at June 16, 2000, totaled \$76 million, the majority of which related to our self-insurance programs. At June 16, 2000, we had repurchase obligations of \$100 million related to notes receivable from timeshare interval purchasers, which have been sold with limited recourse.

New World Development and another affiliate of Dr. Cheng, a director of the Company, have severally indemnified us for guarantees by us of leases with minimum annual payments of approximately \$59 million.

On February 23, 2000, we entered into an agreement, which was subsequently embodied in a definitive agreement executed on March 9, 2000, to resolve pending litigation described below involving certain limited partnerships formed in the mid- to late 1980's. Consummation of the settlement is subject to numerous conditions, including the receipt of third-party consents and court approval. The agreement was reached with lead counsel to the plaintiffs in the lawsuits described below, and with the special litigation committee appointed by the general partner of two of the partnerships, Courtyard by Marriott Limited Partnership (CBM I) and Courtyard by Marriott II Limited Partnership (CBM II). Because of the numerous conditions to be satisfied, including approval by the court and consent of the requisite holders of limited partnership units, there can be no assurances that the settlement transactions will be consummated and, if consummated, terms could differ materially from those described below.

Under the agreement, we expect to acquire, through an unconsolidated joint venture with Host Marriott Corporation (Host Marriott), all of the limited partners' interests in CBM I and CBM II for approximately \$372 million. These partnerships own 120 Courtyard by Marriott hotels. The purchase price will be financed with an estimated \$188 million in mezzanine debt loaned to the joint venture by us and with equity contributed in equal shares by us and an affiliate of Host Marriott. We will continue to manage these 120

hotels under long-term agreements. Also, we and Host Marriott each have agreed to pay approximately \$31 million to the plaintiffs in the Texas Multi-Partnership lawsuit described below in exchange for dismissal of the complaints and full releases. A fairness hearing scheduled for August 28, 2000 has been postponed because certain third party consents required for consummation of the settlement transaction are taking longer to obtain than the parties anticipated. We anticipate that a new hearing date will be scheduled for some time in September.

We recorded a pretax charge of \$39 million which was included in corporate expenses in the fourth quarter of 1999, to reflect the anticipated settlement transactions. However, if the foregoing settlement transactions are not consummated, and either a less favorable settlement is entered into, or the lawsuits are tried and decided adversely to the Company, we could incur losses significantly different than the pretax charge associated with the settlement agreement described above.

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Courtyard by Marriott II Limited Partnership Litigation

On June 7, 1996, a group of partners in CBM II filed a lawsuit against Host Marriott, the Company and others, Whitey Ford, et al. v. Host Marriott Corporation, et al., in the 285th Judicial District Court of Bexar County, Texas, alleging breach of fiduciary duty, breach of contract, fraud, negligent misrepresentation, tortious interference, violation of the Texas Free Enterprise and Antitrust Act of 1983 and conspiracy in connection with the formation, operation and management of CBM II and its hotels. The plaintiffs sought unspecified damages. On January 29, 1998, two other limited partners, A.R. Milkes and D.R. Burklew, filed a petition in intervention seeking to convert the lawsuit into a class action, and a class was certified. In March 1999, Palm Investors, L.L.C., the assignee of a number of limited partnership units acquired through various tender offers, and Equity Resource, an assignee of a number of limited partnership units, through various of its funds, filed pleas in intervention, which among other things added additional claims relating to the 1993 split of Marriott Corporation and to the 1995 refinancing of CBM II's indebtedness. On August 17, 1999, the general partner of CBM II appointed an independent special litigation committee to investigate the derivative claims described above and to recommend to the general partner whether it was in the best interests of CBM II for the derivative litigation to proceed. The general partner agreed to adopt the recommendation of the committee. Under Delaware law, the recommendation of a duly appointed independent litigation committee is binding on the general partner and the limited partners. Following certain adjustments to the underlying complaints, including the assertion as derivative claims some of the claims previously filed as individual claims, a final amended class action complaint was filed on January 6, 2000. Trial, which was scheduled to begin in late February, 2000, was postponed pending approval and consummation of the settlement described above.

Texas Multi-Partnership Lawsuit

On March 16, 1998, limited partners in several limited partnerships sponsored by Host Marriott or its subsidiaries filed a lawsuit, Robert M. Haas, Sr. and Irwin Randolph Joint Tenants, et al. v. Marriott International, Inc., et al., in the 57th Judicial District Court of Bexar County, Texas, alleging that the defendants conspired to sell hotels to the partnerships for inflated prices and that they charged the partnerships excessive management fees to operate the partnerships' hotels. The plaintiffs further allege that the defendants committed fraud, breached fiduciary duties and violated the provisions of various contracts. A Marriott International subsidiary manages each of the hotels involved and, as to some properties, the Company is the ground lessor and collects rent. The Company, several Marriott subsidiaries and J.W. Marriott, Jr. are among the several named defendants. The plaintiffs are seeking unspecified damages.

10. Employee Stock Ownership Plan

During the second quarter of 2000 we established an employee stock ownership plan (the ESOP) to fund employer contributions to the profit sharing plan. The ESOP acquired 100,000 shares of special-purpose Company convertible preferred stock (ESOP Preferred Stock) for \$1.0 billion. The

ESOP Preferred Stock has a stated value and liquidation preference of \$10,000 per share and pays a quarterly dividend of one percent of the stated value. It is convertible into our Class A Common Stock at any time based on the amount of our contributions to the ESOP and the market price of the common stock on the conversion date, subject to certain caps and a floor price. We hold a note from the ESOP, which is eliminated in consolidation, for the purchase price of the ESOP

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Preferred Stock. The shares of ESOP Preferred Stock are pledged as collateral for the repayment of the ESOP's note and those shares are released from the pledge as principal on the note is repaid. Shares of ESOP Preferred Stock released from the pledge may be redeemed for cash based on the value of the common stock into which those shares may be converted. Principal and interest payments on the ESOP's debt are expected to be forgiven periodically to fund contributions to the ESOP and release shares of ESOP Preferred Stock. Unearned ESOP shares are reflected within shareholders' equity and will be amortized as shares of ESOP Preferred Stock are released and cash is allocated to employees' accounts.

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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 16, 2000 and June 18, 1999. 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 also include comparable franchised units.

Twelve Weeks Ended June 16, 2000 Compared to Twelve Weeks Ended June 18, 1999

We reported net income of \$126 million for the 2000 second quarter on sales of \$2,391 million. This represents an 11 percent increase in net income and a 17 percent increase in sales over the second quarter of 1999. Diluted earnings per share of \$.50 for the quarter increased 19 percent compared to the 1999 amount. Systemwide sales increased to \$4.8 billion.

Marriott Lodging reported a 16 percent increase in operating profit on 12 percent higher sales. Systemwide lodging sales increased to \$4.2 billion.

We added a total of 47 lodging properties (6,200 units) during the second quarter of 2000, and deflagged five properties (700 units), increasing our total properties to 1,962 (367,200 units). Properties by brand (excluding 6,700 rental units relating to ExecuStay) are as indicated in the following table.

	Properties as of June 16, 2000			
	Company-operated		Franchised	
	Properties	Rooms	Properties	Rooms
Marriott Hotels, Resorts and Suites	233	102,280	139	40,558
Ritz-Carlton	36	11,740	--	--
Renaissance Hotels, Resorts and Suites	76	30,326	23	8,456
Ramada International	7	1,325	20	4,300
Residence Inn	136	18,222	200	21,709
Courtyard	272	41,932	221	27,790
Fairfield Inn	51	7,138	375	32,924
TownePlace Suites	28	2,898	46	4,485
SpringHill Suites	7	804	38	3,754
Marriott Vacation Club International	45	4,922	--	--
Marriott Executive Apartments and other	9	1,641	--	--

Total	900	223,228	1,062	143,976
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Across our Lodging brands, REVPAR for comparable company-operated U.S. properties grew by an average of 7.6 percent in the second quarter 2000. Average room rates for these hotels rose 5.7 percent and occupancy increased to 81.9 percent. Occupancy, average daily rate and REVPAR for each of our principal established brands is shown in the following table.

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	Twelve weeks ended June 16, 2000	Change vs. 1999	
Marriott Hotels, Resorts and Suites			
Occupancy	82.3%	+2.0%	pts.
Average daily rate	\$ 150.29	+5.5%	
REVPAR	\$ 123.69	+8.1%	
Ritz-Carlton			
Occupancy	82.6%	+1.0%	pts.
Average daily rate	\$ 252.19	+8.6%	
REVPAR	\$ 208.37	+9.9%	
Renaissance Hotels, Resorts and Suites			
Occupancy	77.5%	+2.3%	pts.
Average daily rate	\$ 145.49	+3.9%	
REVPAR	\$ 112.72	+7.0%	
Residence Inn			
Occupancy	86.2%	+1.4%	pts.
Average daily rate	\$ 105.54	+4.7%	
REVPAR	\$ 90.95	+6.4%	
Courtyard			
Occupancy	82.5%	+0.6%	pts.
Average daily rate	\$ 98.30	+5.6%	
REVPAR	\$ 81.08	+6.3%	
Fairfield Inn			
Occupancy	73.9%	-0.5%	pts.
Average daily rate	\$ 61.00	+3.5%	
REVPAR	\$ 45.10	+2.9%	

Across our full-service lodging brands (Marriott Hotels, Resorts and Suites, Ritz-Carlton and Renaissance Hotels, Resorts and Suites), REVPAR for comparable company-operated U.S. properties grew by an average of 8.2 percent in the 2000 second quarter. Average room rates for these hotels rose 5.6 percent, while occupancy increased two full percentage points.

Our domestic select-service and extended-stay brands (Residence Inn, Courtyard, Fairfield Inn, TownePlace Suites and SpringHill Suites) added a net of 37 properties, primarily franchises, during the second quarter of 2000. REVPAR for comparable properties increased 6.1 percent to \$78. While REVPAR comparisons were stronger in the northeast and west, softer results in the midwest reflected industry supply growth in certain markets.

Results for International Lodging operations continued to be favorable in the second quarter 2000, reflecting strong demand in the Middle East, Asia as well as Europe, despite a decline in the value of the Euro against the U.S. dollar.

Marriott Vacation Club International also posted favorable profit growth in the 2000 second quarter on a 26 percent increase in contract sales. Results reflect continued strong demand for timeshares in Hawaii, Aruba and California, as well as a growing interest in our newest timeshare brands, Horizons in Orlando, Florida and Ritz-Carlton Club resorts in St. Thomas, U.S. Virgin Islands, and Aspen, Colorado.

The Marketplace by Marriott (Marketplace), our hospitality procurement business, reported a 45 percent increase in revenues in the second quarter. Late this year, Marketplace will be combined with Rosemont purchasing, Hyatt Corporation's affiliated procurement business, to form an independent comprehensive electronic procurement network servicing the hospitality industry.

Marriott Senior Living Services posted 21 percent sales growth in the 2000 second quarter, reflecting the addition of 26 properties operated in the last 12 months and an increase in occupancy for comparable communities to 87 percent. Despite the increase in sales, profitability was hurt by start-up inefficiencies for new properties, preopening expenses and write-offs relating to development cancellations, resulting in a \$3 million operating loss.

Marriott Distribution Services (MDS) posted a 47 percent increase in sales in the 2000 second quarter, 23 percent growth in cases shipped and 20 percent profit growth, reflecting the commencement of service to three large restaurant chains beginning this year.

Corporate activity. Interest expense in second quarter 2000 increased by \$16 million as a result of borrowings to finance growth and share repurchases, as well as higher interest rates. Corporate expenses decreased \$3 million primarily due to a non-cash foreign exchange gain. The effective income tax rate decreased from 37.5 percent to 37.0 percent primarily due to the increased proportion of operations in countries with lower effective tax rates.

Twenty-Four Weeks Ended June 16, 2000 Compared to Twenty-Four Weeks Ended

June 18, 1999

We reported net income of \$220 million for the first half of 2000 on sales of \$4,558 million. This represents a three percent increase in net income and a 16 percent increase in sales over the same period in 1999. Diluted earnings per share of \$.87 for the quarter increased nine percent compared to 1999. Systemwide sales increased to \$9.1 billion.

Marriott Lodging reported a 13 percent increase in operating profit on 12 percent higher sales. Systemwide lodging sales increased to \$8 billion.

We added a total of 93 lodging properties (13,500 units) during the first half of 2000, and deflagged 11 properties (2,100 units).

Across our Lodging brands, REVPAR for comparable company-operated U.S. properties grew by an average of 5.5 percent in 2000. Average room rates for these hotels rose 5.3 percent, while occupancy increased to 78.9 percent. Occupancy, average daily rate and REVPAR for each of our principal established brands is shown in the following table.

	Twenty-four weeks ended June 16, 2000	Change vs. 1999	
	-----	-----	
Marriott Hotels, Resorts and Suites			
Occupancy	79.1%	+0.4%	pts.
Average daily rate	\$ 149.18	+5.1%	
REVPAR	\$ 118.01	+5.6%	
Ritz-Carlton			
Occupancy	80.6%	+0.3%	pts.
Average daily rate	\$ 252.04	+7.6%	
REVPAR	\$ 203.14	+8.0%	
Renaissance Hotels, Resorts and Suites			
Occupancy	75.1%	+1.6%	pts.
Average daily rate	\$ 144.77	+4.0%	
REVPAR	\$ 108.70	+6.2%	

Residence Inn			
Occupancy		83.7%	+0.5% pts.
Average daily rate	\$	103.83	+4.2%
REVPAR	\$	86.90	+4.9%
Courtyard			
Occupancy		79.4%	-0.5% pts.
Average daily rate	\$	97.24	+5.0%
REVPAR	\$	77.17	+4.3%
Fairfield Inn			
Occupancy		69.8%	-1.7% pts.
Average daily rate	\$	60.27	+4.1%
REVPAR	\$	42.06	+1.6%

Across our full-service lodging brands (Marriott Hotels, Resorts and Suites, Ritz-Carlton and Renaissance Hotels, Resorts and Suites), REVPAR for comparable company-operated U.S. properties grew by an average of six percent during the first half of 2000. Average room rates for these hotels rose 5.2 percent, while occupancy increased to 78.6 percent.

