

Forward Looking Statements

This presentation contains “forward-looking statements” within the meaning of federal securities laws, including statements about future properties and their anticipated contributions to our operating results; the construction and sales pace for new properties, upcoming sales of timeshare mortgage notes, and similar statements concerning anticipated events that are not historical facts. We caution you that these statements are not guarantees of future performance and are subject to numerous risks and uncertainties, including volatility in the economy and the credit markets; supply and demand changes for timeshare, fractional and residential products; competitive conditions; the availability of capital to finance unit growth; and other matters referred to under the heading “Risk Factors” in our most recent annual report on Form 10-K, any of which could cause actual results to differ materially from those expressed in or implied in this presentation. These statements are made as of February 26, 2008 and we undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.



Marriott International, Inc.
Timeshare Security Analyst Meeting Transcript¹
The Ritz-Carlton Grande Vista, Orlando, FL
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Laura Paugh, Senior Vice President Investor Relations, Marriott International

Laura Paugh: Good morning, everyone. Let’s get started. Has everybody got a seat? Everybody got their coffee?

Good morning and welcome to Marriott International’s Timeshare Analyst Day. My name is Laura Paugh and I’m the Senior Vice President of Investor Relations for Marriott International. It’s nice to see so many old friends here today. I hope you enjoyed your tour this morning of Grande Vista.

The first time I came to Orlando years ago with my kids it was to pay homage to the great Disney, as I’m sure many of you have done. But after having spent a great time with Disney, my kids wanted a vacation from their vacation and fortunately we were staying with Vacation Club so there was fishing, boating and swimming opportunities. And I’m sure if they’re like your kids, they were very experienced and savvy consumers. Even then they really knew what they liked and it was really Marriott Vacation Club that made the impression on that trip.

Also, welcome to those who are joining us via the webcast. If you haven’t experienced a Marriott Timeshare product, we suggest you visit soon and I would suggest that you bring your family to really appreciate and understand this successful product.

Before we begin, let me remind everyone that many of our comments today are not historical facts and are considered forward-looking statements under federal securities laws. These statements are subject to numerous risks and uncertainties as described in our SEC filings, which could cause future results to differ materially from those expressed in or implied by our comments. Forward-looking statements included in the slide presentations along with our remarks today are effective only today, February 26, 2008 and will not be updated as actual events unfold.

You can find a reconciliation of our non-GAAP financial measures referred to in the slides at the back of your books. That’s for those in the room. For those who are not in the room, you can find those reconciliations on our website, www.marriott.com/investor.

¹This transcript is not a verbatim reproduction and has been edited by the company. Statements included in any footnotes to the transcript provide additional explanations.

We considered carefully how to spend today. Talking to investors every day, the most common questions that I get are about current lodging and economic trends. But the biggest knowledge gap on the Street is about the timeshare business. So we decided to bring together today the experts so you can kick the tires on this business and hopefully understand why we love it as much as we do.

Dictionary.com provides a pretty good definition of timeshare. It's defined as "a plan in which persons share ownership or rental costs of a vacation home, especially a condominium, entitling each principal to use the residence for a specific time each year." I would add that the timeshare business is all about developing and selling that product.

At Marriott International, of course, it's become much, much more. And fundamentally it's about the experience and that's what we're selling and that's what's allowed us to grow this business so successfully. So to get this started I thought I'd provide a bit of a tutorial about where timeshare fits into Marriott and how we will approach this topic today.

As I'm sure most of you are aware, Marriott's businesses are divided into five segments for reporting purposes: North American full service, North American limited service, our international operations, luxury and timeshare. For readers of the Annual Report, and I know all of you have read it cover to cover, the segment disclosures are in the back and are recommended reading.

Within the timeshare segment we have four business lines. Marriott Vacation Club and Horizons by Marriott are timeshare brands. They're largely selling one week product. If you look at the agenda today you'll see all of our speakers. Lee Cunningham will give you an overview of our timeshare product focusing largely on Marriott Vacation Club. He'll talk about the nuts and bolts of the business from marketing strategies to our outlook for inventory and show you some of the new product that's coming out of the ground.

While I know you're all here to learn about timeshare. We've also included a guest speaker today to talk about the Ritz-Carlton brand. Ken Rehmann, EVP of Operations for Ritz-Carlton, is going to speak a bit about the Ritz-Carlton Hotel Company, its brand positioning, growth trajectory and business extension opportunities. It's a relevant topic because the success of Marriott's overall timeshare business has much to do with its lodging partnerships, both including Marriott Hotels and Resorts as well as Ritz-Carlton.

Pete Watzka is our fractional expert. He'll provide an overview of Ritz-Carlton Club and Residences and explain how we leverage that very valuable name. You'll note that Carolyn Handlon, Marriott's Treasurer, will also join us to speak about financing. And in today's interesting capital markets, her observations may be reassuring. Finally, Victoria Dolan, CFO of MVCI will explain timeshare economics and long-term forecasting, probably the most in-demand topic I've come across in a long time. So that's why we saved Victoria for last.

Victoria will also provide some timeshare accounting training. Don't worry, there won't be a test. But I thought I'd give you a head start with a couple of definitions. The first definition that's important to understand in all of these presentations is contract sales. Contract sales are the gross sales of timeshare, fractional and residential products, both from our wholly-owned and joint venture projects, before any adjustment for percentage of completion accounting. This is the

number to watch to see how our sales force is doing and how consumers are reacting and responding to our products.

The next measure is timeshare sales and services revenue. This is the revenue that appears on the face of the P&L and it's the one that most of you typically focus on. It's largely revenue from the sale of our timeshare products and it includes the impact of the accounting rules pertaining to deferred revenue, as well as financing and services income. It does not include the base management fees or joint venture income. So it really only tells part of a story. If you look at that net of its direct expenses, it also includes product costs, sales and marketing costs, financing and other direct costs. But here again, there's many pieces of the business that are not included so if you only look at that, you're missing part of the picture.

Timeshare segment revenue, on the other hand, includes all of the revenue streams attributable to the timeshare business that appear across the P&L. This includes base fees, the timeshare sales and services revenue I just mentioned as well as cost reimbursements. We've been disclosing additional information about timeshare segment revenue on one of the back pages of the press releases now for about a year.

Timeshare segment results includes timeshare segment revenue net of all of the direct expenses of the business, including their joint venture income, minority interest, G&A, that's attributable just to the timeshare business. And if you want to know what we make doing timeshare, this is your number.

Our timeshare segment carries the name Marriott Vacation Club International. So sometimes we call that MVCI and that refers to the entire business and that business can be divided into timeshare, fractional and residential. As we think about the timeshare product, we're typically referring to that one week product sold by Marriott Vacation Club at 46 resorts. Horizons by Marriott is a moderately priced product that's sold at two resorts. Our fractional products include Ritz-Carlton Club with ten resorts and our Grand Residences with three. Both brands are frequently developed as mixed use projects with the residential brands shown below.

You have the agenda in the front of your book. We've added a glossary of timeshare terms in the back, which I found actually quite helpful in pulling it together. It's our free gift for you for visiting with us today. After today's presentations we'll move on to your favorite part, the Q&A. Each of our speakers will join us on stage for a 45 minute session. For those of you who are joining via the web, you will see a link to be able to forward your questions to us as well. Feel free to send us questions throughout the presentations. We'll respond to as many of those as we can during the Q&A.

For those of you who are here in Orlando, the speakers will also be available at lunch and during the break to respond to your questions as well. Their excitement about this business is contagious, so I warn you.

We'll then adjourn to the Ritz-Carlton Ballroom numbers 4, 5 and 6, just out the door to the left, for lunch. Seating is open for all of you, our guests, but it's assigned for Marriott associates and you can see the assignments also just behind the agenda. So you can pick your favorite Marriott executive that you would like to grill for lunch.

So we certainly have a full day planned. So let's get going. I'd like to first introduce our first speaker, Steve Weisz. Steve just celebrated his 35th anniversary with Marriott. When he joined the company we had 18 hotels compared to 3,000 today. He's one of the many Marriott leaders that made that growth possible. He became President of Marriott Vacation Club International just ten years ago and has fueled growth here as well. At Marriott, Steve and timeshare are synonymous and there is no one who is better able to introduce the business. Steve?

Steve Weisz, President, Marriott Vacation Club International

Steve Weisz: Thank you, Laura. Good morning, everyone. A very warm welcome to Marriott International's Timeshare Analyst Day. A special thanks for joining us here in Orlando. I know it was probably tough having to come out of the Northeast for many of you to come to the climes of Orlando but we appreciate you coming and we really appreciate the opportunity to share some highlights of our successful 24 year history in our business.

Part of my job today is to give you a little background into our company's foray into this business. In the early '80s it became apparent to our company's senior leadership that the timeshare industry held some significant promise. As we studied the industry we learned that timeshare vacationing was valued by an affluent customer segment and it was growing in popularity. Contrary to popular opinion at the time, several reputable timeshare developers were successful despite the well publicized questionable practices of some in the industry. Some of you will remember when the word timeshare was synonymous with swampland in Florida.

For Marriott, we envisioned some unique potential benefits from shared hotel and timeshare campuses, including cross-selling opportunities and greater operating efficiencies. And, we understood what a powerful differentiator the Marriott brand could be in the timeshare business.

So in 1984, we acquired American Resorts, which had four timeshare properties with one in active sales. That was Monarch at Sea Pines on Hilton Head Island with an average price per week sold of \$8,000. When we acquired the company there were about 6,000 owners in the business.

Fortunately, our strategic vision proved to be right and as we anticipated, customers valued Marriott timeshare. And customer views of the timeshare industry began to change and with that we began to grow and prosper. Our lodging competitors took a wait and see approach to the business and did not enter the industry until almost ten years later. By then we had maximized first mover advantage in this space.

By 1990, we'd built our timeshare portfolio to 14 resorts in five locations, three of which were on shared campuses in complexes, meaning where we had both a hotel and a timeshare project. It was a win too for our hotels. They realized revenues from our timeshare guests who patronized their services from golf to spas to dining and we also bought hotel rooms to house our preview guests. By 1990 we had also launched strategies that leveraged our lodging portfolio.

We established a marketing partnership with Marriott Rewards. Marriott's frequent traveler program enabled us to sell timeshare in considerable more flexibility than customers have ever before experienced. They could say that their home resort, trade to other Marriott Vacation Club properties or using Marriott Rewards Points stay at Marriott hotels around the world. Our Marriott

Rewards partnership also revolutionized how we sold our timeshare product with new Rewards Points incentives tied to purchases.

But perhaps most important, we established a world class sales organization that ensured customers' individual needs were met and well-matched to our products. By the end of 1990, our owners numbered 20,000.

By 1995 we'd taken the next step in leveraging the Marriott brand. We established off-site sales galleries and marketing desks in Marriott Hotels in our destination markets. And the Marriott reservations system rented our available weeks, which allowed us to put our inventory on the shelf virtually anywhere in the world. In addition, our partnership with Interval International broadened our owners' timeshare exchange opportunities to over 900 properties around the world. By 1995 our portfolio numbered 29 resorts including ten projects on Hilton Head and five in Orlando and our owner community had grown to 72,000.

By 2000, our portfolio had grown to 47 resorts. We continued to innovate and to maximize the power of the Marriott brand in new regions with projects in Hawaii, the Caribbean and in Spain. We launched two new brands in 2000. Moving up market, the Ritz-Carlton Club, which is our luxury fractional product, started sales at resorts in St. Thomas and Aspen and our moderately priced weekly timeshare brand, Horizons, started sales here in Orlando. Our segment revenue in 2000 approached \$800 million and our owner community had reached 166,000.

By the close of 2007, our portfolio included 60 resorts in 38 destinations. But this map really understates the real vacation opportunity. Today, our owners can use Marriott Reward Points to stay at 2,700 Marriott International Hotels worldwide or buy a plane ticket on 27 different airlines or they can trade for 2,200 Interval International locations. The vacation options are almost limitless and gives us a unique competitive advantage. Timeshare segment revenue in 2007 topped \$2 billion and our owner community numbered 371,000 this past December.

During our 24 year history we've continued to change. We were the first to legitimize the industry. We were the first to offer a portfolio of resorts and vacation opportunities. We were the first to segment the industry with our introduction of the Ritz-Carlton Club brand and today the Ritz-Carlton Club brand leads its tier in luxury fractional ownership.

Most recently, continuing our penchant for innovation, our Marriott Vacation Club brand introduced Marriott's Asia Pacific Club, which is specifically designed to appeal to vacation preferences of the rapidly growing Asian market. We already have off site sales offices in Singapore and Hong Kong and we'll open our Tokyo office later this spring.

We start with the most desirable locations in the world. To highlight just a few for you, Poipu Beach on the island of Kaua'i is home to Marriott's Waiohai Beach Club, 230 units of terrific Hawaiian vacation experience with some of the greatest sunsets in the world. We offer urban properties. This is the 49 unit Grand Residence by Marriott project in London's fashionable Mayfair District, one block off of Hyde Park. And the Ritz-Carlton Club Bachelor Gulch is one of Vail Valley's finest architectural achievements, 54 ski in, ski out residences immediately adjacent to the Ritz-Carlton Hotel.

From the moment we begin project design we focus a great deal of care on every detail. For instance, Marriott's Newport Coast Villas, 700 Tuscan-themed villas set high on a beautiful bluff with a drop dead view of the Pacific Ocean. With the restoration of the historic Chronicle building in San Francisco, we have created the Ritz-Carlton Club and Residences, a mixed use project with 57 whole ownership residences and 44 Ritz-Carlton Club fractional units featuring the utmost in luxury, privacy and service, all set in one of the world's most exciting cities.

While we put great focus on the finest destinations, architectural designs, products and services, our greatest asset is our people. For instance, our executive council, the division's top 13 leaders, share a total of nearly 250 years with Marriott International and 150 years with MVCI. We survey our 12,000 associates twice yearly to understand their engagement and satisfaction and survey participation consistently tops 90 percent. Gallop is our survey administration partner. When they compared our associate engagement results last fall to their database of more than 450 companies and five million employees, we ranked in the 92nd percentile. And to ensure consistent commitment to our associate engagement strategies, we've tied management compensation directly to engagement results as an important part of our balanced approach to compensation. I'm happy to report that in recognition of our associate engagement accomplishments, Gallop awarded us their first ever Great Workplace Award this past June, an honor limited to 12 companies among the 450 they support.

We also regularly assess our customer satisfaction and we solicit their feedback through a longstanding survey process that runs end-to-end from the very first sales and marketing contact through their many years of ownership. Customers consistently rate their satisfaction high for their sales, resort and service experiences with survey ratings that range from the mid-80s to the low-90s.

Our deep commitment to customer satisfaction has also earned us prestigious awards. In 2003 and in 2006 Steve Forbes' American Business Award recognized MVCI as the best sales organization. And in 2007, they recognized MVCI's owner services team as the best customer service organization. And our owners are clearly satisfied. Fifty percent of our annual contract sales come from existing owners who either buy additional weeks which we call reloads or their friends, relatives or neighbors that they refer to us become owners.

I believe that our success is best captured in our financial performance, which we are extremely proud of. In two decades we've grown to total segment revenue of \$2 billion. While the primary drivers of this revenue continue to come from new resort development, as we've expanded a growing portion of our revenue comes from financing and from services. It is definitely a multi-faceted business. And of course the Marriott brand is an integral part of our business. We are committed to the highest standards of product and service quality and consistency. We recognize the trust implicit in the Marriott name. We offer our customers a portfolio of resorts without peer and multiple brands that serve their individual vacation needs. And our partnership with Marriott Rewards drives owner satisfaction with our product and helps fuel our growth.

Let me close by saying we've brought integrity, leadership and respectability to this industry. In fact, we would argue that in many ways we were instrumental in creating the modern timeshare industry. We've accomplished this in large part by working hard to understand the dreams and expectations of leisure guests and then executing very well to deliver against those expectations.

The Marriott brand has been key to our success, providing systems, partnerships and most important its 50 year relationship of trust with its lodging customers. We've realized our vision of 24 years ago. We're delighted that you're here today. We thank you for your time. And we love talking about this business, as Laura said.

And while the history of our company is certainly important, we're even more excited to share with you our future growth opportunities. So to lead us off by doing so, it's now my pleasure to introduce Lee Cunningham, Executive Vice President and Chief Operating Officer for the North American timeshare business and a highly valued 26 year Marriott veteran.

Lee Cunningham, Executive Vice President and Chief Operating Officer, North America and Caribbean Timeshare, Marriott Vacation Club International

Lee Cunningham: Morning. Thank you, Steve. Just as a reminder, my remarks today will be focused on the timeshare component of our business. Ken Rehmann will be up next to speak about Ritz-Carlton Hotel brand and Pete Watzka will discuss Ritz-Carlton's fractional and residential business.

I'm sure most of you are pretty familiar with our timeshare product. However, for those of you who aren't, what we are selling to our guests is a product that provides the commitment to vacationing year after year at an exciting Marriott resort. It represents a time to reconnect with one's family, decompress from day-to-day stresses and truly rejuvenate oneself.

Our product is generally sold as a one week interval. The broad variety of usage options in our large portfolio of resorts are very attractive to leisure travelers. We'll talk more about that later.

Our product typically includes an underlying real estate deed, which means that our owners own their timeshare forever and allows them to pass their ownership to their children or others as they desire. Overall, we feel strongly about the value of our product. But more importantly, as Steve shared earlier, so do our owners. But we all understand that in the end what we are selling is fun. Now that I've touched on what we are selling, let me tell you a bit about who is buying.

Approximately two-thirds of our owners are over the age of 45 years, a mature audience, who as you would expect, has more discretionary time and resources to spend vacationing. From an income standpoint, our owners are more affluent than the average American household. While median income per U.S. household is under \$50,000, the median income for our owners is \$125,000 and represents an attractive customer segment for our business. More importantly, the number of U.S. households making more than \$125,000 is expected to grow rapidly, ballooning to 11 million households by 2010.

As Steve said, Marriott has been in the business longer than any of the other major lodging companies and we have a significant market share. In the U.S., there are between 25 million and 30 million domestic households that comprise the target market for a timeshare product. Today, only two million of those households are timeshare owners. Of those households that own timeshare, we have approximately a 15 percent share, a pretty good number but still with room to grow.

Over the past 20-plus years we have continued to evolve our product to meet changing customer demands. We started by offering customers a fixed week, fixed unit timeshare product which meant, for example, the owner could use their unit for the first week in February year after year. This was the common approach to timeshare sales back in the early '80s. We then expanded that offering to allow customers to buy either a fixed or a floating week or unit, depending on the customer's needs. Floating weeks allow an owner to vary the week they vacation each year within a seasonal limitation.

