
**UNITED STATES
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

For the quarterly period ended September 10, 2010

OR

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

For the transition period from _____ to _____

Commission File No. 1-13881

MARRIOTT INTERNATIONAL, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

52-2055918
(IRS Employer Identification No.)

10400 Fernwood Road, Bethesda, Maryland
(Address of principal executive offices)

20817
(Zip Code)

(301) 380-3000
(Registrant's telephone number, including area code)

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 (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

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

Indicate by checkmark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 364,245,305 shares of Class A Common Stock, par value \$0.01 per share, outstanding at September 24, 2010.

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PART I – FINANCIAL INFORMATION

Item 1. *Financial Statements*

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

	Twelve Weeks Ended		Thirty-Six Weeks Ended	
	September 10, 2010	September 11, 2009	September 10, 2010	September 11, 2009
REVENUES				
Base management fees	\$ 123	\$ 116	\$ 384	\$ 367
Franchise fees	109	100	305	281
Incentive management fees	21	17	107	95
Owned, leased, corporate housing, and other revenue	220	226	704	684
Timeshare sales and services (including note sale losses of \$1 for the thirty-six weeks ended September 11, 2009)	275	254	849	746
Cost reimbursements	1,900	1,758	5,700	5,355
	<u>2,648</u>	<u>2,471</u>	<u>8,049</u>	<u>7,528</u>
OPERATING COSTS AND EXPENSES				
Owned, leased, and corporate housing-direct	213	214	654	638
Timeshare-direct	219	238	693	737
Timeshare strategy-impairment charges	0	614	0	614
Reimbursed costs	1,900	1,758	5,700	5,355
Restructuring costs	0	9	0	44
General, administrative, and other	149	144	429	507
	<u>2,481</u>	<u>2,977</u>	<u>7,476</u>	<u>7,895</u>
OPERATING INCOME (LOSS)	167	(506)	573	(367)
Gains (losses) and other income (including gain on debt extinguishment of \$21 for the thirty-six weeks ended September 11, 2009)	3	(1)	7	27
Interest expense	(41)	(27)	(130)	(84)
Interest income	4	5	11	20
Equity in losses	(5)	(12)	(20)	(50)
Timeshare strategy-impairment charges (non-operating)	0	(138)	0	(138)
INCOME (LOSS) BEFORE INCOME TAXES	128	(679)	441	(592)
(Provision) benefit for income taxes	(45)	210	(156)	133
NET INCOME (LOSS)	83	(469)	285	(459)
Add: Net losses attributable to noncontrolling interests, net of tax	0	3	0	7
NET INCOME (LOSS) ATTRIBUTABLE TO MARRIOTT	<u>\$ 83</u>	<u>\$ (466)</u>	<u>\$ 285</u>	<u>\$ (452)</u>
EARNINGS PER SHARE-Basic				
Earnings (losses) per share attributable to Marriott shareholders	<u>\$ 0.23</u>	<u>\$ (1.31)</u>	<u>\$ 0.79</u>	<u>\$ (1.27)</u>
EARNINGS PER SHARE-Diluted				
Earnings (losses) per share attributable to Marriott shareholders	<u>\$ 0.22</u>	<u>\$ (1.31)</u>	<u>\$ 0.76</u>	<u>\$ (1.27)</u>
CASH DIVIDENDS DECLARED PER SHARE	<u>\$ 0.0400</u>	<u>\$ 0.0000</u>	<u>\$ 0.1200</u>	<u>\$ 0.0866</u>

See Notes to Condensed Consolidated Financial Statements

MARRIOTT INTERNATIONAL, INC. (“MARRIOTT”)
CONDENSED CONSOLIDATED BALANCE SHEETS
(\$ in millions)

	(Unaudited) September 10, 2010	January 1, 2010
ASSETS		
Current assets		
Cash and equivalents (including from VIEs of \$0 and \$6, respectively)	\$ 223	\$ 115
Accounts and notes receivable (including from VIEs of \$109 and \$3, respectively)	931	838
Inventory (including from VIEs of \$0 and \$96, respectively)	1,455	1,444
Current deferred taxes, net	223	255
Prepaid expenses	74	68
Other (including from VIEs of \$58 and \$0, respectively)	155	131
	<u>3,061</u>	<u>2,851</u>
Property and equipment	1,327	1,362
Intangible assets		
Goodwill	875	875
Contract acquisition costs and other	748	731
	<u>1,623</u>	<u>1,606</u>
Equity and cost method investments	245	249
Notes receivable (including from VIEs of \$797 and \$0, respectively)	1,295	452
Deferred taxes, net	1,050	1,020
Other (including from VIEs of \$16 and \$0, respectively)	188	393
	<u>\$ 8,789</u>	<u>\$ 7,933</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Current portion of long-term debt (including from VIEs of \$114 and \$2, respectively)	\$ 126	\$ 64
Accounts payable	509	562
Accrued payroll and benefits	714	519
Liability for guest loyalty program	456	454
Other (including from VIEs of \$6 and \$7, respectively)	691	688
	<u>2,496</u>	<u>2,287</u>
Long-term debt (including from VIEs of \$798 and \$3, respectively)	2,600	2,234
Liability for guest loyalty program	1,243	1,193
Other long-term liabilities	1,095	1,077
Marriott shareholders' equity		
Class A Common Stock	5	5
Additional paid-in-capital	3,580	3,585
Retained earnings	3,191	3,103
Treasury stock, at cost	(5,427)	(5,564)
Accumulated other comprehensive income	6	13
	<u>1,355</u>	<u>1,142</u>
	<u>\$ 8,789</u>	<u>\$ 7,933</u>

The abbreviation VIEs above means Variable Interest Entities.

See Notes to Condensed Consolidated Financial Statements

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

	Thirty-Six Weeks Ended	
	September 10, 2010	September 11, 2009
OPERATING ACTIVITIES		
Net income (loss)	\$ 285	\$ (459)
Adjustments to reconcile to cash provided by (used in) operating activities:		
Depreciation and amortization	121	124
Income taxes	91	(195)
Timeshare activity, net	213	54
Timeshare strategy-impairment charges	0	752
Liability for guest loyalty program	26	68
Restructuring costs, net	(9)	18
Asset impairments and write-offs	9	66
Working capital changes and other	177	169
Net cash provided by operating activities	<u>913</u>	<u>597</u>
INVESTING ACTIVITIES		
Capital expenditures	(147)	(112)
Dispositions	3	1
Loan advances	(16)	(50)
Loan collections and sales	14	15
Equity and cost method investments	(15)	(27)
Contract acquisition costs	(35)	(26)
Other	35	69
Net cash used in investing activities	<u>(161)</u>	<u>(130)</u>
FINANCING ACTIVITIES		
Credit facility, net repayment	(425)	(259)
Repayment of long-term debt	(268)	(159)
Issuance of Class A Common Stock	78	10
Dividends paid	(29)	(63)
Net cash used in financing activities	<u>(644)</u>	<u>(471)</u>
INCREASE (DECREASE) IN CASH AND EQUIVALENTS	108	(4)
CASH AND EQUIVALENTS, beginning of period	115	134
CASH AND EQUIVALENTS, end of period	<u>\$ 223</u>	<u>\$ 130</u>

See Notes to Condensed Consolidated Financial Statements

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

1. Basis of Presentation

The condensed consolidated financial statements present the results of operations, financial position, and cash flows of Marriott International, Inc. (“Marriott,” and together with its subsidiaries “we,” “us,” or the “Company”). In accordance with the guidance for noncontrolling interests in consolidated financial statements, references in this report to our earnings per share, net income, and shareholders’ equity attributable to Marriott do not include noncontrolling interests (previously known as minority interests), which we report separately.

These 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 U.S. generally accepted accounting principles (“GAAP”). Although we believe our disclosures are adequate to make the information presented not misleading, you should read the condensed consolidated financial statements in this report in conjunction with the consolidated financial statements and notes to those financial statements in our Annual Report on Form 10-K for the fiscal year ended January 1, 2010, (“2009 Form 10-K”). Certain terms not otherwise defined in this Form 10-Q have the meanings specified in our 2009 Form 10-K.

Preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the financial statements, the reported amounts of revenues and expenses during the reporting periods, and the disclosures of contingent liabilities. Accordingly, ultimate results could differ from those estimates.

Our 2010 third quarter ended on September 10, 2010; our 2009 fourth quarter ended on January 1, 2010; and our 2009 third quarter ended on September 11, 2009. In our opinion, our condensed consolidated financial statements reflect all normal and recurring adjustments necessary to present fairly our financial position as of September 10, 2010, and January 1, 2010, the results of our operations for the twelve and thirty-six weeks ended September 10, 2010, and September 11, 2009, and cash flows for the thirty-six weeks ended September 10, 2010, and September 11, 2009. 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 consolidated in these financial statements. We have also reclassified certain prior year amounts to conform to our 2010 presentation.

Adoption of New Accounting Standards Resulting in Consolidation of Special Purpose Entities

On January 2, 2010, the first day of the 2010 fiscal year, we adopted Financial Accounting Standards No. 166, “Accounting for Transfers of Financial Assets, an Amendment of FASB Statement No. 140,” or Accounting Standards Update No. 2009-16, “Transfers and Servicing (Topic 860): Accounting for Transfers of Financial Assets,” (“ASU No. 2009-16”) and Financial Accounting Standards No. 167, “Amendments to FASB Interpretation No. 46(R),” or Accounting Standards Update No. 2009-17, “Consolidations (Topic 810): Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities” (“ASU No. 2009-17”).

Prior to our adoption of these topics, we used certain special purpose entities to securitize Timeshare segment notes receivables, which we treated as off-balance sheet entities, and we retained the servicing rights and varying subordinated interests in the securitized notes. Pursuant to GAAP in effect prior to fiscal 2010, we did not consolidate these special purpose entities in our financial statements because the securitization transactions qualified as sales of financial assets.

As a result of adopting both topics in the 2010 first quarter, we consolidated 13 existing qualifying special purpose entities associated with past securitization transactions. We recorded a one-time non-cash pretax reduction to shareholders’ equity of \$238 million in the 2010 first quarter, representing the cumulative effect of a change in accounting principle. Including the related \$92 million decrease in

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deferred tax liabilities, the after-tax reduction to shareholders' equity totaled \$146 million. The one-time non-cash after-tax reduction to shareholders' equity was approximately \$41 million greater than we had estimated for this charge, as disclosed in our 2009 Form 10-K, primarily due to increased notes receivable reserves recorded for the newly consolidated notes receivable. This increase in reserves was due to a change in estimate of uncollectible accounts based on historical experience. We now reserve for 100 percent of notes that are in default in addition to the reserve we record on the remaining notes.

We recorded the cumulative effect of the adoption of these topics to our financial statements in the 2010 first quarter. This consisted primarily of reestablishing notes receivable (net of reserves) that had been transferred to special purpose entities as a result of the securitization transactions, eliminating residual interests that we initially recorded in connection with those transactions (and subsequently revalued on a periodic basis), the impact of recording debt obligations associated with third-party interests held in the special purpose entities, and related adjustments to inventory balances accounted for using the relative sales value method. We adjusted the inventory balance to include anticipated future revenue from the resale of inventory that we expect to acquire when we foreclose on defaulted notes.

Adopting these topics had the following impacts on our Condensed Consolidated Balance Sheet at January 2, 2010: (1) assets increased by \$970 million, primarily representing the consolidation of notes receivable (and corresponding reserves) partially offset by the elimination of the Company's retained interests; (2) liabilities increased by \$1,116 million, primarily representing the consolidation of debt obligations associated with third party interests; and (3) shareholders' equity decreased by approximately \$146 million. Adopting these topics also impacted our income statement by increasing interest income (reflected in Timeshare sales and services revenue) from notes sold and increasing interest expense from consolidation of debt obligations, partially offset by the absence of accretion income on residual interests that were eliminated. We do not expect to recognize gains or losses from future securitizations of our timeshare notes as a result of the adoption of these topics.

Please also see the parenthetical disclosures on our Condensed Consolidated Balance Sheets that show the amounts of consolidated assets and liabilities associated with variable interest entities (including Timeshare segment securitization variable interest entities) that we consolidated.

Restricted Cash

Restricted cash in our Condensed Consolidated Balance Sheets at the end of the 2010 third quarter and year-end 2009 is recorded as \$68 million and \$54 million, respectively, in the "Other current assets" line and \$28 million and \$22 million, respectively, in the "Other long-term assets" line. Restricted cash primarily consists of cash held in a reserve account related to Timeshare segment notes receivable securitizations; cash held internationally that we have not repatriated due to accounting, statutory, tax and foreign currency risks; and deposits received, primarily associated with timeshare interval, fractional ownership, and residential sales that are held in escrow until the contract is closed.