Our domestic select-service and extended-stay brands (Residence Inn, Courtyard, Fairfield Inn, TownePlace Suites and SpringHill Suites) added a net of 168 properties, primarily franchises, since the second quarter of 1999. During the first half of 2000, REVPAR for these brands increased 4.3 percent.

Results for international lodging operations were favorable during the first half of 2000, reflecting strong demand in the Middle East, Asia as well as Europe, despite a decline in the value of the Euro against the U.S. dollar.

Marriott Vacation Club International posted strong growth during the first half of 2000 on a 20 percent increase in contract sales. Results reflect continued solid demand for

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timeshares in Hawaii, Aruba and California as well as a growing interest in our newest brands, Horizons in Orlando, Florida and Ritz-Carlton Club resorts in St. Thomas, U.S. Virgin Islands, and Aspen, Colorado.

Marriott Senior Living Services posted a 23 percent increase in sales in the first half of 2000, reflecting an increase in occupancy for comparable communities to 87 percent. Despite the increase in sales, profitability was hurt by start-up inefficiencies for new properties, preopening expenses and write-offs relating to development cancellations, resulting in a \$1 million operating loss.

Marriott Distribution Services (MDS) posted a 35 percent increase in sales, reflecting the commencement of service to three large restaurant chains beginning this year. The operating profits associated with the new business were more than offset by a \$15 million pretax write-off of its investment in a contract with Boston Chicken, Inc. (BCI), a major customer that filed for bankruptcy in October 1998. McDonald's Corporation (McDonald's) acquired Boston Market in 2000, and during the first quarter of 2000, MDS reached an agreement with McDonald's to continue providing distribution services to Boston Market restaurants (see "Intangible Assets" in the footnote to the consolidated financial statements included in Item 1).

Corporate activity. Interest expense increased \$28 million in the 2000 period as a result of borrowings to finance growth outlays and share repurchases. Corporate expenses decreased \$6 million due to system-related modification costs associated with year 2000 that were incurred in the first half of 1999, offset by costs incurred in 2000 associated with new corporate systems and a non-cash foreign exchange gain. The effective income tax rate decreased from 37.5 percent to 37 percent primarily due to the increased proportion of operations in countries with lower effective tax rates.

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LIQUIDITY AND CAPITAL RESOURCES

We believe that we have access to sufficient financial resources to finance our

growth, as well as to support our ongoing operations and meet debt service and other cash requirements. However, our ability to sell properties that we develop, and the ability of hotel or senior living community developers to build or acquire new Marriott-branded properties, which are important parts of our growth plans, are partially dependent on the availability and cost of capital. 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.

Cash and equivalents totaled \$410 million at June 16, 2000, a decrease of \$79 million from year end 1999. Cash provided by operations decreased 25 percent compared to the same period in 1999 as a result of timeshare activity and changes in working capital associated with timing difference. Net income is stated after recording depreciation expense of \$55 million and \$39 million for the twenty-four weeks ended June 16, 2000 and June 18, 1999, respectively, and after amortization expense of \$32 million and \$30 million, respectively, for the same time periods. Earnings before interest expense, income taxes, depreciation and amortization (EBITDA) for the twenty-four weeks ended June 16, 2000 increased by \$52 million, or 12 percent, to \$486 million. EBITDA is an indicator of operating performance which can be used to measure the Company's ability to service debt, fund capital expenditures and expand its business. However, EBITDA is not an alternative to net income, operating profit, cash from operations, or any other operating or liquidity measure prescribed by generally accepted accounting principles.

Net cash used in investing activities totaled \$331 million for the twenty-four weeks ended June 16, 2000, and consisted of capital expenditures for lodging properties and notes receivable advances offset by disposition proceeds primarily from the sale of 14 senior living communities and 10 lodging properties.

We purchased 9.7 million shares of our Class A Common Stock in the twenty-four weeks ended June 16, 2000, at a cost of \$291 million. As of June 16, 2000, we had been authorized by our Board of Directors to repurchase an additional 20.8 million shares.

In January 2000, we filed a "universal shelf" registration statement with the Securities and Exchange Commission which, together with the authority remaining under a universal shelf registration statement filed in April 1999, permitted us to offer to the public up to \$500 million of securities. On March 27, 2000, we sold \$300 million principal amount of 8-1/8 percent Series D Notes, which mature in 2005, in a public offering made under our shelf registration statements. We received net proceeds of approximately \$298 million from this offering, after paying underwriting discounts, commissions and offering expenses. After giving effect to the issuance of the Series D Notes, we have remaining capacity under our January 2000 shelf registration statement to offer to the public up to \$200 million of debt securities, common stock or preferred stock.

In 1996, MDS became the exclusive provider of distribution services to Einstein/Noah Bagel Corp. (ENBC), which operates over 460 bagel shops in 29 states. In March 2000, ENBC disclosed that its independent auditors had expressed substantial doubt about ENBC's ability to continue as a going concern, due to its inability to meet certain financial obligations. On April 27, 2000, ENBC and its majority-owned operating subsidiary filed voluntary bankruptcy petitions for protection under Chapter 11 of the Federal Bankruptcy code in the U.S. Bankruptcy Court for the District of Arizona in Phoenix. On April 28, 2000, the bankruptcy court approved a \$31

million debtor-in-possession credit facility to allow for operation of the companies during reorganization, and also approved the payment in the ordinary course of business of prepetition trade creditor claims, including those of MDS, subject to recovery by the debtors under certain circumstances. MDS continues to distribute to ENBC and has been receiving full payment in accordance with the terms of its contractual agreement. If the contract were to terminate, or if ENBC were to cease or substantially reduce its operations, MDS may be unable to recover some or all of an aggregate of approximately \$5 million in contract investment and \$12 million in receivables and inventory.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no material changes to our exposures to market risk since

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

In April 2000, we issued 100,000 shares of our ESOP Convertible Preferred Stock (the "ESOP Stock") for \$1.0 billion to an employee stock ownership plan (the "ESOP") that we established to fund employer contributions to our profit sharing plan. The issuance of the ESOP Stock qualified as a private placement under Section 4(2) of the Securities Act of 1933, as amended. We received a note receivable from the ESOP for the purchase price of the ESOP Stock. The ESOP Stock has a stated value and liquidation value of \$10,000 per share and pays a quarterly dividend of one percent of the stated value. It is convertible into our common stock at any time based on the amount of our contributions to the ESOP and the market price of our common stock on the conversion date, subject to certain caps and a floor price.

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 April 28, 2000. The shareholders, (1) re-elected directors Henry Cheng Kar-Shun, Floretta Dukes McKenzie, Roger W. Sant and Lawrence M. Small to terms of office expiring at the 2003 Annual Meeting of Shareholders; (2) ratified the appointment of Arthur Andersen LLP as independent auditors; (3) ratified an increase of 15 million shares of our Class A Common Stock authorized for issuance under Marriott International, Inc.'s 1998 Comprehensive Stock and Cash Incentive Plan; and (4) defeated a shareholder proposal to adopt cumulative voting for the election of directors. The following table sets forth the votes cast with respect to each of these matters.

MATTER	FOR	AGAINST	WITHHELD	ABSTAIN
Re-election of Henry Cheng Kar-Shun	2,055,699,120		59,981,030	
Re-election of Floretta Dukes McKenzie	2,097,714,070		17,966,080	
Re-election of Roger W. Sant	2,099,670,230		16,009,920	
Re-election of Lawrence M. Small	2,100,279,410		15,400,740	
Ratification of appointment of Arthur Andersen LLP as independent auditors	2,104,329,950	4,060,390		7,289,810
Ratification of an increase of 15 million shares of the Company's Class A Common Stock authorized for issuance under Marriott International, Inc.'s 1998 Comprehensive Stock and Cash Incentive Plan	1,450,714,840	437,699,200		13,009,170
Proposal to adopt cumulative voting for the election of directors	263,803,880	1,595,176,360		42,442,970

Item 5. Other Information

None.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

Exhibit No.	Description
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3.1	Certificate of Designation, Preferences and Rights of the Marriott International, Inc. ESOP Convertible Preferred Stock.
3.2	Certificate of Designation, Preferences and Rights of the Marriott International, Inc. Capped Convertible Preferred Stock.
12	Statement of Computation of Ratio of Earnings to Fixed Charges.
27	Financial Data Schedule for the Company.
99	Forward-Looking Statements.

(b) Reports on Form 8-K

On March 27, 2000, we filed a report describing the issuance of \$300 million of 8-1/8 percent Series D Notes due April 1, 2005 in an underwritten public offering.

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.

28th day of July, 2000

/s/ Arne M. Sorenson

Arne M. Sorenson
Executive Vice President and
Chief Financial Officer

/s/ Linda A. Bartlett

Linda A. Bartlett
Vice President and Controller
(Principal Accounting Officer)

Certificate of Designation,
Preferences and Rights of the
Marriott International, Inc.
ESOP Convertible Preferred Stock

I, W. David Mann, Secretary, of Marriott International, Inc., a corporation organized and existing under the General Corporation Law of the State of Delaware (the "Corporation"), in accordance with the provisions of Section 103 thereof, DO HEREBY CERTIFY:

That pursuant to the authority conferred upon the Board of Directors by the Amended and Restated Certificate of Incorporation of this Corporation, such Board of Directors on August 5, 1999, November 4, 1999 and June 13, 2000, adopted resolutions creating a series of one hundred thousand (100,000) shares of Preferred Stock designated as ESOP Convertible Preferred Stock, as follows:

RESOLVED, that, pursuant to the authority expressly granted and vested in the Board of Directors of this Corporation in accordance with the provisions of its Amended and Restated Certificate of Incorporation, a series of Preferred Stock no par value, stated value of \$10,000 per share, of the Corporation be and hereby is established, and that the designation and amount thereof and voting powers, preferences, optional and other special rights of the shares of such series, and the qualifications, limitations or restrictions thereof are as follows:

1. Definitions. For purposes of this Certificate of Designation, the following terms shall have the meanings described:

"Affiliate" means (a) a member of a controlled group of corporations of which the Corporation is a member; (b) a trade or business (whether or not incorporated) which is under common control (as determined in accordance with section 414(c) of the Code) by or with the Corporation; (c) a member of an affiliated service group (as defined in section 414(m) of the Code) that includes the Corporation; or (d) a member of any other entity required to be aggregated with the Corporation pursuant to section 414(o) of the Code. A "controlled group of corporations" shall mean a controlled group of corporations as defined in section 1563(a) of the Code, determined without regard to sections 1563(a)(4) and 1563(e)(3)(C) of the Code.

"Base Value" shall, as of any specified date, be equal to the greater of (a) \$50,000,000 or (b) 35% of the cumulative amount that has been contributed by the Corporation or any of its Affiliates to the ESOP and applied on or before the specified date to pay or reduce the principal of the ESOP Note. For purposes of calculating the Base Value, any forgiveness of principal on the ESOP Note by the Marriott Asset Fund shall be treated as a contribution to the ESOP by the Corporation or its Affiliates that has been applied to reduce the principal on the ESOP Note as of the effective date of such forgiveness. For purposes of calculating the Base Value, dividends on ESOP Convertible Preferred Stock shall not be treated as amounts contributed by the Corporation or any of its Affiliates to the ESOP.

"Business Day" means any day other than a Saturday, Sunday or a Legal Holiday.

"Capped Convertible Preferred Stock" means the Capped Convertible Preferred Stock, no par value, of the Corporation.

"Capped Convertible Preferred Stock Cap Amount" shall be 150% of the Capped Convertible Preferred Stock Floor Price from the Original Issue Date through the fourth anniversary of the Original Issue Date. After the fourth anniversary of the Original Issue Date through the fifth anniversary of the Original Issue Date, the Cap Amount will be 165% of the Capped Convertible Preferred Stock Floor Price. After the fifth anniversary of the Original Issue Date, the Capped Convertible Preferred Stock Cap Amount will be 175% of the Capped Convertible Preferred Stock Floor Price.

"Capped Convertible Preferred Stock Conversion Amount Per Share" means the number of shares of Common Stock equal to:

- (a) When the Common Stock Price as of the specified date is less than the Capped Convertible Preferred Stock Floor Price, the quotient obtained by dividing (i) the Capped Convertible Preferred Stock Floor Price by (ii) the Common Stock Price as of the specified date;
- (b) When the Common Stock Price as of the specified date is less than or equal to the Capped Convertible Preferred Stock Cap Amount and greater than or equal to the Capped Convertible Preferred Stock Floor Price, one share; and
- (c) When the Common Stock Price as of the specified date is greater than the Capped Convertible Preferred Stock Cap Amount, the quotient obtained by dividing (i) the Capped Convertible Preferred Stock Cap Amount by (ii) the Common Stock Price as of the specified date.

"Capped Convertible Preferred Stock Floor Price" means the Common Stock Price on the Original Issue Date.

