

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

OR

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

For the Quarter Ended June 18, 1999

Commission File No. 1-13881

MARRIOTT INTERNATIONAL, INC.

Delaware
(State of Incorporation)

52-2055918
(I.R.S. Employer Identification Number)

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

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

Yes No

Class

Shares outstanding
at July 16, 1999

Class A Common Stock,
\$0.01 par value

248,783,298

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Forward-Looking Statements

When used throughout this report, the words "believes," "anticipates," "expects," "intends," "estimates," "projects," and other similar expressions, which are predictions of or indicate future events and trends, identify forward-looking statements. Such statements are subject to a number of risks and uncertainties which could cause actual results to differ materially from those projected, including: competition within each of our business segments; business strategies and their intended results; the balance between supply of and demand for hotel rooms, timeshare units, senior living accommodations and corporate apartments; our ability to obtain new operating contracts and franchise agreements; our ability to develop and maintain positive relations with current and potential hotel and senior living community owners; the effect of international, national and regional economic conditions; the availability of capital to allow us and potential hotel and senior living community owners to fund investments; our ability, and that of other parties upon which our businesses also rely, to modify or replace on a timely basis, their computer software and other systems in order to function properly prior to, in and beyond, the year 2000; and other risks described from time to time in our filings with the Securities and Exchange Commission, including those set forth on Exhibit 99 filed herewith. Given these uncertainties, you are cautioned not to place undue reliance on such statements. We also undertake no obligation to publicly update or revise any forward-looking statement to reflect current or future events or circumstances.

PART I -- FINANCIAL INFORMATION

Item 1. Financial Statements

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

	Twelve weeks ended		Twenty-four weeks ended	
	June 18, 1999	June 19, 1998	June 18, 1999	June 19, 1998
SALES.....	\$ 2,042	\$ 1,927	\$ 3,937	\$ 3,642
OPERATING COSTS AND EXPENSES.....	1,826	1,741	3,528	3,293
OPERATING PROFIT BEFORE CORPORATE EXPENSES AND INTEREST.....	216	186	409	349
Corporate expenses.....	(28)	(24)	(57)	(49)
Interest expense.....	(11)	(6)	(22)	(9)
Interest income.....	6	8	13	18
INCOME BEFORE INCOME TAXES.....	183	164	343	309
Provision for income taxes.....	69	63	129	119
NET INCOME.....	\$ 114	\$ 101	\$ 214	\$ 190
DIVIDENDS DECLARED PER SHARE.....	\$.055	\$.095	\$.105	\$.095
EARNINGS PER SHARE				
Basic Earnings Per Share.....	\$.46	\$.40	\$.87	\$.75
Diluted Earnings Per Share.....	\$.42	\$.37	\$.80	\$.70

See notes to condensed consolidated financial statements.

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

	June 18, 1999 ----- (Unaudited)	January 1, 1999 -----
ASSETS		
Current assets		
Cash and equivalents.....	\$ 240	\$ 390
Accounts and notes receivable.....	649	605
Other.....	350	338
	-----	-----
	1,239	1,333
	-----	-----
Property and equipment.....	2,471	2,275
Intangibles.....	1,843	1,712
Investments in affiliates.....	270	228
Notes and other receivables.....	452	434
Other.....	284	251
	-----	-----
	\$ 6,559	\$ 6,233
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable.....	\$ 483	\$ 497
Other.....	938	915
	-----	-----
	1,421	1,412
	-----	-----
Long-term debt.....	849	944
Other long-term liabilities.....	1,087	984
Convertible subordinated debt.....	329	323
Shareholders' equity		
Class A common stock, 255.6 million shares issued.....	3	3
Additional paid-in capital.....	2,735	2,713
Retained earnings.....	323	218
Treasury stock, at cost.....	(161)	(348)
Accumulated other comprehensive income.....	(27)	(16)
	-----	-----
	2,873	2,570
	-----	-----
	\$ 6,559	\$ 6,233
	=====	=====

See notes to condensed consolidated financial statements.

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

	Twenty-four weeks ended	
	June 18, 1999	June 19, 1998
OPERATING ACTIVITIES		
Net income.....	\$ 214	\$ 190
Adjustments to reconcile to cash provided by operations:		
Depreciation and amortization.....	69	62
Income taxes and other.....	63	73
Timeshare activity, net.....	13	34
Working capital changes.....	10	(95)
	369	264
INVESTING ACTIVITIES		
Acquisitions.....	(55)	(48)
Dispositions.....	235	96
Capital expenditures.....	(394)	(369)
Note advances.....	(68)	(18)
Note collections and sales.....	20	122
Other.....	(96)	(74)
	(358)	(291)
FINANCING ACTIVITIES		
Issuance of long-term debt.....	6	701
Repayment of long-term debt.....	(144)	(460)
Issuance of Class A common stock.....	34	2
Dividends paid.....	(25)	(12)
Purchase of treasury stock.....	(32)	(116)
Advances to Old Marriott.....	-	(114)
	(161)	1
DECREASE IN CASH AND EQUIVALENTS.....	(150)	(26)
CASH AND EQUIVALENTS, beginning of period.....	390	208
CASH AND EQUIVALENTS, end of period.....	\$ 240	\$ 182

See notes to condensed consolidated financial statements.

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

1. Basis of Presentation

The accompanying condensed consolidated financial statements present the results of operations, financial condition and cash flows of Marriott International, Inc. (together with its subsidiaries, we, us or the Company), formerly New Marriott MI, Inc., as if we were a separate entity for all periods presented. Until March 27, 1998, we were a wholly-owned subsidiary of the former Marriott International, Inc. (Old Marriott).

The accompanying condensed consolidated financial statements have not been audited. We have condensed or omitted certain information and footnote disclosures normally included in financial statements presented in accordance with generally accepted accounting principles. We believe the disclosures made are adequate to make the information presented not misleading. However, you should read the condensed consolidated financial statements in conjunction with the consolidated financial statements and notes thereto included in our Annual Report on Form 10-K (the Annual Report) for the fiscal year ended January 1, 1999. Capitalized terms not otherwise defined in this quarterly report have the meanings specified in the Annual Report.

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

In our opinion, the accompanying condensed consolidated financial statements reflect all adjustments necessary to present fairly our financial position as of June 18, 1999 and January 1, 1999, the results of operations for the twelve and twenty-four weeks ended June 18, 1999 and June 19, 1998, and cash flows for the twenty-four weeks ended June 18, 1999 and June 19, 1998. Interim results may not be indicative of fiscal year performance because of seasonal and short-term variations. We have eliminated all material intercompany transactions and balances between entities included in these financial statements.

In November 1997, the Emerging Issues Task Force (EITF) of the Financial Accounting Standards Board reached a consensus on EITF 97-2, "Application of FASB Statement No. 94 and APB Opinion No. 16 to Physician Practice Management Entities and Certain Other Entities with Contractual Management Arrangements." EITF 97-2 addresses the circumstances in which a management entity may include the sales and expenses of a managed entity in its financial statements. As a result of EITF 97-2, and related discussions with the staff of the Securities and Exchange Commission, in our 1998 fourth quarter we changed our accounting policy to no longer include in our financial statements the working capital and sales of managed hotels and managed senior living communities. Our financial statements for prior periods have been restated. This change in accounting policy resulted in reductions in each of sales and operating expenses of \$612 million and \$1,089 million for the twelve and twenty-four weeks ended June 19, 1998, respectively, with no impact on operating profit, net income, earnings per share, debt or shareholders' equity.

2. Spinoff

On March 27, 1998, Old Marriott distributed all of our issued and outstanding common stock, on a pro rata basis, as a special dividend (the Spinoff) to holders of Old Marriott's common stock. We have carried over Old Marriott's historical cost basis in our assets and liabilities. Old Marriott received a private letter ruling from the Internal Revenue Service that the Spinoff would be tax-free to it and its shareholders. For each share of common stock in Old Marriott, shareholders received one share of our Common Stock and one share of our Class A Common Stock. On May 21, 1998, all outstanding shares of our Common Stock were converted, on a one-for-one basis, into shares of our Class A Common Stock. For further discussion of the Spinoff, please refer to our Annual Report.

3. Earnings Per Share

For periods prior to March 27, 1998, the number of weighted average shares outstanding and the effect of dilutive securities used in the earnings per share calculations are based upon the weighted average number of Old Marriott shares outstanding, and the Old Marriott effect of dilutive securities for the applicable period, adjusted (1) for the distribution ratio in the Spinoff of one share of our Common Stock and one share of our Class A Common Stock for every share of Old Marriott common stock, and (2) to reflect the conversion of our Common Stock into Company Class A Common Stock on May 21, 1998.

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

	Twelve weeks ended		Twenty-four weeks ended	
	June 18, 1999	June 19, 1998	June 18, 1999	June 19, 1998
Computation of Basic Earnings Per Share				
Net income.....	\$ 114	\$ 101	\$ 214	\$ 190
Weighted average shares outstanding.....	249.5	254.1	247.3	253.8
Basic Earnings Per Share.....	=====\$.46	=====\$.40	=====\$.87	=====\$.75
Computation of Diluted Earnings Per Share				
Net income.....	\$ 114	\$ 101	\$ 214	\$ 190
After-tax interest expense on convertible subordinated debt.....	2	2	4	4
Net income for diluted earnings per share.....	=====\$ 116	=====\$ 103	=====\$ 218	=====\$ 194
Weighted average shares outstanding.....	249.5	254.1	247.3	253.8
Effect of Dilutive Securities				
Employee stock purchase plan.....	0.1	-	0.1	-
Employee stock option plan.....	9.2	9.1	9.4	9.1
Deferred stock incentive plan.....	5.1	5.7	5.3	5.6
Convertible subordinated debt.....	9.5	9.5	9.5	9.5
Shares for diluted earnings per share.....	=====273.4	=====278.4	=====271.6	=====278.0
Diluted Earnings Per Share.....	=====\$.42	=====\$.37	=====\$.80	=====\$.70

We compute the effect of dilutive securities using the treasury stock method and average market prices during the period. We use the if-converted method for convertible subordinated debt.

4. Acquisitions

The Ritz-Carlton Hotel Company LLC. On March 19, 1998, we increased our ownership interest in The Ritz-Carlton Hotel Company LLC to approximately 98 percent for consideration of approximately \$90 million. We expect to acquire the remaining ownership interest within the next several years. We accounted for the acquisition using the purchase method of accounting. Prior to March 19, 1998, we accounted for our investment in The Ritz-Carlton Hotel Company LLC using the equity method of accounting and we received distributions based on an annual, cumulative preferred return on invested capital.