As Steve mentioned, coupling Marriott Rewards Points to our timeshare product was a revolutionary step. The Marriott Rewards Program began as a lodging incentive for our frequent business travelers. But of course frequent business travelers go on vacation too. We expanded the strength of our product by using Marriott Reward Points as a trading mechanism and as a buying incentive, enhancing the overall value and flexibility of our product in the marketplace. Many in the industry recognize this innovation as the first timeshare points product.

Over time, we offered split week products in some markets so guests could split their week into two shorter vacations. Next in the evolution we introduced lock-off units in many of our properties. In case you aren't familiar with this product, a customer buys a two bedroom unit that has the flexibility of being used as a two bedroom unit for a one week vacation or, depending on the size of the vacation party, the unit can be broken down into a one bedroom unit and a studio unit. Those components can be used at separate times of the year or for two consecutive weeks. So basically you buy a one week interval but have the option to vacation for two full weeks.

In certain markets we offer an every other year form of ownership. This has proven to be very successful in markets where the average price is quite high or the travel costs to reach the destination are too costly to visit every year. For instance, we have many owners in Hawaii who purchase two every other year products so they can come to Hawaii every other year and stay for two full weeks. More recently, our Ritz-Carlton Club and Marriott Grand Residence products have been offering a multi-week product commonly referred to as fractional ownership. Pete will spend more time on that later.

And as Steve mentioned earlier, we are expanding into Asia, offering a points-based program. So overall, as you can see, we have continued to evolve our product to meet our customers' demands. And as you might expect, we are always looking for where to go next.

There has been much talk in the marketplace about weeks versus points. We largely sell a weeks product which, as I just explained, offers considerable flexibility, particularly through Marriott Rewards. In contrast, some of our competitors sell points which can be used to reserve a vacation at a resort within their system. Both product forms have great features to offer their owners. Given our large and diversified portfolio of resorts as well as the large distribution network that our Marriott hotel properties offer, we feel that our product provides a great deal of flexibility.

A weeks program also provides owners the security of owning within a specified season of a particular resort. For example, many of our Hilton Head owners like the fact that they own time in the summer season and that they have a reservation priority at their resort. Many owners like the deeded component of our product and buy enough weeks to ensure that as their children grow they can continue the family tradition of vacationing together at their favorite Marriott Vacation Club location.

Now, points have benefits as well with flexibility being the one that generally comes to mind first. Points allow you to buy and more importantly to use the product in variable increments if so desired. As a matter of fact, we chose to incorporate this product form in our Asia-Pacific expansion based on the heightened importance of flexibility and the frequently shorter vacations in that region of the world.

The weeks product has been very successful for us. Based on our owner satisfaction scores and the number of owners who buy additional weeks, I would say that our 370,000 owners worldwide are clearly pleased with the structure and benefit of our product. Guest preference can also be seen in how our owners use our product each year. Our product provides a myriad of options for owners to choose from, including home resort occupancy, trading to other Marriott Vacation Club properties, exchange within the Marriott family to a Marriott hotel through Marriott Rewards or exchanging outside through Interval International. As you can see, 80 percent of our owners take advantage of a Marriott experience each year. We definitely view this as a tribute to the strength of the overall Marriott brand in our owners' eyes.

Yes, our owners love our product and we're happy to report that their love increases sales and lowers overall marketing and sales costs for us year after year. Over 50 percent of our domestic sales come from our existing owner base, either through owner referrals or owner reloads, which represents either owner upgrades or additional purchases. There is no greater indication of satisfaction than when an existing owner wants more of our product or is willing to refer their friends and families. So as our owner base grows we expect to continue to leverage this low cost channel to drive additional sales volumes. As a point of reference, over 110,000 of our more than 300,000 domestic owners own more than one week and the average Marriott Vacation Club owner owns approximately 1.3 weeks. That number has remained stable over the past few years.

While I know this chart is a bit colorful, I think it's important to speak to how we attract customers. Let me start by explaining each of the lead generation channels. Central marketing represents our centralized cost centers. They generate targeted mail and call campaigns to sell mini vacation tour packages. This is the traditional approach to selling timeshare, a short vacation followed by a tour with a sales counselor. This is also typically the most expensive marketing channel.

Since our resort occupancy is also fueled by rental guests and exchangers from other Marriott and non-Marriott timeshare resorts, we often contact guests that are in-house and incent them to take a sales tour. The power of the Marriott brand, the Marriott Vacation Club system and Marriott.com deliver these guests to our resorts where we average in excess of 90 percent occupancy across the system.

Our linkage channel includes tours generated by a Marriott hotel property, typically a Marriott-branded hotel in the same market area. We also pursue direct sales which includes activity targeted at owners and referrals not staying on property.

Sales driven by the in-house, linkage and direct sales channels costs an average of 15 to 20 percent less than those driven by central marketing. The other category basically represents all other channels we use to market to guests, including off property contact through kiosks, e-marketing, media, etcetera. Even Marriott.com is proving to be a valuable sales tool as some customers are comfortable internet buyers.

As you would imagine, the “how” part has continued to evolve as competition has strengthened, regulatory constraints have arisen and new and successful lower cost channels have been identified. With “do not call” coming into play in 2003, you can see how the focus on the central marketing channel has declined given the limits of who we can actually contact as well as the overall cost of that channel. As a result, we have chosen to leverage other more cost efficient and effective channels to identify future owners. Obviously, anything we can do to lower overall marketing and sales costs goes right to the bottom line.

I know that many of our competitors continue to talk about closing efficiency, that is the percentage of customers who buy following a tour. Certainly closing efficiency is an important metric but we have found that a balanced approach to lowering overall marketing and sales costs is much more effective. Our closing efficiency has dropped two percentage points over the last five years from roughly 17 percent in 2002 to 15 percent in 2007². During that same time period, our marketing and sales costs have also dropped as a percentage of sales from roughly 47 percent to 42 percent. We are happy with those results and will continue to focus on any opportunity that we have to lower our overall marketing and sales expenses.

Timeshare contract sales totaled just over \$1.2 billion in 2007. Our revenues have been generally flat for the last few years as our organization has been focused on the fractional and residential market opportunity. With high construction and land costs in recent years, the timeshare segment shifted development to higher priced products like Ritz-Carlton Club. With a more subdued residential environment and moderating land values, we expect to accelerate development of timeshare inventory and resulting revenue. In 2008 we expect timeshare revenue to be nearly \$1.3 billion.

While sales volumes have been flat for the last few years, prices have risen. We continue to improve and evolve our product offerings, whether we are talking about the physical product with flat screen TVs, granite countertops or through diversity of locations such as Hawaii, the Caribbean and Western ski. Maintaining the integrity of pricing is extremely important to us. In challenging times many companies discount their product to drive sales; that is they haggle. We do not do this for our timeshare product. Our customers place high value on our product and expect integrity in our pricing practices. Therefore, it is important that we price our product accordingly. And by doing so, you can see that we have maintained steady and consistent pricing growth.

One of the things that speaks to the strength of our product is our ability to continue to develop and sell timeshare resorts in key markets. Since purchasing the business in 1984, we have delivered eight projects in Hilton Head, South Carolina. Additionally, we have grown and remain in other key markets including Orlando, Hawaii, the Caribbean and international markets as well. Developing multiple resorts in the same market enables us to leverage our existing infrastructure and focus on markets where we have proven success. Further, to the extent we sell out inventory in a specific market, our sales people can still sell other properties, continuing to drive referrals and additional purchases through our existing owner base.

Earlier, we talked about keeping our product fresh. We are constantly refreshing our physical product to meet and exceed the expectation of our customers. As you can see in the kitchen depicted

² Excludes Las Vegas.

here, we continue to keep pace with customer demand by incorporating stainless steel appliances, granite countertops as well as modern cabinetry and backsplash treatments.

We don't just focus on unit interiors, though. This is a photo of our typical balcony ten years ago. This is the balcony at one of our newest resorts on St. Kitts in the Caribbean. I don't know about you but I like the look of the new one better.

Customers understand the value of our product by kicking the tires. I'm delighted that so many of you were able to take the tour at Grande Vista this morning so that you can really understand the value proposition.

Since I can't take you to all our exciting projects I thought we should take this opportunity to review a few of them. I'll start with one of the most exciting and complex resorts in our system and then work my way through a couple more typical examples. So let's talk about Kauai Lagoons.

As you can see, it is a very large undertaking on the Island of Kauai in Hawaii. The total project encompasses 612 acres, includes 772 total units, a Jack Nicholas designed golf course and club managed by Ritz-Carlton, as well as 38 acres of lagoons complete with vintage watercraft. At Kauai Lagoons we are selling a number of different products on one campus, including Ritz-Carlton-branded single family estate lots, Ritz-Carlton whole ownership condominiums, Ritz-Carlton fractional product and Marriott Grand Residence whole ownership condominiums. But the majority of the units will be sold as our typical Marriott weekly timeshare product.

Kauai Lagoons is located on the same campus as the 356 room and 232 unit Kauai Marriott and Beach Club Resort, our first timeshare resort in Hawaii. As Steve mentioned earlier, we often look for opportunities to co-locate our timeshare projects with Marriott Resort Hotels. This provides operational synergies for both products and gives our owners and guests the opportunity to spend additional vacation dollars at another Marriott product.

Kauai Lagoons will represent our third timeshare project on the Island of Kauai and our fifth in Hawaii. The project is big enough to take 15 to 16 years to sell and we estimate it should generate in excess of \$2.5 billion in sales revenue. Kauai Lagoons represents an exciting opportunity to own part of a Ritz-Carlton and Marriott-branded master plan resort community on the Island of Kauai. As a matter of fact, I have contracts available in the back of the room for each of you after the presentation.

Our resort on Marco Island represents our first resort on the West Coast of Florida and the largest timeshare resort developed in this highly sought after destination in over ten years. This project is the complete rebuild of a former Radisson Hotel and further development of its surrounding land. We expect to sell through the inventory created by this 219 unit project over the next seven years. We got off to a great start last fall and are just entering the high season where the typical week sells for +/- \$70,000. Once again, we have an opportunity to leverage an established Marriott hotel that is located less than one mile to the north.

Situated on the bluff overlooking the beautiful Newport Beach coastline in Southern California, Newport Coast Villas is in its ninth year of sales with three more years of sales remaining. Nearly all of the resort's 700 units have an unobstructed ocean view that on a clear day stretches all the way to Catalina Island. This resort will generate nearly \$1 billion in sales over its life and will be

the home resort for nearly 35,000 Marriott Vacation Club owners. Newport Coast provides a great showcase for our system of resorts located in the backyard of the largest concentration of Marriott Vacation Club owners in the world.

Now let's turn our attention to the newest expansion of the Marriott Vacation Club brand, Asia-Pacific. I am pleased to announce that we recently expanded our product offerings with a points based program in the Asia-Pacific region. Just like in the U.S. market 24 years ago, Marriott is the first major lodging brand to enter the timeshare business in this dynamic region of the world. And also just like 24 years ago, this effort is being led by Bob Miller, cofounder of American Resorts, the timeshare company that Marriott acquired in 1984 to enter the timeshare business.

You may ask why Asia-Pacific? Clearly geographic diversification was one of our goals. Additionally, we certainly saw the opportunity to be the first mover in the upper quality tier. Today, there are very few timeshare companies operating in the region and those competitors that do exist are primarily operating in the moderate to low quality tier range and are generally operating in one or two markets at the most.

We will be the first developer to deploy a region-wide approach to Asia-Pacific. I doubt it's necessary to point out that there are some dynamic marketing conditions that are present in this region of the world. It has been widely reported that Asia-Pacific is the largest and fastest growing economic region in the world, that 25 percent of the world's population resides in Asia-Pacific region, that this region is also experiencing rapid growth in household incomes and a rapidly expanding middle class and that today more and more people who are politically restricted from free travel are realizing the dream of greater economic and personal freedoms.

We also have another great advantage in this market as we can leverage the growth of our lodging presence in the region which provides access to Marriott customers and through its growth has enhanced Marriott brand recognition as well. These conditions have provided us with an advantage versus our non-branded competitors, allowing us to accelerate our startup growth.

As you might remember, when we entered the timeshare business back in the '80s, many customers were skeptical of the timeshare concept. Asia is no different except Marriott's brands are already well-established in that market. In researching the market, we found that compared to U.S. travelers, Asian travelers take shorter holidays. Extended families travel together and value to heirs is not a purchase criterion. As a result, we have provided this market with a product that better meets the demands of this customer base.

As I mentioned, we believe that we've done a good job tailoring this product to the Asian customer. In fact, since starting sales in mid-2006, we have continued to tweak the model, analyzing what and how we are doing, while staying true to our original business plan. Given the product we believe that the value proposition to the consumer truly exists. It's really as expensive as the customer wants it to be, as they decide how many points they want to buy. Much like our domestic product, customers are already coming back to reload or buy additional points. Owners recommend our product to others. In fact, ten percent of our sales have come from owner referrals. The product is made more attractive through a tiered pricing structure, encouraging purchasers to buy more since it's less expensive on a per point basis. In 2007 alone, our price per point increased over 20 percent. Needless to say, sales have far exceeded expectations.

We currently are selling our Asia-Pacific points product in our own site sales office located at the Marriott Vacation Club Resort in Phuket and off site at sales offices in Singapore and Hong Kong. Future off site sales offices are targeted for major cities in Japan, China and Australia. We expect to be in sales in Japan in the second quarter of this year.

We are also expanding our portfolio of resorts within the points program. Currently, Phuket Beach Club offers 12 units with an adjacent sequel project of 133 units that is under construction and expected to be open for occupancy in mid-2008. We have 55 units under construction in Bangkok and the domestic inventory includes inventory from Hawaii via our Ko Olina Resort on Oahu and the Waiohai Beach Club on Kauai. We also have several units from our Grand Chateau Resort as Las Vegas is also a key destination for Asian travelers. We are looking to add resorts in Australia on the Gold Coast, in Bali, elsewhere in Thailand and other exciting resort destinations in the region and around the world.

Our Asia-Pacific points program is already exceeding our expectations. In its first full year of operation in 2007 we booked \$35 million in revenue. We expect to book revenues of nearly \$125 million in 2008 and we expect considerable upside in the years to come.

As we think about our future for the worldwide timeshare business, we believe we have an appealing product, proven and productive sales techniques and an effective development organization. In recent years, our flattish sales have had more to do with low available inventory than a reluctant customer. So we thought we should demonstrate the future strength of our business as measured by inventory on hand, in construction, under control and in the pipeline.

Let me take a few minutes to describe how we've broken this down for you. Completed inventory represents inventory of fully constructed units on hand and ready for sale. We phase development to meet sales demands. Therefore, we have 29,000 weeks in this category, a modest number. Under construction is self explanatory and totals 47,000 weeks of timeshare inventory. These weeks should be completed sometime in 2008 or 2009. Under control represents inventory that has not yet been constructed but where we control the land. It may be a future phase of an existing project or a future project where we own or are contracted to buy the land. In other words, we have control over the timing of construction of these projects. Typically we purchase land that is already entitled for timeshare development. We're not speculators. Pipeline represents inventory for projects that may be identified or are under discussion and that are expected to materialize over the next few years.

All combined, the inventory associated with these projects totals 441,000 weeks and total projected revenue of around \$16 billion. This represents roughly eight to ten years of inventory. Note that approximately three-fourths of our inventory is already identified while less than 20 percent is on our balance sheet. Ideally we control land for future development but time the purchase to meet our needs to yield a better return on invested capital. Incidentally, our development organization is active in many markets to deliver deals to ensure sufficient inventory for 2010 and beyond.

As you can see, Marriott Vacation Club is an exciting product. Since entering the business back in the 1980s, we have demonstrated our ability to generate strong and increasing profits on a long-term basis. We understand our customers and our sales process is considered cutting edge. Further, we continue to refine how we reach our customers to ensure we are effectively managing the cost with related volumes. Margin improvement remains a key area of focus for us at all times. We leverage

our lodging distribution network to enhance the value of our Marriott Vacation Club product offering and we continue to enhance our product to ensure continued profitable growth.

Now I'd like to introduce Ken Rehmann, who is the Executive Vice President of Operations for Ritz-Carlton Hotels. He's here to talk about the Ritz-Carlton brand and brand extension opportunities. He's not a timeshare guy but we love him anyway. In fact, as you will see from our next two speakers, we have identified new product offerings that are great extensions of our traditional timeshare business. Ken?

Ken Rehmann, Executive Vice President and Chief Operating Officer, The Ritz-Carlton Hotel Company, L.L.C.

Ken Rehmann: Thank you, Lee. I thought I was at least an honorary timeshare guy. I guess I have a little work to do.

Well, thank you for giving me the opportunity to speak to you about my favorite topic next to my children, the Ritz-Carlton brand. As most of you know, Marriott acquired Ritz-Carlton back in 1995 and since that time has transformed the brand into a global iconic luxury brand. Five years ago, the brand embarked on a strategy to evolve from a luxury hotel brand to a luxury lifestyle brand that has the ability to extend into consumers' lives through other products and services that enhance the overall brand equity of Ritz-Carlton.

Our strategy is to build upon the foundation of exceptional personalized service and a very high level of consumer awareness and loyalty to create a luxury lifestyle brand that is highly distinctive in the luxury segment. Our brand strategy, in words, is to transcend the luxury hotel category by associating the brand with a better way of living, a luxury lifestyle that is truly unique, personal and memorable. Quite simply, we are in the business of creating exceptional guest experiences through the delivery of highly personalized service interactions through our 38,000 Ritz-Carlton ladies and gentlemen that operate our hotels around the world.

Our ability to effectively extend Ritz-Carlton in new customer experiences and brand extensions is a competitive advantage for the company. For example, Ritz-Carlton is the largest operator of luxury spas in North America and has a commanding lead over other luxury brands in the development and operation of branded, residential product and fractional product and Pete Watzka will speak to you more about that in a few minutes.

By proactively extending the brand into other businesses, we enhance brand loyalty and accelerate our opportunities to grow our core hotel business. This slide depicts the luxury hotel competitive landscape today. It's changed quite a bit. The luxury market is becoming more and more appealing. There are many aspiring brands that are attempting to position themselves in the luxury segment. We've seen very strong consumer demand for luxury goods and services over the last few years. It has attracted development capital and new brands to the segment.

Ritz-Carlton's strategy is to be the definitive voice of luxury in this segment through the successful expansion of the hotel business into key gateway markets, evidenced last year we opened the Ritz-Carlton Moscow and the Ritz-Carlton Tokyo, and through the extension of the brand into other new businesses. We continue to evolve the brand to be increasingly more relevant to a broader range of

affluent customers through innovative and localized hotel design, highly personalized service delivery and exciting new concepts.

The Ritz-Carlton brand was very well recognized in 2007. We won the majority of awards that can be received by a luxury hospitality brand and I'll speak about a few of those awards. Luxury Institute, which is based in New York City, maintains one of the most comprehensive databases of affluent consumers and conducts annual surveys in most luxury product and service categories. Ritz-Carlton was recognized as the most prestigious brand among well recognized luxury brands and was ranked number one in customer experience among luxury hotel brands and I'll talk more about that in a few minutes.