Fair Value Measurements

We have various financial instruments we must measure at fair value on a recurring basis, including certain marketable securities and derivatives. See Footnote No. 5, "Fair Value of Financial Instruments," for further information. We also apply the provisions of fair value measurement to various non-recurring measurements for our financial and non-financial assets and liabilities. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). We measure our assets and liabilities using inputs from the following three levels of the fair value hierarchy:

Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities that we have the ability to access at the measurement date.

Level 2 inputs include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability (i.e., interest rates, yield curves, etc.),

and inputs that are derived principally from or corroborated by observable market data by correlation or other means (market corroborated inputs).

Level 3 includes unobservable inputs that reflect our assumptions about what factors market participants would use in pricing the asset or liability. We develop these inputs based on the best information available, including our own data.

Derivative Instruments

The designation of a derivative instrument as a hedge and its ability to meet the hedge accounting criteria determine how the change in fair value of the derivative instrument is reflected in our Condensed Consolidated Financial Statements. A derivative qualifies for hedge accounting if, at inception, we expect the derivative to be highly effective in offsetting the underlying hedged cash flows or fair value and we fulfill the hedge documentation standards at the time we enter into the derivative contract. We designate a hedge as a cash flow hedge, fair value hedge, or a net investment in foreign operations hedge based on the exposure we are hedging. The asset or liability value of the derivative will change in tandem with its fair value. We record changes in fair value, for the effective portion of qualifying hedges, in other comprehensive income ("OCI"). We release the derivative's gain or loss from OCI to match the timing of the underlying hedged items' effect on earnings.

We review the effectiveness of our hedging instruments on a quarterly basis, recognize current period hedge ineffectiveness immediately in earnings, and discontinue hedge accounting for any hedge that we no longer consider to be highly effective. We recognize changes in fair value for derivatives not designated as hedges or those not qualifying for hedge accounting in current period earnings. Upon termination of cash flow hedges, we release gains and losses from OCI based on the timing of the underlying cash flows or revenue recognized, unless the termination results from the failure of the intended transaction to occur in the expected timeframe. Such untimely transactions require us to immediately recognize in earnings gains and losses previously recorded in OCI.

Changes in interest rates, foreign exchange rates, and equity securities expose us to market risk. We manage our exposure to these risks by monitoring available financing alternatives, as well as through development and application of credit granting policies. We also use derivative instruments, including cash flow hedges, net investment in foreign operations hedges, fair value hedges, and other derivative instruments, as part of our overall strategy to manage our exposure to market risks. As a matter of policy, we only enter into transactions that we believe will be highly effective at offsetting the underlying risk, and we do not use derivatives for trading or speculative purposes. See Footnote No. 5, "Fair Value of Financial Instruments," for additional information.

2. New Accounting Standards

ASU No. 2009-16 and ASU No. 2009-17

On the first day of our 2010 fiscal year, we adopted ASU No. 2009-16, which amended Topic 860, "Transfers and Servicing," by: (1) eliminating the concept of a qualifying special-purpose entity ("QSPE"); (2) clarifying and amending the criteria for a transfer to be accounted for as a sale; (3) amending and clarifying the unit of account eligible for sale accounting; and (4) requiring that a transferor initially measure at fair value and recognize all assets obtained (for example beneficial interests) and liabilities incurred as a result of a transfer of an entire financial asset or group of financial assets accounted for as a sale. In addition, this topic requires us as a reporting entity to evaluate entities that had been treated as QSPEs under previous accounting guidance for consolidation under the applicable current guidance. The topic also mandates that we supplement our disclosures about, among other things, our continuing involvement with transfers of financial assets previously accounted for as sales, the inherent risks in our retained financial assets, and the nature and financial effect of restrictions on the assets that we continue to report in our balance sheet.

We also adopted ASU No. 2009-17 on the first day of our 2010 fiscal year, which changed the consolidation guidance applicable to variable interest entities ("VIEs"). This topic also amended the

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guidance on determination of whether an enterprise is the primary beneficiary of a VIE, and is, therefore, required to consolidate an entity, by requiring a qualitative, rather than the prior quantitative, analysis of the VIE. The new qualitative analysis includes, among other things, consideration of who has the power to direct those activities that most significantly impact the entity's economic performance and who has the obligation to absorb losses or the right to receive benefits of the VIE that could potentially be significant to the VIE. This topic also mandates that the enterprise continually reassess whether it is the primary beneficiary of a VIE, in contrast to the prior standard that required the primary beneficiary only be reassessed when specific events occurred. This topic now also expressly applies to QSPEs, which were previously exempt, and requires additional disclosures about an enterprise's involvement with a VIE.

Accounting Standards Update No. 2009-13 "Revenue Recognition (Topic 605): Multiple-Deliverable Revenue Arrangements" ("ASU No. 2009-13")

We adopted ASU No. 2009-13 in the 2010 third quarter and applied it retrospectively to the first day of our 2010 fiscal year, as required by the guidance. ASU No. 2009-13 addresses the accounting for multiple-deliverable arrangements (complex contracts or related contracts that require the separate delivery of multiple goods and/or services) by expanding the circumstances in which vendors may account for deliverables separately rather than as a combined unit. This update clarifies the guidance on how to separate such deliverables and how to measure and allocate consideration for these arrangements to one or more units of accounting. The previous guidance required a vendor to use vendor-specific objective evidence or third-party evidence of selling price to separate deliverables in multiple-deliverable arrangements. In addition to retaining this guidance, in situations where vendor-specific objective evidence or third-party evidence is not available, ASU No. 2009-13 requires a vendor to allocate arrangement consideration to each deliverable in multiple-deliverable arrangements based on each deliverable's relative selling price. Our adoption did not have a material impact on our financial statements, and we do not expect it will have a material effect on our financial statements in future periods.

Accounting Standards Update No. 2010-06 "Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements" ("ASU No. 2010-06")

We adopted certain provisions of ASU No. 2010-06 in the 2010 first quarter. Those provisions amended Subtopic 820-10, "Fair Value Measurements and Disclosures – Overall," by requiring additional disclosures for transfers in and out of Level 1 and Level 2 fair value measurements, as well as requiring fair value measurement disclosures for each "class" of assets and liabilities, a subset of the captions in our Condensed Consolidated Balance Sheets. Our adoption did not have a material impact on our financial statements or disclosures, as we had no transfers between Level 1 and Level 2 fair value measurements and no material classes of assets and liabilities that required additional disclosure. See "Future Adoption of Accounting Standards" for the provisions of this topic that apply to future periods.

Accounting Standards Update No. 2010-09 "Subsequent Events (Topic 855): Amendments to Certain Recognition and Disclosure Requirements" ("ASU No. 2010-09")

We adopted ASU No. 2010-09 in the 2010 first quarter. ASU No. 2010-09 amended Subtopic 855-10, "Subsequent Events – Overall," by removing the requirement for a United States Securities and Exchange Commission ("SEC") registrant to disclose a date, in both issued and revised financial statements, through which that filer had evaluated subsequent events. Accordingly, we removed the related disclosure from Footnote No. 1, "Basis of Presentation." Our adoption did not have a material impact on our financial statements.

Future Adoption of Accounting Standards

ASU No. 2010-06 – Provisions Effective in the 2011 First Quarter

Certain provisions of ASU No. 2010-06 are effective for fiscal years beginning after December 15, 2010, which for us will be our 2011 first quarter. Those provisions, which amended Subtopic 820-10, will require us to present as separate line items all purchases, sales, issuances, and

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settlements of financial instruments valued using significant unobservable inputs (Level 3) in the reconciliation of fair value measurements, in contrast to the current aggregate presentation as a single line item. Although this may change the appearance of our fair value reconciliations, we do not believe the adoption will have a material impact on our financial statements or disclosures.

Accounting Standards Update No. 2010-20 "Receivables (Topic 310): Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses" ("ASU No. 2010-20")

ASU No. 2010-20 amends existing guidance by requiring more robust and disaggregated disclosures by an entity about the credit quality of its financing receivables and its allowance for credit losses. These disclosures will provide financial statement users with additional information about the nature of credit risks inherent in our financing receivables, how we analyze and assess credit risk in determining our allowance for credit losses, and the reasons for any changes we may make in our allowance for credit losses. This update is generally effective for interim and annual reporting periods ending on or after December 15, 2010, which for us is the 2010 fourth quarter; however, certain aspects of the update pertaining to activity that occurs during a reporting period are effective for interim and annual reporting periods beginning on or after December 15, 2010, which for us is the 2011 first quarter. We believe the adoption of this update will primarily result in increased notes receivable disclosures, but will not have any other impact on our financial statements.

3. Income Taxes

The Internal Revenue Service ("IRS") has examined our federal income tax returns, and we have settled all issues for tax years through 2004. We filed a refund claim relating to 2000 and 2001. The IRS disallowed the claims, and in July 2009, we protested the disallowance. This issue is pending in the IRS Appeals Division. The 2005, 2006, 2007, and 2008 field examinations have been completed, and the unresolved issues from those years are now also with the IRS Appeals Division. The IRS examinations for 2009 and 2010 are ongoing as part of the IRS's Compliance Assurance Program. Various state, local, and foreign income tax returns are also under examination by taxing authorities.

See Footnote No. 1, "Basis of Presentation," for additional information on the one-time non-cash reduction to shareholders' equity and the related tax impact that we recorded in conjunction with our first quarter 2010 adoption of ASU Nos. 2009-16 and 2009-17.

For the third quarter of 2010, we decreased unrecognized tax benefits by \$2 million from \$224 million at the end of the 2010 second quarter. For the thirty-six weeks ended September 10, 2010, we decreased unrecognized tax benefits by \$27 million from \$249 million at year-end 2009, primarily reflecting the settlement of an unfavorable U.S. Court of Federal Claims decision involving a refund claim associated with a 1994 transaction. The settlement resulted in no further outlay of cash tax, and we do not anticipate any further cash tax payments for this issue. The unrecognized tax benefits balance of \$222 million at the end of the 2010 third quarter included \$109 million of tax positions that, if recognized, would impact our effective tax rate.

As a large taxpayer, we are under continual audit by the IRS and other taxing authorities. We anticipate concluding U.S. federal appeals negotiations for the 2005, 2006, 2007, and 2008 tax years in the next 12 months where the items under consideration include the taxation of our loyalty and gift card programs and the treatment of funds received from foreign subsidiaries. Conclusion of these negotiations could have a material impact on our unrecognized tax benefit balances.

4. Share-Based Compensation

Under our 2002 Comprehensive Stock and Cash Incentive Plan (the "Comprehensive Plan"), we award: (1) stock options to purchase our Class A Common Stock ("Stock Option Program"); (2) stock appreciation rights ("SARs") for our Class A Common Stock ("SAR Program"); (3) restricted stock units ("RSUs") of our Class A Common Stock; and (4) deferred stock units. We grant awards at exercise prices or strike prices equal to the market price of our Class A Common Stock on the date of grant.

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We recorded share-based compensation expense related to award grants of \$27 million and \$23 million for the twelve weeks ended September 10, 2010 and September 11, 2009, respectively, and \$77 million and \$73 million for the thirty-six weeks ended September 10, 2010 and September 11, 2009, respectively. Deferred compensation costs related to unvested awards totaled \$147 million and \$122 million at September 10, 2010 and January 1, 2010, respectively.

RSUs

We granted 3.7 million RSUs during the thirty-six weeks ended September 10, 2010, to certain officers and key employees, and those units vest generally over four years in equal annual installments commencing one year after the date of grant. RSUs granted in the first three quarters of 2010 had a weighted average grant-date fair value of \$27.

SARs

We granted 1.1 million SARs to officers and key employees during the first three quarters of 2010. These SARs expire 10 years after the date of grant and both vest and are exercisable in cumulative installments of one quarter at the end of each of the first four years following the date of grant. These SARs had a weighted average grant-date fair value of \$10, and a weighted average exercise price of \$27.

To estimate the fair value of each SAR granted, we use a binomial method, under which the weighted average expected SARs terms are calculated as the product of a lattice-based binomial valuation model that uses suboptimal exercise factors. We use historical data to estimate exercise behaviors for separate groups of retirement eligible and non-retirement eligible employees.