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

5. Comprehensive Income

Total comprehensive income was \$113 million and \$115 million, respectively, for the twelve weeks ended June 18, 1999 and June 19, 1998, and \$203 million and \$200 million, respectively, for the twenty-four weeks ended June 18, 1999 and June 19, 1998. The principal difference between net income and total comprehensive income relates to foreign currency translation adjustments.

6. New Accounting Standards

In 1999 we adopted Statement of Position (SOP) 98-5, "Reporting on the Costs of Start-Up Activities," issued by the American Institute of Certified Public Accountants, by expensing pre-opening costs for Company owned lodging and senior living communities as incurred. The adoption of SOP 98-5 resulted in pre-tax expenses of \$4 million and \$9 million, respectively, for the twelve and twenty-four weeks ended June 18, 1999.

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

7. Business Segments

We are a diversified hospitality company operating in three business segments: Lodging, which includes the development, ownership, operation and franchising of lodging properties including vacation timesharing resorts; Senior Living Services, which consists of the development, ownership and operation of senior living communities; and Distribution Services, which operates a wholesale food distribution business. We evaluate the performance of our segments based primarily on operating profit before corporate expenses and interest. We do not allocate income taxes at the segment level.

The following table shows our sales and operating profit by business segment for the twelve and twenty-four weeks ended June 18, 1999 and June 19, 1998.

	Twelve weeks ended		Twenty-four weeks ended	
	June 18, 1999	June 19, 1998	June 18, 1999	June 19, 1998
SALES				
Lodging.....	\$ 1,659	\$ 1,541	\$ 3,182	\$ 2,860
Senior Living Services.....	124	108	244	213
Distribution Services.....	259	278	511	569
	<u>\$ 2,042</u>	<u>\$ 1,927</u>	<u>\$ 3,937</u>	<u>\$ 3,642</u>
OPERATING PROFIT BEFORE CORPORATE EXPENSES AND INTEREST				
Lodging.....	\$ 210	\$ 178	\$ 397	\$ 336
Senior Living Services.....	1	4	3	6
Distribution Services.....	5	4	9	7
	<u>\$ 216</u>	<u>\$ 186</u>	<u>\$ 409</u>	<u>\$ 349</u>

Sales of Distribution Services do not include sales made at market terms and conditions to our other business segments of \$39 million and \$38 million for the twelve weeks ended June 18, 1999 and June 19, 1998, respectively, and \$76 million and \$70 million for the twenty-four weeks ended June 18, 1999 and June 19, 1998, respectively.

8. Contingencies

We issue guarantees to lenders and other third parties in connection with financing transactions and other obligations. These guarantees are limited, in the aggregate, to \$182 million at June 18, 1999. New World Development and another entity affiliated with Dr. Cheng, a member of our Board of Directors, have severally indemnified us for guarantees by us of leases with minimum annual payments of approximately \$59 million.

Letters of credit outstanding on our behalf at June 18, 1999, totaled \$70 million, the majority of which related to our self-insurance program. At June 18, 1999, we had a repurchase obligation of \$81 million related to notes receivable from timeshare interval purchasers that have been sold with limited recourse.

In addition to the foregoing, we are from time to time involved in legal proceedings which could, if adversely decided, result in losses to the Company. Although we believe that the lawsuits described below are without merit, and we intend to vigorously defend against the claims being made against us, we cannot assure you as to the outcome of these lawsuits nor can we currently estimate the range of any potential loss to the Company.

Courtyard by Marriott II Limited Partnership (CBM II)

A group of partners in CBM II filed a lawsuit, Whitey Ford, et al. v. Host Marriott Corporation, et al., Case No. 96-CI-08327, on June 7, 1996, in the 285/th/ Judicial District Court of Bexar County, Texas against Host Marriott, the Company and others alleging breach of fiduciary duty, breach of contract, fraud, negligent misrepresentation, tortious interference, violation of the Texas Free Enterprise and Antitrust Act of 1983 and conspiracy in connection with the

formation, operation and management of CBM II and its hotels. The plaintiffs are seeking unspecified damages. On January 29, 1998, two other limited partners, A.R. Milkes and D.R. Burklew, filed a petition in intervention seeking to convert the lawsuit into a class action. The defendants have filed an answer, the class has been certified, class counsel has been appointed, and discovery is underway. On March 11, 1999, Palm Investors, L.L.C., the assignee of a number of limited partnership units acquired through various tender offers, filed a plea in intervention to bring additional claims relating to the 1993 split of Marriott Corporation and to the 1995 refinancing of CBM II's indebtedness. This plea also seeks the addition of Ernst & Young, L.L.P. and E&Y Kenneth Leventhal Real Estate Services Co. as additional defendants for their appraisal role in the 1995 refinancing. The original plaintiffs subsequently filed a second amended complaint on March 19, 1999 and in a third amended complaint, filed May 24, 1999, asserted as derivative claims, some of the claims previously asserted as individual claims. On March 25, 1999, Equity Resource, an assignee, through various of its funds, of a number of limited partnership units, also filed a plea in intervention. A trial date of January 3, 2000 has been set.

Courtyard by Marriott Limited Partnership I (CBM I) and CBM II Derivative Action

After intervening in the CBM II class action, Palm Investors and Equity Resource, together with Repp Properties, joined in a complaint filed in April 1999, Equity Resource Fund X et al. v. CBM One Corporation et al., Case No. 99-CI-04765, in the 57/th/ Judicial District Court of Bexar County, Texas. This action asserts as derivative claims, on behalf of CBM I and CBM II, the same kind of claims asserted individually in the Ford and Milkes actions described above. The Company, certain of its officers and directors and a subsidiary are named as defendants, among others. Although no discovery has occurred, trial has been set for January 10, 2000.

Texas Multi-Partnership Lawsuits

On March 16, 1998, limited partners in several limited partnerships sponsored by Host Marriott or its subsidiaries filed a lawsuit, Robert M. Haas, Sr. and Irwin Randolph Joint Tenants, et al. v. Marriott International, Inc., et al., Case No. 98-CI-04092, in the 57/th/ Judicial District Court of Bexar County, Texas, alleging that the defendants conspired to sell hotels to the partnerships for inflated prices and that they charged the partnerships excessive management fees to operate the partnerships' hotels. The plaintiffs further allege that the defendants committed fraud, breached fiduciary duties and violated the provisions of various contracts. A Marriott International subsidiary manages each of the hotels involved and, as to some properties, the Company is the ground lessor and collects rent. The Company, several Marriott subsidiaries and J.W. Marriott, Jr. are among the several named defendants. The plaintiffs are seeking unspecified damages. Those allegations concerning CBM II have been transferred to the CBM II lawsuit described above. No trial date has been set.

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

RESULTS OF OPERATIONS

The following discussion presents an analysis of results of our operations for each of the twelve and twenty-four weeks ended June 18, 1999 and June 19, 1998. Comparable REVPAR, room rate and occupancy statistics used throughout this report are based upon U.S. properties operated by us, except that data for Fairfield Inn also include comparable franchised units.

In the fourth quarter of 1998 we changed our accounting policy to no longer include the working capital and sales of managed hotels and managed senior living communities in our financial statements. Instead, our sales include fees earned plus costs recovered from owners of managed hotels and managed senior living communities. We have restated prior periods and all references in the discussion below refer to financial statement data prepared under our new accounting policy. This new accounting policy reflects reductions in sales of \$659 million and \$612 million for the twelve weeks ended June 18, 1999 and June 19, 1998, respectively, and \$1,323 million and \$1,089 million for the twenty-four weeks ended June 18, 1999 and June 19, 1998 respectively, compared to sales as previously calculated for those periods.

Twelve Weeks Ended June 18, 1999 Compared to Twelve Weeks Ended June 19, 1998

We reported net income of \$114 million for the 1999 second quarter, on sales of \$2,042 million. This represents a 13 percent increase in net income and a six percent increase in sales over the second quarter of 1998. Diluted earnings per share of \$.42 for the quarter increased 14 percent over the 1998 amount. Systemwide sales increased 10 percent, to \$4.2 billion.

Marriott Lodging reported an 18 percent increase in operating profit on eight percent higher sales. The results reflect average REVPAR growth of three percent across our lodging brands, including strong performance from Marriott Vacation Club International and contributions from new units. Sales for full-service and luxury hotel brands comprised 72 percent of total lodging sales in the 1999 quarter. Systemwide lodging sales increased 11 percent to \$3.8 billion.

We added a net total of 27 properties (3,980 units) during the second quarter of 1999, increasing our total properties to 1,764 (339,205 units). In the second quarter we withdrew the Ramada International flag from 16 properties in Germany due to non-payment of franchise fees. No material profit impact is expected to arise from this action. Properties by brand (excluding 5,100 rental units relating to ExecuStay) are as indicated in the following table.

Properties as of June 18, 1999

	Company-operated		Franchised	
	Properties	Units	Properties	Units
Marriott Hotels, Resorts and Suites.....	212	94,362	151	44,115
Ritz-Carlton.....	36	11,875	-	-
Renaissance.....	74	29,574	14	5,415
Ramada International.....	7	1,325	19	4,221
Residence Inn.....	133	17,924	177	19,288
Courtyard.....	253	38,817	187	22,988
TownePlace Suites.....	17	1,785	20	1,985
Fairfield Inn.....	51	7,136	341	29,965
SpringHill Suites.....	4	438	23	2,286
Marriott Vacation Club International.....	38	4,177	-	-
Marriott Executive Apartments and other.....	7	1,529	-	-
Total.....	832	208,942	932	130,263

Marriott Hotels, Resorts and Suites posted a three percent increase in average room rates, to \$143, and maintained occupancy of 80 percent, which generated a REVPAR increase of three percent. Profit margins increased as cost controls generated higher incentive management fees at many hotels.

Renaissance hotels posted a REVPAR increase of three percent due to a one percentage point increase in occupancy to 75 percent, and a two percent increase in average room rates, to \$136.

Ritz-Carlton reported an increase in average room rates of four percent, to \$228, with occupancy up four percentage points to 82 percent, resulting in a 10 percent increase in REVPAR.

Residence Inn, our quality tier extended-stay brand, posted a one percentage point increase in REVPAR, due to a slight increase in average room rates, to \$100, and a small increase in occupancy to 86 percent. Residence Inn opened nine properties during the quarter.