"Capped Convertible Preferred Stock Per-Share Redemption Amount" means, as of any specified date, the product of (a) the quotient obtained by dividing (i) \$10,000 by (ii) the Capped Convertible Preferred Stock Floor Price, multiplied by (b) the product of (i) the Capped Convertible Preferred Stock Conversion Amount Per Share and (ii) the Common Stock Price on the specified date.

"Certificate of Incorporation" means the Corporation's Amended and Restated Certificate of Incorporation and any applicable certificate of designation, as the same may be amended from time to time.

"Closing Price" of any security on any date means the closing sale price of such security on the NYSE on such date, as reported in the NYSE Consolidated Tape, or, if such security is not listed or admitted for trading on the NYSE on that date, as reported in the composite transactions reporting system for the principal United States securities exchange on which such security is so

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listed or admitted for trading, or, if such security is not so listed or admitted, as reported on the National Association of Securities Dealers, Inc. (the "Nasdaq") Automated Quotation System, or, if not so reported, the last quoted bid price for such security in the over-the-counter market as reported by the National Quotation Bureau or similar organization, or, if such bid price is not available, the market value of such security on such date as determined by a nationally recognized independent investment banking firm retained for the purpose.

"Code" means the Internal Revenue Code of 1986, as amended.

"Common Stock" means the Class A Common Stock, \$0.01 par value per share, of the Corporation.

"Common Stock Price" means, on any specified date, the Closing Price of Common Stock on the last Trading Day before such date. The Common Stock Price shall be appropriately adjusted to take into account any dividends or distributions payable on Common Stock, or any reclassification, subdivision or combination of, or similar transaction involving, Common Stock with respect to which specified date is the Ex-Date.

"Conversion Date" has the meaning described in Section 7(b).

"Conversion Notice" means an irrevocable notice which shall specify (a) the number of shares of ESOP Convertible Preferred Stock to be converted, (b) the name or names in which the holder wishes the certificate or certificates evidencing shares of Common Stock to be issued, and (c) the address to which such holder wishes delivery to be made of such certificates to be issued upon conversion.

"Conversion Price" means, as of any Conversion Date, the Common Stock Price.

"Conversion Ratio" means, as of any Conversion Date, the product of (a) 0.00001, multiplied by (b) the quotient obtained by dividing (i) the ESOP Convertible Preferred Stock Value as of the Conversion Date by (ii) the Conversion Price as of such Conversion Date.

"Determination Date" means (a) when used with respect to any dividend or other distribution, the date fixed for the determination of the holders of the securities entitled to receive such dividend or distribution, or, if a dividend or distribution is paid or made without fixing such a date, the date of such dividend or distribution and (b) when used with respect to any subdivision, combination or reclassification of securities, the date upon which such subdivision, combination or reclassification becomes effective.

"Dividend Payment Dates" shall have the meaning set forth in Section 4(a).

"Dividend Period" means the quarterly period commencing on the date following any Dividend Payment Date and ending on the next-following Dividend Payment Date, or, in each such case as to particular shares of ESOP Convertible Preferred Stock, such shorter period during which such shares are outstanding.

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"ESOP" means the employee stock ownership plan feature of the Marriott International, Inc. Employees' Profit Sharing, Retirement and Savings Plan and Trust and any other employee stock ownership plan and trust that is designated by the Corporation and that assumes or becomes a transferee or a successor, by merger, spin-off or split-up, of any of the assets and liabilities of such employee stock ownership plan feature.

"ESOP Loan Suspense Account" means a suspense account maintained by the ESOP pursuant to Treasury Regulation section 54.4975-11(c) (1979).

"ESOP Note" means the Promissory Note dated June 13, 2000, made by the ESOP in favor of the Marriott Asset Fund.

"ESOP Convertible Preferred Stock Value" means, as of any specified date, an amount equal the sum of (a) the Net Asset Value of the Marriott Asset Fund as of the specified date and (b) the Base Value as of the specified date.

"Exchange" has the meaning described in Section 9(a).

"Exchange Consideration" means, as of the Exchange Date, (a) a number of shares of Capped Convertible Preferred Stock equal to the product of (i) the MAF Shares on the Exchange Date, multiplied by (ii) a fraction, the numerator of which shall be the total number of whole and fractional shares of ESOP Convertible Preferred Stock held by the ESOP immediately prior to the Exchange Date, and the denominator of which shall be 100,000, plus (b), if the Marriott Asset Fund holds any assets on the Exchange Date other than (i) Capped Convertible Preferred Stock or (ii) any assets substituted for Capped Convertible Preferred Stock as permitted by the constituent documents of the Marriott Asset Fund, a portion of each such other asset (or a cash equivalent amount) equal to the number of units (or cash equivalent value) of such other asset multiplied by the fraction described in clause (a)(ii) of this definition.

"Exchange Date" has the meaning described in Section 9(b).

"Exchange Notice" has the meaning described in Section 9(b).

"Exchange Obligation" means the ESOP's obligation to pay in full all principal and accrued interest under the ESOP Note by the Exchange Date.

"Ex-Date" shall mean (a) when used with respect to any dividend or distribution, the first date on which the securities on which the dividend or distribution is payable trade regular way on the relevant exchange or in the relevant market without the right to receive such dividend or distribution, and (b) when used with respect to any subdivision, combination or reclassification of securities, the first date on which the securities trade regular way on such exchange or in such market to reflect such subdivision, combination or reclassification becoming effective.

"Ex-Dividend Period" shall have the meaning set forth in Section 4(a).

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"Investment Manager" means the investment manager of the ESOP from time to time or, if no person is serving as investment manager of the ESOP at any time, the trustee or trustees of the Plan.

"Legal Holiday" means any day on which banking institutions are authorized or obligated by law or executive order to close in New York, New York.

"Marriott Asset Fund" means the grantor trust established and owned by the Corporation for the purpose of holding and investing in the Capped Convertible Preferred Stock, subject to the terms of the Trust Agreement between the Corporation and the trustee of the Marriott Asset Fund.

"MAF Shares" means, as of any specified date, the number of shares of Capped Convertible Preferred Stock held by the Marriott Asset Fund as of the close of business on such date; provided, however, that, in the event the

Corporation, prior to the Exchange Date, withdraws any shares of Capped Convertible Preferred Stock from the Marriott Asset Fund and substitutes assets of equivalent value (other than in connection with a redemption of Capped Convertible Preferred Stock to the extent permitted by the Certificate of Incorporation), then as of any specified date after such withdrawal, "MAF Shares" shall mean a number of whole and fractional shares of Capped Convertible Preferred Stock equal to the excess of (a) 100,000, over (b) the sum of the lesser of the quotients in clause (i) or (ii), separately determined and calculated as of each of the due dates for quarterly interest payments on the Purchase Money Note which precedes or corresponds with the specified date (each such due date, an "Interest Payment Date"), where (i) is equal to the quotient obtained by dividing (A) the excess of (I) the product of (x) a fraction, the numerator of which is the excess, if any, of the Common Stock Price on the applicable Interest Payment Date over the Capped Convertible Preferred Stock Floor Price, and the denominator of which is the Capped Convertible Preferred Stock Floor Price, multiplied by (y) \$1,000,000,000, over (II) the cumulative dollar amount of the sum of the lesser of the amounts calculated pursuant to clause (i) and (ii) with respect to each Interest Payment Date prior to the applicable Interest Payment Date, by (B) the Capped Convertible Preferred Stock Per-Share Redemption Amount as of the applicable Interest Payment Date, and (ii) is equal to the quotient obtained by dividing (A) the excess, if any, as of such Interest Payment Date of (i) the sum of the outstanding principal balance and any interest that has become due and payable but is unpaid on the Purchase Money Note, over (ii) the sum of the outstanding principal balance and any interest that has become due and payable but is unpaid on the ESOP Note, by (B) the Capped Convertible Preferred Stock Per-Share Redemption Amount.

"Net Asset Value of the Marriott Asset Fund" means, as of any specified date, an amount equal to (a) the sum of (i) the product of (A) the Common Stock Price on the specified date, multiplied by (B) the number of shares of Common Stock into which a number of shares of Capped Convertible Preferred Stock equal to the number of MAF Shares would be converted if such Capped Convertible Preferred Shares were then transferred to a holder other than the Marriott Asset Fund or the ESOP Loan Suspense Account, all determined as of the specified date, plus (ii) the amount that would be received upon liquidation of any assets held by the Marriott Asset Fund on the specified date other than Capped Convertible Preferred Stock and any

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assets substituted for Capped Convertible Preferred Stock as permitted by the constituent documents of the Marriott Asset Fund, less (b) the sum of (i) the outstanding principal balance and any interest that has become due and payable but is unpaid on the Purchase Money Note as of the specified date and (ii) any other liabilities of the Marriott Asset Fund as of the specified date, including but not limited to any and all liabilities to the Corporation. In determining the Net Asset Value of the Marriott Asset Fund as of any specified date, the ESOP Note shall be deemed to have no liquidation or other value and shall be disregarded.

"NYSE" means the New York Stock Exchange.

"Original Issue Date" means the date of the original issuance of the Capped Convertible Preferred Stock.

"Plan" means the Marriott International, Inc. Employees' Profit Sharing, Retirement and Savings Plan and Trust, and any other plan and trust qualified under Section 401(a) of the Code that is designated by the Corporation and that becomes a transferee or a successor by merger, spin-off or split-up, of any of the assets and liabilities of such plan.

"Purchase Money Note" means the Promissory Note dated June 13, 2000, made by the ESOP in favor of the Corporation.

"Qualifying Employer Securities" means securities that, with respect to the holder thereof, constitute "qualifying employer securities" within the meaning of section 407(d)(5) of the Employee Retirement Income Security Act of 1974, as amended, and "employer securities" within the meaning of section 409(1) of the Code.

"Record Date" shall have the meaning set forth in Section 4(a).

"Redemption Date" means the Business Day that is the effective date of a redemption pursuant to Section 8.

"Redemption Notice" means the notice described in Section 8(b).

"Redemption Price" means the amount specified in Section 8(a).

"Trading Day" means, with respect to any security, (a) if the principal trading market for the applicable security is the NYSE or another national securities exchange, a day on which the NYSE or such other national securities exchange, as applicable, is open for business, (b) if the principal trading market for the applicable security is the Nasdaq, a day on which a trade may be made on the Nasdaq National Market, or (c) if the applicable security is not listed, admitted for trading or quoted as provided in clause (a) or (b), any Business Day. Any day for which there is no reported sale of Common Stock on the applicable exchange or market shall not be treated as a Trading Day.

2. Designation of the Series; Rank. The shares of such series of

Preferred Stock shall be designated as "ESOP Convertible Preferred Stock" and the number of shares constituting

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such series shall be 100,000. The ESOP Convertible Preferred Stock shall have no par value. Upon liquidation, dissolution or winding up, the ESOP Convertible Preferred Stock shall rank senior to the Common Stock and the Capped Convertible Preferred Stock and, unless otherwise provided in the Certificate of Incorporation, junior to all other existing and future classes or series of preferred stock of the Corporation.

3. Issuance and Automatic Conversion.

(a) Shares of ESOP Convertible Preferred Stock shall be issued or sold by the Corporation only to the ESOP for allocation to the ESOP Loan Suspense Account.

(b) In the event of any sale, transfer or other disposition of the ESOP Convertible Preferred Stock from the ESOP Loan Suspense Account (including, without limitation, any transfer to any account in the Plan other than the ESOP Loan Suspense Account, any transfer to any participant in the Plan, or any transfer upon a foreclosure or other realization upon shares of ESOP Convertible Preferred Stock pledged as security for any loan or loans made to the ESOP, but excluding any transfer to the Corporation pursuant to an Exchange) (hereafter a "transfer") of shares of ESOP Convertible Preferred Stock without the written consent of the Corporation, which may be withheld by the Corporation in its sole and absolute discretion, the shares of ESOP Convertible Preferred Stock so transferred, upon such transfer and without any further action by the Corporation or any other person, shall automatically convert into a whole number of shares of fully paid and nonassessable Common Stock equal to the product of the number of shares of ESOP Convertible Preferred Stock so

transferred multiplied by the Conversion Ratio, with the Conversion Date for such conversion being the effective date of such transfer. A cash adjustment in lieu of any fractional share of Common Stock shall be paid as provided in Section 7(c). Thereafter the person to whom the shares of ESOP Convertible Preferred Stock are transferred, or the Plan in the event shares of ESOP Convertible Preferred Stock are released or transferred from the ESOP Loan Suspense Account (hereinafter, such person, or the Plan in such event, referred to as a "transferee"), shall not have any of the powers, preferences or relative, participating, optional or special rights ascribed to the shares of ESOP Convertible Preferred Stock transferred, but, rather, shall have only the powers and rights pertaining to the shares of Common Stock into which such shares of ESOP Convertible Preferred Stock shall have been so converted. In the event of any such automatic conversion pursuant to this Section 3, such transferee shall be treated for all purposes as the recordholder of the shares of Common Stock into which its shares of ESOP Convertible Preferred Stock shall have been converted as of the close of business on the Conversion Date.

(c) Shares of ESOP Convertible Preferred Stock shall be uncertificated shares within the meaning of Section 158 of the General Corporation Law of the State of Delaware. Transfers of shares of ESOP Convertible Preferred Stock may only be effected by applicable entry or entries in the stock transfer books of the Corporation. The Corporation shall, as soon as practicable after surrender of the shares of ESOP Convertible Preferred Stock converted pursuant to this Section 3 and payment of any transfer or similar tax payable by the holder (or provision to the Corporation of evidence reasonably satisfactory to the Corporation demonstrating that such taxes have been paid), deliver to such transferee a certificate or certificates evidencing shares of

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Common Stock into which such shares of ESOP Convertible Preferred Stock shall have been so converted together with a cash payment in respect of any fractional share of Common Stock otherwise issuable.