We used the following assumptions to determine the fair value of the Employee SARs granted during the first three quarters of 2010.

Expected volatility	32%
Dividend yield	0.71%
Risk-free rate	3.3%
Expected term (in years)	7

In making these assumptions, we based the risk-free rates on the corresponding U.S. Treasury spot rates for the expected duration at the date of grant, which we converted to a continuously compounded rate, and we based the expected volatility on the weighted average historical volatility, with periods with atypical stock movement given a lower weight to reflect stabilized long-term mean volatility.

Other Information

At the end of the 2010 third quarter, 63 million shares were reserved under the Comprehensive Plan, including 33 million shares under the Stock Option Program and the SAR Program.

5. **Fair Value of Financial Instruments**

We believe that the fair values of our current assets and current liabilities approximate their reported carrying amounts. The following table shows the carrying values and the fair values of non-current financial assets and liabilities that qualify as financial instruments, determined in accordance with current guidance for disclosures on the fair value of financial instruments.

(\$ in millions)	At September 10, 2010		At Year-End 2009	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cost method investments	\$ 48	\$ 45	\$ 41	\$ 43
Loans to timeshare owners – securitized	797	903	0	0
Loans to timeshare owners – non-securitized	321	351	352	368
Senior, mezzanine, and other loans – non-securitized	177	130	100	77
Residual interests and effectively owned notes	0	0	197	197
Restricted cash	28	28	22	22
Marketable securities	19	19	18	18
Total long-term financial assets	\$ 1,390	\$ 1,476	\$ 730	\$ 725
Non-recourse debt associated with securitized notes receivable	\$ (798)	\$ (674)	\$ 0	\$ 0
Senior Notes	(1,630)	(1,762)	(1,627)	(1,707)
\$2,404 Effective Credit Facility	0	0	(425)	(425)
Other long-term debt	(148)	(136)	(154)	(154)
Other long-term liabilities	(76)	(73)	(86)	(75)
Long-term derivative liabilities	(2)	(2)	(1)	(1)
Total long-term financial liabilities	\$(2,654)	\$(2,647)	\$(2,293)	\$(2,362)

We estimate the fair value of both our securitized long-term loans to timeshare owners and a portion of our non-securitized long-term loans to timeshare owners using a discounted cash flow model. We believe this is comparable to the model that an independent third party would use in the current market. Our model uses default rates, prepayment rates, coupon rates and loan terms for our sold note portfolio as key drivers of risk and relative value, that when applied in combination with pricing parameters, determines the fair value of the underlying notes receivable. We value certain non-securitized loans to timeshare owners at their carrying value, rather than using our pricing model. We believe that the carrying value of such loans approximates fair value because the stated interest rates of these loans are consistent with current market rates and the reserve for these loans appropriately accounts for risks in default rates, prepayment rates, and loan terms.

We estimate the fair value of our senior, mezzanine, and other loans by discounting cash flows using risk-adjusted rates.

We estimate the fair value of our cost method investments by applying a cap rate to stabilized earnings (a market approach). The carrying value of our restricted cash approximates its fair value.

We estimate the fair value of our non-recourse debt associated with securitized loans to timeshare owners by obtaining indicative bids from investment banks that actively issue and facilitate the secondary market for timeshare securities. As an additional measure, we internally generate cash flow estimates by modeling all bond tranches for our active securitization transactions, with consideration for the collateral specific to each tranche. The key drivers in this analysis include default rates, prepayment rates, bond interest rates and other structural factors, which we use to estimate the projected cash flows. In order to estimate market credit spreads by rating, we reviewed market spreads from timeshare note securitizations and other asset-backed transactions that occurred during the fourth quarter of 2009 and the first three quarters of 2010. We then applied those estimated market spreads to swap rates in order to estimate an underlying discount rate for calculating the fair value of the active bonds. We have concluded that the fair value of the bonds reflects a marginal premium over the book value resulting from relatively low current swap rates and credit spreads.

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We estimate the fair value of our other long-term debt, excluding leases, using expected future payments discounted at risk-adjusted rates, and we determine the fair value of our senior notes using quoted market prices. At year-end 2009 the carrying value of our credit facility approximated its fair value due to the short maturity dates of the draws we had executed. Other long-term liabilities represent guarantee costs and reserves and deposit liabilities. The carrying values of our guarantee costs and reserves approximate their fair values. We estimate the fair value of our deposit liabilities primarily by discounting future payments at a risk-adjusted rate.

We are required to carry our marketable securities at fair value. The carrying value of our marketable securities at the end of our 2010 third quarter was \$19 million, which included debt securities of the U.S. Government, its sponsored agencies and other U.S. corporations invested for our self-insurance programs. These securities are valued using directly observable Level 1 inputs as described in Footnote No. 1, "Basis of Presentation."

We are also required to carry our derivative assets and liabilities at fair value. As of the end of our 2010 third quarter, we had derivative instruments in a current asset position of \$2 million valued using Level 1 inputs and \$2 million in a long-term liability position valued using Level 3 inputs. We value our Level 3 input derivatives using valuations that we calibrate to the initial trade prices, with subsequent valuations based on unobservable inputs to the valuation model, including interest rates and volatilities.

As discussed in more detail in Footnote No. 1, "Basis for Presentation," and Footnote No. 16, "Variable Interest Entities," we periodically securitize notes receivable originated by our Timeshare segment. We continue to service the notes after securitization, and we retain servicing assets and other interests in the notes. Historically, we accounted for these residual interests, including the servicing assets, as trading securities under the then-applicable standards for accounting for certain investments in debt and equity securities. At the dates of sale and at the end of each reporting period, we estimated the fair value of our residual interests using a discounted cash flow model using Level 3 inputs. With the adoption of the new accounting topics in the first quarter of 2010, we reestablished notes receivable (net of reserves) associated with past securitization transactions, recorded the debt obligations associated with third-party interests held in these special purpose entities and correspondingly eliminated our residual interests (including servicing assets) associated with these transactions. The preceding table includes the carrying amounts and estimated fair values for the long-term portion of the securitized notes receivable and the associated debt obligations.

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6. Earnings Per Share

The table below illustrates the reconciliation of the earnings (losses) and number of shares used in our calculations of basic and diluted earnings (losses) per share attributable to Marriott shareholders.

<i>(in millions, except per share amounts)</i>	<u>Twelve Weeks Ended</u>		<u>Thirty-Six Weeks Ended</u>	
	<u>September 10, 2010</u>	<u>September 11, 2009</u>	<u>September 10, 2010</u>	<u>September 11, 2009</u>
<i>Computation of Basic Earnings Per Share Attributable to Marriott Shareholders</i>				
Income (loss) attributable to Marriott shareholders	\$ 83	\$ (466)	\$ 285	\$ (452)
Weighted average shares outstanding	363.1	356.7	361.5	355.7
Basic earnings (losses) per share attributable to Marriott shareholders	<u>\$ 0.23</u>	<u>\$ (1.31)</u>	<u>\$ 0.79</u>	<u>\$ (1.27)</u>
<i>Computation of Diluted Earnings Per Share Attributable to Marriott Shareholders</i>				
Income (loss) attributable to Marriott shareholders	<u>\$ 83</u>	<u>\$ (466)</u>	<u>\$ 285</u>	<u>\$ (452)</u>
Weighted average shares outstanding	363.1	356.7	361.5	355.7
Effect of dilutive securities				
Employee stock option and SARs plans	10.8	0	10.7	0
Deferred stock incentive plans	1.0	0	1.1	0
Restricted stock units	3.2	0	3.1	0
Shares for diluted earnings per share attributable to Marriott shareholders	<u>378.1</u>	<u>356.7</u>	<u>376.4</u>	<u>355.7</u>
Diluted earnings (losses) per share attributable to Marriott shareholders	<u>\$ 0.22</u>	<u>\$ (1.31)</u>	<u>\$ 0.76</u>	<u>\$ (1.27)</u>

We compute the effect of dilutive securities using the treasury stock method and average market prices during the period. We determine dilution based on earnings attributable to Marriott shareholders. As we recorded a loss attributable to Marriott shareholders for the twelve and thirty-six week periods ended September 11, 2009, we did not include the following shares in the "Effect of dilutive securities" caption in the preceding table, because it would have been antidilutive to do so: 7.4 million employee stock option and SARs plan shares, 1.4 million deferred stock incentive plan shares, or 2.0 million restricted stock unit shares for the twelve-week period and 6.7 million employee stock option and SARs plan shares, 1.5 million deferred stock incentive plan shares, or 1.5 million restricted stock unit shares for the thirty-six week period.

In accordance with the applicable accounting guidance for calculating earnings per share, we did not include the following stock options and SARs in our calculation of diluted earnings per share attributable to Marriott shareholders because the exercise prices were greater than the average market prices for the applicable periods:

- for the twelve-week period ended September 10, 2010, 2.5 million options and SARs, with exercise prices ranging from \$34.11 to \$49.03;
- for the twelve-week period ended September 11, 2009, 12.6 million options and SARs, with exercise prices ranging from \$22.30 to \$49.03;
- for the thirty-six week period ended September 10, 2010, 3.7 million options and SARs, with exercise prices ranging from \$32.16 to \$49.03; and
- for the thirty-six week period ended September 11, 2009, 12.8 million options and SARs, with exercise prices ranging from \$20.17 to \$49.03.

7. Inventory

Inventory, totaling \$1,455 million and \$1,444 million as of September 10, 2010, and January 1, 2010, respectively, consists primarily of Timeshare segment interval, fractional ownership, and residential

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products totaling \$1,437 million and \$1,426 million as of September 10, 2010, and January 1, 2010, respectively. Inventory totaling \$18 million as of both September 10, 2010, and January 1, 2010 primarily relates to hotel operating supplies for the limited number of properties we own or lease. We primarily value Timeshare segment interval, fractional ownership, and residential products at the lower of cost or fair market value, in accordance with applicable accounting guidance, and we generally value operating supplies at the lower of cost (using the first-in, first-out method) or market. Consistent with recognized industry practice, we classify Timeshare segment interval, fractional ownership, and residential products inventory, which has an operating cycle that exceeds 12 months, as a current asset.

The following table shows the composition of our Timeshare segment inventory balances:

<i>(\$ in millions)</i>	<u>September 10, 2010</u>	<u>January 1, 2010</u>
Finished goods	\$ 738	\$ 721
Work-in-process	147	198
Land and infrastructure	552	507
	<u>\$ 1,437</u>	<u>\$ 1,426</u>

8. Property and Equipment

The following table shows the composition of our property and equipment balances:

<i>(\$ in millions)</i>	<u>September 10, 2010</u>	<u>January 1, 2010</u>
Land	\$ 495	\$ 454
Buildings and leasehold improvements	869	935
Furniture and equipment	983	996
Construction in progress	206	163
	<u>2,553</u>	<u>2,548</u>
Accumulated depreciation	(1,226)	(1,186)
	<u>\$ 1,327</u>	<u>\$ 1,362</u>

9. Notes Receivable

As discussed in Footnote No. 1, "Basis of Presentation," on the first day of fiscal year 2010, we consolidated certain entities associated with past timeshare notes receivable securitization transactions. Prior to the 2010 first quarter, we were not required to consolidate the special purpose entities utilized to securitize the notes.

The following table shows the composition of our notes receivable balances (net of reserves):

<i>(\$ in millions)</i>	<u>September 10, 2010</u>	<u>January 1, 2010</u>
Loans to timeshare owners – securitized	\$ 907	\$ 0
Loans to timeshare owners – non-securitized	382	424
Senior, mezzanine, and other loans – non-securitized	187	196
	<u>1,476</u>	<u>620</u>
Less current portion		
Loans to timeshare owners – securitized	(110)	0
Loans to timeshare owners – non-securitized	(61)	(72)
Senior, mezzanine, and other loans – non-securitized	(10)	(96)
	<u>\$ 1,295</u>	<u>\$ 452</u>

We classify notes receivable due within one year as current assets in the caption "Accounts and notes receivable" in our Condensed Consolidated Balance Sheets. Total long-term notes receivable as of September 10, 2010, and January 1, 2010, of \$1,295 million and \$452 million, respectively, consisted of loans to timeshare owners of \$1,118 million and \$352 million, respectively, loans to equity method investees of \$2 million and \$10 million, respectively, and other notes receivable of \$175 million and \$90 million, respectively.

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The following tables show future principal payments, net of reserves and unamortized discounts, as well as interest rates, reserves and unamortized discounts for our securitized and non-securitized notes receivable.