Courtyard, our moderate-price lodging brand, increased average room rates by two percent to \$92, and occupancy increased slightly to 82 percent, resulting in a REVPAR increase of two percent. Courtyard opened 14 properties during the quarter.

Fairfield Inn, our economy lodging brand, posted an increase in average room rates of two percent to \$59, which was offset by a two percentage point decrease in occupancy to 75 percent, resulting in a slight decrease in REVPAR. Fairfield Inn opened seven properties during the quarter.

Marriott Vacation Club International posted substantial profit growth in the 1999 quarter. We generated a 16 percent increase in contract sales, reflecting strong sales activity at timeshare resorts in Florida, California, South Carolina, Spain and Aruba.

Marriott Senior Living Services posted 15 percent sales growth in the 1999 second quarter. Operating profit before corporate expenses and interest declined as profit growth from established communities was offset by pre-opening costs of \$4 million and start up losses associated with new properties. Occupancy for comparable communities increased by one percentage point to 90

percent for the quarter. At June 18, 1999, the division operated 125 independent full-service and assisted living communities totaling approximately 22,300 units.

Marriott Distribution Services (MDS) achieved higher profits in the quarter, despite lower sales. The division benefited from realization of cost economies in transportation and warehouse operations, as well as higher gross margins per case. See "Liquidity and Capital Resources" below for a discussion of the possible future impact of the bankruptcy filing by a major MDS customer.

Corporate activity. Interest expense increased by \$5 million in the 1999 second quarter, primarily due to investing activities and share repurchases since the Spinoff. Corporate expenses increased primarily due to Year 2000 modification costs of \$7 million compared to \$3 million in the 1998 quarter. The effective income tax rate decreased from 38.5 percent to 37.5 percent primarily due to the increased proportion of operations in countries with lower effective tax rates.

Twenty-Four Weeks Ended June 18, 1999 Compared to Twenty-Four Weeks Ended June

19, 1998

We reported net income of \$214 million for the first half of 1999, on sales of \$3,937 million. This represents a 13 percent increase in net income and an eight percent increase in sales over the same period in 1998. Diluted earnings per share of \$.80 increased 14 percent over the 1998 amount. Systemwide sales increased 10 percent, to \$7.9 billion.

Marriott Lodging reported an 18 percent increase in operating profit on 11 percent higher sales. The results reflect average REVPAR growth of three percent across our lodging brands, including strong results from Marriott Vacation Club International and contributions from new units. Sales for full-service and luxury hotel brands comprised 73 percent of total lodging sales in 1999. Systemwide lodging sales increased 12 percent to \$7.1 billion.

Marriott Hotels, Resorts and Suites posted a three percent increase in average room rates, to \$143, and a slight increase in occupancy to 79 percent, which generated a REVPAR increase of three percent.

Renaissance hotels posted a REVPAR increase of three percent due to a two percentage point increase in occupancy to 73 percent, and a one percent increase in average room rates to \$135.

Ritz-Carlton reported an increase in average room rates of five percent, to \$231, with occupancy up four percentage points to 80 percent, resulting in a 10 percent increase in REVPAR.

Residence Inn posted slightly higher REVPAR, due to a one percentage point increase in occupancy to 84 percent, partially offset by a slight decrease in average room rates to \$99. Operating results include contributions from new units and gains related to the disposition of six properties during the 1999 period. We retained long-term operating agreements on these properties. Residence Inn opened 58 properties since the beginning of fiscal year 1998.

Courtyard increased average room rates by two percent to \$92, and occupancy increased by one percentage point to 81 percent, resulting in a REVPAR increase of two percent. Courtyard opened 73 properties since the beginning of fiscal year 1998.

Fairfield Inn posted an increase in average room rates of two percent to \$58, which was offset by a one percentage point decrease in occupancy to 72 percent, resulting in a slight increase in REVPAR. Fairfield Inn opened 52 properties since the beginning of fiscal year 1998.

Marriott Vacation Club International posted substantial profit growth in the first two quarters of 1999. We generated a 24 percent increase in contract sales.

Marriott Senior Living Services reported higher sales in the 1999 first half. Operating profit before corporate expenses and interest declined as pre-opening costs of \$9 million and start-up costs of new communities more than offset gains from property sales and improved performance at established communities. Occupancy for comparable communities increased by two percentage points to 91 percent for the period.

Marriott Distribution Services achieved higher profits in the period, despite lower sales, reflecting increased operating efficiencies.

Corporate activity. Interest expense increased by \$13 million in the 1999 period, primarily due to investing activities and share repurchases since the Spinoff. Corporate expenses increased primarily due to Year 2000 modification costs of \$12 million compared to \$6 million in the 1998 first half. The effective income tax rate decreased from 38.5 percent to 37.5 percent primarily due to the increased proportion of operations in countries with lower effective tax rates.

LIQUIDITY AND CAPITAL RESOURCES

Cash and equivalents totaled \$240 million at June 18, 1999, a decrease of \$150 million from year end. Cash provided by operations of \$369 million increased 40 percent over 1998. Net income is stated after recording depreciation expense of \$39 million and \$31 million for the twenty-four weeks ended June 18, 1999 and June 19, 1998, respectively, and after amortization expense of \$30 million and \$31 million for the twenty-four weeks ended June 18, 1999 and June 19, 1998, respectively. EBITDA for the twenty-four weeks ended June 18, 1999 increased by \$54 million, or 14 percent, to \$434 million. EBITDA is an indicator of operating performance which can be used to measure the Company's ability to service debt, fund capital expenditures and expand its business. However, EBITDA is not an alternative to net income, operating profit, cash from operations, or any other operating or liquidity measure prescribed by generally accepted accounting principles.

Net cash used in investing activities totaled \$358 million for the twenty-four weeks ended June 18, 1999, and included our acquisition of ExecuStay, expenditures for developing limited-service lodging properties and senior living communities, together with note advances. Cash generated from dispositions of \$235 million resulted primarily from the sales of limited-service lodging properties and senior living communities under master transactions initiated in 1998. We continue to operate these properties under long-term agreements.

We continue to grow our businesses, in part, by investing in new units. We expect our principal investments to continue to include notes, minority equity interests, business acquisitions and direct development and ownership of certain lodging and senior living services projects. We expect to sell certain lodging and senior living service properties currently under development, or to be developed, while continuing to operate them under long-term agreements.

We believe that cash generated by operations, together with our borrowing capacity and proceeds from the sale of assets, will be sufficient to finance our planned growth and capital requirements. Nonetheless, our ability to sell properties that we develop, and the ability of hotel and senior living community developers to build or acquire new Marriott properties, both of which are important components of our growth plans, are to some extent dependent on the availability and price of capital. We continually monitor the status of the capital markets, and other conditions which could affect our ability to execute our announced growth plans.

We purchased 0.9 million shares of our Class A Common Stock in the twenty-four weeks ended June 18, 1999, at a cost of \$32 million. As of June 18, 1999, we had been authorized by our Board of Directors to purchase an additional 5.4 million shares.

In 1996, MDS became the exclusive provider of distribution services to Boston Chicken Inc. (BCI). On October 5, 1998, BCI and its Boston Market-controlled subsidiaries filed voluntary bankruptcy petitions in the U.S. Bankruptcy Court (the Court) for protection under Chapter 11 of the Federal Bankruptcy Code. The bankruptcy resulted in the closing of approximately 21 percent of the restaurants in the Boston Market chain. MDS continues to distribute to BCI and has been receiving payment of post-petition balances in accordance with the terms of its contracts with BCI. In addition, the Court has approved, and MDS has received, payment for substantially all of its pre-petition accounts receivable balances. However, the final effect on our future results of operations and financial position depends on the final resolution of BCI's bankruptcy. Under certain circumstances, if the contract were to terminate, or if BCI were to cease or further curtail its operations: (1) MDS may be unable to recover some or all of an aggregate of approximately \$32 million in contract investment, receivables and inventory; and (2) MDS could have more warehouse capacity and rolling stock than it needs.

In November 1998, we issued, through a private placement, \$400 million of unsecured senior notes. On April 23, 1999, we commenced a registered exchange offer to exchange the privately placed senior notes for publicly registered new notes on substantially identical terms. All of the privately placed senior notes were tendered for exchange, and new notes were issued to the holders on May 31, 1999.

In April 1999, we filed a "universal shelf" registration statement with the Securities and Exchange Commission. That registration statement, which became effective on May 4, 1999, allows us to offer to the public up to \$500 million of debt securities, Class A Common Stock and/or preferred stock. Although we have no current plans to issue Class A Common or preferred stock under the registration statement, this "universal shelf" format provides us with additional flexibility to efficiently fulfill our financing needs.

Year 2000 Readiness Disclosure
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The "Year 2000 problem" has arisen because many existing computer programs and chip-based embedded technology systems use only the last two digits to refer to a year, and therefore do not properly recognize a year that begins with "20" instead of the familiar "19." If not corrected, many computer applications could fail or create erroneous results.

State of Readiness. We have adopted the following eight-step process toward Year 2000 readiness:

1. Awareness: fostering understanding of, and commitment to, the problem and its potential risks;
2. Inventory: identifying and locating systems and technology components that may be affected;
3. Assessment: reviewing these components for Year 2000 compliance, and assessing the scope of Year 2000 issues;
4. Planning: defining the technical solutions and labor and work plans necessary for each affected system;
5. Remediation/Replacement: completing the programming to renovate or replace the problem software or hardware;
6. Testing and Compliance Validation: conducting testing, followed by independent validation by a separate internal verification team;
7. Implementation: placing the corrected systems and technology back into the business environment; and
8. Quality Assurance: utilizing an internal audit team to review significant projects for adherence to quality standards and program methodology.

We have grouped our systems and technology into three categories for purposes of Year 2000 compliance:

1. Information resource applications and technology (IT Applications) -- enterprise-wide systems supported by the Company's centralized information technology organization (IR);
2. Business-initiated systems (BIS) -- systems that have been initiated by an individual business unit, and that are not supported by IR; and
3. Building Systems -- non-IT equipment at properties that use embedded computer chips, such as elevators, automated room key systems and HVAC equipment.

We are prioritizing our efforts based on how severe an effect noncompliance would have on customer service, core business processes or revenues, and whether there are viable, non-automated fallback procedures (System Criticality).

We measure completion of each phase based on documentation and quantified results weighted for System Criticality. The following table reflects the status of our Year 2000 readiness process at June 18, 1999.