4. Dividends.

(a) Holders of shares of ESOP Convertible Preferred Stock shall be entitled to receive, when, as and if declared by the Board of Directors, out of the assets of the Corporation at the time legally available therefor, cash dividends at a quarterly rate of \$100.00 per share (including a pro rated amount for any fractional share), and no more, which shall be fully cumulative, shall accumulate without interest from the Original Issue Date, and shall be payable, in cash, in arrears on September 13, December 13, March 13, and June 13, of each year (the "Dividend Payment Dates"), commencing September 13, 2000 (except that, if any such date is not a Business Day, then such dividend shall be payable on the first preceding Business Day), to holders of record as they appear upon the stock transfer books of the Corporation at the close of business on such record dates, not more than ninety (90) days preceding the related Dividend Payment Dates, as are fixed by the Board of Directors (each, a "Record Date"). The Record Date for any Dividend Payment Date may be such Dividend Payment Date. Holders at the close of business on a Record Date of shares of ESOP Convertible Preferred Stock that are redeemed on a Redemption Date during the period (the "Ex-Dividend Period") between such Record Date and the corresponding Dividend Payment Date shall not (unless the Corporation elects otherwise, in its sole discretion), in their capacity as such, be entitled to receive the dividend payment on such Dividend Payment Date, but shall be entitled to receive accumulated and unpaid dividends on the Redemption Date as part of the Redemption Price.

(b) For any Dividend Period which does not end on a Dividend Payment Date, the dividend payable on each such share of the ESOP Convertible Preferred Stock shall be computed on the basis of a 360-day year consisting of twelve 30-day months and four quarters consisting of three months each. The aggregate dividend paid to a holder of shares of ESOP Convertible Preferred Stock shall be based on the aggregate number of whole and fractional shares of ESOP Convertible Preferred Stock held by such holder at the close of business on the applicable Record Date and rounded to the nearest whole cent (with one-half cent rounded upward). Unless otherwise provided herein, dividends on each share of ESOP Convertible Preferred Stock will be cumulative from and including the Original Issue Date to and excluding the earliest to occur of (i) the date of redemption of such share, (ii) the date of conversion of such share, and (iii)

the date of final distribution of assets upon any voluntary or involuntary liquidation, dissolution or winding up of the Corporation. Holders of shares of the ESOP Convertible Preferred Stock shall not be entitled to any dividend, whether payable in cash, property or stock, in excess of full cumulative dividends, or to any interest, or sum of money in lieu of interest, in respect of any dividend payment or payments on shares of the ESOP Convertible Preferred Stock that may be in arrears. Any dividend payment made on shares of the ESOP Convertible Preferred Stock shall first be credited against the earliest accumulated but unpaid dividend with respect to shares of the ESOP Convertible Preferred Stock.

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5. Liquidation Preference.

(a) In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Corporation, the holders of shares of ESOP Convertible Preferred Stock then outstanding shall be entitled to be paid out of the assets of the Corporation available for distribution to its stockholders, after and subject to the payment in full of all amounts required to be distributed to the holders of any other class or series of stock of the Corporation ranking on liquidation senior and in preference to the ESOP Convertible Preferred Stock (collectively referred to as "Senior Preferred Stock"), but before any payment shall be made to the holders of Common Stock, Capped Convertible Preferred Stock or any other class or series of stock ranking on liquidation junior to the ESOP Convertible Preferred Stock (such Common Stock, Capped Convertible Preferred Stock and other stock being collectively referred to as "Junior Stock") by reason of their ownership thereof, an amount equal to \$10,000 per share plus any dividends declared or accrued but unpaid thereon. If upon any such liquidation, dissolution or winding up of the Corporation, the remaining assets of the Corporation available for distribution to its stockholders shall be insufficient to pay the holders of shares of ESOP Convertible Preferred Stock the full amount to which they shall be entitled, the holders of shares of ESOP Convertible Preferred Stock and any class or series of stock ranking on liquidation on a parity with the ESOP Convertible Preferred Stock shall share ratably in any distribution of the remaining assets and funds of the Corporation in proportion to the respective amounts which would otherwise be payable in respect of the shares held by them upon such distribution if all amounts payable on or with respect to such shares were paid in full.

(b) After the payment of all preferential amounts required to be paid to the holders of Senior Preferred Stock, ESOP Convertible Preferred Stock and any other class or series of stock of the Corporation ranking on liquidation on a parity with the ESOP Convertible Preferred Stock, upon the dissolution, liquidation or winding up of the Corporation, the holders of shares of Junior Stock then outstanding shall be entitled to receive the remaining assets and funds of the Corporation available for distribution to its stockholders.

6. Voting.

(a) General. The holders of outstanding whole shares of

ESOP Convertible Preferred Stock shall be entitled to one vote per share at each meeting of stockholders of the Corporation (and written actions of stockholders in lieu of meetings) with respect to any and all matters presented to the holders of Common Stock of the Corporation for their action or consideration. Except as provided by Section 6(b) below, the holder of ESOP Convertible Preferred Stock shall vote together with the holders of Common Stock as a single class.

(b) Class Voting Rights. So long as the ESOP Convertible

Preferred Stock is outstanding, the Corporation shall not, without the affirmative vote of the holders of at least a majority of all outstanding shares of ESOP Convertible Preferred Stock, voting separately as a class, amend, alter or repeal any provision of the Certificate of Incorporation, except as provided herein, so as to (i) affect adversely the special rights, preferences, qualifications, limitations or restrictions of the ESOP Convertible Preferred Stock, (ii) increase the number of authorized, or issue additional, shares of ESOP Convertible Preferred Stock, (iii) decrease the number of shares

of Common Stock issuable upon conversion of Capped Convertible Preferred Stock, (iv) increase the number of shares of the Capped Convertible Preferred Stock subject to redemption, (v) reduce the per-share redemption amount for the Capped Convertible Preferred Stock, or (vi) adversely affect the requirements for a vote by the holders of the ESOP Convertible Preferred Stock respecting amendment, alteration or repeal of provisions relating to the Capped Convertible Preferred Stock as provided in clauses (iii) through (vi) of this Section 6(b); provided, however, that the creation, authorization or issue, or

reclassification of any authorized stock of the Corporation into, or increase in the authorized amount of, any class or series of stock of the Corporation ranking senior to or on a parity with the ESOP Convertible Preferred Stock as to dividends or upon liquidation, dissolution or winding up of the Corporation, shall not be deemed to affect adversely the special rights, preferences, qualifications, limitations or restrictions of the ESOP Convertible Preferred Stock or otherwise require the affirmative vote or consent of the holders of the ESOP Convertible Preferred Stock.

7. Conversion.

(a) Conversion Right. Outstanding shares of ESOP

Convertible Preferred Stock held in the ESOP Loan Suspense Account shall be convertible, at the option of the Investment Manager, at any time and from time to time, and without the payment of additional consideration by the holder thereof, into such number of fully paid and nonassessable shares of Common Stock as is determined by multiplying (i) the number of shares of ESOP Convertible Preferred Stock to be converted on the Conversion Date by (ii) the Conversion Ratio as of the Conversion Date.

(b) Conversion Procedures.

(i) In order to convert shares of ESOP Convertible Preferred Stock into shares of Common Stock pursuant to Section 7(a), the Investment Manager shall deliver, or cause to be delivered, to the Corporation at its principal executive offices or another place designated by the Corporation in a written notice sent to the holder of ESOP Convertible Preferred Stock, (A) a Conversion Notice, (B) a written instrument or instruments of transfer for the shares of ESOP Convertible Preferred Stock being converted, in form satisfactory to the Corporation, duly executed by the Investment Manager, and (C) if required pursuant to Section 7(f), an amount sufficient to pay any transfer or similar tax which is not payable by the Corporation (or evidence reasonably satisfactory to the Corporation demonstrating that such taxes have been paid). Any conversion pursuant to Section 7(a) shall be deemed to have been effected at the close of business on the Business Day on which all of the items specified in the immediately preceding sentence have been received by the Corporation, and any conversion pursuant to Section 3 shall be deemed to have been effected or on the effective date of any transfer described in Section 3 (in each case, the "Conversion Date").

(ii) Except as provided in Section 4(a), the holder of a share of ESOP Convertible Preferred Stock at the close of business on a Record Date shall be entitled to receive the dividend payable thereon on the corresponding Dividend Payment Date notwithstanding the conversion thereof during the Ex-Dividend Period or the Corporation's default in the payment of the dividend due on such Dividend Payment Date; provided, however, that, with

respect to each

share of ESOP Convertible Preferred Stock surrendered for conversion during the Ex-Dividend Period, the Corporation shall retain a number of shares of Common Stock (or other securities or assets) otherwise required to be delivered upon such conversion equal to (A) the dividend payable on such share of ESOP Convertible Preferred Stock, divided by (B) the Common Stock Price as of the

Conversion Date. Except as provided for above, no payments or adjustments in respect of dividends on shares of ESOP Convertible Preferred Stock surrendered for conversion (whether or not in arrears) or on account of any dividend on the shares of Common Stock issued upon conversion shall be made upon the conversion of any shares of ESOP Convertible Preferred Stock.

(iii) The Corporation shall, as soon as practicable after the Conversion Date, issue and deliver to the person specified in the Conversion Notice a certificate or certificates evidencing the number of full shares of Common Stock to which such person shall be entitled, together with a cash payment in respect of any fractional shares of Common Stock otherwise issuable. The person or persons entitled to receive the shares of Common Stock deliverable upon conversion of such shares of ESOP Convertible Preferred Stock shall be treated for all purposes as the record holder or holders of such shares of Common Stock on the relevant Conversion Date, unless the stock transfer books of the Corporation shall be closed on such Conversion Date, in which event such person or persons shall be deemed to have become such holder or holders of record at the close of business on the next succeeding day on which such stock transfer books are open, but such conversion shall be based upon the Conversion Ratio in effect on such Conversion Date.

(c) Fractional Shares. No fractional shares or scrip representing ----- fractional shares of Common Stock shall be issued upon conversion of any shares of ESOP Convertible Preferred Stock. If more than one share of ESOP Convertible Preferred Stock shall be surrendered for conversion at one time by the same record holder, the number of full shares of Common Stock issuable upon conversion thereof shall be computed on the basis of the aggregate number of shares of ESOP Convertible Preferred Stock which are converted. In lieu of any fractional share of Common Stock that would otherwise be issuable upon conversion of any shares of ESOP Convertible Preferred Stock, the Corporation shall pay a cash adjustment in respect of such fractional share in an amount equal to the same fraction of the Conversion Price of the Common Stock as of the Conversion Date, calculated to the nearer cent, with one-half cent rounded upward.

(d) Reservation and Authorization of Shares. The Corporation shall ----- at all times when the ESOP Convertible Preferred Stock shall be outstanding, reserve and keep available out of its authorized but unissued stock, for the purpose of effecting the conversion of the ESOP Convertible Preferred Stock, such number of its duly authorized shares of Common Stock as shall from time to time be sufficient to effect the conversion of all outstanding shares of ESOP Convertible Preferred Stock.

(e) Converted Shares. After the Conversion Date with respect to ----- any shares of ESOP Convertible Preferred Stock, such shares shall no longer be deemed to be outstanding and all rights with respect to such shares, including but not limited to the rights, if any, to receive

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notices or distributions and to vote, shall immediately cease and terminate on the Conversion Date, except only the right of the holders thereof to receive shares of Common Stock (and cash in lieu of fractional shares) in exchange therefor. Any shares of ESOP Convertible Preferred Stock converted pursuant to Section 3 or Section 7 shall be retired and canceled after the acquisition thereof. All such shares shall upon their cancellation become authorized but unissued shares of Preferred Stock and may be reissued as part of a new series of Preferred Stock to be created by resolution or resolutions of the Board of Directors, subject to the conditions and restrictions set forth herein.

(f) Payment of Taxes. The Corporation shall pay any and all issue ----- and other taxes that may be payable in respect of any issuance or delivery of shares of Common Stock upon conversion of shares of ESOP Convertible Preferred Stock pursuant to this Section 7. The Corporation shall not, however, be required to pay any tax which may be payable in respect of any transfer involved in the issuance and delivery of shares of Common Stock in a name other than that in which the shares of ESOP Convertible Preferred Stock so converted were registered, and no such issuance or delivery shall be made unless and until the person or entity requesting such issuance has paid to the Corporation the amount of any such tax or has established, to the satisfaction of the Corporation, that

such tax has been paid. To the extent required by law, the Corporation may, upon any conversion of shares of ESOP Convertible Preferred Stock, retain any shares of Common Stock (or other securities or assets) otherwise required to be delivered upon such conversion to the extent necessary to provide for the payment of taxes required to be withheld or deducted by the Corporation, and paid to any taxing authority having jurisdiction, from amounts otherwise due to the holder; provided, however, that the Corporation shall apply such shares or other securities or assets (or cash received upon disposition thereof), or make other provision, to discharge such taxes.