Notes Receivable Principal Payments (net of reserves and unamortized discounts) and Interest Rates

<i>(\$ in millions)</i>	<u>Non-Securitized Notes Receivable</u>	<u>Securitized Notes Receivable</u>	<u>Total</u>
2010	\$ 34	\$ 36	\$ 70
2011	51	110	161
2012	64	113	177
2013	48	117	165
2014	39	117	156
Thereafter	333	414	747
Balance at September 10, 2010	<u>\$ 569</u>	<u>\$ 907</u>	<u>\$ 1,476</u>
Weighted average interest rate at September 10, 2010	<u>10.1%</u>	<u>13.0%</u>	<u>11.9%</u>
Range of stated interest rates at September 10, 2010	<u>0 to 19.5%</u>	<u>5.2 to 19.5%</u>	<u>0 to 19.5%</u>

Notes Receivable Reserves

<i>(\$ in millions)</i>	<u>Non-Securitized Notes Receivable</u>	<u>Securitized Notes Receivable</u>	<u>Total</u>
Balance at year-end 2009	<u>\$ 210</u>	<u>\$ 0</u>	<u>\$210</u>
Balance at September 10, 2010	<u>\$ 223</u>	<u>\$ 89</u>	<u>\$312</u>

Notes Receivable Unamortized Discounts

<i>(\$ in millions)</i>	<u>Non-Securitized Notes Receivable</u>	<u>Securitized Notes Receivable</u>	<u>Total</u>
Balance at year-end 2009	<u>\$ 16</u>	<u>\$ 0</u>	<u>\$ 16</u>
Balance at September 10, 2010	<u>\$ 13</u>	<u>\$ 0</u>	<u>\$ 13</u>

Senior, Mezzanine, and Other Loans

We reflect interest income associated with “Senior, mezzanine, and other loans” in the “Interest income” caption in our Condensed Consolidated Statements of Income. We generally do not accrue interest on “Senior, mezzanine, and other loans” that are impaired. At the end of the 2010 third quarter, our recorded investment in impaired “Senior, mezzanine, and other loans” was \$79 million. We had a \$71 million notes receivable reserve representing an allowance for credit losses, leaving \$8 million of our investment in impaired loans, for which we had no related allowance for credit losses. At year-end 2009, our recorded investment in impaired “Senior, mezzanine, and other loans” was \$191 million, and we had a \$183 million notes receivable reserve representing an allowance for credit losses, leaving \$8 million of our investment in impaired loans, for which we had no related allowance for credit losses.

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The following table summarizes the activity related to our “Senior, mezzanine, and other loans” notes receivable reserve for the first three quarters of 2010:

(\$ in millions)	Notes Receivable Reserve
Balance at year-end 2009	\$ 183
Additions	2
Write-offs	(120)
Transfers and other	6
Balance at September 10, 2010	<u>\$ 71</u>

Loans to Timeshare Owners

We reflect interest income associated with “Loans to timeshare owners” of \$41 million and \$11 million for the 2010 and 2009 third quarters, respectively, and \$129 million and \$34 million for the thirty-six weeks ended September 10, 2010 and September 11, 2009, respectively, in our Condensed Consolidated Statements of Income in the “Timeshare sales and services” revenue caption. Of the \$41 million of interest income we recognized in the 2010 third quarter, \$30 million was associated with securitized loans and \$11 million was associated with non-securitized loans, compared with the \$11 million recognized in the 2009 third quarter, which related solely to non-securitized loans. Of the \$129 million of interest income we recognized in the first three quarters of 2010, \$99 million was associated with securitized loans and \$30 million was associated with non-securitized loans, compared with the \$34 million recognized in the first three quarters of 2009, which related solely to non-securitized loans.

The following table summarizes the activity related to our “Loans to timeshare owners” notes receivable reserve for the first three quarters of 2010:

(\$ in millions)	Non-Securitized Notes Receivable Reserve	Securitized Notes Receivable Reserve	Total
Balance at year-end 2009	\$ 27	\$ 0	\$ 27
Additions for current year sales	23	0	23
Write-offs	(52)	0	(52)
One-time impact of ASU Nos. 2009-16 and 2009-17 ⁽¹⁾	84	135	219
Repurchase activity ⁽²⁾	49	(49)	0
Other ⁽³⁾	21	3	24
Balance at September 10, 2010	<u>\$ 152</u>	<u>\$ 89</u>	<u>\$241</u>

⁽¹⁾ The non-securitized notes receivable reserve relates to the implementation of ASU Nos. 2009-16 and 2009-17, which required us to establish reserves for certain previously securitized and subsequently repurchased notes held at January 2, 2010.

⁽²⁾ Decrease in securitized reserve and increase in non-securitized reserve was attributable to the transfer of the reserve when we repurchased the notes.

⁽³⁾ Consists of static pool and default rate assumption changes.

We record an estimate of expected uncollectibility on notes receivable from timeshare purchasers as a reduction of revenue at the time we recognize profit on a timeshare sale. We have fully reserved all defaulted notes in addition to recording a reserve on the estimated uncollectible portion of the remaining notes. For those notes not in default, we assess collectibility based on pools of receivables because we hold large numbers of homogenous timeshare notes receivable. We estimate uncollectibles based on historical activity for similar timeshare notes receivable. As of September 10, 2010, we estimated average remaining default rates of 9.6 percent for both non-securitized and securitized timeshare notes receivable.

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We do not record accrued interest on “Loans to timeshare owners” that are over 90 days past due, and the following table shows our recorded investment in such loans.

<i>(\$ in millions)</i>	<u>Non-Securitized Notes Receivable</u>	<u>Securitized Notes Receivable</u>	<u>Total</u>
Investment in loans on nonaccrual status at September 10, 2010	<u>\$ 118</u>	<u>\$ 16</u>	<u>\$134</u>
Investment in loans on nonaccrual status at January 1, 2010	<u>\$ 113</u>	<u>\$ 0</u>	<u>\$113</u>

10. Long-term Debt

As discussed in Footnote No. 1, “Basis of Presentation,” on the first day of fiscal year 2010, we consolidated certain previously unconsolidated entities associated with past timeshare notes receivable securitization transactions, resulting in consolidation of the related debt obligations. We securitized the notes receivable through bankruptcy-remote entities, and the entities’ creditors have no recourse to us.

The following table provides detail on our long-term debt balances:

<i>(\$ in millions)</i>	<u>September 10, 2010</u>	<u>January 1, 2010</u>
Non-recourse debt associated with securitized notes receivable, interest rates ranging from 0.35% to 7.20% (weighted average interest rate of 5.23%)	<u>\$ 912</u>	<u>\$ 0</u>
Less current portion	<u>(114)</u>	<u>0</u>
	<u>798</u>	<u>0</u>
Senior Notes:		
Series F, interest rate of 4.625%, face amount of \$348, maturing June 15, 2012 (effective interest rate of 5.02%) ⁽¹⁾	<u>348</u>	<u>347</u>
Series G, interest rate of 5.810%, face amount of \$316, maturing November 10, 2015 (effective interest rate of 6.53%) ⁽¹⁾	<u>304</u>	<u>302</u>
Series H, interest rate of 6.200%, face amount of \$289, maturing June 15, 2016 (effective interest rate of 6.30%) ⁽¹⁾	<u>289</u>	<u>289</u>
Series I, interest rate of 6.375%, face amount of \$293, maturing June 15, 2017 (effective interest rate of 6.45%) ⁽¹⁾	<u>291</u>	<u>291</u>
Series J, interest rate of 5.625%, face amount of \$400, maturing February 15, 2013 (effective interest rate of 5.71%) ⁽¹⁾	<u>398</u>	<u>398</u>
\$2,404 Effective Credit Facility	<u>0</u>	<u>425</u>
Other	<u>184</u>	<u>246</u>
	<u>1,814</u>	<u>2,298</u>
Less current portion	<u>(12)</u>	<u>(64)</u>
	<u>1,802</u>	<u>2,234</u>
	<u>\$ 2,600</u>	<u>\$ 2,234</u>

⁽¹⁾ Face amount and effective interest rate are as of September 10, 2010.

The non-recourse debt associated with securitized notes receivable was, and to the extent currently outstanding is, secured by the related notes receivable. All of our other long-term debt was, and to the extent currently outstanding is, recourse to us but unsecured.

We are party to a multicurrency revolving credit agreement (the “Credit Facility”) that provides for \$2.404 billion of aggregate effective borrowings to support general corporate needs, including working capital, capital expenditures, and letters of credit. The Credit Facility expires on May 14, 2012. Borrowings under the Credit Facility bear interest at the London Interbank Offered Rate (LIBOR) plus a fixed spread. We also pay quarterly fees on the Credit Facility at a rate based on our public debt rating. While borrowings under our Credit Facility generally have short-term maturities, we classify outstanding borrowings as long-term based on our ability and intent to refinance the outstanding borrowings on a long-term basis.

Each of our 13 securitized notes receivable pools contains various triggers relating to the performance of the underlying notes receivable. If a pool of securitized notes receivable fails to perform within the pool's established parameters (default or delinquency thresholds by deal) there are provisions under which the monthly excess spread we typically receive from that pool (related to the interests we retained) is effectively redirected to accelerate the principal payments to investors based on the subordination of the

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different tranches until the performance trigger is cured. During the first quarter of 2010, one pool that reached a performance trigger at year-end 2009 returned to compliance while three others reached performance triggers. At the end of the first quarter of 2010, only one of these three pools was still out of compliance with applicable triggers. This pool continued to be under trigger through the end of the second quarter of 2010, but returned to compliance during the third quarter of 2010. No other pools reached performance triggers during the second quarter. During the third quarter of 2010, six pools reached performance triggers, and at the end of the third quarter, only three of these six pools were still out of compliance with applicable triggers. As a result of performance triggers, a total of \$6 million in cash of excess spread was used to pay down debt during the first three quarters of 2010.

The following tables show future principal payments, net of unamortized discounts, and unamortized discounts for our securitized and non-securitized debt.

Debt Principal Payments (net of unamortized discounts)

<i>(\$ in millions)</i>	<u>Non-Recourse Debt</u>	<u>Other Debt</u>	<u>Total</u>
2010	\$ 39	\$ 3	\$ 42
2011	119	12	131
2012	122	360	482
2013	126	411	537
2014	126	12	138
Thereafter	380	1,016	1,396
Balance at September 10, 2010	<u>\$ 912</u>	<u>\$ 1,814</u>	<u>\$ 2,726</u>

As the contractual terms of the underlying securitized notes receivable determine the maturities of the non-recourse debt associated with them, actual maturities may occur earlier due to prepayments by the notes receivable obligors.

Unamortized Debt Discounts

<i>(\$ in millions)</i>	<u>Non-Recourse Debt</u>	<u>Other Debt</u>	<u>Total</u>
Balance at January 1, 2010	\$ 0	\$ 20	\$ 20
Balance at September 10, 2010	<u>\$ 0</u>	<u>\$ 17</u>	<u>\$ 17</u>

We paid cash for interest, net of amounts capitalized, of \$98 million in the first three quarters of 2010 and \$59 million in the first three quarters of 2009.

11. Comprehensive Income and Capital Structure

The following tables detail comprehensive income attributable to Marriott, comprehensive income attributable to noncontrolling interests, and consolidated comprehensive income.