Step	IT Applications	BIS	Building Systems
Awareness	Complete	Complete	Complete
Inventory	Complete	Complete	Complete
Assessment	Complete	Complete	Complete
Planning	Complete	Complete	Complete
Remediation/ Replacement	Over 95 percent complete	Substantially complete; critical systems targeted for completion by September 1999	Substantially complete; critical systems targeted for completion by September 1999
Testing and Compliance Validation	Testing over 95 percent complete; Compliance Validation completed for over 85 percent of key systems, with most remaining work in its final stage	Testing is in progress.* Compliance Validation is in progress	Initial testing is over 95 complete *, for which approximately five percent require further remediation/ replacement and re-testing. Completion for critical systems targeted for September 1999; Compliance Validation is in progress
Implementation	Approximately 80 percent of implementation projects complete, with rollout to business locations underway	Substantially complete **	In progress
Quality Assurance	In progress for approximately 80 percent of IT applications	In progress	In progress

* Testing for third party BIS and Building Systems may consist of our receipt and evaluation of vendor compliance documentation and, where appropriate, further verification by us of compliance.

** Completion of certain BIS items is dependent on third party software patches which we have not yet received.

Year 2000 compliance communications with our significant third party suppliers, vendors and business partners, including our franchisees are ongoing. Our efforts are focused on the connections most critical to customer service, core business processes and revenues, including those third parties that support our most critical enterprise-wide IT Applications, franchisees generating the most revenues, suppliers of the most widely used Building Systems and BIS, the top 100

suppliers, by dollar volume, of non-IT products and services, and financial institutions providing the most critical payment processing functions. We have received responses from a majority of the firms in this group. A majority of these respondents have either given assurances of timely Year 2000 compliance or have identified the necessary actions to be taken by them or by us to achieve timely Year 2000 compliance for their products. Where we have not received satisfactory responses we are addressing the potential risks of failure through our contingency planning process.

We have established a common approach for testing and addressing Year 2000 compliance issues for our managed and franchised properties. This includes guidance for properties we operate, and a Year 2000 "Toolkit" for franchisees containing relevant Year 2000 compliance information. We are also utilizing a Year 2000 best-practices sharing system. We are monitoring the progress of the managed and franchised properties towards Year 2000 compliance.

Costs. Many of the costs of Year 2000 compliance will be reimbursed to us or otherwise paid directly by owners and clients pursuant to existing contracts. We estimate that we will bear approximately \$40-\$50 million of the pre-tax costs to address the Year 2000 problem. Some of these costs relate to internal resources which will be redeployed in 2000, and, as such, represent costs which we will continue to bear in future years. The Year 2000 costs, approximately \$24 million (on a pre-tax basis) of which have been incurred through June 18, 1999, have been and will be expensed as incurred.

In addition, we had previously planned and/or begun implementing several system replacement projects to modernize and improve our systems. The Year 2000 problem heightened the need for the timely completion and some project schedules have been accelerated. These project costs have been included in our budgeting process and internal forecasts and already form part of our financial plans. Like the Year 2000 costs referred to in the preceding paragraph, many of these systems replacement costs will be reimbursed to us or otherwise paid directly by owners and clients pursuant to existing contracts. We estimate that we will bear approximately \$45-\$50 million of the pre-tax costs of these system replacements, most of which will be capitalized and amortized over the useful lives of the assets.

The costs we will actually incur will depend on a number of factors which cannot be accurately predicted, including the extent and difficulty of the Remediation and other work to be done, the availability and cost of consultants, the extent of testing required to demonstrate Year 2000 compliance, and our ability to timely collect all payments due to us under existing contracts.

Year 2000 Contingency Plans. Our centralized services and the properties we operate already have contingency plans in place covering a variety of possible events, including natural disasters, interruption of utility service, general computer failure, and the like. We have reviewed these contingency plans and have made appropriate modifications to address specific Year 2000 issues. The modification of master contingency plans is substantially complete, with conforming changes to be added to individual unit contingency plans during the third quarter. Contingency drills and preparations will be conducted during the third and fourth quarters.

Risks Posed By Our Year 2000 Issues. We currently believe that the Year 2000 problem will not have a material adverse effect on us, our business or our financial condition. However, we cannot assure you that our Year 2000 remediation or remediation by others will be completed properly and

on time, and failure to do so could materially and adversely effect us. We also cannot predict the actual effects of the Year 2000 problem on us, which depends on a number of uncertainties such as:

- . the factors listed above under "Costs";
- . whether our franchisees and other significant third parties address the Year 2000 issue properly and on time;
- . whether broad-based or systemic economic failures may occur, which could include:
 - . disruptions in passenger transportation or transportation systems generally;
 - . loss of utility and/or telecommunications services;
 - . errors or failures in financial transactions or payment processing systems such as credit cards;
 - . the severity and duration of such failures; and
- . whether we are sued or become subject to other proceedings regarding any Year 2000-related events and the outcome of any such suit or proceedings.

As part of our contingency planning, we are analyzing the most reasonably likely worst-case scenario that could result from Year 2000-related failures. Our best estimate of this scenario, based on current information, follows. Failure by others to achieve Year 2000 compliance could cause short-term disruptions in travel patterns, caused by actual or perceived problems with travel systems, and temporary disruptions in the supply of utility, telecommunications and financial services, which may be local or regional in scope. These events could lead travelers to accelerate travel to late 1999, postpone travel to later in 2000 or cancel travel plans, which could in turn affect lodging occupancy patterns. Such failures could be more pronounced in some areas outside the U.S. where we understand that Year 2000 compliance efforts may not be as advanced. In addition, failure by us or others to achieve Year 2000 compliance could cause short-term operational inconveniences and inefficiencies for us. This may temporarily divert management's time and attention from ordinary business activities. We will, to the extent reasonably achievable, seek to prevent and/or mitigate these effects through our compliance and contingency planning efforts.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no material changes to our exposures to market risk since January 1, 1999.

PART II -- OTHER INFORMATION

Item 1. Legal Proceedings

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

Item 2. Changes in Securities

None.

Item 3. Defaults Upon Senior Securities

None.

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

We held our Annual Meeting of Shareholders on April 30, 1999. The shareholders (1) re-elected directors J. W. Marriott, Jr., W. Mitt Romney and William J. Shaw to terms of office expiring at the 2002 Annual Meeting of Shareholders, (2) ratified the appointment of Arthur Andersen LLP as independent auditors, (3) approved the amendment of our certificate of incorporation to reflect the elimination of one of our two classes of common stock, (4) approved the amendment of our certificate of incorporation to increase the number of authorized shares of Class A Common Stock to 800 million, and (5) defeated a shareholder proposal to adopt cumulative voting for the election of directors. The following table sets forth the votes cast with respect to each of these matters.

MATTER	FOR	AGAINST	WITHHELD	ABSTAIN	BROKER NON-VOTES
Re-election of J.W. Marriott, Jr.	2,069,863,960		11,475,120		
Re-election of W. Mitt Romney	2,069,011,170		12,327,910		
Re-election of William J. Shaw	2,070,090,960		11,248,120		
Ratification of appointment of Arthur Andersen LLP as independent auditors	2,070,014,700	2,538,700		8,785,680	
Approval of the amendment of our certificate of incorporation to reflect the elimination of one of our two classes of common stock	2,067,021,850	5,324,920		8,992,310	
Approval of the amendment of our certificate of incorporation to increase the number of authorized shares of Class A Common Stock to 800 million	2,028,963,730	42,538,180		9,837,170	
Proposal to adopt cumulative voting for the election of directors	322,683,500	1,517,570,290		47,034,800	194,050,490

Item 5. Other Information

None.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

Exhibit No.	Description
3	Third Amended and Restated Certificate of Incorporation.
12	Statement of Computation of Ratio of Earnings to Fixed Charges.
27	Financial Data Schedule for the Company.
99	Forward-Looking Statements.

(b) Reports on Form 8-K

None.

SIGNATURES

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

MARRIOTT INTERNATIONAL, INC.

July 29, 1999

/s/ Arne M. Sorenson

Arne M. Sorenson
Executive Vice President and
Chief Financial Officer

/s/ Linda A. Bartlett

Linda A. Bartlett
Senior Vice President, Finance and
Corporate Controller
(Chief Accounting Officer)

THIRD AMENDED AND RESTATED CERTIFICATE OF INCORPORATION
OF
MARRIOTT INTERNATIONAL, INC.

Marriott International, Inc., a corporation organized and existing under the laws of the State of Delaware (the "corporation"), hereby certifies as follows:

1. The present name of the corporation is "Marriott International, Inc." The name under which the corporation was originally incorporated is New Marriott MI, Inc., and the original Certificate of Incorporation of the corporation was filed with the Secretary of State of the State of Delaware on September 19, 1997.

2. This Third Amended and Restated Certificate of Incorporation has been duly adopted and proposed to the stockholders of the corporation by the Board of Directors of the corporation, and has been approved and adopted by the stockholders of the corporation, in accordance with Sections 242 and 245 of the General Corporation Law of the State of Delaware.

3. Pursuant to Sections 242 and 245 of the General Corporation Law of the State of Delaware, this Third Amended and Restated Certificate of Incorporation restates and integrates and further amends the provisions of the Amended and Restated Certificate of Incorporation of the corporation.

4. The text of the Amended and Restated Certificate of Incorporation as heretofore amended and restated is hereby restated and further amended to read in its entirety as hereinafter set forth:

FIRST. The name of the corporation is MARRIOTT INTERNATIONAL, INC.

SECOND. The address of its registered office in the State of Delaware is

1013 Centre Road, City of Wilmington, County of New Castle. The name of its registered agent at such address is The Prentice-Hall Corporation System, Inc.

THIRD. The purpose of the corporation is to engage in, promote, and carry

on in any part of the world any lawful acts or activities for which corporations may be organized under the Delaware General Corporation Law.

FOURTH. The total number of shares of all classes of stock which the

corporation shall have authority to issue is eight hundred ten million (810,000,000) consisting of (i) eight hundred million (800,000,000) shares of Class A Common Stock, with par value of \$0.01 per share (the "Class A Common Stock"); and (ii) ten million (10,000,000) shares of preferred stock, without par value (the "Preferred Stock").

The shares of authorized Class A Common Stock of the corporation shall be identical in all respects and shall have equal rights and privileges. Each issued and outstanding share of Class A Common Stock shall have ten votes on all matters submitted to a vote of the stockholders of the corporation.