Another award that we are extremely proud of is being recognized by Training Magazine as the number one training organization in the world in 2007. The key to Ritz-Carlton's success over the last 25 years has been our ladies and gentlemen. The combination of world class selection tools and processes coupled with continuous and extensive training and development enables our brand to have the finest service professionals in the industry. Ritz-Carlton's brand positioning is extremely strong in the mind of the affluent customer and provides a terrific platform from which to grow our other businesses.

This chart depicts Ritz-Carlton's position among well recognized luxury brands from the Luxury Institute survey that I mentioned a minute ago. Ritz-Carlton has the highest rating on the brand status index and is rated the most worthy of a price premium over other luxury brands. If you look at the slide, the bubbles depict or the circles depict the share of unaided luxury consumer awareness. Ritz-Carlton maintains the largest share among wealthy consumers in this survey. The brand is perceived by affluent consumers as the most prestigious luxury brand. Our strong global distribution, relentless focus on customer engagement and our strategy to extend the brand into other luxury lifestyle areas has enabled the brand to maintain this strong positioning. I should also note that Ritz-Carlton has maintained this number one position since this annual survey was first initiated in 2004.

I'll talk a little bit about luxury consumers. They've changed a bit over the last ten years. Today's luxury consumers are more diverse in gender and ethnicity. They're younger. They're more female. We're seeing increasing wealth from markets like China, Russia and India and I think you'll hear more about that in a few minutes. The consumer mindset today, the luxury consumer mindset is all about conspicuous cultivation. Today they are focused on indulgence and experiences rather than on ostentation and wealth. If you ask the luxury consumer to define value, they'd tell you that it's experiencing one-of-a-kind experiences, increasing expectations for unique, personable and memorable experiences, the access to wisdom and knowledge throughout their travels and really having an authentic luxury experience. Their expectations are extremely high.

If you look at the Ritz-Carlton guest profile, it's interesting. The average age of the Ritz-Carlton guest has decreased from 47 years old to just over 45 years old over the last five years, increasingly more female so our demographic is very similar to the previous slide. As I mentioned, our goal is to become increasingly more relevant to a broader range of affluent consumers. I hope many of you in this room are Ritz-Carlton customers. If not, we have some work to do.

If you look at our hotels over the last seven or eight years, we've opened about 35 hotels and every one of those hotels has what we call a sense of place. It feels like it belongs in the local

environment. Steve showed a slide previously of Bachelor Gulch, a rustic ski lodge. And we're doing that to try to attract a broader range of affluent customers and we feel that we're being very successful in that regard.

We also are doing that through creating exciting new concepts and brand relationships. One example would be we recently entered into an exclusive agreement with the Cousteau Organization to provide their Ambassadors of the Environment program at select Ritz-Carlton Hotels around the world. So we're bringing a unique experience that's very relevant today into a Ritz-Carlton experience.

Ritz-Carlton opened 11 hotels in 2007, including the spectacular 248 room Ritz-Carlton Tokyo shown on the slide. It's located in the Roppongi District. The hotel is 53 stories high. It is the tallest building in Tokyo. This hotel is a great example of what I talked about previously, the evolution of our brand. The design has a very strong sense of place. It's very contemporary and modern yet extremely elegant. This hotel has significantly exceeded our financial expectations in its first year of operation. It maintains an average rate that is in the top three of the entire 3,000 hotel Marriott system with rates in excess of \$600 per night. This is a flagship hotel for Ritz-Carlton in a very important region of the world that will help accelerate our future development efforts going forward.

Over 85 percent of Ritz-Carlton's hotels are either newly opened or have been recently renovated, including a major repositioning of the Ritz-Carlton Kapalua. We have a picture of the new guest room in Kapalua shown. The Ritz-Carlton Kapalua is finalizing a \$160 million renovation that will position the resort as the finest hotel product in Hawaii. Not only is this important for our brand, but this hotel is also being leveraged to enable the sales and operations of the Kapalua Bay Project that Pete will talk to you about in a few minutes.

Over the last three years, owners have invested over \$1 billion in improvements and renovations in Ritz-Carlton Hotels around the world. We have tremendous support from our owner community. Our product is in extremely good shape for future growth.

Since the acquisition of the company in 1995, Ritz-Carlton is becoming increasingly more global as depicted by the gold bars here with over 40 percent of the system hotels located outside the U.S. And if you look at our development pipeline, over 50 percent of our approved and committed projects are outside of North America, including six projects in China that will bring Ritz-Carlton's distribution in China to a total of nine hotels by 2011. Owner interest and support for the Ritz-Carlton brand is extremely strong in this part of the world. I think Lee mentioned it in his presentation. But we see tremendous growth opportunities for the Ritz-Carlton brand in Asia Pacific beyond the hotels I mentioned in China.

Our brand has 70 hotels open today around the world and operates 17 residential projects, typically in conjunction with a hotel. And we have another 31 hotels in the pipeline that are expected to open over the next three to four years. This strong growth in our primary hotel brand creates an outstanding platform for which to pursue other brand extensions.

We've been very successful in extending the brand into new business lines. For example, our residential business line in the form of Ritz-Carlton Club and Residences is a business in its own right and has significant growth potential. And Pete will speak more about that in a few minutes. In

addition, we also have 28 residential projects with third party developers in the pipeline that are approved and committed, many of which are under construction today and expected to open over the next three to four years. I should also mention that Marriott has very little capital invested in these third party projects and our compensation is largely in the form of branding and licensing fees.

We continue to look for other opportunities to extend the Ritz-Carlton brand into other businesses that leverage our core competencies and enhance brand equity. For example, we recently announced a new brand extension, Ritz-Carlton Reserve, which are smaller, more intimate hotels that are located in extraordinarily remote or private locations. We've seen significant interest from our development community and we currently have three projects under development in Krabi, Thailand, Turks and Caicos and Costa Rica.

To close, let me just say that Ritz-Carlton is clearly a global iconic brand that is at the top of the luxury segment. We continue to look at expanding Ritz-Carlton's presence internationally as depicted by our pipeline and see strong opportunities for growth moving forward. I talked about a few brand extension opportunities. You'll hear more from Pete in a minute. And we look for other opportunities to expand Ritz-Carlton into new spaces and we see opportunities moving forward. And we are passionate, and some would say almost fanatical, about maintaining and enhancing our leadership position in the luxury segment.

Thank you for your time. I'd next like to introduce Pete Watzka. Pete is the Executive Vice President, Chief Operating Officer of the Ritz-Carlton Club and Residences. He also didn't want me to say this, but he's a great golfer and he recently placed second in the Pro Am at Pebble Beach. That's what he does in his spare time. So Pete, welcome, a big supporter of Ritz-Carlton. Thank you.

Pete Watzka, Executive Vice President and Chief Financial Officer, The Ritz-Carlton Club and Residences Worldwide

Pete Watzka: Thank you, Ken. Good morning. As Steve mentioned earlier, we launched Ritz-Carlton Club in 2000 leveraging MVCI's experiences and successes that Lee covered earlier and capitalizing on the tremendous brand appeal for Ritz-Carlton that Ken just outlined.

Ritz-Carlton Club is our luxury brand in the timeshare segment. It's a private club, deeded fractional real estate, combining the benefits of second home ownership from 21 to 35 days, luxury vacation experiences with renowned Ritz-Carlton service. As we launched our product in Ritz-Carlton Club, we found our customers very responsive to that positioning and to our products, except for a few customers.

A few customers said, "We like everything except the fact that we don't want to share it. We want to own it ourselves." So that's why we have a residential product in many of our communities for those folks that want to own the unit themselves year-round. I'll talk more about that in a moment. Some of our communities we also have memberships, exclusive golf and spa memberships but most of our focus here at Ritz-Carlton Club is around our timeshare segment.

One of the things we learned from our customers, as Ken mentioned, this affluent customer, they only want prime locations, "A" resorts and they go to all of them many times during their

vacationing year. We've set out to get the best locations around the world in key areas, location, location, location. A variety of experiences, whether it's beach or island. We want beachfront. We'll have ski, ski in, ski out. Key golf, premier golf. And in key urban centers as Steve mentioned, for those of our customers that will leave their hearts in San Francisco, we have tremendous location in our urban property. As you can see from here, we have 12 fractional locations, six of which are combined with our residential property and three which have full memberships also.

Lee talked about how we innovated with our MVCI brand over the years. Well, it's no different with Ritz-Carlton Club. We really get close to our customers and they are very demanding. They want ultimate flexibility. They want options. They want to go to many places. They want usage various times of the year, different types. So we've evolved our product over the years, starting with our first project in Aspen which had a rotating calendar. That was a plan that allowed our members equal opportunities throughout the course of a season. So they could plan in advance. Many of our members say, "I need to know every year when my time is so I can plan my vacation with my children or with my family." That rotating calendar allowed them to look forward over the years to see when their time was there. It also allowed them when they couldn't make that time to exchange that with other members to give them flexibility if there were different times in their calendar or upcoming years when their time was not available.

We found that worked very well for a large part of our customers. In addition to that though there were certain customers that said, "I'd rather be more flexible within certain seasons. I don't really want to go skiing two weeks. I'd rather go one week and then have two weeks in the summer or vice versa." So we added our flexible season flex time for those customers that had that kind of demand and usage. Six weeks/six units. Another opportunity in many of our locations obviously we have premier locations and premier views, whether it be ski in/ski out or whether it be ocean views. We have those discerning customers who say, "I want that unit when I come back. I want to be on the ground floor so I can just ski out down the mountain or I want that top floor looking west at the sunset." For those people we have the option to fix some units and also many of the times their vacations year in and year out, those of you with children know when the holidays come about that's when you can go on vacation so we also fix some holiday weeks, Christmas, President's week, Fourth of July. And this, again, gives us flexibility for the demands of all of our different customers.

Recently we've launched our most flexible program in Abaco, our points-based membership program. That will give our members ultimate flexibility to use their points and their fractional time for a variety of unit types from cabana one bedrooms on up to four bedrooms and different times of the year. They can stay for as little as one or two nights or as many as 13, 14, 15 nights, whatever meets their needs and so ultimate flexibility.

We've found that listening to our customers and continually trying to figure out ways in which to enhance their vacation experience, their usage, is a key to this client. The client is very demanding. They have the time, they have the money and they want to have the lifestyle to utilize all of these different properties. They're all tied together with a reciprocity so they can move between these resorts and that is one of the key features we have.

Just to look at a few of them, and again besides our usage flexibility we've found that product flexibilities are important, product size and different price points for our different audiences. You can see here our various products that go from our beach to our golf, urban and ski. We have units

that go from a one bedroom up to a four bedroom. The sweet spot for this customer are usually two and three bedroom units. So that's the majority of our inventory. But we've found that by having smaller units available for those families who sometimes want to travel without kids, empty nesters, singles, those smaller units fit. And then when they want to bring their extended family the larger units make more sense. So we have a lot of flexibility within our product lines. Price points range, as you can see, from a low of entry point at Abaco on our points program at \$110,000 on up to a penthouse in Kapalua in a fixed unit for \$850,000.

In our whole ownership we have similar flexibility in terms of size. Some unique features here, as I said, with the whole ownership, those customers that drive us to want the Ritz-Carlton quality, the Ritz-Carlton location, the services and amenities we provide but want to have it themselves year-round, we offer customization. A lot of our units we deliver to our Ritz-Carlton Residence customers as a shell and they customize out what they'd like, their own fit and finishes, their own unique décor. In many of the units we offer options such as an extra study, an extra bedroom, a swimming pool. And unique to some of our locations is Jupiter and San Francisco, some of our clients actually live there full-time. So we also have the full resident demand as well as the second home demand and our residential product is customized to meet those demands.

Ken talked about the luxury consumer and the discerning and the lifestyle and what they're looking for with the Ritz-Carlton brand. And the big advantage we have is we are attracting that customer day in and day out at our hotels as well as into our club. We target about six million affluent customers here domestically based on income and the affluent range starts at about \$240,000 in income and moves up to the very wealthy. As you see most of the demand for our residential comes out of the top segment of the wealthy category who want to own it themselves. But across the whole segment the idea of a club, an exclusive private club that has worldwide locations, that has the Ritz-Carlton legendary service is very appealing to this market.

It's more than just economics. As Ken mentioned, it's about psycho-graphics. It's about personality. And Ritz-Carlton is a lot of personalities of these customers. They see within their lifestyle, within their experiential needs what Ritz-Carlton can bring to them not only in terms of location and product but in service and that's the key thing to our offering.

As Ken mentioned also, this customer is global. We're real excited about the opportunities. Most of our development has been domestic to date. We have seen these different international markets in some of our locations, especially Hawaii. We've got customers out of Japan and Asia. And over on the East Coast we're seeing in South Beach and Abaco a demand coming out of Europe. So we're real excited about that international affluent market. As Ken mentioned, they are different. Some of these emerging markets, the brand appeal is tremendous. They're looking for brand, for that safety, security, for exactly what they want to do in terms of not only their vacations but what they want to be recognized with in terms of their family, in terms of their friends, in terms of their prestige as they emerge in these markets. So we're really excited about acting globally but thinking locally as they say.

Just to highlight some of the benefits of our product, our fractional, our club. It is an at home setting. It isn't a hotel room. These are their homes, their second homes, position. Many of our owners store their personal belongings in our storage so when they come back for their two, three, four weeks we put their favorite pictures of the family up. We bring their golf clubs up or their skis

or their bicycles, all those kinds of things because truly it is their second home that they come back to every year.

Being part of a private club, they've got all the memberships in their private golf clubs, their private country clubs and they want to be part of something exclusive, prestigious like the Ritz-Carlton brand. Our development department does a tremendous job in making sure that the fit and finishes, the physical product is what these customers are used to and on the cutting edge in terms of fit and finish and furnishings and different electronics, whether it be TVs or wireless and those other accessories.

As I mentioned before, prime locations and reciprocal use; these customers don't just go on one vacation a year. They go on many vacations. They go with their families. They go with their friends. They go with each other for honeymoons or their wedding anniversaries. So we have to not only provide prime locations for this but varied locations in terms of experiences and they're going to move between these. The reciprocal use program is very important to our customer.

And again, from the economics, as I said, if you're not the very wealthy who want to own it all yourself or can use it; this is a very good economic investment in terms of returning on your usage. How many second homes can you buy? How many second homes can you support and maintain or get to? Here, we have a tremendous diversity of those so all of them become your second home for a low initial payment and monthly charges. Your remaining capital can be used for other things. So we think that this fits our customer in terms of what they want in their lifestyle and can fit their pocketbook very well.

The residential product is very similar in terms of the hospitality service. It's the legendary Ritz-Carlton. But those folks that have the second home that don't use it year-round, one of the things they always worry about when they lock it up, what's going to happen to it? How's it going to be maintained if I'm only going to use it three, four, five weeks a year for those true second home owners.

Well, Ritz-Carlton management services gives them that comfort, that security that it'll be ready for them when they come back and in perfect condition. And as I said, with the prime locations and with some of the customization that we're able to do, our customers have been very responsive to our primary residential offerings.

Lee talked about the timeshare sales cycle. We also are very focused on our counselor sales approach, our one-to-one relationship. Our customers are very educated, highly educated, highly successful. And we need to spend a lot of time with them. The difference between our sales process is lifecycle. It doesn't just happen in 90 minutes or a couple days. It happens over a period of time. Averages we see here may be four to six months but some may be longer because once they get involved and they respond to one of our marketing and our counselors are talking to them and discovering what exactly their needs are, we find one of the complications are they like all our locations. They're not sure which one to go see first because, as I said, they have varying, they ski, they go to the beach, they go to cities, they go all over the world.

And so a lot of the time is spent early on determining where should I go take a look at one of your resorts. And after that, again, because of the investment size, the couple hundred thousand dollars -- our average sale last year was about \$300,000 in our club -- it takes some time with attorneys,

financial advisors. So the lifecycle for our sales, from a lead into a sale averages about four to six months and unfortunately from a sales reporting standpoint that makes it even more difficult to project timing as the closing of the contract may materialize months after that lead. And in addition to that, many of the leads that we have stay in our database and it may take years before they find a new property that they're interested in.

So that's one of the key things is all of our customers remain with us for life in terms of a relationship, whether they buy or not, in a database and we're constantly talking to them, giving them news about what's going on with our club, what's going on with Ritz-Carlton Hotels because they're a loyal customer. Most of them are still Ritz-Carlton Hotel customers even if they haven't become part of our club.

Our marketing channel is very similar to our Marriott Vacation Club. We focus on a few key channels. They vary a little bit in terms of distribution. We focus on our media, print and online. Online is becoming a very important source of leads, working through Ritz-Carlton.com. A lot of today's customers certainly are e-savvy and do a lot of their homework online so that's a very important source of our customers. Media, we're focused on lifestyle magazines and high end real estate magazines that represent the lifestyle and desires of our customer.

As Lee showed earlier, one of the key successes for MVCI over the years is the amount of our owners who buy more and refer. The same thing is happening with Ritz-Carlton Club. We're in the early stages so that percentage will increase over time. But our members want to share their experiences. They bring their friends. A lot of our programs with our in-house program that you see there, when our members bring their guests to vacation with them and are exposed to our product and again as we build out and have more and more units it becomes a bigger source of our customers. Certainly working closely with Ken in hotels on our Ritz-Carlton Hotel linkage; many of our clubs such as Bachelor Gulch, St. Thomas and others are near Ritz-Carlton Hotels and they become a prime source of customers as people stay in a hotel, in a luxurious but small room and then they come see our big, big units and they're very, very excited about the club.

One of the things that we're doing is not just waiting for customers to come to us. Our regional membership executives are based in cities, major metropolitan cities, New York, Chicago, Southern California where they're actually face-to-face with our customers in their market as we work through the cycle of the sales process, we spend a lot of time. There'll be multiple contacts. We may talk to customers as many as 6, 10, 12 times before they have an initial inspection.

Events, I'll just mention the last one is a small amount but it's growing. It's where we work with our partners. There are a lot of luxury companies that we do business with and partners who have the same customer base, such as fractional Jets, NetJets, such as Mercedes and other companies, AMEX with their platinum and black cards that we work very closely with. And event marketing, last year we held a number of events in key cities with American Express as partners where they invited their key cardholders in with their friends to hear presentations on our product.