(\$ in millions)	Attributable to Marriott		Attributable to Noncontrolling Interests		Consolidated	
	Twelve Weeks Ended		Twelve Weeks Ended		Twelve Weeks Ended	
	September 10, 2010	September 11, 2009	September 10, 2010	September 11, 2009	September 10, 2010	September 11, 2009
Net income (loss)	\$ 83	\$ (466)	\$ 0	\$ (3)	\$ 83	\$ (469)
Other comprehensive income (loss), net of tax:						
Foreign currency translation adjustments	8	8	0	0	8	8
Other derivative instrument adjustments	0	(3)	0	0	0	(3)
Unrealized gains on available-for-sale securities	0	2	0	0	0	2
Reclassification of losses	3	5	0	0	3	5
Total other comprehensive (loss) income, net of tax	11	12	0	0	11	12
Comprehensive income (loss)	<u>\$ 94</u>	<u>\$ (454)</u>	<u>\$ 0</u>	<u>\$ (3)</u>	<u>\$ 94</u>	<u>\$ (457)</u>

(\$ in millions)	Attributable to Marriott		Attributable to Noncontrolling Interests		Consolidated	
	Thirty-Six Weeks Ended		Thirty-Six Weeks Ended		Thirty-Six Weeks Ended	
	September 10, 2010	September 11, 2009	September 10, 2010	September 11, 2009	September 10, 2010	September 11, 2009
Net income (loss)	\$ 285	\$ (452)	\$ 0	\$ (7)	\$ 285	\$ (459)
Other comprehensive income (loss), net of tax:						
Foreign currency translation adjustments	(11)	20	0	0	(11)	20
Other derivative instrument adjustments	1	(7)	0	0	1	(7)
Unrealized gains on available-for-sale securities	0	5	0	0	0	5
Reclassification of losses	3	5	0	0	3	5
Total other comprehensive (loss) income, net of tax	(7)	23	0	0	(7)	23
Comprehensive income (loss)	<u>\$ 278</u>	<u>\$ (429)</u>	<u>\$ 0</u>	<u>\$ (7)</u>	<u>\$ 278</u>	<u>\$ (436)</u>

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The following table details changes in shareholders' equity attributable to Marriott shareholders. Equity attributable to the noncontrolling interests was zero as of both September 10, 2010 and January 1, 2010. The table also includes the cumulative effect of a change in accounting principle of \$146 million recorded directly to retained earnings on the first day of the 2010 fiscal year as a result of our adopting ASU Nos. 2009-16 and 2009-17. See Footnote No. 1, "Basis of Presentation," for additional information on our adoption of those updates.

(in millions, except per share amounts)

Common Shares Outstanding		Equity Attributable to Marriott Shareholders					Accumulated Other Comprehensive Income (Loss)
		Total	Class A Common Stock	Additional Paid-in-Capital	Retained Earnings	Treasury Stock, at Cost	
358.2	Balance at year-end 2009	\$1,142	\$ 5	\$ 3,585	\$ 3,103	\$(5,564)	\$ 13
0	Impact of adoption of ASU 2009-16 and ASU 2009-17	(146)	0	0	(146)	0	0
358.2	Opening balance fiscal year 2010	996	5	3,585	2,957	(5,564)	13
0	Net income	285	0	0	285	0	0
0	Other comprehensive loss	(7)	0	0	0	0	(7)
0	Cash dividends (\$0.1200 per share)	(43)	0	0	(43)	0	0
5.7	Employee stock plan issuance	124	0	(5)	(8)	137	0
363.9	Balance at September 10, 2010	\$1,355	\$ 5	\$ 3,580	\$ 3,191	\$(5,427)	\$ 6

12. Contingencies

Guarantees

We issue guarantees to certain lenders and hotel owners, primarily to obtain long-term management contracts. The guarantees generally have a stated maximum amount of funding and a term of three to 10 years. The terms of guarantees to lenders generally require us to fund if cash flows from hotel operations are inadequate to cover annual debt service or to repay the loan at the end of the term. The terms of the guarantees to hotel owners generally require us to fund if the hotels do not attain specified levels of operating profit. Guarantee fundings to lenders and hotel owners are generally recoverable as loans repayable to us out of future hotel cash flows and/or proceeds from the sale of hotels. We also enter into project completion guarantees with certain lenders in conjunction with hotels and Timeshare segment properties that we or our joint venture partners are building.

The following table shows the maximum potential amount of future fundings for guarantees where we are the primary obligor and the carrying amount of the liability for expected future fundings.

(\$ in millions)

Guarantee Type	Maximum Potential Amount of Future Fundings at September 10, 2010	Liability for Expected Future Fundings at September 10, 2010
Debt service	\$ 37	\$ 3
Operating profit	113	21
Other	54	2
Total guarantees where we are the primary obligor	\$ 204	\$ 26

We included our liability for expected future fundings at September 10, 2010, in our Condensed Consolidated Balance Sheets as follows: \$4 million in the "Other current liabilities" and \$22 million in the "Other long-term liabilities."

Our guarantees listed in the preceding table include \$31 million of operating profit guarantees that will not be in effect until the underlying properties open and we begin to operate the properties and \$3 million of debt service guarantees that will not be in effect until the underlying debt has been funded.

The guarantees in the preceding table do not include \$143 million of guarantees related to Senior Living Services lease obligations of \$94 million (expiring in 2013) and lifecare bonds of \$49 million (estimated to expire in 2016), for which we are secondarily liable. The primary obligors on these liabilities are

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Sunrise Senior Living, Inc. (“Sunrise”) on both the leases and \$7 million of the lifecare bonds; CNL Retirement Properties, Inc. (“CNL”), which subsequently merged with Health Care Property Investors, Inc., on \$40 million of the lifecare bonds; and Five Star Senior Living on the remaining \$2 million of lifecare bonds. Prior to our sale of the Senior Living Services business in 2003, these were guarantees by us of obligations of consolidated Senior Living Services subsidiaries. Sunrise and CNL have indemnified us for any guarantee fundings we may be called upon to make in connection with these lease obligations and lifecare bonds. While we currently do not expect to fund under the guarantees, Sunrise’s SEC filings suggest that Sunrise’s continued ability to meet these guarantee obligations cannot be assured given Sunrise’s financial position and limited access to liquidity.

The table also does not include lease obligations, for which we became secondarily liable when we acquired the Renaissance Hotel Group N.V. in 1997, consisting of annual rent payments of approximately \$6 million and total remaining rent payments through the initial term of approximately \$51 million. Most of these obligations expire by the end of 2020. CTF Holdings Ltd. (“CTF”) had originally made available €35 million in cash collateral in the event that we are required to fund under such guarantees (approximately €6 million (\$7 million) of which remained at September 10, 2010). Our exposure for the remaining rent payments through the initial term will decline to the extent that CTF obtains releases from the landlords or these hotels exit the system. Since the time we assumed these guarantees, we have not funded any amounts, and we do not expect to fund any amounts under these guarantees in the future.

In addition to the guarantees noted in the preceding table, we provided a project completion guarantee to a lender for a project with an estimated aggregate total cost of \$592 million. We are liable on a several basis with our partners in an amount equal to our 34 percent pro rata ownership in the joint venture. The carrying value of our liability associated with this guarantee was \$27 million at September 10, 2010, as further discussed in Footnote No. 16, “Variable Interest Entities.” The preceding table also does not include a project completion guarantee that we provided to another lender for a project with an estimated aggregate total cost of Canadian \$491 million (\$464 million). The associated joint venture will satisfy payments for cost overruns for this project through contributions from the partners or from borrowings, and we are liable on a several basis with our partners in an amount equal to our pro rata ownership in the joint venture, which is 20 percent. During the third quarter of 2010, our joint venture partners executed documents indemnifying us for any payments that may be required in connection with this guaranty obligation. The carrying value of our liability associated with this project completion guarantee was \$3 million at September 10, 2010.

In addition to the guarantees described in the preceding paragraphs, in conjunction with financing obtained for specific projects or properties owned by joint ventures in which we are a party, we may provide industry standard indemnifications to the lender for loss, liability, or damage occurring as a result of the actions of the other joint venture owner or our own actions.

Commitments and Letters of Credit

In addition to the guarantees noted in the preceding paragraphs, as of September 10, 2010, we had the following commitments outstanding:

- \$4 million of loan commitments that we have extended to owners of lodging properties. We expect to fund approximately \$1 million of these commitments within three years, and do not expect to fund the remaining \$3 million of commitments, \$1 million of which will expire within three years, \$1 million of which will expire within five years, and \$1 million of which will expire after five years.
- Commitments to invest up to \$41 million of equity for noncontrolling interests in partnerships that plan to purchase North American full-service and limited-service properties or purchase or develop hotel-anchored mixed-use real estate projects. We expect to fund \$21 million of these commitments in one to two years, \$10 million within three years and \$10 million after three years. If not funded, \$21 million of these investment commitments will expire in one to two years and \$20 million will expire in more than three years.

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- A commitment, with no expiration date, to invest up to \$11 million in a joint venture for development of a new property that we expect to fund within three years.
- A commitment, with no expiration date, to invest up to \$26 million (€20 million) in a joint venture in which we are a partner. We do not expect to fund under this commitment.
- Other investment commitments, generally with no expiration date, totaling \$9 million of which we only expect to fund \$1 million. That funding is expected to occur within one year.
- Two commitments for an aggregate of \$130 million to purchase timeshare and fractional units upon completion of construction for use in our Asia Pacific Points Club and The Ritz-Carlton Destination Club programs. We have already made deposits of \$22 million in conjunction with these commitments, and we fulfilled \$100 million of these commitments by acquiring real estate subsequent to the 2010 third quarter. We expect to fulfill the remaining \$8 million in the 2011 first quarter.
- \$4 million (€3 million) of other purchase commitments that will be funded over the next 5 years, as follows: \$1 million in each of 2011, 2012, 2013 and 2014.

At September 10, 2010, we had \$93 million of letters of credit outstanding, the majority of which related to our self-insurance programs. Surety bonds issued as of September 10, 2010, totaled \$229 million, the majority of which were requested by federal, state or local governments related to our lodging operations, including our Timeshare segment and self-insurance programs.

13. Business Segments

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

- *North American Full-Service Lodging*, which includes the Marriott Hotels & Resorts, Marriott Conference Centers, JW Marriott, Renaissance Hotels, Renaissance ClubSport, and Autograph Collection properties located in the continental United States and Canada;
- *North American Limited-Service Lodging*, which includes the Courtyard, Fairfield Inn & Suites, SpringHill Suites, Residence Inn, TownePlace Suites, and Marriott ExecuStay properties located in the continental United States and Canada;
- *International Lodging*, which includes the Marriott Hotels & Resorts, JW Marriott, Renaissance Hotels, Courtyard, Fairfield Inn & Suites, Residence Inn, and Marriott Executive Apartments properties located outside the continental United States and Canada;
- *Luxury Lodging*, which includes The Ritz-Carlton and Bulgari Hotels & Resorts properties worldwide (together with residential properties associated with some Ritz-Carlton hotels), as well as EDITION, which opened its first hotel on September 28, 2010; and
- *Timeshare*, which includes the development, marketing, operation, and sale of Marriott Vacation Club, The Ritz-Carlton Destination Club, The Ritz-Carlton Residences, and Grand Residences by Marriott timeshare, fractional ownership, and residential properties worldwide.

We evaluate the performance of our segments based primarily on the results of the segment without allocating corporate expenses, income taxes, or indirect general, administrative, and other expenses. With the exception of our Timeshare segment, we do not allocate interest income or interest expense to our segments. Prior to the 2010 first quarter, we included note securitization gains/(losses) in our Timeshare segment results. Due to our adoption of ASU Nos. 2009-16 and 2009-17, as discussed in Footnote No. 1, "Basis of Presentation," we no longer account for note receivable securitizations as sales but rather as secured borrowings as defined in these topics, and therefore, we do not expect to recognize gains or losses on future note receivable securitizations. We include interest income and interest expense associated with our Timeshare segment notes in our Timeshare segment results because financing sales and securitization

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transactions are an integral part of that segment's business. In addition, we allocate other gains and losses, equity in earnings or losses from our joint ventures, divisional general, administrative, and other expenses, and income or losses attributable to noncontrolling interests to each of our segments. "Other unallocated corporate" represents that portion of our revenues, general, administrative, and other expenses, equity in earnings or losses, and other gains or losses that are not allocable to our segments.

We aggregate the brands presented within our North American Full-Service, North American Limited-Service, International, Luxury, and Timeshare segments considering their similar economic characteristics, types of customers, distribution channels, the regulatory business environment of the brands and operations within each segment and our organizational and management reporting structure.

Revenues

(\$ in millions)	Twelve Weeks Ended		Thirty-Six Weeks Ended	
	September 10, 2010	September 11, 2009	September 10, 2010	September 11, 2009
North American Full-Service Segment	\$ 1,144	\$ 1,074	\$ 3,538	\$ 3,382
North American Limited-Service Segment	532	489	1,500	1,401
International Segment	280	259	834	756
Luxury Segment	323	296	1,053	971
Timeshare Segment	351	330	1,072	962
Total segment revenues	2,630	2,448	7,997	7,472
Other unallocated corporate	18	23	52	56
	<u>\$ 2,648</u>	<u>\$ 2,471</u>	<u>\$ 8,049</u>	<u>\$ 7,528</u>

Net Income (Loss) Attributable to Marriott

(\$ in millions)	Twelve Weeks Ended		Thirty-Six Weeks Ended	
	September 10, 2010	September 11, 2009	September 10, 2010	September 11, 2009
North American Full-Service Segment	\$ 55	\$ 51	\$ 211	\$ 191
North American Limited-Service Segment	82	77	223	182
International Segment	26	25	101	89
Luxury Segment	11	7	53	0
Timeshare Segment	37	(681)	92	(733)
Total segment financial results	211	(521)	680	(271)
Other unallocated corporate	(58)	(132)	(160)	(246)
Interest expense and interest income ⁽¹⁾	(25)	(22)	(79)	(64)
Income taxes ⁽²⁾	(45)	209	(156)	129
	<u>\$ 83</u>	<u>\$ (466)</u>	<u>\$ 285</u>	<u>\$ (452)</u>

⁽¹⁾ Of the \$41 million and \$130 million of interest expense shown on the Condensed Consolidated Statements of Income for the twelve and thirty-six weeks ended September 10, 2010 we allocated \$12 million and \$40 million, respectively, to our Timeshare Segment.