No holder of stock of any class of the corporation, whether now or hereafter authorized or issued, shall be entitled as such, as a matter of right, to subscribe for or purchase any part of any new or additional issue of stock of any class whatsoever, or of any securities convertible into stock of any class, of any character or to which are attached or with which are issued warrants or rights to purchase any such stock, whether now or hereafter authorized, issued or sold, or whether issued for moneys, property or services, or by way of dividend or otherwise, or any right or subscription to any thereof, other than such, if any, as the board of directors in its discretion may from time to time fix, pursuant to authority hereby conferred upon it; and any shares of stock or convertible obligations with warrants or rights to purchase any such stock, which the board of directors may determine to offer for subscription, may be sold without being first offered to any of the holders of the stock of the corporation of any class or classes or may, as such board shall determine, be offered to holders of any class or classes of stock exclusively or to the holders of all classes of stock, and if offered to more than one class of stock, in such proportions as between such classes of stock as the board of directors, in its discretion, may determine.

The Preferred Stock may be issued from time to time in one or more series pursuant to a resolution or resolutions providing for such issue duly adopted by the board of directors (authority to do so being hereby expressly vested in the board) and such resolution or resolutions shall also set forth the voting powers, full or limited or none, of each such series of Preferred Stock and shall fix the designations, preferences and relative, participating, optional or other special rights, and qualifications, limitations or restrictions of each such series of Preferred Stock.

Pursuant to authority conferred by this Article FOURTH, the board of directors of the corporation has designated a series of Preferred Stock as the Series A Junior Participating Preferred Stock, consisting of the number of shares, with such voting powers and with such designations, preferences and relative, participating, optional or other special rights, and qualifications, limitations or restrictions thereof as are stated in Exhibit A attached hereto and incorporated herein by reference.

FIFTH. THIS SECTION INTENTIONALLY LEFT BLANK.

SIXTH. The corporation is to have perpetual existence.

SEVENTH. The private property of the stockholders shall not be subject to

the payment of the corporate debts to any extent whatsoever.

EIGHTH. Except as otherwise fixed by or pursuant to the provisions of

Article FOURTH hereof relating to the rights of the holders of any class or series of stock having a preference over the Class A Common Stock as to dividends or upon liquidation to elect additional directors under specified circumstances, the number of the directors of the corporation shall be fixed from time to time by or pursuant to the Bylaws of the corporation. The directors, other than those who may be elected by the holders of any class or series of stock having a preference over the Class A Common Stock as to dividends or upon liquidation, shall be classified, with respect to the time for which they severally hold office, into three classes, as nearly equal in number as possible, as shall be provided in the manner specified in the Bylaws of the corporation, one class to be originally elected for a term expiring at the annual meeting of stockholders to be held in 1998, another class to be originally elected for a term expiring at the annual meeting of stockholders to be held in 1999, and another class to be originally elected for a term expiring at the annual meeting of stockholders to be held in 2000, with each class to hold office until its successor is elected and qualified. At each annual meeting of the stockholders of the corporation, the successors of the class of directors whose term expires at that meeting shall be elected to hold office for a term expiring at the annual meeting of stockholders held in the third year following the year of their election.

Advance notice of stockholder nominations for the election of directors shall be given in the manner provided in the Bylaws of the corporation.

Except as otherwise provided for or fixed by or pursuant to the provisions of Article FOURTH hereof relating to the rights of the holders of any class or series of stock having a preference over the Class A Common Stock as to dividends or upon liquidation to elect directors under specified circumstances, newly created directorships resulting from any increase in the number of directors and any vacancies on the board of directors resulting from death, resignation, disqualification, removal or other cause shall be filled by the affirmative vote of a majority of the remaining directors then in office, even though less than a quorum of the board of directors. Any directors elected in accordance with the preceding sentence shall hold office for the remainder of the full term of the class of directors in which the new directorship was created or the vacancy occurred and until such director's successor shall have been elected and qualified. No decrease in the number of directors constituting the board of directors shall shorten the term of any incumbent director.

Subject to the rights of any class or series of stock having a preference over the Class A Common Stock as to dividends or upon liquidation to elect directors under specified circumstances, any director may be removed from office, but only for cause and only by the affirmative vote of the holders of at least 66 2/3% of the voting power of all the shares of the corporation entitled to vote generally in the election of directors, voting together as a single class.

Notwithstanding anything contained in this Third Amended and Restated Certificate of Incorporation to the contrary, the affirmative vote of the holders of at least 66 2/3% of the voting power of all the shares of the corporation entitled to vote generally in the election of directors, voting together as a single class, shall be required to alter, amend or adopt any provision inconsistent with or repeal this Article EIGHTH.

The directors shall have the power to fix the amount to be reserved as working capital and to authorize and cause to be executed, mortgages and liens without limit as to amount, upon the property and franchises of this corporation.

The Bylaws shall determine whether and to what extent the accounts and books of this corporation, or any of them, shall be open to the inspection of the stockholders; and no stockholder shall have any right of inspecting any account, or book, or document of this corporation, except as conferred by law or the Bylaws, or by resolution of the stockholders or directors.

The stockholders and directors shall have power to hold their meetings and keep the books, documents and papers of the corporation outside the State of Delaware, at such places as may be from time to time designated by the Bylaws or by resolution of the stockholders or directors.

The directors shall have power by a resolution passed by a majority vote of the whole board, under suitable provision of the Bylaws, to designate two or more of their number to constitute an executive committee, which committee shall for the time being, as provided in said resolution or in the Bylaws, have and exercise any or all the powers of the board of directors which may be lawfully delegated in the management of the business and affairs of the corporation, and shall have power to authorize the seal of the said corporation to be affixed to all papers which may require it.

This corporation reserves the right to amend, alter, change or repeal any provision contained in this Third Amended and Restated Certificate of Incorporation, in the manner now or hereafter set forth herein or, in the absence of specific provision herein, in the manner prescribed by the statutes of the State of Delaware, and all rights conferred on officers, directors and stockholders herein are granted subject to this reservation.

Election of directors need not be by written ballot unless the Bylaws of the corporation shall so provide.

NINTH. The amount of capital with which this corporation will commence

business is the sum of One Thousand Dollars (\$1,000).

TENTH. The corporation may enter into contracts or transact business with

one or more of its officers or directors, or with any firms of which one or more of its officers or directors is a member, or may invest its funds in the securities of and may enter into

contracts, or transact business with any corporation or association in which any one or more of its officers or directors is a stockholder, officer or director, and in the absence of bad faith, or unfair dealing, such contract or transaction or investment shall not be invalidated or to any extent affected by the fact that any such officer or officers or any such director or directors has or may have interests therein which are or might be adverse to the interests of the corporation, provided that the remaining directors are sufficient in number to ratify and approve the transaction.

ELEVENTH. Each person who was or is made a party or is threatened to be

made a party to or is otherwise involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (hereinafter a "proceeding"), by reason of the fact that he or she is or was a director, officer or employee of the corporation or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to an employee benefit plan (hereafter an "indemnitee"), whether the basis of such proceeding is alleged activity in an official capacity as a director, officer, employee or agent or in any other capacity while serving as a director, officer, employee or agent, shall be indemnified and held harmless by the corporation to the fullest extent authorized by the Delaware General Corporation Law, as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the corporation to provide broader indemnification rights than permitted prior thereto), against all expense, liability and loss (including attorneys' fees, judgments, fines, ERISA excise taxes or penalties and amounts paid in settlement) reasonably incurred or suffered by such indemnitee in connection therewith and such indemnification shall continue as to an indemnitee who has ceased to be a director, officer or employee and shall inure to the benefit of the indemnitee's heirs, executors and administrators; provided that except with respect to proceedings to enforce rights to indemnification, the corporation shall indemnify any such indemnitee in connection with a proceeding (or part thereof) initiated by such indemnitee only if such proceeding (or part thereof) was authorized by the board of directors. The foregoing right of indemnification shall be in addition to and not exclusive of all other rights to which such director, officer, or employee may be entitled.

TWELFTH. The affirmative vote of the holders of shares representing not

less than sixty-six and two-thirds percent (66 2/3%) of the voting power of the corporation shall be required for the approval of any proposal for the corporation to reorganize, merge, or consolidate with any other corporation, or sell, lease, or exchange substantially all of its assets or business. The amendment, alteration or repeal of this Article TWELFTH, or any portion hereof, shall require the approval of the holders of shares representing at least sixty-six and two-thirds percent (66 2/3%) of the voting power of the corporation.

THIRTEENTH. Notwithstanding the provisions of Article TWELFTH, any action

required or permitted to be taken by the stockholders of the corporation must be effected

at a duly called annual or special meeting of such holders and may not be effected by any consent in writing by such holders. Except as otherwise required by law and subject to the rights of the holders of any class or series of stock having a preference over the Class A Common Stock as to dividends or upon liquidation, special meetings of stockholders of the corporation may be called only by the board of directors pursuant to a resolution approved by a majority of the entire board of directors. Notwithstanding anything contained in this Third Amended and Restated Certificate of Incorporation to the contrary, the affirmative vote of the holders of at least 66 2/3% of the voting power of all the shares of the corporation entitled to vote generally in the election of directors, voting together as a single class, shall be required to alter, amend or adopt any provision inconsistent with or repeal this Article THIRTEENTH.

FOURTEENTH. The board of directors shall have power to make, alter, amend

and repeal the Bylaws of the corporation (except insofar as the Bylaws of the corporation adopted by the stockholders shall otherwise provide). Any Bylaws made by the directors under the powers conferred hereby may be altered, amended or repealed by the directors or by the stockholders. Notwithstanding the foregoing and anything contained in this Third Amended and Restated Certificate of Incorporation to the contrary, Sections 3.1, 3.2 and 3.13 of Article III and Articles VIII and IX of the Bylaws shall not be altered, amended or repealed and no provision inconsistent therewith shall be adopted without the affirmative vote of the holders of at least 66 2/3% of the voting power of all the shares of the corporation entitled to vote generally in the election of directors, voting together as a single class. Notwithstanding anything contained in this Third Amended and Restated Certificate of Incorporation to the contrary, the affirmative vote of the holders of at least 66 2/3% of the voting power of all the shares of the corporation entitled to vote generally in the election of directors, voting together as a single class, shall be required to alter, amend or adopt any provision inconsistent with or repeal this Article FOURTEENTH.