(g) Adjustment of Terms of Conversion. Upon the occurrence of any

event that affects the Common Stock and that the Board of Directors determines would violate the general principle that each share of ESOP Convertible Preferred Stock shall be convertible into a number of shares of Common Stock (and cash for fractional shares) having a Common Stock Price on the Conversion Date equal to the product of (i) 0.00001 multiplied by (ii) the ESOP Convertible Preferred Stock Value as of the Conversion Date, or upon the determination by the Board of Directors that such event may occur, the Board of Directors shall modify the Conversion Price or the Conversion Ratio, or take any other action, as it determines in its sole discretion to be necessary or desirable in order to implement such general principle, provided, however, that any such action by the

Board of Directors pursuant to this Section 7(g) shall be supported by a written opinion of an investment banking firm of recognized national standing selected by the Corporation that such action is fair and reasonable to the ESOP from a financial standpoint. Any adjustment to the Conversion Ratio or other action taken pursuant to this Section 7(g) shall, to the extent determined by the Board of Directors to be applicable, also apply in determining the Redemption Price for any shares of ESOP Convertible Preferred Stock which are redeemed on or after the effective date of such adjustment or other action.

(h) Certificate as to Adjustments. Upon the occurrence of an

adjustment or readjustment of the Conversion Price or Conversion Ratio or other provision pursuant to this

Section 7, which adjustment or readjustment affects a conversion pursuant to Section 3 or 7, the Corporation at its expense shall, prior to the Conversion Date, compute such adjustment or readjustment in accordance with the terms hereof and furnish to the Investment Manager a certificate setting forth such adjustment or readjustment and showing in detail the facts upon which such adjustment or readjustment is based.

8. Redemption.

(a) Shares Released from the ESOP Loan Suspense Account. The

ESOP may, at the option of the Investment Manager, redeem any or all shares or fractions of a share of ESOP Convertible Preferred Stock when and as they are released from the ESOP Loan Suspense Account as provided in Treasury Regulation section 54.4975-11(c). The amount paid by the Corporation for shares so redeemed (the "Redemption Price") shall be equal to the product of (i) the number of whole and fractional shares to be redeemed, multiplied by (ii) the product of (A) 0.00001 multiplied by (B) the ESOP Convertible Preferred Stock Value as of the Redemption Date.

(b) Notice of Redemption. In the event of a redemption

pursuant to Section 8(a), the Investment Manager shall give notice (a "Redemption Notice") to the Corporation. Each Redemption Notice shall specify (i) the Redemption Date, (ii) the number of shares of ESOP Convertible Preferred Stock to be redeemed or the aggregate Redemption Price for all shares of ESOP Convertible Preferred Stock to be redeemed as of the applicable Redemption Date, (iii) the place or places for payment of the Redemption Price and method for surrender of the shares to be redeemed, (iv) that payment will be made upon surrender of shares of ESOP Convertible Preferred Stock, and (v) that the right of holders to convert shares of ESOP Convertible Preferred Stock shall terminate at the close of business on the Redemption Date (unless the Corporation defaults in the payment of the Redemption Price). The Redemption Notice must be given before the Redemption Date to which such notice is applicable.

(c) Redemption Procedures. On the Redemption Date, the

holder of shares of ESOP Convertible Preferred Stock shall surrender, or cause to be surrendered, such shares to the Corporation and shall thereupon be entitled to receive payment of the applicable Redemption Price for each such share. If a Redemption Notice shall have been given, as aforesaid, and if, on the Redemption Date, assets necessary for the redemption shall be legally available therefor and shall have been irrevocably deposited, set aside for or paid to the Plan, then, notwithstanding that the redeemed shares of ESOP Convertible Preferred Stock shall not have been surrendered, (i) such shares shall no longer be deemed outstanding, (ii) the holders thereof shall cease to be stockholders of the Corporation to the extent of their interest in such shares, and (iii) all rights whatsoever with respect to such shares of ESOP Convertible Preferred Stock shall terminate, except the right of the holders of such shares to receive the Redemption Price for each such share, without interest or any sum of money in lieu of interest thereon, upon surrender of their shares in the manner designated in the applicable Redemption Notice. Redemptions of ESOP Convertible Preferred Stock shall be effected as of the close of business on the Redemption Date before effecting any conversion for which the Conversion Date corresponds with the Redemption Date.

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(d) No Sinking Fund. The shares of ESOP Convertible

Preferred Stock shall not be subject to the operation of any retirement or sinking fund.

(e) Redeemed Shares. After the Redemption Date with respect

to any shares of ESOP Convertible Preferred Stock, such shares shall no longer be deemed to be outstanding and all rights with respect to such shares, including but not limited to the rights, if any, to receive notices or distributions and to vote, shall immediately cease and terminate on the Redemption Date, except only the right of the holders thereof to receive the Redemption Price therefor. Any shares of ESOP Convertible Preferred Stock redeemed pursuant to this Section 8 shall be retired and canceled after the acquisition thereof. All such shares shall upon their cancellation become authorized but unissued shares of Preferred Stock and may be reissued as part of a new series of Preferred Stock to be created by resolution or resolutions of the Board of Directors, subject to the conditions and restrictions set forth herein.

(f) Payment of Redemption Price. The Corporation, at its

option, may make payment of the Redemption Price (i) in cash, (ii) in shares of Common Stock, or (iii) in any combination of cash and shares of Common Stock. For purposes of determining the number of shares of Common Stock to be delivered by the Corporation in satisfaction, in whole or in part, of any Redemption Price, shares of Common Stock shall be valued at the Common Stock Price as of the Redemption Date.

9. Exchange.

(a) Exchange Right. The Investment Manager may, at any time,

require the Corporation to effect an exchange of all but not less than all of the outstanding shares of ESOP Convertible Preferred Stock held in the ESOP Loan Suspense Account on the Exchange Date in exchange for the Exchange Consideration (an "Exchange").

(b) Exchange Requirements and Procedures. In order to cause

the Corporation to effect an Exchange, (i) the Investment Manager shall deliver or cause to be delivered to the Corporation a written notice (an "Exchange Notice") requesting an Exchange and specifying the Business Day that shall be the effective date of the exchange (the "Exchange Date"), which shall not be less than sixty-one (61) days nor more than ninety (90) days after the date the Exchange Notice is given, (ii) the ESOP shall satisfy the Exchange Obligations by the Exchange Date, and (iii) the Investment Manager shall deliver, or cause to be delivered, to the Corporation a written instrument or instruments of

surrendering to the Corporation all shares of ESOP Convertible Preferred Stock outstanding at the Exchange Date, in form satisfactory to the Corporation. An Exchange shall be effected as of the close of business on the Exchange Date, after effecting any Conversion or Redemption for which the Conversion Date or Redemption Date, as applicable, corresponds with the Exchange Date. Upon satisfaction of all applicable requirements and procedures for an Exchange, the Corporation shall transfer, or cause the Marriott Asset Fund to transfer, the Exchange Consideration to the ESOP.

10. Consolidations, Mergers, etc. In the event the Corporation

shall enter into or engage in any consolidation, merger, share exchange, spin-off, split-up or similar transaction, pursuant to which (a) the outstanding shares of Common Stock are to be exchanged, changed,

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reclassified or converted into shares of capital stock of any successor or resulting or other company, or (b) shares of capital stock of a company other than the Corporation will be distributed to holders of Common Stock, the Board of Directors shall be entitled, but will not be required, to modify the Certificate of Incorporation in any respect, or make other provisions, as it determines in its sole discretion, and, anything in Section 6(b) to the contrary notwithstanding, without the consent of, or any vote by, the holders of the ESOP Convertible Preferred Stock, such that, effective upon consummation of such transaction, (x) some or all of the then-outstanding shares of ESOP Convertible Preferred Stock shall be converted into or exchanged for shares of convertible preferred stock of such successor, resulting or other company having in respect to such company the same powers, preferences and relative, participating, optional or other special rights and qualifications, limitations or restrictions that the shares of ESOP Convertible Preferred Stock had in respect of the Corporation immediately prior to such transaction, provided that after such transaction the shares of convertible preferred stock of such surviving, resulting or other company so received in such transaction, and the shares into which such convertible preferred stock shall be convertible, in each case shall be Qualifying Employer Securities with respect to the holder of such convertible preferred stock, and (y) appropriate adjustment shall be made to the terms and conditions of any shares of ESOP Convertible Preferred Stock which are not converted into or exchanged for shares of convertible preferred stock of a successor, resulting or other company as provided in clause (x) of this Section 10 to reflect the effect of such transaction provided, however, that the Board

of Directors shall obtain a written opinion of an investment banking firm of recognized national standing selected by the Corporation or the Board of Directors, that such transaction, and any actions taken by the Board of Directors pursuant to this Section 10, will be fair and reasonable to the ESOP from a financial standpoint.

11. Fractional Shares of ESOP Convertible Preferred Stock. ESOP

Convertible Preferred Stock may be held in fractions of a share but no such fraction shall be less than one ten millionth (1/10,000,000) of a share. Fractional shares may be converted, redeemed or exchanged as provided herein, and shall entitle the holder to participate in distributions and to have the benefit of all other rights of a holder of ESOP Convertible Preferred Stock.

12. Notices. All notices to be given or delivered to the

Corporation pursuant to this Certificate shall be given in writing and shall be deemed to have been given only upon receipt thereof by the Corporation at its principal executive offices as designated in its most recent filing pursuant to the Securities and Exchange Act of 1934 as amended, (or such other address as the Corporation shall specify in writing by notice to the holders of record of shares of the ESOP Convertible Preferred Stock), addressed to the General Counsel, and sent by certified mail, return receipt requested, by hand delivery, by facsimile transmission or by such other means as the Corporation and the holder of record of ESOP Convertible Preferred Stock may agree in writing. All notices to be given or delivered by the Corporation to the holder of record of shares of ESOP Convertible Preferred Stock shall be sent by hand delivery or by first class mail, postage prepaid, to such holders at their last addresses as they appear on the stock transfer books of the Corporation, or to any such holder by facsimile transmission to a number given by such holder to the Corporation. All notices to be given or delivered to the ESOP pursuant to this Certificate of Designation shall be given in writing and shall be sent by hand

delivery or by certified mail,

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return receipt requested, to the Investment Manager at Two International Place, Floor 34, Boston, MA 02110, Attn: Kelly Q. Driscoll/Marianne Sullivan (or such other address as the Investment Manager shall specify in writing by notice sent to the Corporation), addressed to the Investment Manager, or by facsimile transmission to (617) 664-2376 (or such other number for facsimile transmission as the Investment Manager shall specify in writing by notice sent to the Corporation).

[Signatures begin on the following page]

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IN WITNESS WHEREOF, the undersigned, does make, file and record this Certificate of Designation and does hereby certify that the facts herein stated are true, and accordingly hereto sets his hand this 13th day of June, 2000.

/s/ W. David Mann

W. David Mann

Certificate of Designation,
Preferences and Rights of the
Marriott International, Inc.
Capped Convertible Preferred Stock

I, W. David Mann, Secretary, of Marriott International, Inc., a corporation organized and existing under the General Corporation Law of the State of Delaware (the "Corporation"), in accordance with the provisions of Section 103 thereof, DO HEREBY CERTIFY:

That pursuant to the authority conferred upon the Board of Directors by the Amended and Restated Certificate of Incorporation of this Corporation, such Board of Directors on August 5, 1999, November 4, 1999 and June 13, 2000, adopted resolutions creating a series of one hundred thousand (100,000) shares of Preferred Stock designated as Capped Convertible Preferred Stock, as follows:

RESOLVED, that, pursuant to the authority expressly granted and vested in the Board of Directors of this Corporation in accordance with the provisions of its Amended and Restated Certificate of Incorporation, a series of Preferred Stock no par value, stated value of \$10,000 per share, of the Corporation be and hereby is established, and that the designation and amount thereof and voting powers, preferences, optional and other special rights of the shares of such series, and the qualifications, limitations or restrictions thereof are as follows:

1. Definitions. For purposes of this Certificate of Designation,

the following terms shall have the meanings described:

"Business Day" means any day other than a Saturday, Sunday or a Legal Holiday.

"Cap Amount" shall be 150% of the Floor Price from the Original Issue Date through the fourth anniversary of the Original Issue Date. After the fourth anniversary of the Original Issue Date through the fifth anniversary of the Original Issue Date, the Cap Amount will be 165% of the Floor Price. After the fifth anniversary of the Original Issue Date, the Cap Amount will be 175% of the Floor Price.

"Certificate of Incorporation" means the Corporation's Amended and Restated Certificate of Incorporation and any applicable certificate of designation, as the same may be amended from time to time.

"Closing Price" of any security on any date means the closing sale price of such security on the NYSE on such date, as reported in the NYSE Consolidated Tape, or, if such security is not listed or admitted for trading on the NYSE on that date, as reported in the composite transactions reporting system for the principal United States securities exchange on which such security is so listed or admitted for trading, or, if such security is not so listed or admitted, as reported on the National Association of Securities Dealers, Inc. (the "Nasdaq") Automated Quotation System, or, if not so reported, the last quoted bid price for such security in the over-the-counter market as reported by the National Quotation Bureau or similar organization, or, if such bid price is not

available, the market value of such security on such date as determined by a nationally recognized independent investment banking firm retained for the purpose.

"Common Stock" means the Class A Common Stock, \$0.01 par value per share, of the Corporation.

"Common Stock Price" means, on any specified date, the Closing Price of Common Stock on the last Trading Day before such date. The Common Stock Price shall be appropriately adjusted to take into account any dividends or distributions payable in Common Stock, or any reclassification, subdivision or combination of, or similar transaction involving, Common Stock with respect to

which the specified date is the Ex-Date.