⁽²⁾ The \$209 million and \$129 million of income tax benefits for the twelve and thirty-six weeks ended September 11, 2009, included respectively, our benefit for income taxes of \$210 million and \$133 million as shown in the Condensed Consolidated Statements of Income and taxes attributable to noncontrolling interests of \$1 million and \$4 million for the applicable periods.

Net Losses Attributable to Noncontrolling Interests

(\$ in millions)	Twelve Weeks Ended		Thirty-Six Weeks Ended	
	September 10, 2010	September 11, 2009	September 10, 2010	September 11, 2009
Timeshare Segment net losses attributable to noncontrolling interests	\$ 0	\$ 4	\$ 0	\$ 11
Provision for income taxes	0	(1)	0	(4)
	<u>\$ 0</u>	<u>\$ 3</u>	<u>\$ 0</u>	<u>\$ 7</u>

Equity in Losses of Equity Method Investees

(\$ in millions)	Twelve Weeks Ended		Thirty-Six Weeks Ended	
	September 10, 2010	September 11, 2009	September 10, 2010	September 11, 2009
North American Full-Service Segment	\$ 0	\$ 1	\$ 1	\$ 1
North American Limited-Service Segment	0	(1)	(6)	(5)
International Segment	(2)	(4)	(4)	(5)
Luxury Segment	(2)	0	(2)	(31)
Timeshare Segment	(2)	(4)	(10)	(6)
Total segment equity in losses	(6)	(8)	(21)	(46)
Other unallocated corporate	1	(4)	1	(4)
	<u>\$ (5)</u>	<u>\$ (12)</u>	<u>\$ (20)</u>	<u>\$ (50)</u>

Assets

(\$ in millions)	At Period End	
	September 10, 2010	January 1, 2010
North American Full-Service Segment	\$ 1,190	\$ 1,175
North American Limited-Service Segment	490	468
International Segment	848	849
Luxury Segment	745	653
Timeshare Segment	3,335	2,653
Total segment assets	6,608	5,798
Other unallocated corporate	2,181	2,135
	<u>\$ 8,789</u>	<u>\$ 7,933</u>

We estimate that, for the 20-year period from 2010 through 2029, the cash flow associated with completing all phases of our existing portfolio of owned timeshare properties will be approximately \$2.8 billion. This estimate is based on our current development plans, which remain subject to change.

14. Timeshare Strategy-Impairment Charges

In response to the difficult business conditions that the Timeshare segment's timeshare, luxury residential, and luxury fractional real estate development businesses experienced, we evaluated our entire Timeshare portfolio in the 2009 third quarter. In order to adjust the business strategy to reflect current market conditions at that time, on September 22, 2009, we approved plans for our Timeshare segment to take the following actions: (1) for our luxury residential projects, reduce prices, convert certain proposed projects to other uses, sell some undeveloped land, and not pursue further Marriott-funded residential development projects; (2) reduce prices for existing luxury fractional units; (3) continue short-term promotions for our U.S. timeshare business and defer the introduction of new projects and development phases; and (4) for our European timeshare and fractional resorts, continue promotional pricing and marketing incentives and not pursue further development. We designed these plans, which primarily relate to luxury residential and fractional resorts, to stimulate sales, accelerate cash flow, and reduce investment spending.

As a result of these decisions, in the 2009 third quarter, we recorded charges reflected in the following table in our Condensed Consolidated Statements of Income that impacted operating income under the "Timeshare strategy-impairment charges" caption and that impacted non-operating income under the "Timeshare strategy-impairment charges (non-operating)" caption. The impairment charges were non-cash, other than \$27 million of charges associated with ongoing mezzanine loan fundings and \$21 million of charges for purchase commitments.

Grouped by product type and/or geographic location, these impairment charges consisted of \$295 million associated with five luxury residential projects, \$299 million associated with nine North American luxury fractional projects, \$93 million related to one North American timeshare project, \$51 million related to the four projects in our European timeshare and fractional business, and \$14 million associated with two Asia Pacific timeshare resorts.

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The following table details the composition of these charges:

<i>(\$ in millions)</i>	Impairment Charge
2009 Third Quarter Operating Income Charge	
Inventory impairment	\$ 529
Property and equipment impairment	64
Other impairments	21
Total operating income charge	<u>614</u>
2009 Third Quarter Non-Operating Income Charge	
Joint venture impairment	71
Loan impairment	40
Funding liability	27
Total non-operating income charge	<u>138</u>
Total	<u>\$ 752</u>
Total (after-tax)	<u>\$ 502</u>

For additional information related to these impairment charges, including how these impairments were determined and the inputs used in calculating fair value, please see Footnote No. 20, "Timeshare Strategy-Impairment Charges," in the 2009 Form 10-K.

15. **Restructuring Costs and Other Charges**

During the latter part of 2008, we experienced a significant decline in demand for domestic and international hotel rooms based in part on the failures and near failures of a number of large financial service companies in the fourth quarter of 2008 and the dramatic downturn in the economy. Our capital-intensive Timeshare business was also hurt globally by the downturn in market conditions and particularly the significant deterioration in the credit markets, which resulted in our decision not to complete a note securitization in the fourth quarter of 2008 (although we did complete note securitization transactions in the first and fourth quarters of 2009). These declines resulted in reduced management and franchise fees, cancellation of development projects, reduced timeshare contract sales, and anticipated losses under guarantees and loans. In the fourth quarter of 2008, we put certain company-wide cost-saving measures in place in response to these declines, with individual company segments and corporate departments implementing further cost saving measures. Upper-level management responsible for the Timeshare segment, hotel operations, development, and above-property level management of the various corporate departments and brand teams individually led these decentralized management initiatives.

The various initiatives resulted in restructuring costs and other charges in the 2008 fourth quarter. For information on the fourth quarter 2008 charges, see Footnote No. 20, "Restructuring Costs and Other Charges," in our 2008 Form 10-K. As part of the restructuring actions we began in the fourth quarter of 2008, we initiated further cost savings measures in 2009 associated with our Timeshare segment, hotel development, and above-property level management that resulted in additional restructuring costs of \$51 million in fiscal year 2009, which included \$2 million, \$33 million, \$9 million, and \$7 million of restructuring costs in the 2009 first, second, third and fourth quarters, respectively. We completed this restructuring in 2009 and do not expect to incur additional expenses in connection with these initiatives. We also recorded \$162 million of other charges in fiscal year 2009, which included \$127 million and \$24 million of other charges in the 2009 first and second quarters, respectively, a net \$1 million credit in the 2009 third quarter and \$12 million of other charges in the 2009 fourth quarter. For information on the 2009 charges, see Footnote No. 21, "Restructuring Costs and Other Charges," in our 2009 Form 10-K.

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Summary of Restructuring Costs and Liability

The following table provides additional information regarding our restructuring, including the balance of the liability at the end of the third quarter of 2010 and total costs incurred through the end of the restructuring in 2009.

<i>(\$ in millions)</i>	Restructuring Costs Liability at January 1, 2010	Cash Payments in the First Three Quarters of 2010	Restructuring Costs Liability at September 10, 2010	Total Cumulative Restructuring Costs through 2009 ⁽¹⁾
Severance-Timeshare	\$ 4	\$ 3	\$ 1	\$ 29
Facilities exit costs-Timeshare	18	3	15	34
Development cancellations-Timeshare	0	0	0	10
Total restructuring costs-Timeshare	22	6	16	73
Severance-hotel development	1	1	0	4
Development cancellations-hotel development	0	0	0	22
Total restructuring costs-hotel development	1	1	0	26
Severance-above property-level management	2	2	0	7
Total restructuring costs-above property-level management	2	2	0	7
Total restructuring costs	\$ 25	\$ 9	\$ 16	\$ 106

⁽¹⁾ Includes charges recorded in the 2008 fourth quarter through year-end 2009. Subsequent to fiscal year-end 2009, we did not incur and do not expect to incur additional restructuring expenses.

16. Variable Interest Entities

In accordance with the applicable accounting guidance for the consolidation of variable interest entities, we analyze our variable interests, including loans, guarantees, and equity investments, to determine if an entity in which we have a variable interest is a variable interest entity. Our analysis includes both quantitative and qualitative reviews. We base our quantitative analysis on the forecasted cash flows of the entity, and our qualitative analysis on our review of the design of the entity, its organizational structure including decision-making ability, and relevant financial agreements. We also use our qualitative analyses to determine if we must consolidate a variable interest entity as its primary beneficiary.

We periodically securitize, without recourse, through special purpose entities, notes receivable originated by our Timeshare segment in connection with the sale of timeshare interval and fractional products. These securitizations provide funding for the Company and transfer the economic risks and substantially all the benefits of the loans to third parties. In a securitization, various classes of debt securities that the special purpose entities issue are generally collateralized by a single tranche of transferred assets, which consist of timeshare notes receivable. The Company services the notes receivable. With each securitization, we may retain a portion of the securities, subordinated tranches, interest-only strips, subordinated interests in accrued interest and fees on the securitized receivables or, in some cases, overcollateralization and cash reserve accounts.

Under GAAP as it existed prior to fiscal year 2010, these entities met the definition of QSPEs, and we were not required to evaluate them for consolidation. We began evaluating these entities for consolidation when we implemented the new accounting topics related to transfers of financial assets in the 2010 first quarter. We created these entities to serve as a mechanism for holding assets and related liabilities, and the entities have no equity investment at risk, making them variable interest entities. We continue to service the notes, transfer all proceeds collected to these special purpose entities, and retain rights to receive benefits that are potentially significant to the entities. Accordingly, we concluded under the new accounting topics that we are the entities' primary beneficiary and, therefore, consolidate them. Please see Footnote No. 1, "Basis of Presentation," for additional information, including the impact of initial consolidation of these entities.

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At September 10, 2010, consolidated assets included in our Condensed Consolidated Balance Sheet that are collateral for the variable interest entities' obligations had a carrying amount of \$961 million, comprised of \$109 million and \$797 million, respectively, of current and long-term notes receivable (net of reserves) and \$39 million and \$16 million, respectively, of current and long-term restricted cash. Further, at September 10, 2010, consolidated liabilities included in our Condensed Consolidated Balance Sheet for these variable interest entities had a carrying amount of \$918 million, comprised of \$6 million of interest payable, \$114 million of current portion of long-term debt, and \$798 million of long-term debt. The noncontrolling interest balance was zero. The creditors of these entities do not have general recourse to us.

Under the terms of our timeshare note securitizations, we have the right at our option to repurchase defaulted mortgage notes at the outstanding principal balance. The transaction documents typically limit such repurchases to 10 to 15 percent of the transaction's initial mortgage balance. Voluntary repurchases by us of defaulted notes during the first three quarters of 2010 and 2009 were \$49 million and \$58 million, respectively.

In the 2010 third quarter, we completed the acquisition of the noncontrolling interest in an entity that develops and markets fractional ownership and residential interests. We had previously concluded that the entity was a variable interest entity because the voting rights were not proportionate to the economic interests and we had consolidated the entity because we were the primary beneficiary. Subsequent to the acquisition of the noncontrolling interest, we determined that this now wholly-owned entity was no longer a variable interest entity.

We have a call option on the equity of a variable interest entity that holds property and land acquired for timeshare development that we currently operate as a hotel, which gives us ultimate power to direct the activities that most significantly impact the entity's economic performance, and therefore, we consolidate this entity. The entity is a variable interest entity because the equity investment at risk is not sufficient to permit it to finance its activities without additional support from other parties. At September 10, 2010, the entity's assets included in our Condensed Consolidated Balance Sheet had a carrying amount of \$19 million, entirely comprised of property and land held for sale, classified as other current assets. The liabilities included in our Condensed Consolidated Balance Sheet for this variable interest entity had a carrying amount of less than \$1 million and a noncontrolling interest of zero. Our involvement with the entity did not have a material affect on our financial performance or cash flows during the first three quarters of 2010. The creditors of this entity do not have general recourse to us, and we sold substantially all of the assets and liabilities of this entity subsequent to the end of the 2010 third quarter.