FIFTEENTH. In addition to any affirmative vote required by law or this

Third Amended and Restated Certificate of Incorporation, and except as otherwise expressly hereinafter provided in this Article:

(i) any merger or consolidation of the corporation or any Subsidiary (as hereinafter defined) with (a) any Interested Stockholder (as hereinafter defined) or (b) any other corporation (whether or not such other corporation is an Interested Stockholder) which is, or after such merger or consolidation would be, an Affiliate (as hereinafter defined) of an Interested Stockholder; or

(ii) any sale, lease, exchange, mortgage, pledge, transfer or other disposition (in one transaction or a series of transactions) to or with any Interested Stockholder or any Affiliate of any Interested Stockholder of any assets of the corporation or any Subsidiary having an aggregate Fair Market Value (as hereinafter defined) of Fifteen Million Dollars or more, or

(iii) the issuance or transfer by the corporation or any Subsidiary (in one transaction or series of transactions) of any securities of the corporation or any Subsidiary to any Interested Stockholder, or any Affiliate of any Interested Stockholder in exchange for cash, securities or other property (or a combination thereof) having an aggregate Fair Market Value of Fifteen Million Dollars or more; or

(iv) the adoption of any plan or proposal for the liquidation or dissolution of the corporation proposed by or on behalf of an Interested Stockholder or any Affiliate or any Interested Stockholder; or

(v) any reclassification of securities (including any reverse stock split), or recapitalization of the corporation, or any merger or consolidation of the corporation with any of its Subsidiaries or any other transaction (whether or not with or into or otherwise involving an Interested Stockholder) which has the effect, directly or indirectly, of increasing the proportionate share of the outstanding shares of any class of equity or convertible securities of the corporation or any Subsidiary which is directly or indirectly owned by an Interested Stockholder or any Affiliate of any Interested Stockholder:

shall require the affirmative vote of the holders of at least 66 2/3% of the voting power of all the shares of the corporation entitled to vote generally in the election of directors (the "Voting Stock"), voting together as a single class (it being understood that for purposes of this Article FIFTEENTH, each share of the Voting Stock shall have the number of votes granted to it pursuant to Article FOURTH of this Third Amended and Restated Certificate of Incorporation). Such affirmative vote shall be required, notwithstanding the fact that no vote may be required, or that a lesser percentage may be specified, by law or in any agreement with any national securities exchange or otherwise.

The term "Business Combination" as used in this Article FIFTEENTH shall mean any transaction which is referred to in any one or more of clauses (i) through (v) of the first paragraph of this Article.

The provisions of this Article FIFTEENTH shall not be applicable to any particular Business Combination, and such Business Combination shall require only such affirmative vote as is required by law and any other provision of this Third Amended and Restated Certificate of Incorporation, if either of the conditions hereinafter specified under (a) or (b) are met:

(a) The Business Combination shall have been approved by a majority of the Disinterested Directors (as hereinafter defined), or

(b) All of the following conditions shall have been met:

(i) The aggregate amount of the cash and the Fair Market Value as of the date of the consummation of the Business Combination of consideration other than cash to be received per share by holders of Class A Common Stock in such Business Combination shall be at least equal to the higher of the following:

(a) (if applicable) the highest per share price (including any brokerage commissions, transfer taxes and soliciting dealers' fees) paid by the Interested Stockholder for any shares of Class A Common Stock or Common Stock acquired by it (1) within the two-year period immediately prior to the first public announcement of the proposal of the Business Combination (the "Announcement Date") or (2) in the transaction in which it became an Interested Stockholder, whichever is higher; and

(b) the Fair Market Value per share of the Class A Common Stock on the Announcement Date or on the date on which the Interested Stockholder became an Interested Stockholder (such latter date referred to in this Article as the "Determination Date"), whichever is higher.

(ii) The aggregate amount of the cash and the Fair Market Value as of the date of the consummation of the Business Combination of consideration other than cash to be received per share by holders of shares of any other class of outstanding Voting Stock shall be at least equal to the highest of the following (it being intended that the requirements of this paragraph shall be required to be met with respect to every class of outstanding Voting Stock, whether or not the Interested Stockholder has previously acquired any shares of a particular class of Voting Stock):

(a) (if applicable) the highest per share price (including any brokerage commissions, transfer taxes and soliciting dealers' fees) paid by the Interested Stockholder for any shares of such class of Voting Stock acquired by it (1) within the two-year period immediately prior to the Announcement Date or (2) in the transaction in which it became an Interested Stockholder, whichever is higher;

(b) (if applicable) the highest preferential amount per share which the holders of shares of such class of Voting Stock are entitled in the event of any voluntary or involuntary liquidation, dissolution or winding up of the corporation; and

(c) the Fair Market Value per share of such class of Voting Stock on the Announcement Date or on the Determination Date, whichever is higher.

(iii) The consideration to be received by holders of a particular class of outstanding Voting Stock (including Class A Common Stock) shall be cash or in the same form as the Interested Stockholder has previously paid for shares of such class of Voting Stock. If the Interested Stockholder has paid for shares of any class of Voting Stock with varying forms of consideration, the form of consideration for such class of Voting Stock shall be either cash or the form used to acquire the largest number of shares of such class of Voting Stock previously acquired by it.

(iv) After such Interested Stockholder has become an Interested Stockholder and prior to the consummation of such Business Combination: (a) except as approved by a majority of the Disinterested Directors, there shall have been no failure to declare and pay at the regular date therefor any full quarterly dividends (whether or not cumulative) on the outstanding Preferred Stock; (b) there shall have been (1) no reduction in the annual rate of dividend paid on the Class A Common Stock (except as necessary to reflect any subdivision of the Class A Common Stock), except as approved by a majority of the Disinterested Directors, and (2) an increase in such annual rate of dividends as necessary to reflect any reclassification (including any reverse stock split), recapitalization, reorganization or any similar transaction which has the effect of reducing the number of outstanding shares of Class A Common Stock, unless the failure so to increase such annual rate is approved by a majority of the Disinterested Directors; and (c) such Interested Stockholder shall have not become the beneficial owner of any additional shares of Voting Stock except as part of the transaction which results in such Interested Stockholder becoming an Interested Stockholder.

(v) After such Interested Stockholder has become an Interested Stockholder, such Interested Stockholder shall not have received the benefit, directly or indirectly (except proportionately as a stockholder), of any loans, advances, guarantees, pledges or other financial assistance or any tax credits or other tax advantages provided by the corporation, whether in anticipation of or in connection with such Business Combination or otherwise.

(vi) A proxy or information statement describing the proposed Business Combination and complying with the requirements of the Securities Exchange Act of 1934 and the rules and regulations thereunder (or any subsequent provisions replacing such Act, rules or regulations) shall be mailed to public stockholders of the corporation at least 30 days prior to the consummation of such Business Combination (whether or not such proxy or information statement is required to be mailed pursuant to such Act or subsequent provisions).

For the purposes of this Article FIFTEENTH:

A. A "person" shall mean any individual, firm, corporation, partnership, trust or other entity.

B. "Interested Stockholder" shall mean any person (other than the corporation or any Subsidiary) who or which:

(i) is the beneficial owner, directly or indirectly, of more than 25% of the voting power of the outstanding Voting Stock; or

(ii) is an Affiliate of the corporation and at any time within the two-year period immediately prior to the date in question was the beneficial owner, directly or indirectly, of 25% or more of the voting power of the then outstanding Voting Stock; or

(iii) is an assignee of or has otherwise succeeded to any shares of Voting Stock which were at any time within the two-year period immediately prior to the date in question beneficially owned by any Interested Stockholder, if such assignment or succession shall have occurred in the course of a transaction or series of transactions not involving a public offering within the meaning of the Securities Act of 1933.

C. A person shall be a "beneficial owner" of any Voting Stock:

(i) which such person or any of its Affiliates or Associates (as hereinafter defined) beneficially owns, directly or indirectly; or

(ii) which such person or any of its Affiliates or Associates has (a) the right to acquire (whether such right is exercisable immediately or only after the passage of time), pursuant to any agreement, arrangement or understanding or upon the exercise of conversion rights, exchange rights, warrants or options, or otherwise, or (b) the right to vote pursuant to any agreement, arrangement or understanding; or

(iii) which are beneficially owned, directly or indirectly, by any other person with which such person or any of its Affiliates or Associates has any agreement, arrangement or understanding for the purpose of acquiring, holding, voting or disposing of any shares of Voting Stock.

D. For the purposes of determining whether a person is an Interested Stockholder pursuant to paragraph B of this Article, the number of shares of Voting Stock deemed to be outstanding shall include shares deemed owned through application of paragraph C of this Article but shall not include any other shares of Voting Stock which

may be issuable pursuant to any agreement, arrangement or understanding, or upon exercise of conversion rights, warrants or options, or otherwise.

E. "Affiliate" or "Associate" shall have the respective meanings ascribed to such terms in Rule 12b-2 of the General Rules and Regulations under the Securities Exchange Act of 1934, as in effect on January 1, 1998.

F. "Subsidiary" means any corporation of which a majority of any class of equity security is owned, directly or indirectly, by the corporation; provided, however, that for the purposes of the definition of Interested Stockholder set forth in paragraph B of this Article, the term "Subsidiary" shall mean only a corporation of which a majority of each class of equity security is owned, directly or indirectly, by the corporation.

G. "Disinterested Director" means any member of the board of directors who is unaffiliated with the Interested Stockholder and was a member of the board of directors prior to the time that the Interested Stockholder became an Interested Stockholder, and any successor of a Disinterested Director who is unaffiliated with the Interested Stockholder and is recommended to succeed a Disinterested Director by a majority of Disinterested Directors then on the board.

H. "Fair Market Value" means: (i) in the case of stock, the highest closing sale price during the 30-day period immediately preceding the date in question of a share of such stock on the Composite Tape for New York Stock Exchange Listed Stocks, or, if such stock is not quoted on the Composite Tape, on the New York Stock Exchange, or if such Stock is not listed on such Exchange, on the principal United States securities exchange registered under the Securities Exchange Act of 1934 on which such stock is listed, or, if such stock is not listed on any such exchange, the highest closing bid quotation with respect to a share of such stock during the 30-day period preceding the date in question on the National Association of Securities Dealers, Inc., Automated Quotations System or any system then in use, or if no such quotations are available, the fair market value on the date in question of a share of such stock as determined by the board in good faith; and (ii) in the case of property other than cash or stock, the fair market value of such property on the date in question as determined by a majority of Disinterested Directors then on the board of directors.

I. In the event of any Business Combination in which the corporation survives, the phrase "consideration other than cash to be received" as used in paragraph b(i) and (ii) of this Article shall include the shares of Class A Common Stock and/or the shares of any other class of outstanding Voting Stock retained by the holders of such shares.