I want to show you a few quick snapshots of some of our current projects. Kapalua Bay that was mentioned earlier is a luxurious product offering. We have 84 private residences and 62 clubs that we're offering there. It's part of a tremendous resort of 23,000 acres in Kapalua and arguably our location is the best, right on the point. So it's a tremendous infrastructure in Hawaii and a beautiful, beautiful location for us to launch not only our residential and our club. We have state-of-the-art

product. Our development team's done an outstanding job with this physical product. It is some of the nicest product you'll see anywhere in the world, from the fractional clubs that I mentioned earlier range in price from about \$300,000 up to as much as \$850,000 for a penthouse fixed week. Our upscale residences, as I showed before, approach \$10 million and these are the most fantastic views in the world and the most sought after real estate on the planet. Our total expected project sales volume will be nearly \$800 million on this resort and this is a joint venture where Marriott's a 34 percent owner and our projected pre-tax unlevered IRR is projected to be in the mid-teens.

Going across the country to the Bahamas, we have a 534 acre members only resort at Abaco on Winding Bay. Also a mixed use with residences that range from a cabana, small cabana of 600 square feet on up to cottages, two, three, four bedroom cottages and estate homes and lots that go up to 10,000 square feet if someone wants to build one that big. And all various offerings all around a tremendous setting, two miles of beautiful winding beach. We have a unique golf experience there. We have the first Scottish links golf course in the islands, in the Bahamas and it's rated number one. And when you're there, you get most of our real estate have sweeping views not only of water but of golf. It is really a unique setting.

We expect \$800 million of sales volume here. We started sales in 2006. It was previously a joint venture getting involved with that project. It is now wholly-owned. We bought that project out the beginning of 2008. Strong visitation from the Eastern part of the United States. We have very, very strong markets coming out of Northeast and South, Florida. All parts of Florida hop over there. And there's tremendous bone fishing. It has a tremendous ecological -- ecotourism is very big there. It's really pristine waters. Horseback riding, a tremendous amount of activities. We're starting to see a good influx out of Europe, out of the U.K. and other parts of Europe into this market and right now we're projecting our rate of return pre-tax at nearly 20 percent.

Ken and Lee both mentioned Bachelor Gulch, a luxurious ski in, ski out, just west of Beaver Creek. It's a premier and the architecture fits. When you see it, you say, "Wow, that's what really belongs there." There's a lot of good member benefits. Besides just the physical product we do an awful lot of work trying to make sure that the experiences our customers and our members have when they're there are not just the physical inside the unit. We have memberships and some unique privileges there on Bachelor Gulch to the private decked cabin up on the mountaintop where they can go and have a private dinner and private meal, ski in and ski out. They belong to a private golf club so during the summertime they have world class golf.

As I said, it was designed as a wilderness lodge. It's right next to a premier Ritz-Carlton Hotel so our members not only get the experience of the club, they also get the experience of a world class hotel. One of the things, it's not just had tremendous sales success, this project sold out very rapidly, but it has the highest member satisfaction. We do a lot, not only again for our members to be satisfied but as you can see, from a conservation standpoint we're focused on green as much as we can be.

This project generated over \$150 million in total sales. It is sold out. And the pre-tax unlevered IRR achieved was mid-30s.

Lee had taken you through the pipeline. We are also excited about our pipeline. As you can see, we have close to \$3 billion from all different sources of construction, inventory under control and identified pipeline. As you can see, as I mentioned, the residential part is strictly one that's

incremental. We are focused on our timeshare segment. Only about ten percent of our total intervals and units represent residential and for those customers that have that affluence and desire we offer that product but we're real excited about our club inventory and our club pipeline and the future.

Concluding, as said earlier, this is a tremendous opportunity to bring together the experience and success of the timeshare business that Marriott Vacation Club International has experienced for over 20 years and to really develop a luxury product with that Ritz-Carlton legendary brand and legendary service. The key is the customer. This is our most discriminating customer. They have, as I said, they have the money, they have the time, they have the desire to travel, they want vacation experiences, they want it all. And we've got it. We've focused on a one-to-one relationship so we can not only deliver this year but next year and the year after and for their families.

Significant development opportunities in locations still remain. We're very excited about international. As you can see from what's happened at MVCI in Asia and Europe and other parts of the world and where Ken's going with Ritz-Carlton Hotels, it's a tremendous opportunity for our business. And the residential segment has worked well, opportunistic. It fits because some of those customers are just going to say, "I want it all."

Thank you very much. It's time for me to give you a break. So it's the good news. We've got 15 minutes. Laura? So it's pretty close to 11:30. So 11:45. Thank you very much.

BREAK

Carolyn Handlon, Executive Vice President and Global Treasurer, Marriott International

Carolyn Handlon: Why don't we go ahead and if everyone could grab their seats, get one more cup of coffee but take your seats and we'll go ahead and get started here. Got a couple of stragglers. Here we go. Well, good morning. My name is Carolyn Handlon. I am the Executive Vice President and Global Treasurer for Marriott International. Well, hopefully after this morning's presentations, you have a better sense for the breadth and depth of our various timeshare brands, but also our tremendous pipeline and global expansion opportunities. So what I'd like to do now is turn to the finance side of the business. I'm going to start, and I'll talk about our consumer finance program, and then I'll turn it over to Victoria, who will pull it all together for us and talk about our financial results, but also our financial outlook, which I know you're quite interested in.

So turning to the next slide in my section of the book, for 2007 the financing business represented 11% of the timeshare segment's total revenues and 35% of its profit. While these percentages have changed slightly from year to year, this story does hold true over time, and that is that financing is a key driver of profitability for this business. From 2003 through 2007, financing profits more than doubled from \$64 million to \$140 million. These results are driven by the overall growth of the business, but also the growing number of timeshare buyers that finance with us. We enjoy the luxury of having very little competition in this space. Most financial institutions do not offer a loan product that is tailored to timeshare. We try to make the program very easy and convenient for our customers. We earn an attractive rate on the loan portfolio, averaging in excess of 13%. We then bundle these notes together and we sell them to investors at an average cost of about 6%, and then we retain the seven point difference, which is the driver behind the profits you see here on this chart.

I should also point out that we are the servicer of our loan portfolio. Our state-of-the-art systems provide us invaluable data to understand the financial condition of our borrower, which also helps us in the collection process. As servicer, we also maintain important touch points with the customer, and from that we've been able to get valuable feedback on our products and services, and sometimes it even generates leads for future sales.

Most of our customers come to us with an affinity for the Marriott brand. In fact, as you heard earlier, roughly 75% of our new buyers are our existing owners. They're referrals from Marriott Reward members. So they know us and we know them. As Lee mentioned from an income standpoint, our customers are more affluent than the average American household. Marriott Vacation Club owners have a median income of \$125,000. Our focus on quality loan applicants is reflected in our strong FICO scores, which were 740 in 2007.

The loan approval process is very easy and it can be completed at the time the customer signs a contract. Closing typically occurs two to four weeks after this point of sale and can be frequently completed just through the mail. We also offer incentives. When a customer finances with us we have a number of different tools. We can use our Marriott Rewards, or we can also offer a certificate maybe for a dinner at our hotel, a round of golf, or a day at the spa.

On the graph here you see how our finance volume for both timeshare and fractional products have grown over time. As you would expect, the bulk of the volume comes from our core vacation club customer. While we do provide this service to our fractional customers, given the higher price points and the flexibility that they have in terms of accessing other sources of capital, we find that only a small percentage of our fractional customers use our finance program.

As mentioned earlier, we benefit from a strong propensity to finance. As you can see from the yellow line noted at the top of the bar chart, the percentage of customers who finance with us has grown quite steadily over the past few years. From 2003 to 2007, it has grown from 50% to 80%. Importantly, we have achieved this growth without sacrificing our loan quality. In fact, over this time frame our credit scores have improved from the low 700s to 740, as I just mentioned on the prior slide.

Let me walk you through the terms of a typical loan. The structure is actually quite simple. We generally offer a ten year financing with about a 10% down payment. On average our loan size is \$23,000. While interest rates can vary based on loan size and credit underwriting, our typical borrowing rate is between 13 and 13.5%. The loans are fixed and amortized over the life of the loan, so there's no balloon payment or variable interest rate to manage. The average monthly loan payment is \$250. Whenever possible, we encourage our customers to use our automated collection system where we can directly charge their credit card or their checking account. We allow our customers to prepay at any time. About a quarter or so prepay within the first six months and then it falls off from there. We attribute this relatively low prepayment to the small size of the loan, but we also offer ongoing incentives for customers who keep their loans outstanding, primarily through our Marriott Rewards points.

I've provided a lot of positive statistics around our financing propensity and our FICO scores, but clearly, given this uncertain economic environment, I'm sure many of you are asking what's happening with our loan delinquencies and are we seeing any changes? This chart shows average

annual delinquencies, and you can see they've declined over the past several years from 9% in 2001 to 6.2% in 2007. Over the past couple of months we've seen a small tick up in delinquencies. For November of '07 through January of this year our monthly delinquencies increased to 6.7% and again that compares to 6.2% on average for all of '07 and about 6.5 for '06, but still substantially lower than the peak of 9.7% in 2002.

Now let me show you the data in a slightly different format as we benchmark our delinquencies against delinquencies in the prime and sub prime mortgage market. The Mortgage Bankers Association produces the data that you see here on this chart. It's produced quarterly, and the one thing I should note here is that these delinquency percentages exclude foreclosure, so the definition is a little different than the prior slide. The MBA sub prime delinquencies increased 300 basis points over the past three quarters to 16%. The prime market also increased, but only very modestly. It was up 55 basis points since the beginning of the year. Marriott Vacation Club's delinquencies were up only 40 basis points for the same time period. The MBA has not published its data for the fourth quarter, but to give you a sense for where we are, our delinquencies excluding foreclosures in the fourth quarter of '07 were 4.2%, which compares to 4.1% for the third quarter, so just up ten basis points.

We attribute our strong performance to the quality of our customers, our modest loan payment, but also really the value of the product and the vacation experience that we talked about earlier today. In addition, we believe that servicing our loans creates an advantage. We are in constant touch with our customer. Through our data intelligence and our automated collection process we're able to identify trouble spots, focus our activities, and accelerate our collections. We also think that it helps mitigate future delinquencies. So in short, the Marriott Vacation Club consumer note portfolio is performing well, but clearly we're watching these trends very closely.

Given our strong track record, we have been very successful at selling our loans at a profit over the years. Since the inception of the program in the early '90s we've sold over \$3.5 billion. This chart here shows you the volume over the past few years from 2003 through 2007 we've sold over \$2 billion in notes and reported cumulative gains in excess of \$350 million. The strength and success of our program reflects our steady and consistent performance, our quality customer base, and a wealth of historical data from which investors can underwrite against. We have a strong following of investors, such as insurance companies and other institutional money managers, many of whom are buy and hold investors. We've been in touch with these investors very frequently, and many have expressed an interest in buying into our future note sale transactions.

Let me take you through the specifics of our transactions. Our loans are sold without recourse and achieve true sale accounting. In 2007, we sold \$520 million of our notes in two deals. We had one in the second quarter and the other one in the fourth quarter. These sales generated gains totaling over \$80 million for the company. The notes are sold at par, less transaction expenses, and a very modest 50 basis point general reserve. The weighted average coupon on the note sold ranged from 13.3 to 13.4%. The rate of return to the investor was 5.6% in the second quarter and 5.9% in the fourth quarter. This return is based on a credit spread to treasuries. We did see a material increase in the credit spread in our fourth quarter transaction, reflecting the volatility in the overall markets. However, this increase was largely offset by a reduction in treasuries. So as you can see on this slide, the total investor return was only up 36 basis points. The difference between the weighted average coupon and the investor return is the profit that we retain and we show it here as the Marriott residual interest. The gain that we report is the present value of this residual interest

adjusted for projected prepaids and defaults, based on our historical track record. Each month the cash flow from the portfolio is first used to pay the principle and interest due to the buyer of the notes, as well as to cover any of the defaults, and the residual is payable to Marriott Vacation Club so our economic exposure is capped at that monthly residual interest.

As part of a note sale process, our portfolio is reviewed and rated by Moody's and Standard & Poor's. About 85% of our 2007 portfolio was rated triple A by both agencies, which reflects the quality of the portfolio, as well as our strong performance history.

We were gratified by the success that we had in the ABS market, particularly in the fourth quarter. Not everyone was quite as successful. As we look forward into 2008, we can't be certain of our success and the quality of the market. Obviously, as you look at timeshare note portfolios there are many different approaches that companies take. You may recall that Hilton chose to keep their paper on their balance sheet. It did deliver them strong cash flow and obviously earnings, albeit at slightly higher company debt levels. At Marriott for the past 20 years we've reduced both our risk as well as our leverage by selling our notes using many different structures. We've used private placements, we've used the bank conduit facilities, and of course more recently we've used the ABS market. All of these markets are still available to us today and we will opportunistically look at each one.

Our track record is outstanding through both good economic times and not such good times. One reason we do so well is the quality of our underwriting in the first place. After all, it's kind of hard to argue with credit scores at 740. Given our alternatives, we believe the key question is not around capital availability, but rather credit spreads. As you know, there's been tremendous volatility in unrelated asset classes and while we have a very good story, it's possible that some of that volatility could spill over into our market. We've tried to anticipate current market conditions into our 2008 forecasts. Based on feedback from both our investors, as well as our bankers we feel reasonably confident of our ability to achieve our note sales at the returns that we forecasted, but obviously we'll have to evaluate the market at the time we do the sale. I think all in all, it's important to remember that we have several deal structures available to us. We also have tremendous financial flexibility and liquidity. So we don't have a sense of urgency to jump into a bad market.

So in summary, we feel very good about the core economics of our financing business. The Marriott product attracts an affluent customer, our targeted marketing efforts draw from individuals who already have a trust and affinity with the Marriott name and quality. And I think importantly in this market, our FICO scores are healthy and delinquencies and defaults are in line with past performance. And last, investor interest in buying our notes remains positive.

So my focus, again, has just been on one piece of the overall financing business. What I would now like to do is turn it over to Victoria who will pull it all together and review our financial results, as well as our outlook for the entire financial segment. Victoria brings a wealth of global finance experience from both her tenure at Marriott, but also before Marriott she spent a number of years with Coca-Cola at various locations around the world. She joined Marriott in the year 2000 as our Chief Financial Officer of our international lodging business, and then she joined Marriott Vacation Club about three years ago. So I'd like to turn it over to my business partner and good friend, Victoria.

Victoria Dolan, Executive Vice President and Chief Financial Officer, Marriott Vacation Club International

Victoria Dolan: Well, thank you very much, Carolyn. I'm pleased to be here today, and I have been asked to tackle three topics for you. The first I would characterize as where's Waldo because part of the job of finance is to identify and report the right information. I believe our disclosures today do provide a considerable amount of useful information. So I'm going to take a few minutes to talk about where you can find the timeshare segment information in Marriott International's overall results and what the data means. Secondly, I know The Street's concerned about the economy and its implications for the timeshare business. So we'll talk a bit about sensitivities and how we've performed in recent recessions. And finally, and perhaps most important, we'll look into our crystal ball, not to guide on next quarter's earnings, but to do something more important, to focus on our longer term outlook which might help you as you think about our valuation, okay. So let's get started.

The timeshare business has a reputation for being complicated. To try and unravel some of the mystery, I'd like to first take a moment to highlight for you how the timeshare segment results flow into the company's overall financial results. Arne highlighted some of these items in the February 14 Earnings Release. However, I think touching upon it once again will be helpful.

Overall, the timeshare segment results were \$306 million in 2007. You can see that was a significant contributor to Marriott International's overall results, representing nearly 20% of 2007's pre-tax earnings, up 9% over prior year's results. In the timeshare business, base management fees represent management fees collected from our owner's associations. For example, in the Marriott Vacation Club business, the typical owner pays \$1,000 annually in maintenance fees, and we earn about 10% of that, or \$100 per interval per year as base fee revenue. With long term management agreements, these fees are very similar to base fees earned on hotel management agreements. By 2007, our fees totaled \$43 million, growing with inflation as well as our expanding owner base. Timeshare sales and services include revenues and expenses associated with the development and sales of our timeshare product, and also from our financing and services businesses. Net of direct expenses, sales and services generated \$350 million in 2007.

As you know, percentage of completion accounting, which was required for the timeshare business, tends to make our earnings rather lumpy, sometimes on a quarter-to-quarter basis, and even sometimes year-over-year. We're working to enhance our communication around these fluctuations; however, they will and do occur.

Cost reimbursements on the revenue line and reimbursed costs on the expense line represent the flow through of costs incurred by us on behalf of owners and joint ventures, which are subsequently reimbursed to us. This is the same approach used by our lodging business. Cost reimbursements total \$275 million in 2007, but had no impact to the bottom line. General and administrative and other reflects finance, accounting, human resources, and the like, totaling \$98 million. It does not include any allocation of Marriott's corporate overhead. And the equity and minority interest lines represent our equity earnings from our joint ventures, largely our Kapalua and Abaco projects and the minority interest associated with San Francisco, a fully consolidated joint venture. Together, these items added \$11 million to our bottom line in 2007. However, it's important to point out that this line will be even more important over the next few years as larger proportion of our results from our joint venture projects in Hawaii come to fruition. While many observers focus on the

P&L's timeshare sales and services line to evaluate performance, we believe this view of the total segment results are more relevant to evaluate our performance.

But before I go any further into the overall financial performance of the segment, I'd like to talk a little bit more about the accounting nuances and terminology associated with the business. Laura gave some initial definitions and we'll go into a little bit more detail.

First term is contract sale, a sale of a timeshare product is classified as a contract sale once we have both a minimum 10% down payment, and two, the contract is beyond its rescission period. At that point it becomes a binding contract. And also, know that our contract sales number includes sales from both our wholly owned projects, as well as our joint ventures. Sales and related costs are recognized into the P&L each quarter based upon the value of construction performed in proportion to total construction costs.

Under percentage completion accounting, a project must be 10% sold and 10% constructed before any revenue can be recognized. For example, if a project is only 30% complete from a construction standpoint, only 30% of the revenue and 30% of the product costs associated with the contract sales get reflected in the P&L. The remaining revenue remains on the balance sheet as deferred revenue, and is recognized into the P&L as construction continues. Typically this occurs within one year of the original sale.

In contrast, most marketing and sales costs are expensed as incurred. While on the surface this doesn't sound troublesome, realize that projects early in their lifecycle are at a low percentage completion point. Together, this results in development margins that are extremely low, and sometimes even negative, as you have very limited revenue for a project, but you are fully burdened with the marketing and sales costs. And since marketing and sales costs are particularly high in the start up phase of a new project, the negative impact on margins on a quarter-to-quarter basis can be material. Lastly, product cost is calculated by construction phase and recognizes expense over time, matching it to its related revenue.

So what does this all mean in terms of measuring the strength of the business? Well, first it reveals the importance of contract sales because contract sales measure the underlying demand for our product regardless of reportability challenges. Second, it shows the importance of evaluating the business over the long term. Realize that quarterly volatility is truly a timing issue that levels out over time.