We have an equity investment in and a loan receivable due from a variable interest entity that develops and markets fractional ownership and residential interests. We concluded that the entity is a variable interest entity because the equity investment at risk is not sufficient to permit the entity to finance its activities without additional support from other parties. We have determined that we are not the primary beneficiary as power to direct the activities that most significantly impact economic performance of the entity is shared amongst the variable interest holders, and therefore do not consolidate the entity. In the 2009 third quarter, we fully impaired our equity investment and certain loans receivable due from the entity. In the 2010 third quarter, the continued application of equity losses to our outstanding loan receivable balance reduced its carrying value to zero. We may fund up to an additional \$27 million and do not expect to recover this amount, which we have accrued and included in current liabilities. See Footnote No. 20, "Timeshare Strategy-Impairment Charges," in our 2009 Form 10-K for additional information. We do not have any remaining exposure to loss.

In conjunction with the transaction with CTF described more fully in Footnote No. 8, "Acquisitions and Dispositions," of our Annual Report on Form 10-K for the fiscal year ended December 28, 2007, under the caption "2005 Acquisitions," we manage certain hotels on behalf of tenant entities 100 percent owned by CTF, which lease the hotels from third-party owners. Due to certain provisions in the management agreements, we account for these contracts as operating leases. At the end of the 2010 third quarter, we managed 10 hotels on behalf of three tenant entities. The entities have minimal equity and minimal assets comprised of hotel working capital and furniture, fixtures, and equipment. In conjunction with the 2005

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transaction, CTF had placed money in a trust account to cover cash flow shortfalls and to meet rent payments. In turn, we released CTF from their guarantees fully in connection with seven of these properties and partially in connection with the other three properties. At September 10, 2010, the trust account held approximately \$1 million. The tenant entities are variable interest entities because the holder of the equity investment at risk, CTF, lacks the ability through voting rights to make key decisions about the entities' activities that have a significant effect on the success of the entities. We do not consolidate the entities because we do not bear the majority of the expected losses. We are secondarily liable (after exhaustion of funds from the trust account) for rent payments for seven of the 10 hotels if there are cash flow shortfalls. Future minimum lease payments through the end of the lease term for these hotels totaled approximately \$52 million at September 10, 2010. In addition, we are secondarily liable for rent payments of up to an aggregate cap of \$17 million for the three other hotels if there are cash flow shortfalls. Our maximum exposure to loss is limited to the rent payments and certain other tenant obligations under the lease, for which we are secondarily liable.

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

Forward-Looking Statements

We make forward-looking statements in Management's Discussion and Analysis of Financial Condition and Results of Operations and elsewhere in this report based on the beliefs and assumptions of our management and on information currently available to us. Forward-looking statements include information about our possible or assumed future results of operations, which follow under the headings "Business and Overview," "Liquidity and Capital Resources," and other statements throughout this report preceded by, followed by or that include the words "believes," "expects," "anticipates," "intends," "plans," "estimates" or similar expressions.

Forward-looking statements are subject to a number of risks and uncertainties that could cause actual results to differ materially from those expressed in these forward-looking statements, including the risks and uncertainties described below and other factors we describe from time to time in our periodic filings with the U.S. Securities and Exchange Commission (the "SEC"). We therefore caution you not to rely unduly on any forward-looking statements. The forward-looking statements in this report speak only as of the date of this report, and we undertake no obligation to update or revise any forward-looking statement, whether as a result of new information, future developments or otherwise.

In addition, see the "Item 1A. Risk Factors" caption in the "Part II-OTHER INFORMATION" section of this report.

BUSINESS AND OVERVIEW

Lodging

Business conditions for our lodging business improved in the first three quarters of 2010. While the recent recession significantly impacted lodging demand and hotel pricing, occupancies began to improve in the fourth quarter of 2009. Room rates began to stabilize and improve in some markets in the 2010 second quarter, and that improvement continued, strengthened and expanded to other markets throughout the 2010 third quarter. In the 2010 third quarter, as compared to the 2009 third quarter, worldwide average daily rates on a constant dollar basis increased 2.8 percent for company-operated properties reflecting the impact of modest increases in both North American rates and rates outside of North America. Worldwide revenue per available room ("RevPAR") for company-operated properties increased 8.4 percent on a constant dollar basis for the 2010 third quarter, as compared to the 2009 third quarter, and occupancy increased 3.7 percentage points to 71.2 percent.

While worldwide RevPAR for the first three quarters of 2010 remains well below 2008 levels, we continued to see strengthening in properties in Asia, Europe, the Caribbean, Latin America, and in our luxury properties around the world. Additionally, hotels in North America experienced stronger demand from corporate transient and association group customers in the first three quarters of 2010 as compared to 2009, and that demand continued to strengthen progressively during the 2010 period. However, property-level banquet and catering spending continues to be weak primarily reflecting tight budgets and fewer group functions. During the 2010 first quarter, group meeting cancellations returned to typical levels, and expected revenue from group meetings continued to improve throughout 2010. While our booking windows for both group business and transient business remain very short, our pace of bookings for group business for future periods continues to improve.

We monitor market conditions continuously and carefully price our rooms daily to meet individual hotel demand levels. We modify the mix of our business to maximize revenue as demand changes. Demand for higher rated rooms improved in the first three quarters of 2010, which allowed us to reduce discounting and special offers for transient business. This mix improvement benefited average daily rates at many hotels.

However, room rates associated with negotiated corporate business ("special corporate business") are typically negotiated and locked in for the upcoming year, which limits our ability to raise these rates quickly. Special corporate business represented 14 percent of our full service hotel room nights for 2010

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through the end of the third quarter. Demand trends continue to strengthen, and we expect to negotiate 2011 special corporate rates late in 2010. Given recent strong demand, we believe 2011 special negotiated corporate rates will be meaningfully higher. In establishing pricing for this segment of business, we do not focus strictly on volume, but instead carefully evaluate the relationship with our customers, including for example, stay patterns (day of week and season), locations of stays, non-room spend, and aggregate spend.

Group business pricing is even less flexible in the near term, as some group business may be booked several years in advance of guest arrival. However, as a result of the recent recession, shorter group booking windows have become more common for 2010 than they were in prior years. Accordingly, with strengthening demand, group business booked in 2010 is showing stronger price improvement than business booked in 2009.

Properties in our system are maintaining very tight cost controls, as we continue to focus on enhancing property-level house profit margins. Where market conditions dictate as appropriate, we have maintained many of our 2009 property-level cost saving initiatives such as adjusting menus and restaurant hours, modifying room amenities, cross-training personnel, utilizing personnel at multiple properties where feasible, and not filling some vacant positions. We also reduced above-property costs, which are allocated to hotels, by scaling back systems, processing, and support areas. In addition, we have not filled certain above-property vacant positions, and have encouraged, or, where legally permitted, required employees to use their vacation time accrued during the 2010 fiscal year.

Our lodging business model involves managing and franchising hotels, rather than owning them. At September 10, 2010, we operated 45 percent of the hotel rooms in our system under management agreements, our franchisees operated 53 percent under franchise agreements, and we owned or leased 2 percent. Our emphasis on long-term management contracts and franchising tends to provide more stable earnings in periods of economic softness, while the addition of new hotels to our system generates growth. This strategy has allowed substantial growth while reducing financial leverage and risk in a cyclical industry. In addition, we increase our financial flexibility by reducing our capital investments and adopting a strategy of recycling the investments that we make.

We currently have nearly 95,000 rooms in our lodging development pipeline. During the first three quarters of 2010, we opened 19,985 rooms (gross). Approximately 30 percent of the new rooms were located outside the United States and 9 percent of the room additions were conversions from competitor brands. Of the rooms that converted, 90 percent converted to our Autograph Collection brand. For the full 2010 fiscal year, we expect to open about 30,000 rooms (gross). The figures in this paragraph do not include residential, timeshare, or ExecuStay units.

We calculate RevPAR by dividing room sales for comparable properties by room nights available to guests for the period. We consider RevPAR to be a meaningful indicator of our performance because it measures the period-over-period change in room revenues for comparable properties. RevPAR may not be comparable to similarly titled measures, such as revenues. References to RevPAR throughout this report are in constant dollars, unless otherwise noted.

Company-operated house profit margin is the ratio of property-level gross operating profit (also known as house profit) to total property-level revenue. We consider house profit margin to be a meaningful indicator of our performance because this ratio measures our overall ability as the operator to produce property-level profits by generating sales and controlling the operating expenses over which we have the most direct control. Gross operating profit includes room, food and beverage, and other revenue and the related expenses including payroll and benefits expenses, as well as repairs and maintenance, utility, general and administrative, and sales and marketing expenses. Gross operating profit does not include the impact of management fees, furniture, fixtures and equipment replacement reserves, insurance, taxes, or other fixed expenses.

We earn base management fees and incentive management fees on the hotels that we manage, and we earn franchise fees on the hotels operated by others under franchise agreements with us. Base fees are

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typically a percentage of property-level revenue while incentive fees are typically a percentage of net house profit adjusted for a specified owner return. Net house profit is calculated as gross operating profit (house profit) less non-controllable expenses such as insurance, real estate taxes, capital spending reserves, and the like. Year-to-date in 2010, base management and franchise fees have increased reflecting strengthening RevPAR and unit growth. Improvement in incentive management fees year-to-date in 2010 reflects improving RevPAR and unit growth and improved gross operating profit.

For our North American comparable properties, systemwide RevPAR (which includes data from our franchised, managed, owned, and leased properties), on a constant dollar basis, increased by 3.9 percent in the first three quarters of 2010, compared to the year-ago period, reflecting improved occupancy levels in most markets partially offset by a modest decline in average daily rate. For our properties outside North America, systemwide RevPAR, on a constant dollar basis, for the first three quarters of 2010 increased 8.6 percent versus the year-ago period, reflecting improved occupancy levels partially offset by lower average daily rates.

Timeshare

Contract sales for our timeshare products remained essentially flat for the first three quarters of 2010, compared to the 2009 period, largely due to difficult second and third quarter comparisons driven by sales promotions begun in the second quarter of 2009. This was mostly offset by the favorable variance in 2010 of contract sales cancellation allowances we recorded in the 2009 period in anticipation that a portion of contract revenue previously recorded for certain residential and fractional projects would not be realized due to contract cancellations prior to closing. By the third quarter of 2010, we had largely discontinued or reduced the purchase incentives and targeted marketing efforts instituted in 2009, therefore pricing improved.

We launched the points-based Marriott Vacation Club Destinations program (“MVCD Program”) in North America and the Caribbean in June 2010, and we are initially focusing our marketing efforts on existing customers. As a result, in the 2010 third quarter, contract sales to existing owners increased 27 percent while sales to new customers declined. We expect accelerated sales to new customers in 2011. See the “Marriott Vacation Club Destinations Program” caption later in this Form 10-Q for additional information.

Rental revenues increased in the first three quarters with stronger leisure demand for our Marriott Vacation Club product. Demand for fractional and residential units remains weak. Sales and marketing costs as a percentage of contract sales continue to improve. As with Lodging, our Timeshare properties continue to maintain very tight cost controls, and we have not filled certain vacant positions, and have encouraged, or, where legally permitted, required employees to use their vacation time accrued during the 2010 fiscal year.

Since the sale of timeshare and fractional intervals and condominiums follows the percentage-of-completion accounting method, current demand may not always be reflected in our Timeshare segment results until later accounting periods. Intentional and unintentional construction delays could also reduce nearer-term Timeshare segment results as percentage-of-completion revenue recognition may correspondingly be delayed as well.

On January 2, 2010, the first day of the 2010 fiscal year, we adopted Accounting Standards Update No. 2009-16, “Transfers and Servicing (Topic 860): Accounting for Transfers of Financial Assets” (“ASU No. 2009-16”) and Accounting Standards Update No. 2009-17, “Consolidations (Topic 810): Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities” (“ASU No. 2009-17”). As a result of adopting both topics in the 2010 first quarter, we consolidated 13 existing qualifying special purpose entities associated with past securitization transactions, and we recorded a one-time non-cash after-tax reduction to shareholders’ equity of \$146 million (\$238 million pretax) in the 2010 first quarter, representing the cumulative effect of a change in accounting principle.