A majority of the Disinterested Directors of the corporation shall have the power and duty to determine for the purposes of this Article FIFTEENTH, on the basis of information known to them after reasonable inquiry, (A) whether a person is an Interested

Stockholder, (B) the number of shares of Voting Stock beneficially owned by any person, (C) whether a person is an Affiliate or Associate of another, (D) whether the assets which are the subject of any Business Combination have, or the consideration to be received for the issuance or transfer of securities by the corporation or any Subsidiary in any Business Combination has, an aggregate Fair Market Value of Fifteen Million Dollars or more.

Nothing contained in this Article FIFTEENTH shall be construed to relieve any Interested Stockholder from any fiduciary obligation imposed by law.

Notwithstanding any other provisions of this Third Amended and Restated Certificate of Incorporation or the Bylaws of the corporation (and notwithstanding the fact that a lesser percentage may be specified by law, this Third Amended and Restated Certificate of Incorporation or the Bylaws of the corporation), the affirmative vote of the holders of at least 66 2/3% or more of the voting power of all the shares of the corporation entitled to vote generally in the election of directors, voting together as a single class, shall be required to alter, amend or adopt any provisions inconsistent with or repeal this Article FIFTEENTH.

SIXTEENTH. No director of the corporation shall be liable to the

corporation or its stockholders for monetary damages, for breach of fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to the corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or knowing violation of law, (iii) under Section 174 of the Delaware General Corporation Law, or (iv) for any transaction from which the director derived an improper personal benefit.

Any amendment or repeal of this Article SIXTEENTH shall not adversely affect any right or protection of a director of the corporation existing hereunder in respect of any act or omission occurring prior to such amendment or repeal.

If the Delaware General Corporation Law shall be amended to authorize corporate action further eliminating or limiting the liability of directors, then a director of the corporation, in addition to the circumstances in which such director is not liable immediately prior to such amendment, shall be free of liability to the fullest extent permitted by the Delaware General Corporation Law, as so amended.

IN WITNESS WHEREOF, Marriott International, Inc. has caused this Third Amended and Restated Certificate of Incorporation to be signed by its Vice President as of May 6, 1999.

MARRIOTT INTERNATIONAL, INC.

BY: s/RAYMOND G. MURPHY

Name: Raymond G. Murphy

Title: Vice President and Treasurer

EXHIBIT A

RESOLVED, that pursuant to the authority vested in the board of directors of this corporation in accordance with the provisions of its Amended and Restated Certificate of Incorporation, a series of Preferred Stock, no par value, stated value of \$1,000 per share, of the corporation is created, and that the designation and amount thereof and the voting powers, preferences and relative, participating, optional and other special rights of the shares of such series, and the qualifications, limitations or restrictions thereof are as follows:

Section 1. Designation and Amount. The shares of such series shall

be designated as "Series A Junior Participating Preferred Stock" and the number of shares constituting such series shall be 800,000.

Section 2. Dividends and Distributions.

(A) Subject to the prior and superior rights of the holders of any shares of any series of Preferred Stock ranking prior and superior to the shares of Series A Junior Participating Preferred Stock with respect to dividends, the holders of shares of Series A Junior Participating Preferred Stock shall be entitled to receive, when, as and if declared by the Board of directors out of funds legally available for the purpose, quarterly dividends payable in cash on the last day of March, June, September and December in each year (each such date being referred to herein as a "Quarterly Dividend Payment Date"), commencing on the first Quarterly Dividend Payment Date after the first issuance of a share or fraction of a share of Series A Junior Participating Preferred Stock, in an amount per share (rounded to the nearest cent) equal to the greater of (a) \$10 or (b) subject to the provision for adjustment hereinafter set forth, 1,000 times the aggregate per share amount of all cash dividends, and 1,000 times the aggregate per share amount (payable in kind) of all non-cash dividends or other distributions other than a dividend payable in shares of Class A Common Stock, par value \$.01 per share of the corporation or a subdivision of the outstanding shares of Class A Common Stock (by reclassification or otherwise), declared on the Class A Common Stock, since the immediately preceding Quarterly Dividend Payment Date, or, with respect to the first Quarterly Dividend Payment Date, since the first issuance of any share or fraction of a share of Series A Junior Participating Preferred Stock. In the event the corporation shall at any time after March 9, 1998 (the "Rights Dividend Declaration Date") (i) declare any dividend on Class A Common Stock payable in shares of Class A Common Stock, (ii) subdivide the outstanding Class A Common Stock or (iii) combine the outstanding Class A Common Stock into a smaller number of shares, then in each such case the amount to which holders of shares of Series A Junior Participating Preferred Stock were entitled immediately prior

to such event under clause (b) of the preceding sentence shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Class A Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Class A Common Stock that were outstanding immediately prior to such event.

(B) Dividends shall begin to accrue and be cumulative on outstanding shares of Series A Junior Participating Preferred Stock from the Quarterly Dividend Payment Date next preceding the date of issue of such shares of Series A Junior Participating Preferred Stock, unless the date of issue of such shares is prior to the record date for the first Quarterly Dividend Payment Date, in which case dividends on such shares shall begin to accrue from the date of issue of such shares, or unless the date of issue is a Quarterly Dividend Payment Date or is a date after the record date for the determination of holders of shares of Series A Junior Participating Preferred Stock entitled to receive a quarterly dividend and before such Quarterly Dividend Payment Date, in either of which events such dividends shall begin to accrue and be cumulative from such Quarterly Dividend Payment Date. Accrued but unpaid dividends shall not bear interest. Dividends paid on the shares of Series A Junior Participating Preferred Stock in an amount less than the total amount of such dividends at the time accrued and payable on such shares shall be allocated pro rata on a share-by-share basis among all such shares at the time outstanding. The Board of directors may fix a record date for the determination of holders of shares of Series A Junior Participating Preferred Stock entitled to receive payment of a dividend or distribution declared thereon, which record date shall be no more than 30 days prior to the date fixed for the payment thereof.

Section 3. Voting Rights. The holders of shares of Series A Junior Participating Preferred Stock shall have the following voting rights:

(A) Subject to the provision for adjustment hereinafter set forth, each share of Series A Junior Participating Preferred Stock shall entitle the holder thereof to 1,000 votes on all matters submitted to a vote of the stockholders of the corporation. In the event the corporation shall at any time after the Rights Dividend Declaration Date (i) declare any dividend on Class A Common Stock payable in shares of Class A Common Stock, (ii) subdivide the outstanding Class A Common Stock or (iii) combine the outstanding Class A Common Stock in a smaller number of shares, then in each such case the number of votes per share to which holders of shares of Series A Junior Participating Preferred Stock were entitled immediately prior to such event shall be adjusted by multiplying such number by a fraction the numerator of which is the number of shares of Class A Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Class A Common Stock that were outstanding immediately prior to such event.

(B) Except as otherwise provided herein or by law, the holders of shares of Series A Junior Participating Preferred Stock and the holders of shares of Class A Common Stock shall vote together as one class on all matters submitted to a vote of stockholders of the corporation.

(C) (i) If at any time dividends on any Series A Junior Participating Preferred Stock shall be in arrears in an amount equal to six (6) quarterly dividends thereon, the occurrence of such contingency shall mark the beginning of a period (herein called a "default period") which shall extend until such time when all accrued and unpaid dividends for all previous quarterly dividend periods and for the current quarterly dividend period on all shares of Series A Junior Participating Preferred Stock then outstanding shall have been declared and paid or set apart for payment. During each default period, all holders of Preferred Stock (including holders of the Series A Junior Participating Preferred Stock) with dividends in arrears in an amount equal to six (6) quarterly dividends thereto, voting as a class, irrespective of series, shall have the right to elect two (2) Directors.

(ii) During any default period, such voting rights of the holders of Series A Junior Participating Preferred Stock may be exercised initially at a special meeting called pursuant to subparagraph (iii) of this Section 3(C) or at any annual meeting of stockholders, and thereafter at annual meetings of stockholders, provided that neither such voting right nor the right of the holders of any other series of Preferred Stock, if any, to increase, in certain cases, the authorized number of Directors shall be exercised unless the holders of one-third in number of shares of Preferred Stock outstanding shall be present in person or by proxy. The absence of a quorum of the holders of Class A Common Stock shall not affect the exercise by the holders of Preferred Stock of such voting right. At any meeting at which the holders of Preferred Stock shall exercise such voting right initially during an existing default period, they shall have the right, voting as a class, to elect Directors to fill such vacancies, if any, in the Board of Directors as may then exist up to two (2) Directors, and if such right is exercised at an annual meeting, to elect two (2) Directors. If the number which may be so elected at any special meeting does not amount to the required number, the holders of the Preferred Stock shall have the right to make such increase in the number of Directors as shall be necessary to permit the election by them of the required number. After the holders of the Preferred Stock shall have exercised their right to elect Directors in any default period and during the continuance of such period, the number of Directors shall not be increased or decreased except by vote of the holders of Preferred Stock as herein provided or pursuant to the rights of any equity securities ranking senior to or pari passu with the Series A Junior

Participating Preferred Stock.

(iii) Unless the holders of Preferred Stock shall, during an existing default period, have previously exercised their right to elect Directors, the Board of Directors may order, or any stockholder or stockholders owning in the aggregate not less than ten percent (10%) of the total number of shares of Preferred Stock outstanding, irrespective of series, may request, the calling of a special meeting of the holders of Preferred Stock, which meeting shall thereupon be called by the President, a Vice President or the Secretary of the corporation. Notice of such meeting and of any annual meeting at which holders of Preferred Stock are entitled to vote pursuant to this paragraph (C)(iii) shall be given to each holder of record of Preferred Stock by mailing a copy of such notice to such holder at their last address as the same appears on the books of the corporation. Such meeting shall be called for a time not earlier than 20 days and not later than 60 days after such order or request or in default of the calling of such meeting within 60 days after such order or request, such meeting may be called on similar notice by any stockholder or stockholders owning in the aggregate not less than ten percent (10%) of the total number of shares of Preferred Stock outstanding. Notwithstanding the provisions of this paragraph (C)(iii), no such special meeting shall be called during the period within 60 days immediately preceding the date fixed for the next annual meeting of the stockholders.