As Carolyn mentioned, there are three primary sources of revenue and profit for the timeshare business, development, financing, and services. The development part of our business represents the revenue and profit from constructing and selling our timeshare, fractional, and residential products. This is the largest driver of our results, and generates nearly 60% of the segment's bottom line.

Focusing on development revenue, you can see that in 2007 our business remained overwhelmingly driven by our timeshare products, although we do have a meaningful pipeline of new fractional projects.

Turning to the margin side, development profit margins for timeshare and fractional products are quite different. For the timeshare business, our reported development margins approximated 19% in 2007, with 39% product cost and 42% marketing and sales cost. Compared to comparable industry

averages, our product costs tend to be higher, and our marketing and sales costs tend to be lower. We believe our higher product cost reflects a higher quality product and our lower marketing and sales costs reflect our strong brand, marketing techniques, and customer satisfaction that both Steve and Lee addressed earlier.

Reported profits from timeshare development can be volatile, as start up costs and construction timing can impact a quarter significantly. As a result, reported development margins fluctuate from quarter-to-quarter. Just to give you an idea, while average development margins for the business have approximated 17% since 2002, these development margins have actually ranged from a low of 10% to a high of 20% on an annual basis. Going forward, we target margins in the mid teens for this business. And that's before any contribution from the substantial financing and services businesses that accompany these projects.

For the fractional business, our development margin in 2007 totaled about 10%. Here product cost is much higher, reflecting the cost of a more luxurious and ammenitized product. Marketing and sales costs are more modest, given that we are less tour focused than the fractional business. As Pete pointed out, most of our lead generation comes from media and collateral based channels. Just as much as in our timeshare business, reported development margins on our fractional products can fluctuate meaningfully. In 2007, our fractional business was burdened by significant start up costs for our new projects. Development margins for this business have averaged over 20% since 2002, ranging from a low of 10% to a high of 27%. For the future, we're expecting low 20% development margins on average.

Residential margins aren't shown here given the relative small contribution to 2007. As a point of reference, over the long term we expect residential development margins of roughly 20%.

Our services business is driven by three major revenue sources. First is a stable and growing stream of management fees. As I mentioned, similar to the lodging business, we receive a fee for managing the day to day operations on behalf of our owners. Second are the revenues and profits from the rental of unsold units or units where the owners decide not to occupy in a particular year. And lastly, our profits we received from food and beverage offerings, golf courses, and spas at our various resorts.

Looking at the largest component of our services profit, you can see the steady stream of management fee revenue. These fees have grown nearly 20% compounded since 2002, driven by 12% annual growth in managed weeks. All in all, while the accounting for the timeshare business introduces volatility, the margins, contract sales, and segment results demonstrate significant profitability and steadiness over recent years, and our management fees are highly predictable.

Now let's turn to look at the balance sheet. Looking at the balance sheet of Marriott Vacation Club International, our total assets approximated \$3 billion at the end of 2007. As you can see, the largest driver is \$1.5 billion invested in inventory, most of which is under development. At year end, only about a third of that inventory was fully constructed and ready for sale. And as was alluded to earlier, we phase development so inventory matches closely to sales pace as much as possible. And to just give you an idea of that, at the end of 2007, the value of our inventory under construction represented on average about two years of sales, which is down from nearly three years on hand five years ago.

Our financing business also impacts the balance sheet. Notes receivable and our interest only strip related to our previous note sales totaled \$700 million at the end of 2007, and are spread throughout the other current assets, notes receivable, and other lines in the balance sheet.

Deferred revenue is included in current liabilities and totaled about \$100 million at the end of 2007. This revenue was not recognized into the P&L at the time the sale occurred in 2007, but should become recognizable as revenue probably in 2008.

So, on a return on invested capital basis, over time we have made great stride in effectively managing the components of our balance sheet resulting in overall improvement in the company's return on invested capital, or ROIC. In fact, since 2002 we've improved the segment's return on invested capital by roughly five points from 9% to 14%.

And how have we done this? We've made this by effectively matching construction pace to sales pace, investing in faster payback projects, and pursuing joint ventures where feasible. The advantages of joint ventures are many. A local partner may control a valuable site or may offer local development expertise. Also, they may share expensive upfront costs for the new project. On the other hand, joint ventures are not always the most efficient or profitable way to develop a particular project. In 2007, we bought out two of our joint ventures, which we believe positions us for stronger results going forward despite a near term hit to ROIC. Going forward, we are targeting mid to upper teens return on invested capital. And to achieve this goal, we're working to identify further opportunities to optimize our use of capital and to improve our margins through using more efficient marketing and sales channels, benefiting from moderating construction costs in certain markets, and driving more efficient general and administrative spending and leveraging our infrastructure as we grow.

From a cash flow standpoint, there are lots of questions from Wall Street to provide more information about our cash flow. Given the disconnect between reported earnings and the cash flow of our business, we provide a reconciling table in the 10-K called "timeshare activity net". Let me walk you through it. Our 2007 segment results were \$306 million and depreciation and amortization totaled \$39 million. As you can see, we added \$55 million more in inventory than we sold during the year, reflecting the net investment needed to drive higher profits in future years. Note that our resort construction, which some might think is capital expenditures, is reflected as inventory cost, which is deducted from segment results to get to operating cash flow. Our note activity reflected several ins and outs from note originations and sales, et cetera, and used almost \$50 million in cash. And finally, financially reported sales in 2007 exceeded our closings by \$16 million. This reflects the timing of contract closing versus when they become reportable. It's purely a timing matter and fluctuates quarter to quarter. In total, cash flow from operating activities totaled nearly \$140 million in 2007.

So given the accounting, how are we doing? Again, contract sales is the right place to start, as it reflects the gross revenues coming into the business without the complication of percentage of completion accounting. As you can see, overall timeshare growth as shown in green has moderated over the last several years, while fractional and residential growth has accelerated. Higher construction costs and land costs made fractional and residential projects, largely mixed use projects, more attractive. We believe this trend is likely to change. As construction costs and land costs moderate in the U.S. and we add more sales offices and resort inventory in Asia, we expect to accelerate growth in our core timeshare business, while shifting to a more opportunistic posture for

residential.

For our fractional business, it's been a steady contributor to total sales, but you can see that it's still in its infancy. We anticipate this piece of our business beginning to flourish, particularly with the strong products in Hawaii with Kapalua and Kauai Lagoons and in the Bahamas at Abaco. I'm sure you all note the decline in contract sales in 2007. While our overall timeshare business performed roughly in line with expectations, we fell short of our sales projections for our fractional and residential products. This resulted largely from significant construction delays at our Kapalua project due mainly to archeological finds, as well as project start delays at our Kauai Lagoons project as we bought out our partner. We've also seen some economic influence. In particular, we've seen growing reluctance on the part of residential buyers. Certainly there are fewer speculators chasing residential deals today. 2007 also saw some softness in demand in our West Coast timeshare resorts, probably related to the weak economy and difficult housing market, particularly in California.

While the near term demand trends are difficult to forecast, we've already adjusted our contract sales guidance for 2008 to reflect the market weakness we've seen in 2007 and what we've seen to date in 2008. We've also identified contingency plans, and if business conditions weaken further, we will implement them. Our contract sales forecast for 2008 does not require more assumed strengthening demand. We are more bullish about 2008 than 2007 because of the introduction of new projects that are largely now in sales. From a total contract sales standpoint we're targeting annual growth of between 15 and 20% in 2008.

Timeshare segment results reflect our success at sales, financing, and services, as well as good overall cost management down to the bottom line. Over the past five years we've grown timeshare segment results 17% on a compounded basis. While segment results in 2008 should be flattish reflecting our contract sales shortfalls in 2007, strong contract sales in 2008 should position us for a very attractive 2009.

So what are our thoughts about performance during a challenging economic environment? Well, historically our business has remained relatively resilient during economic downturns. In fact, it's been more resilient than most other industries. But that's not to say that everything will go smoothly. For our timeshare business, top line growth in an economic decline likely would be at the detriment to margins in the short term as it may cost a bit more in marketing and sales to attract customers and close a sale. Based on our experience since 1984, we estimate that a recession could cause sales and marketing costs to rise 100 to 200 basis points. And today, that would translate into about \$15 million impact for each 100 basis point change.

For pricing, while we historically have not reduced pricing in economic downturns, we could chose to temper our price increases. To the extent our pricing is 100 basis points different from what we assumed, it could impact our results by \$15 million. And just for reference, our 2008 guidance assumed increases of approximately 3% in price on average.

One other element of this though, if construction costs do continue to slow as we see an overall market weakening, 100 basis point decline in construction cost would also improve our bottom line by \$15 million.

So what actually happened during our past recessions? Looking at the last two downturns, you can

see that our segment results remained relatively strong. Our top line contract sales continued to grow, but more marketing and sales spending was needed to generate those volumes. As our bottom line results show, we were not immune, but the impact to the business was less significant than was experienced by our lodging business. And while our profits declined in 2002, we recovered rather quickly. In fact, by 2003, our results were above 2001 levels.

Again, this doesn't predict how we'll respond to a future downturn, especially when you consider what's facing the consumer today. In past downturns, the consumer wasn't hit as hard as they seem to be now with the impact of the housing market and credit issue. In addition, while our exposure to residential is modest, that business is certainly more exposed to today's economy than our timeshare history would imply. Yet overall, we think looking back at these two past downturns, that our business is resilient and if impacted in the short term, will rebound pretty quickly.

So let's talk about our 2008 outlook. Overall, we've previously communicated that we anticipate contract sales growth of between 15 and 20% reaching \$1.6 to \$1.7 billion. Timeshare sales remain the largest component of our sales, while our fractional and residential forecasts are more conservative, reflecting our cautious economic outlook. And if we look specifically at our timeshare business, our 2008 sales projections reflect the continuing diversity of our portfolio of offerings, over 25 projects in sales during the year. While our five largest projects are shown individually on this chart, you can see that we're not heavily reliant on any particular project or any particular region or country to generate our volumes, nor are we forecasting a significant upturn in demand at our existing resorts. The bottom green bar, which represents all of our other projects not highlighted separately represents approximately 20 different projects and considerable diversity.

Our fractional projects show more dramatic growth, but still should represent less than \$200 million of contract sales in 2008. Much of the sales growth is assumed to come from Kapalua and Kauai Lagoons. And as both Lee and Pete mentioned, we're very excited about these projects, particularly given initial owner response at Kauai Lagoons and at Abaco. In addition, we already have over 50 reservations at Abaco. And these are not quite contract sales, but nevertheless, very encouraging. We're also impressed with performance to date at Kapalua. Hawaii continues to be a high demand luxury market, and these are outstanding projects for us. Hawaii should also generate significant growth in residential sales in 2008, also from Kapalua and Kauai Lagoons. We expect these residences to sell on average for between \$2 and \$3 million each, with some pricing much higher. And these are not mass produced homes, but rather luxurious first and second home alternatives for the Ritz Carlton customer in two of the most exclusive developments in the world. We recognize that the broad residential market has softened and our sales have slowed recently, yet we are cautiously optimistic about our targeted sales volume given the continued demand that we have seen in the Hawaiian market and our great product offerings.

Overall, we feel that 2008 is looking quite promising. But we recognize that using any one year to value this business could be very misleading, so we thought we'd do a bit more. So let's extend our outlook to 2010. If you recall, Pete and Lee showed that we have inventory expected to deliver \$16 billion of future timeshare revenue and \$3 billion of future fractional and residential revenue. About three-quarters of this inventory is already under our control, but very little of it is completed. So while it's difficult to project whether a project will sell in a quarter or two in a weak economy, or even in one year or another, we have considerable more confidence that these projects will sell over the next few years with little completed inventory risk. And based upon this inventory, we expect total contract sales to grow annually at a rate of 10 to 15% over the next few years. With additional

investment, our core timeshare business is expected to really pick up, and our fractional product offerings reflect steady but modest growth. However, as you can see, our residential product becomes less of a contributor going forward as current inventory sells out.

Profits over this timeframe remain strong as well. We expect margins to improve in the fractional business, reflecting maturing resorts and attractive new projects. We expect margins to remain about the same in the timeshare business at the mid to high teen levels. Of course individual year to year results can be impacted by start up costs for new projects and construction pace. Overall, we're targeting annual growth of roughly 10% from the timeshare segment through 2010, a steady and consistent growth engine for the company. While contract sales remain strong, the steady stream of profits from our financing and services businesses continue as well. 2009 is particularly interesting. Assuming we achieve 15 to 20% contract sales growth in 2008, a significant part of that revenue should be recognized in 2009. Further, these revenues would carry very attractive margins because the associated sales and marketing costs would have already been recognized in 2008.

Looking beyond the segment results over the next three years, development profits should total between \$800 and \$900 million, with the majority of this being derived from our core stable timeshare product. Financing is expected to remain strong, contributing \$400 million during that same timeframe. As mentioned previously, these results are predominantly driven by customers financing timeshare products. And services profits, although it represents a small percentage of total EBITDA, represents a recurring low risk cash flow stream that, as is the case with financing profits, will grow at rates consistent with contract sales growth.

Regarding G&A, our projections assume growth at rough 3% annually. Our management team is very focused on managing overhead costs and leveraging our existing infrastructure to support continued growth. Adding back depreciation and amortization, our EBITDA could total \$1.2 to \$1.3 billion over the next three years. As the business continues to grow, we expect continued capex, inventory additions and note activities to total approximately \$700 million, which gives cumulative free cash flow of \$500 to \$600 million for the three years.

Obviously, looking at one year's cash flow is too short a period to evaluate the value of this business, so three years makes more sense. But with the tremendous pipeline of projects under development, we're actually able to look a bit further into the future. We certainly can't give this forecast much of an assurance as there are so many factors that we are unable to forecast and is subject to numerous risks. But just looking at our pipeline leads us to some interesting conclusions. For example, over the next five years we've identified 90% of the projects that we need to deliver our expected sales volume. And over 10 years you can see where we've got nearly 60% of our inventory identified to make our sales goals. Translating that into sales volume and profits based upon the strength of our existing projects and future pipeline, we anticipate cumulative contract sales over the next ten years of between \$25 and \$30 billion and future development profits of roughly \$4 to \$4.5 billion. If you recall back when Lee and Pete talked about their respective pipelines, those projects provided over \$19 billion of expected future revenue for the segment. And that pipeline makes the \$25 to \$30 billion of projected contract sales a bit more realistic at this point.

In looking at the slide, realize that the projected future contract sales volume includes both identified and unidentified projects, with unidentified projects being the sales from new projects that our development team is actively pursuing, or will begin pursuing over the next ten years. Over

the next ten years we expect that over 80% of contract sales and development profits will be derived from our core timeshare business, which is proving very successful when we had inventory. We expect to continue to further develop our fractional business, both domestically and internationally, while pursuing residential on a more opportunistic basis and typically only along with the fractional product. That strategy should enable us to achieve double-digit growth in both contract sales and development profits over the next ten years.

From a total segment perspective, including the profit from our financing and services businesses, we are targeting roughly \$6 billion of cumulative profits over the next ten years. And the breakdown of profits looks very similar to what we have today with developments generating 60% of our profits and the rest coming from financing and services.

So to put some perspective, how are we confident that we can identify new projects to supplement our already deep pipeline? Well, our confidence level around achieving our goals is based on a solid track record to date. If you look at the last eight year period from 2000 to 2007, the gold bar shows the contract sales that came from projects already in sales in 2000, while the green bar shows the contribution from new projects not yet open in 2000. With the possible exception of the two project delays in 2007 that we already talked about, you can see that we've been very successful bringing new profitable projects to fruition that not only cover projects reaching sell out, but also fill the growth demands of the business. We anticipate that our ability to identify new projects will exist going forward to drive not only top line growth, but bottom line profit as well.

And for those of you who can't help but read ahead, you know that over lunch Arne will discuss the valuation insights attainable from this data. But I'd like to remind you of the real foundation for this cash flow and any valuation you might estimate. At MVCI, we understand the customer probably better than in most industries. We don't rely on passive advertising. Few people wake up in the morning seeking an opportunity to tour a timeshare resort. And yet once the product is revealed and tried, customer satisfaction scores are high, many customers buy additional weeks or upgrades, and many refer their friends and family. This is a compelling product that has delivered against some pretty high expectations and has been successful for us for over 24 years. Part of the product's appeal is the Marriott name, reputation for trust, and reputation for product quality. Of course we also would reinforce that reputation in every successful vacation experience. Like our lodging business, timeshare has proven resilient in challenging economic times. While we can't provide assurances about any given year's performance, we've never been more bullish about our long term growth prospects. We've talked about our strong pipeline, our core timeshare product is in great shape and has tremendous growth opportunities, particularly in the U.S. and Asia. The Ritz Carlton brand, as Ken said, is iconic, and also offers tremendous opportunity. Ours is not a business that burns off its inventory and fades away, we've demonstrated this in a continuing growing and thriving business. Clearly, this is a business that is both attractive and valuable to both Marriott International and to our shareholders.

We appreciate your interest today, and thank you for spending the time to get to know timesharing. And now we're going to be pleased to take questions. And if I could I would ask my fellow presenters to come up to the dais with me.

Question and Answer Session:

Steve Weisz: Laura is a little under the weather, she has a touch of the something or other, so rather than her moderating, I'm going to have the task of trying to field your questions and pass them off to the other panel members. We also have some other members of our senior team here, so we may call upon them if there's a specific question that would kind of delve into their level of expertise. So let's have it. Steve?

Question: Maybe just talk about the potential movement to a point based system rather than a one week system. And the reason I say that is, you all have talked about it for many years when I go talk to your sales people they talk about it, too, that that might be helpful to them. But most importantly, it may smooth out the potential revenues over longer periods of time. And I just wanted to see your reaction to that, and in fact if, you did move to a point system at least historically, other companies have done that have had a surge in revenues and profits when they do that at least for the first year or two. So where are you on that issue?

Steve Weisz: As Lee mentioned in his remarks, that's currently certainly the basis of our Asia Pacific Club work. That was done specifically because of the vacationing patterns within that region of the world. It also gave us a good test bed to understand how a points-based system works within our system. We are also doing a points-based project in Abaco with our Ritz-Carlton Club as a way of understanding the implications of that. We continue to look at it. I think that maybe I'd like to ask Victoria just to kind of comment about this notion, however, that just by going to points you get better reportability because in fact that seems to be a bit of a misnomer. So Victoria.

Victoria Dolan: From an accounting perspective, points-based systems are subject to the same percent of completion accounting that a weekly system would be, so the only way that we can take the volatility out would be the same way we would on a weekly based system which would be to only sell into 100% complete inventory. And obviously we are managing the overall value of these projects, which has to do not only with reported earnings, but has to do with how we use capital and how we manage our cash flow.

Question: Could you could just sell smaller pieces or smaller segments and do more upgrades for the customers [Inaudible] or do you have to buy a whole week?