"Conversion Amount Per Share" means the number of shares of Common Stock equal to

- (a) When the Common Stock Price as of the specified date is less than the Floor Price, the quotient obtained by dividing (i) the Floor Price by (ii) the Common Stock Price as of the specified date;
- (b) When the Common Stock Price as of the specified date is less than or equal to the Cap Amount and greater than or equal to the Floor Price, one share; and
- (c) When the Common Stock Price as of the specified date is greater than the Cap Amount, the quotient obtained by dividing (i) the Cap Amount by (ii) the Common Stock Price as of the specified date.

"Conversion Date" means the date specified in Section 7(b).

"Conversion Notice" means a notice given by the holder of Capped Convertible Preferred Stock to the Corporation which specifies the number of shares of Capped Convertible Preferred Stock to be converted.

"Conversion Ratio" means the product of (a) the quotient obtained by dividing (i) \$10,000 by (ii) the Floor Price, multiplied by the (b) Conversion Amount Per Share.

"Determination Date" means (a) when used with respect to any dividend or other distribution, the date fixed for the determination of the holders of the securities entitled to receive such dividend or distribution, or, if a dividend or distribution is paid or made without fixing such a date, the date of such dividend or distribution and (b) when used with respect to any subdivision, combination or reclassification of securities, the date upon which such subdivision, combination or reclassification becomes effective.

"Dividend Payment Dates" shall have the meaning set forth in Section 4(a).

"Dividend Period" means the quarterly period commencing on the date following any Dividend Payment Date and ending on the next-following Dividend Payment Date, or, in each

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such case as to particular shares of Capped Convertible Preferred Stock, such shorter period during which such shares are outstanding.

"ESOP" means the employee stock ownership plan feature of the Plan and any other employee stock ownership plan and trust that is designated by the Corporation and that assumes or becomes a transferee or a successor by merger, spin-off or split-up, of any of the assets and liabilities of such employee stock ownership plan feature.

"ESOP Convertible Preferred Stock" means the ESOP Convertible Preferred Stock, no par value, of the Corporation.

"ESOP Loan Suspense Account" means a suspense account maintained by the ESOP pursuant to Treasury Regulation section 54.4975-11(c) (1979).

"ESOP Note" means the Promissory Note dated June 13, 2000, made in favor of the Marriott Asset Fund.

"Exchange" has the meaning described in Section 9(a) of the Certificate of Designation, Preferences and Rights of the Marriott International, Inc. ESOP Convertible Preferred Stock, as the same may be amended from time to time.

"Ex-Date" means (a) when used with respect to any dividend or distribution, the first date on which the securities on which the dividend or distribution is payable trade regular way on the relevant exchange or in the relevant market without the right to receive such dividend or distribution, and (b) when used with respect to any subdivision, combination or reclassification

of securities, the first date on which the securities trade regular way on such exchange or in such market to reflect such subdivision, combination or reclassification becoming effective.

"Ex-Dividend Period" shall have the meaning set forth in Section 4(a).

"Extraordinary Cash Dividend" means, with respect to any security, a cash dividend or cash distribution on such security (other than a dividend or distribution in connection with a liquidation, dissolution or winding up of the issuer of such security) (the "Specified Dividend"), in an amount determined pursuant to the following sentence. If, upon the Trading Date prior to the date of the declaration (the "Declaration Date") with respect to the Specified Dividend, the aggregate per share amount of the Specified Dividend, together with the aggregate per share amounts of all cash dividends and cash distributions on such security with Ex-Dates occurring in the 360 consecutive day period ending on the date prior to the Ex-Date with respect to the Specified Dividend, exceeds 25% of the Common Stock Price on the Declaration Date with respect to the Specified Dividend, such excess shall be deemed to be an Extraordinary Cash Dividend.

"Floor Price" means the Common Stock Price on the Original Issue Date.

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"Investment Manager" means the investment manager of the ESOP from time to time or, if no person is serving as investment manager of the ESOP at any time, the trustee or trustees of the Plan.

"Legal Holiday" means any day on which banking institutions are authorized or obligated by law or executive order to close in New York, New York.

"Marriott Asset Fund" means the grantor trust established and owned by the Corporation for the purpose of holding and investing in the Capped Convertible Preferred Stock, subject to its terms.

"NYSE" means the New York Stock Exchange.

"Original Issue Date" means the date of original issuance of the Capped Convertible Preferred Stock.

"Per-Share Redemption Amount" means, as of any specified date, the product of (a) the quotient obtained by dividing (i) \$10,000 by (ii) the Floor Price, multiplied by (b) the product of (i) the Conversion Amount Per Share and (ii) the Common Stock Price on the specified date.

"Plan" means the Marriott International, Inc. Employees' Profit Sharing, Retirement and Savings Plan and Trust, and any other plan and trust qualified under Section 401(a) of the Code that is designated by the Corporation and that assumes or becomes a transferee or a successor by merger, spin-off or split-up, of any assets and liabilities of such plan.

"Purchase Money Note" means the Promissory Note dated June 13, 2000, made by the ESOP in favor of the Corporation.

"Record Date" shall have the meaning set forth in Section 4(a).

"Redemption Date" means the Business Day that is the effective date of a redemption pursuant to Section 8.

"Redemption Notice" means the notice described in Section 8(c).

"Redemption Price" means the sum of (a) the product of (i) the number of whole and fractional shares of Capped Convertible Preferred Stock redeemed, multiplied by (ii) the Per-Share Redemption Amount, plus (b) any accumulated and unpaid dividends payable pursuant to Section 4(a).

"Regular Cash Dividend" means, with respect to any security, any cash dividend or cash distribution with respect to such security other than an Extraordinary Cash Dividend.

"Trading Day" means, with respect to any security, (a) if the principal trading market for the applicable security is the NYSE or another national

securities exchange, a day on which the NYSE or such other national securities exchange is open for business, (b) if the principal trading market for the applicable security is the Nasdaq, a day on which a trade may be made on the

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Nasdaq National Market, or (c) if the applicable security is not listed, admitted for trading or quoted as provided in clause (a) or (b), any day Business Day. Any day for which there is no reported sales of Common Stock on the applicable exchange or market shall not be treated as a Trading Day.

2. Designation of the Series; Rank. The shares of such series of

Preferred Stock shall be designated as "Capped Convertible Preferred Stock" and the number of shares constituting such series shall be 100,000. The Capped Convertible Preferred Stock shall have no par value. As to dividends and upon liquidation, dissolution or winding up, the Capped Convertible Preferred Stock shall rank senior to the Common Stock, junior to the ESOP Convertible Preferred Stock and, unless otherwise provided in the Certificate of Incorporation, junior to all other existing and future classes or series of preferred stock of the Corporation.

3. Issuance and Automatic Conversion.

(a) Shares of Capped Convertible Preferred Stock shall be issued or sold by the Corporation only to the Marriott Asset Fund.

(b) In the event of any sale, transfer or other disposition other than to the Marriott Asset Fund or the ESOP Loan Suspense Account pursuant to an Exchange (including, without limitation, any transfer to any account in the Plan other than the ESOP Loan Suspense Account, any transfer to any participant in the Plan or any transfer upon a foreclosure or other realization upon shares of Capped Convertible Preferred Stock pledged as security for any loan or loans made to the ESOP) (hereafter a "transfer") of shares of Capped Convertible Preferred Stock without the written consent of the Corporation, which may be withheld by the Corporation in its sole and absolute discretion, the shares of Capped Convertible Preferred Stock so transferred, upon such transfer and without any further action by the Corporation or any other person, shall automatically convert into a whole number of shares of fully paid and nonassessable Common Stock equal to the product of the number of shares of Capped Convertible Preferred Stock so transferred multiplied by the Conversion Ratio, with the Conversion Date for such conversion being the effective date of such transfer. A cash adjustment in lieu of any fractional share of Common Stock shall be paid as provided in Section 7(c). Thereafter the person to whom the shares of Capped Convertible Preferred Stock are transferred, or the Plan in the event shares of Capped Convertible Preferred Stock are released or transferred from the ESOP Loan Suspense Account (hereinafter such person, or the Plan in such event, referred to as the "transferee") shall not have any of the powers, preferences or relative, participating, optional or special rights ascribed to the shares of Capped Convertible Preferred Stock transferred, but, rather, shall have only the powers and rights pertaining to the shares of Common Stock into which such shares of Capped Convertible Preferred Stock shall have been so converted. In the event of any conversion pursuant to this Section 3, such transferee shall be treated for all purposes as the recordholder of the shares of Common Stock into which its shares of Capped Convertible Preferred Stock shall have been converted as of the close of business on the Conversion Date.

(c) Shares of Capped Convertible Preferred Stock shall be uncertificated shares within the meaning of Section 158 of the General Corporation Law of the State of

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Delaware. Transfers of shares of ESOP Convertible Preferred Stock may only be effected by applicable entry or entries in the stock transfer books of the Corporation. The Corporation shall, as soon as practicable after surrender of the shares of Capped Convertible Preferred Stock converted pursuant to this Section 3 and payment of any transfer or similar tax payable by the holder (or provision to the Corporation of evidence reasonably satisfactory to the Corporation demonstrating that such taxes have been paid), deliver to such

transferee a certificate or certificates evidencing shares of Common Stock into which such shares of Capped Convertible Preferred Stock shall have been so converted together with a cash payment in respect of any fractional share of Common Stock otherwise issuable.

4. Dividends.

(a) Holders of shares of Capped Convertible Preferred Stock shall be entitled to receive, when, as and if declared by the Board of Directors, out of the assets of the Corporation at the time legally available therefor, cash dividends at a quarterly rate of \$112.50 per share (including a pro rated amount for any fractional share), and no more, which shall be fully cumulative, shall accumulate without interest from the Original Issue Date, and shall be payable, in cash, in arrears on September 13, December 13, March 13, and June 13, of each year (the "Dividend Payment Dates"), commencing September 13, 2000 (except that, if any such date is not a Business Day, then such dividend shall be payable on the first preceding Business Day), to holders of record as they appear upon the stock transfer books of the Corporation at the close of business on such record dates, not more than ninety (90) days preceding the related Dividend Payment Dates, as are fixed by the Board of Directors (each, a "Record Date"). The Record Date for any Dividend Payment Date may be such Dividend Payment Date. Holders at the close of business on a Record Date of shares of Capped Convertible Preferred Stock that are redeemed on a Redemption Date during the period (the "Ex-Dividend Period") between such Record Date and the corresponding Dividend Payment Date shall not (unless the Corporation elects otherwise, in its sole discretion), in their capacity as such, be entitled to receive the dividend payment on such Dividend Payment Date, but shall be entitled to receive accumulated and unpaid dividends on the Redemption Date as part of the Redemption Price. In the event the Marriott Asset Fund shall forgive interest due on the Purchase Money Note in an amount equal to any declared or accrued but unpaid dividend required under this Section 4(a), such amount shall not be treated as an accumulated and unpaid dividend payable pursuant to this Section 4(a).

(b) For any Dividend Period which does not end on a Dividend Payment Date, the dividend payable on each such share of the Capped Convertible Preferred Stock shall be computed on the basis of a 360-day year consisting of twelve 30-day months and four quarters consisting of three months each. The aggregate dividend paid to a holder of shares of Capped Convertible Preferred Stock shall be based on the aggregate number of whole and fractional shares of Capped Convertible Preferred Stock held by such holder at the close of business on the applicable Record Date and rounded to the nearest whole cent (with one-half cent rounded upward). Unless otherwise provided herein, dividends on each share of Capped Convertible Preferred Stock will be cumulative from and including the Original Issue Date to and excluding the earliest to occur of (i) the date of redemption of such share, (ii) the date of conversion of such share, and (iii) the date of final distribution of assets upon any voluntary or involuntary

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liquidation, dissolution or winding up of the Corporation. Holders of shares of the Capped Convertible Preferred Stock shall not be entitled to any dividend, whether payable in cash, property or stock, in excess of full cumulative dividends, or to any interest, or sum of money in lieu of interest, in respect of any dividend payment or payments on shares of the Capped Convertible Preferred Stock that may be in arrears. Any dividend payment made on shares of the Capped Convertible Preferred Stock shall first be credited against the earliest accumulated but unpaid dividend with respect to shares of the Capped Convertible Preferred Stock.

5. Liquidation Preference.

(a) In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Corporation, the holders of shares of Capped Convertible Preferred Stock then outstanding shall be entitled to be paid out of the assets of the Corporation available for distribution to its stockholders, after and subject to the payment in full of all amounts required to be distributed to the holders of any other class or series of stock of the Corporation ranking on liquidation senior and in preference to the Capped Convertible Preferred Stock (collectively referred to as "Senior Preferred

Stock"), but before any payment shall be made to the holders of Common Stock or any other class or series of stock ranking on liquidation junior to the Capped Convertible Preferred Stock (such Common Stock and other stock being collectively referred to as "Junior Stock") by reason of their ownership thereof, an amount equal to \$10,000 per share plus any dividends declared or accrued but unpaid thereon. If upon any such liquidation, dissolution or winding up of the Corporation, the remaining assets of the Corporation available for distribution to its stockholders shall be insufficient to pay the holders of shares of Capped Convertible Preferred Stock the full amount to which they shall be entitled, the holders of shares of Capped Convertible Preferred Stock and any class or series of stock ranking on liquidation on a parity with the Capped Convertible Preferred Stock shall share ratably in any distribution of the remaining assets and funds of the Corporation in proportion to the respective amounts which would otherwise be payable in respect of the shares held by them upon such distribution if all amounts payable on or with respect to such shares were paid in full.