(iv) In any default period, the holders of Class A Common Stock, and other classes of stock of the corporation if applicable, shall continue to be entitled to elect the whole number of Directors until the holders of Preferred Stock shall have exercised their right to elect two (2) Directors voting as a class, after the exercise of which right (x) the directors so elected by the holders of Preferred Stock shall continue in office until the successors shall have been elected by such holders or until the expiration of the default period, and (y) any vacancy in the Board of directors may (except as provided in paragraph (C)(ii) of this Section 3) be filled by vote of a majority of the remaining Directors theretofore elected by the holders of the class of stock which elected the Director whose office shall have become vacant. References in this paragraph (C) to Directors elected by the holders of a particular class of stock shall include Directors elected by such Directors to fill vacancies as provided in clause (y) of the foregoing sentence.

(v) Immediately upon the expiration of a default period, (x) the right of the holders of Preferred Stock as a class to elect Directors shall cease, (y) the term of any Directors elected by the holders of Preferred Stock as a class shall terminate, and (z) the number of Directors shall be such number as may be provided for in the certificate of incorporation or by-laws irrespective of any increase made pursuant to the provisions of paragraph (C)(ii) of this Section 3 (such number being subject, however, to change thereafter in any manner provided by law or in the certificate of incorporation or

by-laws). Any vacancies in the Board of directors effected by the provisions of clauses (y) and (z) in the preceding sentence may be filled by a majority of the remaining Directors.

(D) Except as set forth herein, holders of Series A Junior Participating Preferred Stock shall have no special voting rights and their consent shall not be required (except to the extent they are entitled to vote with holders of Class A Common Stock as set forth herein) for taking any corporate action.

Section 4. Certain Restrictions.

(A) Whenever quarterly dividends or other dividends or distributions payable on the Series A Junior Participating Preferred Stock as provided in Section 2 are in arrears, thereafter and until all accrued and unpaid dividends and distributions, whether or not declared, on shares of Series A Junior Participating Preferred Stock outstanding shall have been paid in full, the corporation shall not

(i) declare or pay dividends on, make any other distributions on, or redeem, purchase or otherwise acquire for consideration any shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Junior Participating Preferred Stock;

(ii) declare or pay dividends on or make any other distributions on any shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Junior Participating Preferred Stock, except dividends paid ratably on the Series A Junior Participating Preferred Stock and all such parity stock on which dividends are payable or in arrears in proportion to the total amounts to which the holders of all such shares are then entitled;

(iii) redeem or purchase or otherwise acquire for consideration shares of any stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Junior Participating Preferred Stock, provided that the corporation may at any time redeem, purchase or otherwise acquire shares of any such parity stock in exchange for shares of any stock of the corporation ranking junior (either as to dividends or upon dissolution, liquidation or winding up) to the Series A Junior Participating Preferred Stock;

(iv) purchase or otherwise acquire for consideration any shares of Series A Junior Participating Preferred Stock, or any share of stock ranking on a parity with the Series A Junior Participating Preferred Stock, except in accordance with a purchase offer made in writing or by publication (as determined by the Board of directors) to all holders of such shares upon such terms as the Board of directors, after consideration of the respective annual dividend rates and other relative rights and preferences of the respective series and classes, shall determine in good faith will result in fair and equitable treatment among the respective series or classes.

(B) The corporation shall not permit any subsidiary of the corporation to purchase or otherwise acquire for consideration any shares of stock of the corporation unless the corporation could, under paragraph (A) of this Section 4, purchase or otherwise acquire such shares at such time and in such manner.

Section 5. Retired Shares. Any shares of Series A Junior

Participating Preferred Stock purchased or otherwise acquired by the corporation in any manner whatsoever shall be retired and cancelled promptly after the acquisition thereof. All such shares shall upon their cancellation become authorized but unissued shares of Preferred Stock and may be reissued as part of a new series of Preferred Stock to be created by resolution or resolutions of the board of directors, subject to the conditions and restrictions on issuance set forth herein.

Section 6. Liquidation, Dissolution or Winding Up.

(A) Upon any liquidation (voluntary or otherwise), dissolution or winding up of the corporation, no distribution shall be made to the holders of shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Junior Participating Preferred Stock unless, prior thereto, the holders of shares of Series A Junior Participating Preferred Stock shall have received \$1,000 per share, plus an amount equal to accrued and unpaid dividends and distributions thereon, whether or not declared, to the date of such payment (the "Series A Liquidation Preference"). Following the payment of the full amount of Series A Liquidation Preference, no additional distributions shall be made to the holders of shares of Series A Junior Participating Preferred Stock unless, prior thereto, the holders of shares of Class A Common Stock shall have received an amount per share (the "Common Adjustment") equal to the quotient obtained by dividing (i) the Series A Liquidation Preference by (ii) 1,000 (as appropriately adjusted as set forth in subparagraph C below to reflect such events as stock splits, stock dividends and recapitalizations with respect to the Class A Common Stock) (such number in clause (ii) immediately above being referred to as the "Adjustment Number"). Following the payment of the full amount of the Series A Liquidation Preference and the Common Adjustment in respect of all outstanding shares of Series A Junior Participating Preferred Stock and Class A Common Stock, respectively, holders of

Series A Junior Participating Preferred Stock and holders of shares of Class A Common Stock shall receive their ratable and proportionate share of the remaining assets to be distributed in the ratio of the Adjustment Number to one (1) with respect to such Preferred Stock and Class A Common Stock, on a per share basis, respectively.

(B) In the event, however, that there are not sufficient assets available to permit payment in full of the Series A Liquidation Preference and the liquidation preferences of all other series of Preferred Stock, if any, which rank on a parity with the Series A Junior Participating Preferred Stock, then such remaining assets shall be distributed ratably to the holders of such parity shares in proportion to their respective liquidation preferences. In the event, however, that there are not sufficient assets available to permit payment in full of the Common Adjustment, then such remaining assets shall be distributed ratably to the holders of Class A Common Stock.

(C) In the event the corporation shall at any time after the Rights Dividend Declaration Date (i) declare any dividend on Class A Common Stock payable in shares of Class A Common Stock, (ii) subdivide the outstanding Class A Common Stock or (iii) combine the outstanding Class A Common Stock into a smaller number of shares, then in each such case the Adjustment Number in effect immediately prior to such event shall be adjusted by multiplying such Adjustment Number by a fraction the numerator of which is the number of shares of Class A Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Class A Common Stock that were outstanding immediately prior to such event.

Section 7. Consolidation, Merger, etc. In case the corporation shall

enter into any consolidation, merger, combination or other transaction in which the shares of Class A Common Stock are exchanged for or changed into other stock or securities, cash and/or any other property, then in any such case the shares of Series A Junior Participating Preferred Stock shall at the same time be similarly exchanged or changed in an amount per share (subject to the provision for adjustment hereinafter set forth) equal to 1,000 times the aggregate amount of stock, securities, cash and/or any other property (payable in kind), as the case may be, into which or for which each share of Class A Common Stock is changed or exchanged. In the event the corporation shall at any time after the Rights Dividend Declaration Date (i) declare any dividend on Class A Common Stock payable in shares of Class A Common Stock, (ii) subdivide the outstanding Class A Common Stock or (iii) combine the outstanding Class A Common Stock into a smaller number of shares, then in each such case the amount set forth in the preceding sentence with respect to the exchange or change of shares of Series A Junior Participating Preferred Stock shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Class A Common Stock outstanding immediately after such event and the

denominator of which is the number of shares of Class A Common Stock that were outstanding immediately prior to such event.

Section 8. No Redemption. The shares of Series A Junior

Participating Preferred Stock shall not be redeemable.

Section 9. Ranking. The Series A Junior Participating Preferred

Stock shall rank junior to all other series of the corporation's Preferred Stock as to the payment of dividends and the distribution of assets, unless the terms of any such series shall provide otherwise.

Section 10. Amendment. The Certificate of Incorporation of the

corporation shall not be further amended in any manner which would materially alter or change the powers, preferences or special rights of the Series A Junior Participating Preferred Stock so as to affect them adversely without the affirmative vote of the holders of a majority or more of the outstanding shares of Series A Junior Participating Preferred Stock, voting separately as a class.

Section 11. Fractional Shares. Series A Junior Participating

Preferred Stock may be issued in fractions of a share but no such fraction shall be less than one one-thousandth of a share which shall entitle the holder, in proportion to such holder's fractional shares, to exercise voting rights, receive dividends, participate in distributions and to have the benefit of all other rights of holders of Series A Junior Participating Preferred Stock.

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

	Twenty-four weeks ended June 18, 1999 -----
Income before income taxes	\$343
Loss/(income) related to equity method investees	1

	344
Add/(deduct):	
Fixed charges	65
Interest capitalized	(15)

Earnings available for fixed charges	\$394
	====
Fixed charges:	
Interest expensed and capitalized (1)	\$ 37
Estimate of the interest within rent expense	28

Total fixed charges	\$ 65
	====
Ratio of earnings to fixed charges	6.1
	====

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

6-MOS		6-MOS		6-MOS	
JAN-01-1999	JAN-02-1999	JAN-02-1998	JAN-03-1998	JAN-02-1998	JAN-03-1998
JUN-18-1999	JUN-19-1998	JUN-19-1998	JUN-19-1998	JUN-19-1998	JUN-19-1998
	240				
	0		0		0
	649		0		0
	0		0		0
	0		0		0
1,239	2,471		0		0
	0		0		0
	6,559		0		0
1,421			0		0
	0		0		0
	0		0		0
	3		0		0
	2,870		0		0
6,559	0		0		0
	3,937		3,642		3,642
	0		0		0
	3,937		3,642		3,642
	3,528		3,293		3,293
	0		0		0
	0		0		0
	22		9		9
	343		309		309
	129		119		119
214			190		190
	0		0		0
	0		0		0
	0		0		0
	214		190		190
	0.87		0.75		0.75
	0.80		0.70		0.70

Forward-Looking Statements

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

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

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

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

Supply and Demand: The lodging industry may be adversely affected by (1) supply additions, (2) international, national and regional economic conditions, (3) changes in travel patterns, (4) taxes and government regulations which influence or determine wages, prices, interest rates, construction procedures and costs, and (5) the availability of capital to allow us and potential hotel and senior living community owners to fund investments. Our timeshare and senior living service businesses are also subject to the same or similar uncertainties and, accordingly, we cannot assure you that the present level of demand for timeshare intervals and senior living communities will continue, or that there will not be an increase in the supply of competitive units, which could reduce the prices at which we are able to sell or rent units.

Year 2000 Compliance: Our failure or a failure by third parties with whom we do business to successfully address the Year 2000 problem, as described in Part I, Item 2 of this Report (Management's Discussion and Analysis of Financial Condition and Results of Operations), could materially and adversely affect us, our business or our financial condition.