Steve Weisz: I'm going to do one thing. Let's make sure that so the people that are on the webcast can hear the questions, could you repeat that follow-on please, Steve?

Question: Just on the point-based system, it allows you to do a little bit more upgrade to the customer, and it might allow you to sell smaller fractions rather than full whole weeks or any of the other opportunities.

Victoria Dolan: I think in Asia we've seen that, where we are selling the number of points equates to, can equate to less than a week, but the underlying accounting relative to percent complete accounting still holds.

Steve Weisz: Great. Next question.

Question: Thank you for having this meeting, everyone.

Steve Weisz: Thank you.

Question: Maybe, Steve, you can just talk about how much of an issue is sort of an increasingly large secondary market where you can buy used timeshare units and how much of an impediment is that in terms of pricing new products for sale? And then the second question for Victoria, you gave us some information on return on invested capital, were those pre-tax or post-tax? And if they are pre-tax, what would be the post-tax ROICs? Thank you.

Steve Weisz: Okay. I'll give you a quick overview and then we're going to ask Lee to talk about how the entire resales environment because I think it's important that, he did a lot of work in this area and it's important that he get into some depth on that. I have said and gone on record on a number of different occasions to say that a less than vibrant resales environment in the timeshare industry can be viewed as a bit of an Achilles' heel. It's like operating, it's like trying to operate a new car business without a used car lot. How does that really work? So we set about a number of years ago to say, how can we reinvent the resales business? Lee led that effort, and I'm going to ask him to really kind of comment about it.

Lee Cunningham: One of the things that we did was go out and assess where the opportunities were within the resale segment to actually turn it into a profit making component for our business and over the last couple of years we've come up with several programs, either through straight commission listings as well as a resale buy back type option that allow us to offer our owner, existing owners an opportunity to exit the product if that's what they're looking for, and at the same time generate a profit for our company. It's not the same level of profit margin, but it is an attractive profit margin nonetheless.

Additionally, you spoke about pricing pressure related to the resale market. We have a couple of things that are resident as part of our product that help us to control that. The first is that a sale that occurs outside of a Marriott venue, in other words, if we're not a participant in the sale of a Marriott Vacation Club week, then the ability to use Marriott Reward Points does not transfer with that sale. So that allows us to take a look at all the, or the majority of the sales that are out there. Secondly, we have a right of first refusal on any sale that occurs in the open market. So we keep track of that very carefully. So we understand what inventory is really selling for. There are a lot of listings out there that are not really backed with inventory. You'll see a lot of listings out on websites and so forth that have advertised a Marriott listing and when you call and try and buy that week, it sold last week, but I do have this other option for you. So quite frankly, we've turned our ability to address this issue for our customers into a positive for us.

Steve Weisz: Victoria, you want to answer the question on the whether it was pre-tax or after tax on ROIC?

Victoria Dolan: It's a pre-tax ROIC, and off the top of my head I don't have the after tax, so we'll go back through Laura and get her the after tax number.

Steve Weisz: Next question.

Question: Hi. Will Truelove from UBS. I have two questions. First, maybe Carolyn can address, you said there were multiple different structures that you can access the different types of credit markets. Can you give us a little more color on the different types of ways you can fund your timeshare note sales. And then second of all, you talked a lot about the volatility in GAAP results in

terms of margins and whatnot. Can you talk about the volatility in the cash flows for the underlying business because that's what we'll need to achieve an appropriate discount rate given, I read ahead, what Arne's going to say. So what's the volatility of the cash flow streams, not just GAAP? Thanks.

Carolyn Handlon: Sure. Steve, why don't I kick it off? When we began our program in the early '90s, we accessed just a very traditional private placement market, which is just going to directly to individual investors, probably insurance companies and the like, and you'd probably go to a smaller number of investors and you'd sell the notes to them. As the program evolved in the mid to late '90s we worked with commercial banks and we would sell the notes into what we call the CP conduit facilities and basically we'd sell the notes to the banks and they would put them in their vehicles and from there we evolved into the asset backed security markets, and that market, those markets are in some respects you could say they're very similar to the private placement market. Some of the investors are the same, but I would say the reach and depth of investors is much broader. So we have accessed those three markets over time. We've been in touch with both the banks on the bank conduit facility side, as well as talked to our bankers about both the ABS and the private placement market, and we think all three alternatives are available today, and certainly will be very opportunistic in how we go about looking at it for our 2008 note sales.

Steve Weisz: Victoria, you want to take the other part of that?

Victoria Dolan: Yeah, on the cash flow side, the timing of the cash flows is going to mirror the underlying activity in the business outside of the reportability for the accounting purposes. Over the long run we expect to be cash flow positive, but from year to year it is going to vary depending on the timing of our investment. As we showed, we are a growing business, and we are investing in the new resorts and in this business.

Steve Weisz: And when we do an evaluation of a new project it's done on a cash flow basis.

Question: You talked about deferrals, can you give us some idea of what your annual deferral in the business was for '07 and what the margin on that deferred revenue is?

Victoria Dolan: As I said, the deferred revenue that we had at the end of the year was \$100 million. The margin tends, when we recognize it, it tends to be higher in subsequent years because we've already recognized a lot of the marketing and sales costs associated with that. But that also is going to depend on a project specific basis and the mix of projects.

Question: [Inaudible] ...deferral in '08?

Victoria Dolan: In '08, we're assuming that \$100 million number will go up by \$100 to \$150 million by the end of '08.

Question: Hi. Two questions here for you. First one, in your fourth quarter results you provided 2008 timeshare operating and income guidance of \$315 to \$330 million, which is slightly different from your timeshare segment result 2008 outlook of \$300 to \$315 million. Is it fair to assume similar growth rates for the \$315 to \$330 million outlook as you did for the \$315 million outlook? Is that a fair assumption?

Steve Weisz: Victoria, it sounds like a great question for you.

Victoria Dolan: Yes, that's a great question, but we have not changed our outlook from the time we did those two, so yes, I'm making the assumption that the growth rates are the same.

Question: Okay. Thank you. And my second question, a little more specific here, on your vacation club trust notes series in 2006, I just saw a report that the aggregate loan balance on your defaulted timeshare loans was approximately 1% for January, and that's important because it's above the trigger default level of 0.8%. Hypothetically, let's say if it stays at those elevated levels for the next two months and causes a trigger event on your loans, walk me through hypothetically how that would impact your income statement.

Steve Weisz: Carolyn.

Carolyn Handlon: You want me to start? These note sale transactions typically do include a couple of covenant triggers in them, and it's typically based on in a default or delinquencies. If one of those triggers are hit, then the portfolio cash flow is directed to the investor notes opposed to Marriott receiving the residual. Once we restore the performance, the waterfall goes back to its performance. So it's hard to answer your question specifically because it depends on the specific situation. But you take a look at our performance over time, we've performed pretty well. And if there is an aberration at least based on our past track record, we would expect it to be relatively short and it would be our exposure with that excess spread, and we just would have to do an evaluation at the time.

Victoria Dolan: But at this point we're not forecasting that we're going to hit any of those triggers.

Question: [Inaudible].

Victoria Dolan: I understand, but it's done on averages over time, and we're monitoring it closely and we're not anticipating reaching any trigger at this point.

Question: I have a couple of questions about the ten year outlook. The first is what does that imply for your market share at the tail end of that period? How much of the business will you be taking? And second is, are there enough places where people want to go where you can buy land on an economic basis to sort of fill out that big a pipeline?

Steve Weisz: Let me take a stab at that and go from there. If you look kind of historically at the growth of the timeshare industry, it has averaged compounded growth rates somewhere close to 15%. So I believe our numbers say we're roughly about 10%, so theoretically our share would actually drop marginally. And the answer to your second question is given where you find yourself in the economic cycle, there is a lot to do about being able to find real estate. As an example, a number of years ago for beachfront locations, which are very, very popular with our owners, we were competing with condominium developers that were willing to spend 15 to 20% of their sales volume to buy a piece of dirt. Our model is at a much lower percentage rate. So we would eventually get into a position where we couldn't afford to be competitive in that market. At the same time, we were shifting some of our focus to our fractional business. We've now started to see some of those same parcels that were out of reach before are now starting to actually circle back and somebody said you know, I know you showed interest in this before, we haven't developed it here, would you be interested in coming back? So that's in the United States. Outside the United States,

there is a whole lot of prime real estate available and as we broaden our footprints geographically, I think we'll have plenty of places to grow.

Question: Just expanding on that a little, what determines how big the business is going to get over the next couple of years? Is it limited amount of management capability, limited amount of demand? I mean how do you decide that you want to do, as you do your over the next five to ten years, you have this many projects on the drawing board or that many project or that many projects?

Steve Weisz: We typically ladder them in. We showed a picture, Lee and I showed a picture of Newport Coast as an example, 700 units, Newport Beach, California, and it's going to be sold out in three years. If that project, when that project moves out of sales, it's a big hole in our pipe. So we have to find other projects to put in to replace it. We typically get somewhere between six to eight new project approvals in a given year. And that is not limited by resources. Obviously we believe that we can scale the business accordingly. We're not really taxed with much of anything in terms of being able to scale up. It's largely a function of we want to grow where our customers and owners want to go. And so as we identify locations of where that is, that's where we put our efforts. We have very targeted development targets for our developers to go after. It's not, go bring me a, go bring a resort in Des Moines. That doesn't resonate with our customers. So we go after those, and we do whatever we can in order to try to bring them online. In some cases, we will actually acquire a piece of property because it is available and we will spend some time kind of on a slow road of developing it so that we can bring it in as a sequel to an existing property. We had a very successful property out on Singer Island over here on the East Coast of Florida. We bought an existing hotel, tore it down as the sequel to that and we've already acquired a piece of property to be the sequel to that. So that's pretty much how we approach it. Was that helpful?

Question: Yeah. Given the importance of the Ritz brand, I'm a little bothered by what I see going on in Boston and New York. Boston in particular, where you took the name off of our, the name got lost on the big hotel and is on frankly an inferior property and New York where it's never really been I think developed anywhere near the way it is everywhere else. Could you comment on those two markets and your brand?

Ken Rehmann: Boston and New York?

Question: Yeah.

Ken Rehmann: Boston was kind of a unique situation where we had the opportunity to exit obviously one of the original Ritz-Carlton Hotels. While it was a great hotel, from a customer standpoint, a lot of the research we did we actually heard that there were, it was increasingly dissatisfying to certain customers because of the quality of the product. As we look at the new Ritz-Carlton Boston, I probably would just differ with you a little bit there. Our guest engagement and satisfaction scores are actually much higher in that hotel than they were in the original Boston hotel. So we feel that that product is a better representation of kind of where the brand is headed. In New York, we had two exceptional products, Central Park South, which is currently generating close to \$1,000 a night, very successful property for us, and then Battery Park, which caters more to the financial sector, both performing exceedingly well, both Battery Park is more modern, contemporary architecture, Central Park more traditional. So we feel like we're fairly well represented in that city.

Question: And second, I think the company has announced a fairly large potential development project in Las Vegas. Where does timeshare fit in that development? And does it now look like that's actually going to come to fruition? It's been reasonably quiet the last several months.

Ken Rehmann: Yeah. We currently have a timeshare project, the Grand Chateau in Las Vegas. It's a half a block off the strip immediately adjacent to The Aladdin Hotel. That has 876 units with a lot of sales life left in it. And right now that's where we're going to focus our attention in Las Vegas.

Question: If I could just ask a couple of questions about the financing side of things. What traditionally has been your capture rate on customers using Marriott financing, and if they're not using Marriott, who are they using? Second question, could you give us some measure of cumulative losses in the IO strips for the pools over the last five or ten years? And then the last question, I guess as the loan servicer, what are you doing, what proactive steps are you taking to get that delinquency rate back down?

Victoria Dolan: Okay, I guess there were three parts to that question. The first one was on our propensity to finance. And as I think Carolyn showed you, our propensity has gone up over the last five years to over 80%. So that would say that over 80% of our timeshare buyers are taking our financing. The third part of that question was around as a servicer what are we doing to get delinquencies down, we are being very aggressive by market wherever we have delinquencies that are going up we've put in more technology. We've added staff to make sure that we are keeping ahead of the curve relative to that. And the second part was what have we seen in terms of what we've had to take back. An example would be last year I believe we repurchased notes of 2,100 notes for \$33 million out of the total outstanding pool of \$1.2 billion.

Steve Weisz: Did she get to all your questions? Okay. Over here? Oh, we've got one in the back on the, coming from the internet. Tom, you want to go with that and then we'll come over here?

Question: Thank you, Steve. An online listener asked that during Lee's presentation on slide 52 you show 29,000 weeks of inventory completed. Does this include unsold inventory from previous years?

Lee Cunningham: Yes. It's the cumulative unsold inventory that we have on our books today that is fully constructed was the 29,000. So it may have been constructed last year or finished construction in January of this year.

Steve Weisz: Question here?

Question: When you talk about the [inaudible] construction project that takes about three or four years to sell, is that how long it takes to sell the entire project? Are you trying to kind of smooth it out? Or what are the percentages of the total sales revenue do you guys assume you can recognize in the first year and the second year and the third year?

Steve Weisz: You want to take Lee?

Lee Cunningham: Typically we, when we plan a project or look at a new project we do a lot of work to understand what kind of absorption we can expect as we ramp up sales and into subsequent years as we deliver inventory and have an opportunity to talk to customers who are in-house and as

the marketing matures. So the amount that we absorbed within a year varies over the life phase of a particular project. Our typical, if you look at Marco Island, for instance, that we talked about, it's 219 units, it will take seven years to sell. The number of sales in the first year is less than the number of years in the final, or number of weeks in the final year as we ramp up and have more marketing opportunities presented to us. But part of the whole balance there is as we can, we phase the delivery of units so that we aren't cash out until we have the sales coming in.

Question: Can you discuss, you gave a couple of figures of closings, ability to close I guess dropped from 17% to 15% and then but you did say that sales costs dropped from 47 to 42. So maybe why it's tougher to close, and how you've been able, I guess you gave some detail, but a little more on how you'll be able to keep costs down.

Lee Cunningham: The closing efficiency dropped as that slide we were talking about the different channels, the marketing channels that we go through. And each of those channels have a different closing efficiency, as well as they each have a different tour acquisition cost. So, as we shifted, the central marketing has a higher closing efficiency, but also has a higher tour acquisition cost. So as we shifted less tours through that channel and into other channels that may have had a lower closing efficiency but a lower cost, that's how we ended up with that effect where our closing efficiency came down slightly, but at the same time our overall marketing and sales cost came down. Does that help?

Question: Hi. Could you just talk about on an individual project basis just the cash flow out of the project from I guess the beginning to I guess in the middle to the tail end you would get the most cash flow, but would you kind of give us more color on that? Thanks.

Steve Weisz: Victoria, you want to take that?

Victoria Dolan: Well, we do, as Steve said, when we look at our projects to decide whether they make sense or not, we do annual cash flows and discount the cash flows back obviously to see if the projects make sense. Generally, our projects are, as you say, cash flow negative in the first several years, depending on the timing of construction, and also depending on the timing of when we phase construction there may be subsequent years where we have capital infusion, but it is very project specific. Obviously as sales ramp up we start to peak in terms of cash flow and then that comes down. But it is very project specific, and it's going to be dependent on the years for construction, the phasing of the project, the size of the project, how many years it's going to be in sales, whether it's a smaller project and in sales three or four years, or it's, some of our projects can be in sales for seven and ten years and beyond.

Question: So at the end of the day...I don't know what the average length of a project is, so let's just say it's like seven years, are you going to get all your cash flow in two years and then the rest of the project is mostly negative to flat or how does that work?

Victoria Dolan: No, the positiveness of the cash flow ramps up as we're in sales...

Steve Weisz: It typically tips somewhere in the three-and-a-half to four-and-a-half year range.

Victoria Dolan: Three to four for a seven year project. But then it stays positive the rest of the time.

Steve Weisz: Tom, question in the back, another one from the web, and then we'll take the gentleman in the back. Let's go to Tom first.

Question: An online listener says that you mentioned 2008 timeshare contract sales. Can you speak to estimated 2008 timeshare pricing and would you expect to see a similar trend?

Steve Weisz: Lee?

Lee Cunningham: I think as was alluded to, our pricing is currently we are going to average around a 3% increase over the year is our current plan. So that's what we would expect in 2008. And what was the second half of that question? I'm sorry.

Question: Would you expect to see that trend continue?

Lee Cunningham: That's going to obviously be dependent upon the economic conditions and where the opportunities are and customer acceptance, but we look at how the customer is receiving the product, what the closing efficiencies are, all the different variables to determine our pricing going forward. But we would expect 3% in '08 and probably around that range going forward.

Steve Weisz: If I could take just a second maybe to dispel a notion, unlike hotel pricing, which on the year-over-year basis you look at RevPAR and average rates as a way of giving a good indicator of what's going on. Keep in mind in the timeshare business it's all about mix. It's about the mix of sales from individual resorts, it's about the mix of sales within a given resort. I'll give you an example. We have two projects in Aruba, the first one sold out, the second one in sales and close to being sold out. We had some three bedroom fixed week units in Aruba that were sold out within the first quarter, Brian or Lani, of when they were offered. That would have shown, if you look at the average price in Aruba in that given year relative to the prior year, it would have shown a very substantial increase. The fact of the matter is it wasn't repeatable because it was gone. The same thing when you have a portfolio of resorts. If you have a high priced resort that is going out of sales and you have a lower priced resort coming in and you start to do the average portfolio pricing, it looks like your prices are going down. The fact of the matter is it's just a function of mix. So I hear others that talk about their average price, just as you look kind of behind the curtain of that, it can be a little misleading.

Question: I was wondering if you could help us better understand the value proposition that you explain to a perspective buyer? My understanding is from the slides today on average a buyer pays \$28,000 upfront and then about \$1,000 in terms of annual maintenance fees. If I have that correct, what's the math that you show that perspective buyer to explain why that's compelling and relative to say renting a room at the same properties or other options? And one other question I have related in terms of the math, on the financing side, in the environment of the past several years, how are you able to convince borrowers with mid 700 FICO scores and \$125,000 of income that taking a loan at a 13% coupon was compelling? Thank you.