(b) After the payment of all preferential amounts required to be paid to the holders of Senior Preferred Stock, Capped Convertible Preferred Stock and any other class or series of stock of the Corporation ranking on liquidation on a parity with the Capped Convertible Preferred Stock, upon the dissolution, liquidation or winding up of the Corporation, the holders of shares of Junior Stock then outstanding shall be entitled to receive the remaining assets and funds of the Corporation available for distribution to its stockholders.

6. Voting.

(a) General. The holders of shares of Capped Convertible Preferred Stock shall not be entitled to vote except as provided in Section 6(b) below.

(b) Class Voting Rights. So long as the Capped Convertible Preferred Stock is outstanding, the Corporation shall not, without the affirmative vote or consent of the holders of at least a majority of all outstanding shares of Capped Convertible Preferred Stock, voting separately as a class, amend, alter or repeal any provision of the Certificate of Incorporation,

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except as provided herein, so as to (i) affect adversely the special rights, preferences, qualifications, limitations or restrictions of the Capped Convertible Preferred Stock or (ii) increase the number of authorized, or issue additional, shares of Capped Convertible Preferred Stock; provided, however,

that the creation, authorization or issue, or reclassification of any authorized stock of the Corporation into, or increase in the authorized amount of, any class or series of stock of the Corporation ranking senior to or on a parity with the Capped Convertible Preferred Stock as to dividends or upon liquidation, dissolution or winding up of the Corporation, shall not be deemed to affect adversely the special rights, preferences, qualifications, limitations or restrictions of the Capped Convertible Preferred Stock or otherwise require the affirmative vote or consent of the holders of the Capped Convertible Preferred Stock.

(c) Class Voting Rights of ESOP Convertible Preferred Stock.

The Corporation shall not amend, alter or repeal the preferences, special rights or other powers of the Capped Convertible Preferred Stock of the Corporation, except as provided herein, so as to (i) decrease the number of shares issuable upon conversion of the Capped Convertible Preferred Stock as provided in Section 3 or Section 7, (ii) increase the number of shares of Capped Convertible Preferred Stock subject to redemption, (iii) reduce the Per-Share Redemption Amount for Capped Convertible Preferred Stock, or (iv) amend the requirements of this Section 6(c), without the written consent or affirmative vote of the holders of a majority of the then outstanding shares of ESOP Convertible Preferred Stock, given in writing or by vote at a meeting, consenting or voting (as the case may be) separately as a class.

7. Conversion.

(a) Conversion Right. Outstanding shares of Capped Convertible

Preferred Stock held in the ESOP Loan Suspense Account after an Exchange shall be convertible, at the option of the Investment Manager, at any time and from time to time, and without the payment of additional consideration, into such number of fully paid and nonassessable shares of Common Stock as is determined by multiplying (i) the number of shares of Capped Convertible Preferred Stock to be converted by (ii) the Conversion Ratio as of the Conversion Date. Outstanding shares of Capped Convertible Preferred Stock shall not be convertible by the Marriott Asset Fund.

(b) Conversion Procedures.

(i) In order to convert shares of Capped Convertible Preferred Stock into shares of Common Stock after an Exchange, the Investment Manager shall deliver, or cause to be delivered, to the Corporation or another place designated by the Corporation in a written notice sent to the ESOP, (A) a Conversion Notice, (B) a written instrument or instruments of transfer for the shares of Capped Convertible Preferred Stock being converted, in form satisfactory to the Corporation, duly executed by the Investment Manager, and (C) if required pursuant to Section 7(f), an amount sufficient to pay any transfer or similar tax which is not payable by the Corporation (or evidence reasonably satisfactory to the Corporation demonstrating that such taxes have been paid). Any conversion pursuant to Section 7(a) shall be deemed to have been effected at the close of business on the Business Day on which all of the items specified in the immediately preceding sentence have been received by the Corporation,

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and any conversion pursuant to Section 3 shall be deemed to have been effected the date of any transfer described in Section 3 (in each case, the "Conversion Date").

(ii) Except as provided in Section 4(a), the holder of a share of Capped Convertible Preferred Stock at the close of business on a Record Date shall be entitled to receive the dividend payable thereon on the corresponding Dividend Payment Date notwithstanding the conversion thereof during the Ex-Dividend Period or the Corporation's default in the payment of the dividend due on such Dividend Payment Date; provided, however, that, with respect to each

share of Capped Convertible Preferred Stock surrendered for conversion during the Ex-Dividend Period, the Corporation shall retain a number of shares of Common Stock (or other securities or assets) otherwise required to be delivered upon such conversion equal to (A) the dividend payable on such share of Capped Convertible Preferred Stock, divided by (B) the Common Stock Price as of the Conversion Date. Except as provided for above, no payments or adjustments in respect of dividends on shares of Capped Convertible Preferred Stock surrendered for conversion (whether or not in arrears) or on account of any dividend on the shares of Common Stock issued upon conversion shall be made upon the conversion of any shares of Capped Convertible Preferred Stock.

(iii) The Corporation shall, as soon as practicable after the Conversion Date, issue and deliver to the person specified in the Conversion Notice a certificate or certificates evidencing the number of full shares of Common Stock to which such person shall be entitled, together with a cash payment in respect of any fractional shares of Common Stock otherwise issuable. The person or persons entitled to receive the shares of Common Stock deliverable upon conversion of such shares of Capped Convertible Preferred Stock shall be treated for all purposes as the record holder or holders of such shares of Common Stock on the relevant Conversion Date, unless the stock transfer books of the Corporation shall be closed on such Conversion Date, in which event such person or persons shall be deemed to have become such holder or holders of record at the close of business on the next succeeding day on which such stock transfer books are open, but such conversion shall be based upon the Conversion Ratio in effect on such Conversion Date.

(c) Fractional Shares. No fractional shares or scrip representing

fractional shares of Common Stock shall be issued upon conversion of any shares of Capped Convertible Preferred Stock. If more than one share of Capped Convertible Preferred Stock shall be surrendered for conversion at one time by

the same record holder, the number of full shares of Common Stock issuable upon conversion thereof shall be computed on the basis of the aggregate number of shares of Capped Convertible Preferred Stock which are converted. In lieu of any fractional share of Common Stock that would otherwise be issuable upon conversion of any shares of Capped Convertible Preferred Stock, the Corporation shall pay a cash adjustment in respect of such fractional share in an amount equal to the same fraction of the Conversion Price of the Common Stock as of the Conversion Date, calculated to the nearer cent, with one-half cent rounded upward.

(d) Reservation and Authorization of Shares. The Corporation shall at -----
all times when the Capped Convertible Preferred Stock shall be outstanding, reserve and keep

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available out of its authorized but unissued stock, for the purpose of effecting the conversion of the Capped Convertible Preferred Stock, such number of its duly authorized shares of Common Stock as shall from time to time be sufficient to effect the conversion of all outstanding shares of Capped Convertible Preferred Stock.

(e) Converted Shares. After the Conversion Date with respect to any -----
shares of Capped Convertible Preferred Stock, such shares shall no longer be deemed to be outstanding and all rights with respect to such shares, including but not limited to the rights, if any, to receive notices, dividends or other distributions and to vote, shall immediately cease and terminate on the Conversion Date, except only the right of the holders thereof to receive shares of Common Stock (and cash in lieu of fractional shares) in exchange therefor. Any shares of Capped Convertible Preferred Stock converted pursuant to Section 3 or Section 7 shall be retired and canceled after the acquisition thereof. All such shares shall upon their cancellation become authorized but unissued shares of Preferred Stock and may be reissued as part of a new series of Preferred Stock to be created by resolution or resolutions of the Board of Directors, subject to the conditions and restrictions set forth herein.

(f) Payment of Taxes. The Corporation shall pay any and all issue and -----
other taxes that may be payable in respect of any issuance or delivery of shares of Common Stock upon conversion of shares of Capped Convertible Preferred Stock pursuant to this Section 7. The Corporation shall not, however, be required to pay any tax which may be payable in respect of any transfer involved in the issuance and delivery of shares of Common Stock in a name other than that in which the shares of Capped Convertible Preferred Stock so converted were registered, and no such issuance or delivery shall be made unless and until the person or entity requesting such issuance has paid to the Corporation the amount of any such tax or has established, to the satisfaction of the Corporation, that such tax has been paid. To the extent required by law, the Corporation may, upon any conversion of shares of Capped Convertible Preferred Stock, retain any shares of Common Stock (or other securities or assets) otherwise required to be delivered upon such conversion to the extent necessary to provide for the payment of taxes required to be withheld or deducted by the Corporation, and paid to any taxing authority having jurisdiction, from amounts otherwise due to the holder; provided, however, that the Corporation shall apply such shares or other securities or assets (or cash received upon disposition thereof), or make other provision, to discharge such taxes.

(g) Adjustment of Terms of Conversion. Upon the occurrence of any -----
event that affects the Common Stock and that the Board of Directors determines would violate the general principle that each share of Capped Convertible Preferred Stock shall be convertible into a number of shares of Common Stock (and cash for fractional shares) equal to the product of (i) the quotient obtained by dividing \$10,000 by the Floor Price, multiplied by (ii) the Conversion Amount Per Share as of the Conversion Date, or upon the determination by the Board of Directors that such event may occur, the Board of Directors shall modify the Conversion Ratio, the Conversion Amount Per Share or the Cap Amount, or take any other action pursuant to this Section 7(g), as it determines in its sole discretion to be necessary or desirable in order to implement such general principle, provided, however, that any such action by the Board of -----
Directors pursuant to this Section 7(g) shall be supported by a written opinion

an investment banking firm of recognized national standing selected by the Corporation that such action is fair and reasonable to the ESOP from a financial standpoint. Any adjustment or other action taken pursuant to this Section 7(g) shall, to the extent determined by the Board of Directors to be applicable, also apply in determining the Redemption Price for any shares of Capped Convertible Preferred Stock which are redeemed on or after the effective date of such adjustment or other action.

8. Redemption.

(a) Shares Held by the Marriott Asset Fund. If the shares of

Capped Convertible Preferred Stock are held by the Marriott Asset Fund, on each of the due dates for quarterly interest payments on the Purchase Money Note (each such date, a Redemption Date), the Corporation shall redeem a number of shares of Capped Convertible Preferred Stock equal to the least of (i) the number of shares of Capped Convertible Preferred Stock held by the Marriott Asset Fund as of the Redemption Date, (ii) the quotient obtained by dividing (A) the excess of (i) the product of (x) a fraction, the numerator of which is the excess, if any, of the Common Stock Price on such Redemption Date, over the Floor Price, and the denominator of which is the Floor Price, multiplied by (y) \$1,000,000,000, over (ii) the cumulative dollar amount, as of the day immediately prior to such Redemption Date, of the Redemption Price paid with respect to all prior redemptions of shares of Capped Convertible Preferred Stock held by the Marriott Asset Fund pursuant to this Section 8(a) (determined without regard to any portion of the Redemption Price attributable to accumulated and unpaid dividends payable pursuant to Section 4(a)), by (B) the Per-Share Redemption Amount for shares of Capped Convertible Preferred Stock as of such Redemption Date, or (iii) the quotient obtained by dividing (A) the excess, if any, as of such Redemption Date of (i) the outstanding principal balance and any interest that has become due and payable but is unpaid on the Purchase Money Note, over (ii) the outstanding principal balance and any interest that has become due and payable but is unpaid on the ESOP Note, by (B) the Per-Share Redemption Amount.

(b) Shares Released from the ESOP Loan Suspense Account. If

shares of Capped Convertible Preferred Stock are held by the ESOP after an Exchange, the ESOP may, at the option of the Investment Manager, redeem any or all shares or fractions of a share of Capped Convertible Preferred Stock when and as they are released from the ESOP Loan Suspense Account as provided in Treasury Regulation section 54.4975-11(c).

(c) Notice of Redemption. In the event of a redemption pursuant

to Section 8(a), the Corporation shall give notice (a "Redemption Notice") to the Marriott Asset Fund and the ESOP. In the event of a redemption pursuant to Section 8(b), the ESOP shall give a Redemption Notice to the Corporation. Each Redemption Notice shall specify (i) the Redemption Date, (ii) the number of shares of Capped Convertible Preferred Stock to be redeemed or the aggregate Redemption Price for all shares of Capped Convertible Preferred Stock to be redeemed as of the applicable Redemption Date, and (iii) the place or places for payment of the Redemption Price and method for surrender of the shares to be redeemed. A Redemption Notice with respect to a redemption pursuant to Section 8(a) may be given on or

before the Redemption Date. A Redemption Notice with respect to a redemption pursuant to Section 8(b) must be given before the Redemption Date.

(d) Redemption Procedures. On the Redemption Date, the holder

of shares of Capped Convertible Preferred Stock shall surrender, or cause to be surrendered, the shares to the Corporation and shall thereupon be entitled to receive payment of the applicable Redemption Price. If a Redemption Notice shall have been given, as aforesaid, and if, on the Redemption Date, assets necessary

for the redemption shall be legally available therefor and shall have been irrevocably deposited or set aside for, or paid to, the holder of the redeemed shares, then, notwithstanding that the redeemed shares of Capped Convertible Preferred Stock shall not have been surrendered, (i) such shares shall no longer be deemed outstanding, (ii) the holders thereof shall cease to be stockholders of the Corporation to the extent of their interest in such shares, and (iii) all rights whatsoever with respect to such shares of Capped Convertible Preferred Stock shall terminate, except the right of the holders of such shares to receive the Redemption Price, without interest or any sum of money in lieu of interest thereon, upon surrender of their shares in the manner designated in the applicable Redemption Notice. Redemptions of shares of Capped Convertible Preferred Stock shall be effected as of the close of business on the Redemption Date before effecting any conversion for which the Conversion Date corresponds with the Redemption Date.