Steve Weisz: I'm going to try to take both of those if I can. Let me take the second one first. The same people that have the high FICO scores and average household incomes of \$125,000 are the same people that are out buying things on credit cards with 18% interest rates. It's a consumer purchase, and they have a tendency to look at it and say hey, what's my monthly on this? And while

you'd think that a 13% interest rate would scare them off, surprisingly no, it doesn't. There are clearly...20% of the people find another way to buy their purchase. They write us a check; they access other sources of capital to be able to do that. But the 13% is not, I mean clearly they'd love to hear it be 10% or 9% or 8%, we're in the business to make money, so we lend at 13. And that's fairly representative of what you see in the industry. Going back to the first question, in anticipation of someone asking the question, here's what I did on Sunday. I went and I looked at, we've got a project in Ko Olina, and that project in Ko Olina where we're selling Marriott Vacation Club timeshare average price of over the course of the project is a little north of \$35,000 per week. I went and looked at the Ihilani Hotel, it's J.W. Marriott, which is three coves over, is along the island of Oahu. And I said all right, let me just look and see what that economic proposition looks like there. In that particular case I said, all right, for today, I looked at what's a hotel room, an ocean front hotel room cost? And it ranged from \$568 to \$669. Let's for the sake of the math call it a \$600 average for oceanfront. That's for a hotel room. If you compare the amount of square footage and what you have when on vacation, if you wanted to try to come close to replicating our units, which are roughly 1,250 square feet, something like that, you're at a minimum of two rooms, closer to three. By the way, even if you go three hotel rooms, you don't have a kitchen, you don't have laundry facilities, you don't have other things that come with our units. But let's just take the two room analogy. That's \$600 a night, \$1,200 a night for the two rooms times seven days, that's \$8,400. Then you throw in your maintenance fee on the other side that you're going to pay, quickly you see that this becomes actually to your economic benefit to consider buying. You're prepaying your vacation experience. Now some of you are go to tell me wait a minute, I want to be a discounted cash flow and all that other stuff, well, to be honest with you, most of our purchasers don't. You're probably an atypical buyer. However, we'd be happy to sell you one.

Question: Just a quick follow-up to that. How common is it for consumers to have the opportunity to rent your specific timeshare properties? And how does that value proposition compare? Thanks.

Steve Weisz: Great question because I looked at what we were selling a two bedroom Ko Olina a week for. A unit renting, because we do have some inventory that's developer owned or that has been given back to us in exchange for Marriott Reward Points, we have to go buy the points from Marriott, so we have to recoup our dollars that we spent for the points through rentals. And that exact two bedroom unit if you were to rent it for tonight was \$675, which to me was a bargain given where we were over there, so.

Question: I guess my question relates to the residual interest in the timeshare notes. How exactly is that valued on your balance sheet? Do you have to kind of mark to market that? And if that's the case, how would a delinquency trigger impact that? Thank you?

Steve Weisz: Carolyn, you want to try it? Or do you want to go to Victoria, either one?

Carolyn Handlon: Well, I can take a start. With respect to the residual interest, we do look at the valuation on a quarterly basis. And if there was an event where we did not expect to get the excess spread looking forward, obviously we'd have to take that into consideration. I think one of the things that's important to note in these timeshare transactions that if for some reason a trigger occurs, once it's restored you go back to the normalized cash flow. Victoria, would like to add something?

Victoria Dolan: I mean that's a pretty complete answer because we do have the right to cure.

Question: How should we think of the residual interest growth moving forward, because obviously it kind of gets paid off as new loans are issued? But would we expect that to kind of continue to grow moving forward?

Victoria Dolan: I would assume so, right, because as our business grows and our propensity to finance stays high and we continue to securitize we should see it grow accordingly.

Steve Weisz: Another question from the internet. Tom, oh yeah, we've got one right here and then we'll come to you, Tom.

Question: So following up on that gentleman's question, you talked about the curing and the triggers, but that's not a mark to market which is what he asked though. Is there a mark to market in any sense?

Victoria Dolan: We do the quarterly mark to market. But based on the triggers we are not, well, first of all, we're 50 to 70% below the trigger levels normally anyway.

Question: So [inaudible]

Victoria Dolan: You were talking about our quarterly mark to market? We do quarterly mark to markets now that runs through our P&L.

Question: [Inaudible]

Steve Weisz: Sorry, could you repeat the follow-on?

Question: So are you saying there is a market price somewhere? Where would I see that?

Victoria Dolan: We base it on very specific economic statistics. There isn't a very robust secondary market for our paper, but we have very specific criteria by which we market to market based on interest rates and discount rates.

Arne Sorenson: Let me just add something to that. We don't own the notes, so we're not marking the notes to market. What we're marking to market or marking to value in effect is the residual interest that's coming through to our cash flow over the balance of the years. Lots of questions on delinquency, it's an appropriate question to ask in this market. But delinquency is only one factor. A bigger factor is going to be the prepayment. I mean ultimately when we value our residual interest upfront we're making assumptions based on history and track record about how long the notes are going to be outstanding, therefore, how many months or years we'll have that spread between the 13% and change and the five or six percent and change. And every quarter we're going to be looking at not just what's happening with delinquencies, but we're going to be looking what's happening on assumptions on life of note and our residual is what we mark to value every quarter. Mark to markets is probably a little bit of a misnomer because that residual is not traded in the market. There's no market for the residual. And similarly if your question is going to the market of the notes that were sold up front, we don't own those notes, we don't have any occasion to mark those to markets, so that's not part of our analysis.

Steve Weisz: Thank you, Arne. Tom.

Question: Just a quick question from an online listener on whether any detail is available on construction cost trends?

Steve Weisz: I'm going to ask Bill Phillips, who is our Executive Vice President in charge of all of our development activities; he also oversees all of our activities in Europe. Bill, you want to comment on what's going on with construction?

Bill Phillips: Sure. The market is certainly going in our direction. In looking at construction costs and really going back to 1919 Engineering News Record is really the authoritative source on that. Construction costs have never declined. Even during the great depression they've never declined. The rate of increase, however, does moderate. And 2004 was the high watermark nationally for construction cost increases, it was about 10%, the last two years have been about 5%, and the data is still being collected on '07 and we think it's probably going to be favorable. What we are starting to see is that the market for development is improving. Prices in some markets for land seem to be dropping a little bit. Construction costs are clearly flattening out. I mean we've had experience in Hilton Head where we actually had flat construction costs for about an eight year period from the mid '90s on. But going forward we're certainly not forecasting declines, it might happen in certain markets, but we're not expecting them.

Steve Weisz: And just to add one more point, every single project that we look at from a new development standpoint, we impute what we believe to be the inflationary increase of the construction cost to be in that project. And that's obviously done on a market specific basis using outside consultants to tell us what they think it's going to be. So to what degree we've started to see some moderation there will actually improve our hit rate on new deals. One more, Tom?

Question: An online listener has asked what percent of unsold inventory needs to be maintained to sustain customer satisfaction?

Steve Weisz: Lee, do you understand the question?

Lee Cunningham: Yeah, I think what they're asking is out of a unit how many weeks do we sell? On the timeshare side we typically sell 5 1/2 weeks. We keep a half week back for annual maintenance, but it's not from a driven by an owner satisfaction perspective as much as it is that ongoing maintenance. From an owner satisfaction standpoint in our weekly timeshare product, as owners have multiple ways to utilize their resort and their ownership, we have a great deal of flexibility in making sure that we have inventory out and available for owners to utilize as they give us back inventory for Marriott Reward Points and so forth. And a points-based product we typically look at a breakage rate that's higher than that half a week, and so you allow for a little bit more flexibility in the usage since you have the potential for a little bit more convergence on a points based product.

Steve Weisz: Any other questions? Well, I think we've given you a drink of water through a fire hose, so I'm not surprised. I suspect there may be some others that will come out over lunch. I think we're just a few minutes ahead, so I suspect some of you have emails, phone calls, whatever. But we're going to be having lunch. It's going to be in the ballroom. If you go out the doors, take a left and another left there are some ladies and gentlemen from Ritz-Carlton that will be directing us, and

we'll see you at lunch. Thank you very much.

[Break]

Luncheon Keynote Address

Carl Berquist, Executive Vice President Financial Information and Enterprise Risk Management, Marriott International

Carl Berquist: I think in order to stay on schedule we're going to interrupt your lunch as you're eating there and move a little forward so that we can keep the webcast going. And as you enjoy your lunch, it's a great lunch. Our compliments to the Executive Chef Sean Woods, and Chef John Farris. Let's give the hotel a round of applause for the great dinner

My name is Carl Berquist, I'm Executive Vice President of Financial Information and Enterprise Risk Management. And it's my pleasure to introduce our Executive Vice President and CFO, Arne Sorenson. And just a few years ago Arne also took on responsibility for Continental European Lodging and Operations, and has been very engaged in pursuing opportunities for the company overseas, whereas, you probably heard, a large portion of our growth is expected, including 60% of our full service pipeline. Well, given his legal and then development background prior to becoming CFO, he's also been very instrumental in our new brand development, most recently Edition, working closely with Ian Schrager.

Now some of you may have heard Arne on our recent quarterly call taking a moment to discuss our green initiatives. His interest is not just that of a corporate, he has his own personal passion for the environment. He's very much engaged, and is one of the founders of Marriott's Executive Green Council. Arne's been a leader in bringing about real change for our company to integrate environmental sustainability into our business strategy and reduce our carbon footprint. I guess that kind of makes sense because he is the CFO of the company, and there's a real business case to be made around going green.

Arne's also an advocate of the opportunities our company enjoys in our timeshare business. In fact, just last week or two weeks ago on our conference call Arne described the great potential our timeshare business has and its strong connections to our lodging operations and the benefits it brings to both our businesses. I know you all look forward to hearing more from him as he ties together what you've heard today about the business, that has some complexity, but also that has a clear path to profits and success. He's a great leader with a great vision, and I'm pleased to introduce Arne Sorenson.

Arne Sorenson, Executive Vice President and Chief Financial Officer; President – Continental European Lodging, Marriott International

Arne Sorenson: Boy, that's a fabulous introduction, Carl. Would you do it every time? Oh, it's bonus times. Bonus check get cut in a couple of weeks, so. Good afternoon everybody. Thank you all for coming. Great to see you enter the ballroom this morning for our presentation. I appreciate your taking the time to come down and spend most of the day with us in Orlando.

Today was a real luxury for me. It's great to be with investment professionals and at the same time be able to sit in the audience and largely listen all day and reflect a little bit on not just the substance of the presentations, but the personalities of our leadership which were on the stage. I take great

pride in watching Steve Weisz and his team present this morning, pride in their expertise and their professionalism, the thoroughness with which they've gone about pursuing this business for the last 25 years, and I think they do Marriott all, an awful lot of credit. So notwithstanding Steve Weisz's pink shirt, I think you'll all agree that this leadership team is far different from the prototypical timeshare salesmen that I think all of us have in the back of our mind and thank you very much for your work and your presentations this morning.

Before going on, let me also thank Laura Paugh, Betsy Dahm, and their team. There are dozens of people who were involved in pulling this presentation together. Laura is our fearless leader as these meetings come together. She retired to a room last night with a weak voice and as a consequence is a little bit less on the stage than she would like and than we would have liked, but thanks to you and your team for all the work you did to pull this thing together and pull us all down to Orlando. So you've got us whipped into shape, Laura, nice job.

So what is this business that you've been hearing about this morning? It's a business that has given rise to more questions from all of you over the last couple of years than virtually any other part of the business that Marriott International is involved in. It's a business that has more of a cycle in terms of popularity than it is impacted by the economic cycle. As investors look at, at times why aren't you growing the business faster, we see your competitors are getting into this business, it looks like a great business, we're glad you're all in this business, and one year it's something that everybody seems to love and the next it's something that all of you seem to despise and you talk about volatility and unpredictability and complicated accounting and all of those sorts of things. But when you get to a very basic level, this business is a real estate business wrapped in a consumer brand, or maybe it's the opposite. Maybe it's a consumer product wrapped in real estate. But both are really fundamentally important to us. It is not just a real estate development business, and it is not just a consumer business. We sell, as you heard from our presenters this morning, an experience, hopefully a lifetime experience. We sell a prepaid vacation. We sell usually with the timeshare product a deeded product, so it's something that can be owned, it's very tangible, it can be passed on from generation to generation. But they're not simply buying a piece of real estate. They're buying a Marriott piece of real estate or a Ritz-Carlton piece of real estate, and they're buying it as a vacation or as a second home alternative. And it's that real estate and consumer marriage, if you will, or brand marriage that makes this business largely a recurring one and not simply a real estate development business that has to be reinvented every year and with every project.

So you look at Orlando or you look at Hilton Head or you look at Aruba or you look at Maui, markets in which we've been selling timeshare for often 20 years, maybe longer in the case of Hilton Head. The same sales force is there. They have expertise in the market, they know how to develop in that market, they have customer relationships in that market, they have folks who are attending, coming up to the hotels, they're staying in the timeshare units that we already have, and they're buying more timeshare, and that's the affiliation of our brand in that market allows us not just to go out and acquire more inventory, but actually to take an operating model and bring that model to the real estate that we acquire and give it a largely recurring and largely predictable business model. It makes it obviously quite distinct, we think, from other forms of real estate development, and as a consequence more valuable. More on that in a minute.

There have been a number of big shifts in this business over the last number of decades. Probably the first, which Steve started with this morning, is around the improved reputation of timeshare. 25

years ago it was a distained business from many, many perspectives. We have in many respects encouraged more state regulation of timeshare business. We have thought that it is in our interest to make the business as a whole more reputable and so we've worked not just with the timeshare associations, but with state regulators directly to make sure that appropriate rules are put in place so that the customers are protected.

With time we've seen our competitors really just in the last ten years or so, our lodging competitors get more and more into this space and we've watched that and asked the questions that many of you have asked us over the years, does that create more saturation? Is there more supply threat in the industry because of their arrival? And really what we've seen is their arrival has in another way enhanced the reputation of the business. And far from threatening us on the supply side has pushed less reputable, relatively less branded, relatively lower market products increasingly out of the business and replaced it with more reputable, higher end, branded products, which I think gives better reputation for the business as a whole.

There was one question from one of you this morning about the sort of last remaining area where I think we have opportunity from a reputation perspective, and that's the jaded financier saying can you explain why this makes sense. And it is the question that has been asked by this community for as long as we've been in the business. What's been interesting, though, in the last five years or so is that increasingly financially sophisticated folks understand the value of both a traditional timeshare unit and a fractional unit. And we have timeshare members among you. I won't necessarily identify you just in case you don't want to get into that debate, but they are going through the kind of calculus that Steve Weisz talked about. They are on vacation probably with their families enjoying lifetime experiences. They know to get a two bedroom unit with a living room and a kitchen is not going to cost them just twice the standard room amount, but they're probably going to end up in a very expensive suite at the same time. And that will be expensive. And they feel better about having a place that's theirs, that they can own forever, and the economics actually feel pretty good. And we've talked about this with all of you over the years, when you get to fractional the formula is a little bit different. But there, too, for many of us who own second homes and struggled to find a way to use them, if we can have fractional for three or four weeks at a tenth of the cost or an eighth of the cost, or maybe even a sixth of the cost of a full home that we probably can't use much more anyway and not have the headache associated with maintaining it, that seems to be a pretty good proposition. So this last frontier, which is to convert all of you into being our timeshare fractional customers, is something we have not given up on and we have some optimism about.

Another major evolution is in sales and marketing. And here you can see, you saw in Lee's presentation primarily a lot about the way that's changed in the last five, six, or seven years. Historically, this was a call center operation and ultimately it was about a hard sell at the resort, twist an arm, now's your chance to buy this plan. If you don't buy it and you leave you're not going to have a chance to buy it, and a pretty aggressive proposition. That has changed, it's continued to evolve. The "do not call" thing was an important evolution, not something we welcomed up front, but something that maybe delivers a bit of a bonus to us because we've found that we have cheaper channels that are available to us and it takes a lot of work to replace the channel that we're losing, but we've been able to replace it with some better channels.

I would add one little bit of addition to the question that came about points from the stage today. Victoria talked a bit about how the accounting for a points program is the same as an accounting for the deeded product, weekly product. And that's true. But one thing that we're watching and trying

to experiment with, with the Asia Pacific program and maybe a little bit with the Abaco program is whether the points will allow us to continue to evolve sales and marketing away from the property. Sales and marketing, you saw on the slides, is 40 plus percent of the total revenues associated with timeshare, and the more we can reduce that cost, the more there is tremendous upside on a margin basis to what we can make from this business. And if we can do that in part by selling points through Marriott.com or in a sales gallery in the cities where our customers live, which is really what we're trying to do in Asia Pacific with our Hong Kong and Singapore galleries, and the more we can let them give gifts to their kids, which are a days worth of points or a half a days worth of points and do it time after time after time and pull them, really grow a customer pipeline that is very inexpensive for us, that's one of the things we're testing in Asia Pacific and I think will be something to watch over time.

Product, big evolution in product as well. As with everything else in modern American society and probably modern global society as it concerns our customers, things get bigger and things get more luxurious and things increasingly get, our customers get more and more demanding. And we've seen that evolution in the timeshare business as well. So you saw some of the slides of early resorts and more recent resorts. You can see how those have evolved. We know that even with Ritz Carlton brand participating in this space, it's increasingly a sign that better healed customers and even the customers that we dealt with 20 years ago have more capacity to acquire additional weeks, to acquire better weeks, higher season weeks, bigger units, more fractional product, and all of those things are probably permanent and continuing evolutionary aspects of our business.

The biggest challenge I think we've had over the last four or five years, which you could see referred to in a couple of different presentations this morning, was all around getting control of inventory. And by and large what we mean there is traditional timeshare inventory. Both Lee and Steve and Pete talked about our increasing focus on fractional and the use of the Ritz Carlton brand over the last number of years, which is true, but not purely the cause of why timeshare didn't grow faster. In some respects, it is the effect of why timeshare wasn't growing faster. And the effect side of that is as Steve mentioned, we've been competing with other potential purchasers of the kind of resort properties that we need to have, and in the incredible real estate, residential real estate boom over the last four or five years, there wasn't a beachfront parcel in Florida that we could touch. Might be a slight overstatement, but only very, very slight because almost anything worked better as condominium high rise development largely sold to folks who were speculating on residential real estate in Florida, we all know what's happened to that market. I think as that market has softened, we've become increasingly optimistic about our ability to obtain control of the inventory that we would very much like to have, and as I look at all of the presentations and the models we've put together for the next three years and the next ten years, this is probably not much of an upside for the next year or two or three because of the lifecycle of these projects. But we feel a whole lot better today than we felt a year ago about our ability to get control of timeshare inventory at economically advantageous terms, given what's happened in the market. It's the silver lining of the weak conditions that we see today.

Now, I want to talk about one big contrast of this business to lodging. In lodging, traditional lodging, we talk ad nauseum about RevPAR, revenue per available room. You all know what it means. I love to hear Bill Marriott every now and then giving a speech saying 20 years ago RevPAR didn't exist, didn't know what it was. Now RevPAR has become the first and second and third measure in the lodging space really for two reasons. One reason is it is a readily available statistic, which is scored, it's easy to understand, reasonably transparent. We have independent

scorekeepers who keep tabs on it. And so it's a very easy handle to get a hold of. But the second reason is that lodging rooms are perishable inventory. If we don't sell a room that's available tonight, it's not going to be available to sell tomorrow. And so we're managing every day and we're watching every day what was your RevPAR in that hotel last night? How many rooms went down dark? And how many, how much as a consequence did you lose because of that? How does that relate to your expectations? In the timeshare space, including fractional and residential product, we don't have that perishable inventory. We have an inventory that we have almost absolute confidence in its ultimate value. You can see from the slides of Kauai and Kapalua and Abaco and Marco Island and others that were on that screen this morning, these are very special pieces of real estate. And we are not forced and because our customers expect it from us I think because we think it's the right way to maximize value, we do not discount pricing on those products. We would rather take a risk and sell a bit less today and hold that price because we know we'll be able to sell it tomorrow. And in the precise economic environment we're in today, we'd be foolish obviously to be supremely confident about our pace of sales in 2008. We can't have that sort of confidence. But we are quite confident that ultimately we will create significant value from these resorts that you saw on the stage.

Now, I've got one slide for my presentation, if somebody can put it up here. And it's really focused on trying to answer what is this business worth. It's a question that I think all of us would suspect the market doesn't give us a lot of value based on the chatter on this business over the last year or two. And we wanted to try and find a way to fundamentally help you value it. Now we were talking, as I quickly had a bite to eat before stepping up here, about our approach to valuation and what the right multiple is on a business. Multiples to me are a shorthand for estimating what a business is worth. And judgment that goes into that conversation is about what that multiple should be. And we talked about it based on predictability, based on risk, based on historical performance of the business, and we come up with a multiple. But it's a shorthand, it's not a fundamental approach. The right fundamental approach that we take, we think that's right, is to do a discounted cash flow valuation of every project that we do in the timeshare space and the lodging space. So a project like Kauai, which has 15 years of sales, something like that, when it comes in for approval in our offices in Bethesda, it comes in with a 15 year detailed cash flow. And we look at a discounted cash flow valuation of that where we look at every dollar that we forecast investing in it and spending on sales and marketing and every dollar we expect to come back and ultimately come up with that valuation. And that's the fundamental basis on which we make the decision about going forward. We don't do a 25 year detailed cash flow model for our timeshare business as a whole because once we're five to ten years out from today, we'd be guessing about which projects would be coming in to replace the ones that are cycling out. Now we can guess, and ultimately that's what we've done in connection with the work that we did to prepare for today. That work started with Victoria's presentation, which is a 10 year model looking at what we think we can make in this business over the next ten years. It is quite grounded in today's collection of resorts, and the resorts that we have control of in our pipeline, and we can know with a pretty high level of certainty when those will come on and what we think we can make from that because by and large those resorts have already got those sorts of detailed individual cash flow models.

We then can look at some reasonable set of assumptions about what resorts we're going to be able to add. And Victoria showed you what this issue would have looked like if we were looking at it from the year 2000 and how we actually performed against it in the seven or eight years that have followed. While we've made some assumptions that look proven based on our history and we think gives us a pretty high level of confidence about how much inventory we can sell and what kind of

development profit we can make over the next ten years. That's what starts this process.

Now we've then used three different discount rates I should note, and this is important, that the discount rates are after tax discount rates. So if they're tax affected, these are going to be 13 to 15 or 16% discount rates. And ultimately, that fundamental valuation approach gives us a value for the business of \$3.2 to \$4.4 billion. Now back to the shorthand, EBITDA multiples, we think EBITDA will be roughly \$400 million in 2008, roughly \$440 million in 2009. Those are a little bit different than the segment numbers you looked at this morning because we've added back depreciation and amortization. But when you come up with that sort of EBITDA calculation, it gives you an 8 to 11 multiple for 2008 EBITDA and a 7 to 10 on 2009. But again, those are the shorthand translation, the core analysis here is the discounted cash flow valuation.

Now, if it's worth this, there's probably still another question you can ask, which is why is Marriott in it? And does it make sense for a public company to be in it? It's a question that's not just a theoretical one, but one which we have heard from a number of you over time. The reason I think by and large that the question is asked has to do with the complexity of the accounting in this business, has to do with apparent volatility or unpredictability, which we get, we hear from you virtually every quarter. And the absence of these RevPAR or some other equivalent handles that allow us to really simply and with one statistic capture how the business is performing.

Notwithstanding that, we think, and obviously you saw from all of us this morning proof of this, that we can create value for our shareholders by participating in this space. And that's fundamentally why we're in this business. We know what our cost of capital is, we have a 25 year track record in figuring out how these resorts perform, and we know how much value we can create when we look at an individual resort and decide whether to proceed with it or not. And as a consequence, we think we can have a fairly high level of confidence we're creating value for our shareholders.

So the only thing we've got to do, and it's fundamentally the reason why we're all here this morning is we need to communicate enough so that the market can understand the value creating history and potential of this business. And that's why we've put all this information out this morning. I think we'll stay focused over the next couple of years on providing as much information as we reasonably can to help you value the business. We would love to be able to stand here today and tell you that the complexity of the accounting we can make disappear, but we can't. It will never disappear. We can, though, I think, talk about and stress with you some measures that we've already got out there, which were talked about this morning, which are good practical measures that should be looked at. The first is contract sales. It is the best, we've been reporting contract sales for some time, it is the best and simplest indication of current performance of our timeshare business. It will be impacted by resorts coming in or out of sales and by comparisons year-over-year. But every quarter you'll hear us talking about those comparisons so that you'll be able to understand to what extent is contract sales reflecting a change in the economic environment, a change in customer demands, change in some other aspect that we should be concerned about, and to what extent does contract sales show the way the business is performing. And if there's one measure most like RevPAR that we'd encourage you to look at, it would be that measure on contract sales.

The second, which will become increasingly important with some of these joint ventures that are in sales now will be the segment results, which we've been disclosing as well for some time. But we would encourage you to look at that and focus on that as the best indication of the profitability of

this business, not on the two lines that are on the face of Marriott International's P&L. So we'll obviously continue to talk about that as well.

And I guess with that, we would encourage you to conclude from the information we've presented to you this morning both about our track record and history and about where we're going over the next decade, particularly over the next three years, that this is a business with substantial value for Marriott International, which deserves to be included in the way the company as a whole is valued.

Now we've got plenty of time for questions. I know many of you have planes to catch as you try and head back. Anything is game including stuff that was asked this morning, and we'll take as much time as you all have. If you need to sneak out and catch your flights, I certainly understand that as well. So any questions? Let's see, have we got microphones?

Question: Yeah, Arne. Given that there's a lot of value creation and a lot of great data that you've provided, but obviously the accounting is very volatile. Have you ever considered providing a Non-GAAP measure other than EPS? I mean we've got EBITDA, other businesses have FFO, is there any kind of financial metric that you want to use other than just standard GAAP EPS to provide guidance to eliminate some of the accounting volatility? Similar to the thing about what you did with synfuel where you gave guidance excluding synfuel. Is there a way of saying well, we'll just give guidance excluding timeshare, and then another number? Any way to adjust for the financial community that kind of volatility? Thanks.

Arne Sorenson: I think contract sales is that measure. It's a Non-GAAP measure obviously. We don't report contract sales through our P&L. And it's one we may need to elevate a bit just to make sure that it gets the kind of prominence you talked about. To compare it to synfuel, synfuel was a seven year program, ended 12/31/07, we knew it was going to end 12/31/07, and it made perfect sense to exclude it from our guidance or sort of do guidance with and without because it really wasn't part of our ongoing business, it was a tax investment. That's not the case with this timeshare business. The timeshare business is very much part of our operating business. We wouldn't invite anybody to exclude it. We think it has value and that value, we've got to make sure we communicate what we need to so that people can attribute value to it. We don't want to pull it off the table and tell people to ignore it. There's a question over here.

Question: Just a quick question on, you may have mentioned this, but on your one slide valuation perspective, is there a G&A allocation in terms of coming up with the implied EBITDA multiple?

Arne Sorenson: Oh yeah. That includes all of the time share G&A.

Question: Which is approximately?

Arne Sorenson: The number is about \$100 million this year. And that would be, that would have been growing in this model at I think the 3% or so that Victoria talked about this morning. So that's all a cost of the business built into that DCF.

Question: Given the growth opportunities in the business, does it make sense to try to capitalize the timeshare business with long term financing, long term debt financing?

Arne Sorenson: That's an interesting question. I don't think so. If we did essentially separate

financing of our timeshare business, the cost of that financing would be more expensive probably under almost any scenario than the financing we can provide by financing Marriott International as a whole. And so unless we were exiting that business, I don't know what we'd gain from that particularly. There's one in the back.

Question: Of the projects you've identified as being existing, identified, unidentified, how much is on land that you already own and how much is on land that you own in title?

Arne Sorenson: Let me quibble with you, and then I want to ask somebody to help me here. But I think everything we own, almost without exception, is entitled. So if we've taken title to the land and have not yet started anything on that land or if it's a piece of land which is another phase of a resort we've already got in sales and something under construction, in almost every instance I think that's fully entitled. Our development teams tend to go out and they look at everything that they think is worth looking at. But before they close on a piece of real estate, I think it would be very, very rare for them to come in and recommend that we actually take title to it before it's been entitled. Was that your entire question or is a piece of it how much we don't get owner control? Okay, can somebody help him with that, would that be Lee or Bill?

Bill Phillips: We showed in the slide about \$19 million of pipeline, that was \$16 million of timeshare...

Arne Sorenson: That's a billion I think.

Bill Phillips: Yeah, billion, sorry. \$16 billion in timeshare, \$2 in fractional, \$1 in residential. Six of the 16 for timeshare is future phases of existing projects. So we clearly own the land and it's entitled. The \$2 billion of fractional is largely all entitled. There is a little bit of pipeline in there, not a lot. \$1 billion of residential is all entitled. There's no pipeline associated with that, that's the build out of existing projects. So if you add that up, six plus one plus most of the two you're at nine. Nine of the 19 is clearly entitled. For a lot of, for the remainder, as Arne pointed out, we don't enter into a deal unless the land is entitled or unless we have a strong assurance that we can get it entitled. To put a number on that remaining ten, I would be guessing and I won't do that. But that remaining ten is largely identified, we have a pretty strong likelihood of getting it entitled.

Question: Regarding the real estate opportunities with land prices coming down, does it make sense to take more land on the balance sheet and try to pre-fund some of your development activities that you've outlined?

Arne Sorenson: I think we'll be looking at that. That's a good question, prompts me to add something to something Steve was asked this morning. Steve was asked by somebody what controls how fast we grow the business? Is it a human factor, is it just measured growth pace, what is it? And there are a lot of different dynamics to it. There is a human factor in the sense that we've got people who are focused on things, but obviously if we thought there was a lot more opportunity we could add people and go grab additional opportunities. But what we've done in the last five years, certainly maybe even a little bit before that is really focus on our return on invested capital for the business as a whole, which is a, we think a very important governing mechanism for this business. Now, in any individual project, and you're going to hear this from the various presentations this morning, the ROIC early is lousy. It could even be negative because you've bought the land, you may have no positive returns, but it's probably even worse than that because the sales and

marketing costs we're expensing from the get go, even before we've had our first sale. And so those deals, we know they create value, but we've got to get through a couple of tough years in order to start posting decent returns. And in a sense that could give us some latitude, but I think as it, one of the consequences of being in a public company format is I think we've got to make sure we continue to deliver acceptable returns on invested capital for this business as a whole, which will prevent us from going out and acquiring too much real estate just to put on our balance sheet to have inventory control for ten years from now for example. Now if the deals are compelling enough and there are markets we need to get in, I'm sure we'll acquire more now this year than we acquired in 2006, as an example, because the pricing will be that much better.

Question: How many of the rooms over the course of the year are rented out to people who are just looking for a place to stay? And what's your expectation in a softer economy how, if those are more likely used by vacation versus business travelers, how those room prices will [inaudible]? Talk about how that shows up in your numbers if you're renting out the rooms that people aren't using their weeks or whatever.

Arne Sorenson: Yeah, there are two kinds, I'm going to turn this to Chris or Lani..there are two different aspects to this question, one is we call it internally developer owned, which makes it sound like it's third party, but it's usually us, we're the developer. So developer owned units are units that are essentially not sold yet, and so there would not be an owner who you would expect to stay in there. And you could see from Lee Cunningham's presentation this morning that increasingly we've used those rooms as a source of what we call in-house as a source of new customers to sell units hopefully so they become owners. And then the other would be the essentially owned units, owned by our customers, but folks who have traded for Marriott Rewards or some other, maybe they just didn't show up, and both I think are relevant. Lani, you want to talk a little bit about anticipated occupancy? I don't think we ought to give necessarily a precise occupancy kind of number for 2008, but what the trends might look like from '07 to '08 in terms of the rental.

Lani Kane-Hanan: The great thing when you look at the inventory that we have available for rent in '08 is it is in the most highly sought after destinations. And so when we're looking at our inventory, we still have the priority of putting our owners on vacation, and we also have the priority of selling our unsold weeks. So what Arne was referring to is we really look at the balance of our available inventory, whether it's inventory that we have, our developer inventory, or inventory that we're renting on behalf of our owners, and we really look at maximizing that inventory for our customers and maximizing that inventory for our owners. So when we look at '08, we're always balancing as well to be just in time inventory. At the end of the day we're cognizant of our balance sheets, so the amount of rooms that we have available to rent in '08 is actually slightly less than what we had available to rent in '07. So we will continue to look at those trends in '08, we're going to be looking at the real estate market, we're going to be looking at maximizing those opportunities, getting our owners on vacation, and looking at key markets where we still have strong RevPAR growth, maximizing that when we can. And at the end of the day looking at putting people in those rooms as prospects for our vacations, so.

Arne Sorenson: I think you could tell a little bit from Steve Weisz's comments on Ko Olina this morning the, you compare a standard room at Ko Olina J.W. Marriott at \$600 a night to a two bedroom suite, which is essentially an equal location, it's the same location in Oahu for \$600 a night, it's not hard to keep these things full. It's just a question of what kind of rate we need in order to drive business into it. And while we'll have conversations later about whether we're under priced

in Ko Olina, the [laughter] – yeah, the most important thing for us is to get the potential customer in the door and in this instance, it's a perishable asset. So we're going to try and make sure we get that thing occupied. And as a consequence, they run extremely high occupancies. North of 90%. All right, okay, here we go. There's a microphone for you, okay.

Question: I was just wondering if maybe you, Arne, or somebody else, can talk a little bit about how the exchange with rewards works. I'm particularly curious if I would buy a property for \$30,000 today and maybe five years from now it's worth \$45,000 based on what Marriott is selling comparable units in the same development for, do my rewards points increase? Or are they staying the same? And then how does that impact basically the income coming to Marriott for those rewards points?

Arne Sorenson: Lee, you want to take a stab at that? Is that right?

Lee Cunningham: We generally set the Marriott Reward trade values at the time that we're beginning a resort development. So back to your secondary question, if you buy at \$35,000 and then over time that unit goes, rents for or is selling for \$45,000 do your point values go up, no they do not. Your point values are based primarily on what we believe the rental returns are on that inventory on a long term basis. And we set them so that we can cover the cost of the points over the long run. So in the early years you may be getting slightly more than we can cover, as time goes on though we catch up on that piece. Did I get your question?

Question: You did, but then my question would be if the rewards points required to book the J.W. Marriott here is not the same place it's going to be in five years from now. But I'm getting a locked in number of points, it's not really correlating to inflation. So that's saying that the value to the trade in for rewards is going down versus inflation or whatever the ADR growth might be. Is that correct?

Lee Cunningham: On a high level view, yes, that would be correct. But we do, there are instances where we change point values over time, but generally not our rule of thumb. We typically set them and we take into account the fact that point levels will change as far as the redemption side over time as well. Because that's factored in to what we believe our cost per point is going to run out into the future.

Arne Sorenson: I think in the same way the, obviously because it's a historical purchase that gives our customer the right to use that facility year after year after year, with every passing year the amount they paid upfront is going to look cheaper and cheaper. And there's probably a symmetry that goes there with the Marriott Rewards Points.

Question: Could you just talk a little bit about RCI and Interval, I mean for someone who doesn't know much mechanically, how they fit into your business and how you sort of view them in the larger context of the business? And then separately since we have you, maybe you can talk a bit about the boutique venture with Ian Schragger.

Arne Sorenson: Bob Miller, are you, where are you? You want to take a stab at II and RCI?

Bob Miller: Thank you. I think most of you know there's two major timeshare exchange companies in the business, and they typically work through an affiliation process that provides the

opportunity for timeshare owners to exchange a week of use and both of them primarily work in weeks for an alternative location to what is owned or is available to that customer. It's a very large system. It tends to work on a demand basis. It's relatively weighted based upon the quality of the products owned versus the quality of the product requested. Over the years it's worked very well, but it provides a real opportunity for people to leverage what they own against an opportunity to vacation in a variety of locations. Does that answer your question?

Arne Sorenson: Technically, Bob, the customer gives II a week and II banks it and II gives them a week some place else where they want to stay.

Bob Miller: The process typically works in the owner giving up through a deposit, as Arne said, into a pool of inventory with the exchange companies, and then they have the opportunity to select another opportunity for vacation in a week somewhere else. And so that arbitrage is basically worked through the exchange company, that liability is not on our balance sheet. It is totally handled through a third party membership, and those opportunities typically run for a period of two years, and if the exchange is not made within two years, then the liability is expunged on the part of the exchange company.

Arne Sorenson: With respect to our boutique business, we don't have much new news on this from what we said publicly ten days ago, but in January at the ALIS conference, which is a lodging conference, I don't remember what it stands for, in Los Angeles, we announced with Ian that the name will be Edition, E-D-I-T-I-O-N, think Tribeca Edition or the New York Edition, or Paris Edition. We had, when we announced the partnership in June, we had a target of signing five deals by year end, and we had nine signed. These are all letters of intent though, so to be fair, they're not final binding transactions yet. It takes a little while to get that done. We had nine signed, including three outside the U.S. I think, Costa Rica, Paris, Madrid, and the balance in the U.S. I was in Europe last week for the week, five different capital cities, in three of those cities I had very eager development partners to talk about Edition. None of those deals are signed yet, and may never get signed. Obviously we talk to a lot more people than we ultimately do deals with. But there is great appetite from the developer community for the combination of this yin and yang if you will, the power of Marriott and its systems and platform and consistency and reliability and professionalism and those sorts of things on the one hand, and on the other hand the artistry and aura of Ian that he brings to it. And folks look at that and say you know what? That's a great combo. If I could have that, I'd like to be part of it. So we are very bullish about it.

All right. Have we worn you out? It looks like it. All right. Well, we very much appreciate again your time and attention this morning and this afternoon. Thanks again to the timeshare executive team and all that put the work in and to Laura and her team. We wish you all safe travels, and beg of you to keep traveling. Thanks a lot.

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