(e) No Sinking Fund. The shares of Capped Convertible Preferred Stock shall not be subject to the operation of any retirement or sinking fund.

(f) Redeemed Shares. After the Redemption Date with respect to any shares of Capped Convertible Preferred Stock, such shares shall no longer be deemed to be outstanding and all rights with respect to such shares, including but not limited to the rights, if any, to receive notices, dividends or other distributions and to vote, shall immediately cease and terminate on the Redemption Date, except only the right of the holders thereof to receive the Redemption Price therefor. Any shares of Capped Convertible Preferred Stock redeemed pursuant to this Section 8 shall be retired and canceled after the acquisition thereof. All such shares shall upon their cancellation become authorized but unissued shares of Preferred Stock and may be reissued as part of a new series of Preferred Stock to be created by resolution or resolutions of the Board of Directors, subject to the conditions and restrictions set forth herein.

(g) Payment of Redemption Price. The Corporation, at its option, may make payment of the Redemption Price for shares of Capped Convertible Preferred Stock held by the Marriott Asset Fund before an Exchange (i) in cash, (ii) by forgiveness of principal and/or interest on the Purchase Money Note, or (iii) in any combination of cash and forgiveness of principal and/or interest on the Purchase Money Note. The Corporation, at its option, may make payment of the Redemption Price for shares of Capped Convertible Preferred Stock held by the ESOP after an Exchange (x) in cash, (y) in shares of Common Stock, or (z) in any combination of cash and shares of Common Stock. For purposes of determining the number of shares of Common Stock to be delivered by the Corporation in satisfaction, in whole or in part, of any Redemption Price for shares of Capped Convertible Preferred Stock held by the ESOP after an

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Exchange, shares of Common Stock shall be valued at the Common Stock Price as of the Redemption Date.

9. Adjustment of Floor Price. The Floor Price shall be subject to adjustment from time to time as follows:

(a) If the Corporation shall fix a Determination Date with respect to the payment or making of a dividend or other distribution on shares of Common Stock exclusively in shares of Common Stock, the Floor Price in effect as of the opening of business on the day following the Determination Date shall be decreased by multiplying such Floor Price by a fraction (i) the numerator of which shall be one and (ii) the denominator of which shall be the sum of one and the number of shares, or fraction thereof, constituting such dividend or other distribution to be paid or made in respect of each share of Common Stock.

(b) If the Corporation shall fix a Determination Date with respect to the making of a dividend or other distribution on shares of Common Stock consisting exclusively of rights or warrants entitling the holders thereof to subscribe for or purchase, during a period not exceeding 45 days from the date of such dividend or other distribution, shares of Common Stock at a price per share less than the Common Stock Price on the Ex-Date for such dividend or distribution, the Floor Price in effect as of the opening of business on the day following the Determination Date shall be decreased by multiplying such Floor

Price by a fraction (i) the numerator of which shall be the sum of one plus a fraction, the numerator of which is equal to the product of (A) the number of shares of Common Stock that may be subscribed for or purchased pursuant to the rights or warrants paid as a dividend on, or distributed in respect of, each share of Common Stock and (B) the per share subscription or purchase price of such rights or warrants, and the denominator of which is equal to the Common Stock Price on the Ex-Date, and (ii) the denominator of which shall be the sum of one plus the number of shares of Common Stock that may be subscribed for or purchased pursuant to the rights or warrants paid as a dividend on, or distributed in respect of, each share of Common Stock.

(c) If outstanding shares of Common Stock shall be subdivided into a greater number of shares of Common Stock or combined into a smaller number of shares of Common Stock, the Floor Price in effect at the opening of business on the Determination Date shall be proportionately decreased or increased, respectively.

(d) If the Corporation shall fix a Determination Date with respect to the making of a dividend or other distribution on shares of Common Stock (other than a dividend or distribution referred to in Section 9(a) or 9(b), or in connection with a liquidation, dissolution or winding up of the Corporation) consisting of evidences of its indebtedness, shares of any class of capital stock or other assets (including securities and Extraordinary Cash Dividends, but excluding Regular Cash Dividends) (any of the foregoing, other than any such excluded dividend or distribution, being hereinafter referred to as "Assets"), then, in each such case, the Floor Price in effect as of the opening of business on the day following the Determination Date shall be decreased by multiplying such Floor Price by a fraction (i) the numerator of which shall be the Common Stock Price on the Determination Date less the fair market value on the Determination

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Date of the portion of the Assets so distributed applicable to one share of Common Stock and (ii) the denominator of which is the Common Stock Price on the Determination Date.

(e) If the Floor Price is adjusted pursuant to Section 9(a), 9(b) or 9(d), as a result of the Corporation fixing a Determination Date, and the dividend or distribution with respect to which such Determination Date was fixed is not paid or made, or is only paid or made in part, the Floor Price in effect as of the opening of business on the day following the date on which such dividend or distribution was to have been paid or made shall be adjusted to equal either (i) if such dividend or distribution is not paid or made, the Floor Price that would then be in effect if such Determination Date had not been fixed, or (ii) if such dividend or distribution is only paid or made in part, the Floor Price that would then be in effect if the adjustment made as of the opening of business on the day following the Determination Date had been made on the basis of a dividend or distribution in the amount actually paid or made. If the Floor Price is adjusted pursuant to Section 9(b) as a result of the Corporation fixing a Determination Date for a dividend or distribution consisting of rights or warrants, and any of such rights or warrants expire unexercised, the Floor Price in effect as of the opening of business on the day following the date of expiration of such rights or warrants shall be adjusted to equal the Floor Price that would then be in effect if the adjustment made as of the opening of business on the day following the Determination Date with respect to such dividend or distribution had been made assuming that the number of shares of Common Stock that could be subscribed for or purchased pursuant to the rights or warrants paid as a dividend on, or distributed in respect of, each share of Common Stock had been multiplied by a fraction, the numerator of which is equal to the total number of such rights or warrants that were actually exercised and the denominator of which is equal to the total number of such rights or warrants that were paid as a dividend or distributed.

(f) No adjustment in the Floor Price pursuant to this Section 9 shall be required unless such adjustment would require an increase or decrease of at least 1% in the Floor Price; provided, however, that any adjustments which

by reason of this subparagraph (f) are not required to be made shall be carried forward and taken into account in determining whether any subsequent adjustment shall be required.

(g) No adjustment need be made for a transaction referred to

in Section 9(a), 9(b) or 9(d) if the holder of the Capped Convertible Preferred Stock is to participate in the transaction on a basis and with notice that the Board of Directors determines to be fair and appropriate in light of the basis and notice on which holders of the Common Stock participate in the transaction; provided, however, that any such action of the Board of Directors pursuant to

this Section 9(g) shall be supported by a written opinion of an investment banking firm of recognized national standing selected by the Corporation that such action is fair and reasonable to the ESOP from a financial standpoint.

(h) When the Floor Price is adjusted as provided in this Certificate of Designation:

(i) the Corporation shall compute the adjustment and shall prepare a certificate signed by the Treasurer or an Assistant Treasurer of the Corporation setting forth the

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adjusted Floor Price and showing in reasonable detail the facts upon which such adjustment is based; and

(ii) a notice stating that the Floor Price has been adjusted and setting forth the adjusted Floor Price shall as soon as practicable after the Corporation has calculated such adjustment be mailed by the Corporation to the record holder of shares of Capped Convertible Preferred Stock.

(i) In any case in which this Section 9 provides that an adjustment shall become effective as of the opening of business on the day following the Determination Date with respect to a dividend or distribution or on the day on which a subdivision or combination becomes effective, the Corporation may defer until such dividend, distribution, subdivision or combination is effected (i) issuing to the holder of any share of Capped Convertible Preferred Stock converted after such day and before such dividend, distribution, subdivision or combination is effected any additional shares of Common Stock issuable upon such conversion by reason of the adjustment required by such event over and above the shares of Common Stock issuable upon such conversion before giving effect to such adjustment and (ii) paying to such holder any amount in cash in lieu of any fractional share of Common Stock pursuant to Section 7(c).

10. Consolidations, Mergers, etc. In the event the Corporation shall

enter into or engage in any consolidation, merger, share exchange, spin-off, split-up or similar transaction, pursuant to which (a) the outstanding shares of Common Stock are to be exchanged, changed, reclassified or converted into shares of capital stock of any successor or resulting or other company, or (b) shares of capital stock of a company other than the Corporation will be distributed to holders of Common Stock, the Board of Directors shall be entitled, but will not be required, to modify the Certificate of Incorporation in any respect, or make other provisions, as it determines in its sole discretion, and, anything in Section 6(b) to the contrary notwithstanding, without the consent of, or any vote by, the holders of the Capped Convertible Preferred Stock such that, effective upon consummation of such transaction, (x) some or all of the then-outstanding shares of Capped Convertible Preferred Stock shall be converted into or exchanged for shares of convertible preferred stock of such successor, resulting or other company having in respect to such company the same powers, preferences and relative, participating, optional or other special rights and qualifications, limitations or restrictions that the shares of Capped Convertible Preferred Stock had in respect of the Corporation immediately prior to such transaction, provided that after such transaction the shares of convertible preferred stock of such surviving, resulting or other company so received in such transaction, and the shares into which such convertible preferred stock shall be convertible, in each case shall be Qualifying Employer Securities with respect to the holder of such convertible preferred stock, and (y) appropriate adjustment shall be made to the terms and conditions of any shares of Capped Convertible Preferred Stock which are not converted into or exchanged for shares of convertible preferred stock of a successor, resulting or other company as provided in clause (x) of this Section 10 to reflect the effect of such transaction, provided, however, that the Board of Directors shall obtain

a written opinion of an investment banking firm of recognized national standing

selected by the Board

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of Directors or the Corporation, that such transaction, and any actions taken by the Board of Directors pursuant to this Section 10, will be fair and reasonable to the ESOP from a financial standpoint.

11. Shares Held for Exchange. Any shares of Capped Convertible

Preferred Stock that are withdrawn by the Corporation from the Marriott Asset Fund as provided in the constituent documents for the Marriott Asset Fund shall be held by the Corporation as treasury stock and shall be reserved and kept available for purposes of effecting the exchange right of the ESOP as described in the Certificate of Designation, Preferences and Rights of Marriott International, Inc. ESOP Convertible Preferred Stock, as the same may be amended from time to time.

12. Fractional Shares of Capped Convertible Preferred Stock. Capped

Convertible Preferred Stock may be held in fractions of a share but no such fraction shall be less than one ten millionth (1/10,000,000) of a share. Fractional shares may be converted or redeemed and shall entitle the holder to participate in distributions and to have the benefit of all other rights of holders of Capped Convertible Preferred Stock.

13. Notices. All notices to be given or delivered to the Corporation

pursuant to this Certificate shall be given in writing and shall be deemed to have been given only upon receipt thereof by the Corporation at its principal executive offices as designated in its most recent filing pursuant to the Securities and Exchange Act of 1934 as amended, (or such other address as the Corporation shall specify in writing by notice to the holders of record of shares of the Capped Convertible Preferred Stock), addressed to the General Counsel, and sent by certified mail, return receipt requested, by hand delivery, by facsimile transmission or by such other means as the Corporation and the holder of record of Capped Convertible Preferred Stock may agree in writing. All notices to be given or delivered by the Corporation to the holder of record of shares of Capped Convertible Preferred Stock shall be sent by hand delivery or by first class mail, postage prepaid, to such holders at their last addresses as they appear on the stock transfer books of the Corporation, or to any such holder by facsimile transmission to a number given by such holder to the Corporation. All notices to be given or delivered to the Investment Manager or the ESOP pursuant to this Certificate of Designation shall be given in writing and shall be sent by hand delivery or by certified mail, return receipt requested, to the Investment Manager at Two International Place, Floor 34, Boston, MA 02110, Attn: Kelly Q. Driscoll/Marianne Sullivan (or such other address as the Investment Manager shall specify in writing by notice sent to the Corporation), addressed to the Investment Manager, or by facsimile transmission to (617) 664-2376 (or such other number for facsimile transmission as the Investment Manager shall specify in writing by notice sent to the Corporation).

[Signatures begin on the following page]

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IN WITNESS WHEREOF, the undersigned, does make, file and record this Certificate of Designation and does hereby certify that the facts herein stated are true, and accordingly hereto sets his hand this 13th day of June, 2000.

/s/ W. David Mann

W. David Mann

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

	Twenty-four weeks ended June 16, 2000 -----
Income before income taxes	\$349
Loss/(income) related to equity method investees	3

	352
Add/(deduct):	
Fixed charges	96
Interest capitalized	(18)
Distributed income of equity method investees	0

Earnings available for fixed charges	\$430
	====
Fixed charges:	
Interest expensed and capitalized (1)	\$68
Estimate of interest within rent expense	28

Total fixed charges	\$96
	====
Ratio of earnings to fixed charges	4.5
	====

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

<ARTICLE> 5

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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 lodging and senior living facilities entails entering into and maintaining various arrangements with present and future property owners, including Host Marriott Corporation, Crestline Capital 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, (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 and senior living community 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 level of demand for hotel rooms, 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.

Internet Reservation Channels: Some of our hotel rooms are booked through internet travel intermediaries such as Travelocity 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. If this happens our business and profitability may be significantly harmed.