See Footnote No. 1, “Basis of Presentation,” for more detailed information on our adoption of these new accounting topics, including the impact to our Condensed Consolidated Balance Sheet and Condensed Consolidated Statement of Income.

CONSOLIDATED RESULTS

The following discussion presents an analysis of results of our operations for the twelve weeks and thirty-six weeks ended September 10, 2010, compared to the twelve weeks and thirty-six weeks ended September 11, 2009. We added 185 properties (30,452 rooms) and 30 properties (5,734 rooms) exited the system since the end of the 2009 third quarter. These figures do not include residential or ExecuStay units. We also added 2 residential properties (159 units) and 1 residential property (25 units) exited the system since the end of the 2009 third quarter.

Revenues

Twelve Weeks. Revenues increased by \$177 million (7 percent) to \$2,648 million in the third quarter of 2010 from \$2,471 million in the third quarter of 2009, as a result of higher: cost reimbursements revenue (\$142 million); base management and franchise fees (\$16 million); incentive management fees (\$4 million (comprised of a \$3 million increase for North America and a \$1 million increase outside of North America)); and Timeshare sales and service revenue (\$21 million). These increases were partially offset by lower owned, leased, corporate housing, and other revenue (\$6 million).

The increases in base management fees, to \$123 million in the 2010 third quarter from \$116 million in the 2009 third quarter, and in franchise fees, to \$109 million in the 2010 third quarter from \$100 million in the 2009 third quarter, primarily reflected increased RevPAR and the impact of unit growth across the system. The increase in incentive management fees, to \$21 million in the 2010 third quarter from \$17 million in the 2009 third quarter, primarily reflected higher property-level revenue and continued tight property-level cost controls favorably impacting margins.

The increase in Timeshare sales and services revenue to \$275 million in the 2010 third quarter, from \$254 million in the 2009 third quarter, primarily reflected higher financing revenue due to higher interest income and to a lesser extent higher services revenue reflecting increased rental occupancy levels and rates. These favorable impacts were partially offset by lower development revenue due to lower sales volumes associated with tough comparisons driven by sales promotions begun in the 2009 second quarter, lower reportability as certain timeshare projects in the 2010 third quarter have not yet reached revenue recognition reportability thresholds, and lower sales to new customers in our initial launch of the MVCD Program. See “BUSINESS SEGMENTS: Timeshare,” later in this report for additional information on our Timeshare segment.

The decrease in owned, leased, corporate housing, and other revenue, to \$220 million in the 2010 third quarter, from \$226 million in the 2009 third quarter, largely reflected an unfavorable variance from a one-time \$6 million transaction cancellation fee received in the 2009 third quarter. Combined branding fees associated with affinity card endorsements and the sale of branded residential real estate totaled \$15 million and \$17 million for the 2010 and 2009 third quarters, respectively.

Cost reimbursements revenue represents reimbursements of costs incurred on behalf of managed and franchised properties and relates, predominantly, to payroll costs at managed properties where we are the employer. As we record cost reimbursements based upon costs incurred with no added markup, this revenue and related expense has no impact on either our operating income or net income attributable to us. The increase in cost reimbursements revenue, to \$1,900 million in the 2010 third quarter from \$1,758 million in the 2009 third quarter, reflected the impact of growth across the system, partially offset by lower property-level costs in response to cost controls. We added 18 managed properties (6,555 rooms) and 136 franchised properties (18,411 rooms) to our system since the end of the 2009 third quarter, net of properties exiting the system.

Thirty-six Weeks. Revenues increased by \$521 million (7 percent) to \$8,049 million in the first three quarters of 2010 from \$7,528 million in the first three quarters of 2009, as a result of higher: cost reimbursements revenue (\$345 million); Timeshare sales and service revenue (\$103 million); base

management and franchise fees (\$41 million); incentive management fees (\$12 million (comprised of a \$3 million increase for North America and a \$9 million increase outside of North America)); and owned, leased, corporate housing, and other revenue (\$20 million).

The increase in Timeshare sales and services revenue to \$849 million in the first three quarters of 2010, from \$746 million in the first three quarters of 2009, primarily reflected higher financing revenue due to higher interest income and to a lesser extent higher services revenue reflecting increased rental occupancy levels and rates. These favorable impacts were partially offset by lower development revenue reflecting lower sales volumes primarily associated with tough comparisons driven by sales promotions begun in the 2009 second quarter, a \$25 million increase in reserves (we now reserve for 100 percent of notes that are in default in addition to the reserve we record on notes not in default), and lower sales to new customers in our initial launch of the MVCD Program. See “BUSINESS SEGMENTS: Timeshare” later in this report for additional information on our Timeshare segment.

The increases in base management fees, to \$384 million in the first three quarters of 2010 from \$367 million in the first three quarters of 2009, and in franchise fees, to \$305 million in the first three quarters of 2010 from \$281 million in the first three quarters of 2009, primarily reflected stronger RevPAR and the impact of unit growth across the system. The increase in incentive management fees, to \$107 million in the first three quarters of 2010 from \$95 million in the first three quarters of 2009, primarily reflected higher property-level revenue and continued tight property-level cost controls favorably impacting margins and, to a lesser extent, new unit growth.

The increase in owned, leased, corporate housing, and other revenue, to \$704 million in the first three quarters of 2010, from \$684 million in the first three quarters of 2009, largely reflected \$14 million of higher revenue for owned and leased properties and \$12 million of higher hotel agreement termination fees associated with five properties that exited our system, partially offset by an unfavorable variance for a one-time \$6 million transaction cancellation fee received in the 2009 period. The increase in owned and leased revenue primarily reflected increased RevPAR and occupancy levels. Combined branding fees associated with affinity card endorsements and the sale of branded residential real estate totaled \$47 million and \$49 million in the first three quarters of 2010 and 2009, respectively.

The increase in cost reimbursements revenue, to \$5,700 million in the first three quarters of 2010 from \$5,355 million in the first three quarters of 2009, reflected the impact of growth across the system, partially offset by lower property-level costs in response to cost controls.

Timeshare Strategy-Impairment Charges

As discussed in more detail in Footnote No. 14, “Timeshare Strategy-Impairment Charges,” of this Form 10-Q, in the 2009 third quarter we recorded pretax charges totaling \$752 million in our Condensed Consolidated Statements of Income (\$502 million after-tax), including \$614 million of pretax charges that impacted operating income under the “Timeshare strategy-impairment charges” caption, and \$138 million of pretax charges that impacted non-operating income under the “Timeshare strategy-impairment charges (non-operating)” caption. The \$752 million of pretax impairment charges were non-cash, other than \$27 million of charges associated with ongoing mezzanine loan fundings and \$21 million of charges for purchase commitments.

See Footnote No. 14, “Timeshare Strategy-Impairment Charges,” in this Form 10-Q for additional information, including a table showing the composition of the charges.

Restructuring Costs and Other Charges

As part of the restructuring actions we began in the fourth quarter of 2008, we initiated further cost savings measures in 2009 associated with our Timeshare segment, hotel development, above-property level management, and corporate overhead. These further measures resulted in additional restructuring costs of \$51 million in fiscal year 2009 (\$2 million, \$33 million, and \$9 million of which we incurred in the 2009 first, second, and third quarters, respectively). For additional information on the 2009 restructuring costs, including the types of restructuring costs incurred in total and by segment, please see

Footnote No. 21, “Restructuring Costs and Other Charges,” of the 2009 Form 10-K. For the cumulative restructuring costs incurred since inception and a roll forward of the restructuring liability through September 10, 2010, please see Footnote No. 15, “Restructuring Costs and Other Charges,” of this Form 10-Q.

As a result of our Timeshare segment restructuring efforts, we are projecting approximately \$113 million (\$72 million after-tax) of annual cost savings in 2010, \$77 million (\$49 million after-tax) of which we realized in the first three quarters of 2010. The 2010 savings primarily were, and we expect that they will continue to be primarily reflected in the “Timeshare-direct” and the “General, administrative, and other” expense captions in our Condensed Consolidated Statements of Income.

As a result of the hotel development restructuring efforts across several of our Lodging segments, we are projecting approximately \$12 million (\$8 million after-tax) of annual cost savings in 2010, \$8 million (\$5 million after-tax) of which we realized in the first three quarters of 2010. The 2010 savings primarily were, and we expect that they will continue to be, primarily reflected in the “General, administrative, and other” expense caption in our Condensed Consolidated Statements of Income.

We project that the restructuring initiatives we implemented by reducing above property-level lodging management personnel will result in \$10 million to \$11 million (\$6 million to \$7 million after-tax) of annual cost savings in 2010, \$7 million (\$5 million after-tax) of which we realized in the first three quarters of 2010. These savings primarily were, and we expect that they will continue to be, primarily reflected in the “General, administrative, and other” expense caption in our Condensed Consolidated Statements of Income.

Operating Income (Loss)

Twelve Weeks. Operating income increased by \$673 million to operating income of \$167 million in the 2010 third quarter from an operating loss of \$506 million in the third quarter of 2009. This increase reflected a favorable variance of \$614 million related to Timeshare strategy-impairment charges recorded in the 2009 third quarter, \$40 million of higher Timeshare sales and services revenue net of direct expenses, a \$9 million decrease in restructuring costs, an increase in base management and franchise fees of \$16 million, and \$4 million of higher incentive management fees. These increases were partially offset by \$5 million of lower owned, leased, corporate housing, and other revenue net of direct expenses and a \$5 million increase in general, administrative, and other expenses.

The reasons for the increase of \$16 million in base management and franchise fees as well as the increase of \$4 million in incentive management fees as compared to the year-ago quarter are noted in the preceding “Revenues” section.

Timeshare sales and services revenue net of direct expenses in the third quarter of 2010 totaled \$56 million. The increase of \$40 million from the year-ago quarter primarily reflected \$20 million of higher financing revenue, which largely reflected increased interest income associated with the impact of ASU Nos. 2009-16 and 2009-17, \$7 million of higher development revenue net of product costs and marketing and selling costs, \$11 million of higher other revenue net of expenses, and \$3 million of higher services revenue net of expenses. Higher development revenue net of product costs and marketing and selling costs primarily reflected lower product costs due to lower sales volumes, lower reportability and lower marketing and selling costs, partially offset by lower development revenue for the reasons stated in the preceding “Revenues” section. See “BUSINESS SEGMENTS: Timeshare” later in this report for additional information on our Timeshare segment.

The \$5 million (42 percent) decrease in owned, leased, corporate housing, and other revenue net of direct expenses was primarily attributable to an unfavorable variance from a one-time \$6 million transaction cancellation fee received in the 2009 third quarter and additional rent expense associated with one property, partially offset by stronger results at some owned and leased properties.

General, administrative, and other expenses increased by \$5 million (3 percent) to \$149 million in the third quarter of 2010 from \$144 million in the third quarter of 2009. The quarter-over-quarter variance

reflected \$6 million of increased incentive compensation, \$7 million of increased other expenses, primarily associated with initiatives to enhance our brands globally, and a \$3 million increase in legal expenses. Partially offsetting these increased expenses were an \$8 million favorable variance in deferred compensation expenses (with changes to the company's deferred compensation plan, 2010 third quarter general, administrative, and other expenses had no deferred compensation expenses, compared to an \$8 million unfavorable impact in the year-ago quarter from mark-to-market valuations) and a \$4 million reversal of excess accruals for net asset tax based on the receipt of final assessments from a taxing authority located outside the United States. Of the \$5 million increase in total general, administrative, and other expenses, an increase of \$7 million was attributable to our Lodging segments and a decrease of \$2 million was unallocated.

Thirty-six Weeks. Operating income increased by \$940 million to operating income of \$573 million in the first three quarters of 2010 from an operating loss of \$367 million in the first three quarters of 2009. The increase in operating income reflected a favorable variance of \$614 million related to Timeshare strategy-impairment charges recorded in the 2009 third quarter, \$147 million of higher Timeshare sales and services revenue net of direct expenses, a \$78 million decrease in general, administrative, and other expenses, a \$44 million decrease in restructuring costs, a \$41 million increase in base management and franchise fees, \$12 million of higher incentive management fees, and \$4 million of higher owned, leased, corporate housing, and other revenue net of direct expenses.

The reasons for the increase of \$41 million in base management and franchise fees as well as the increase of \$12 million in incentive management fees as compared to the first three quarters of 2009 are noted in the preceding "Revenues" section.

Timeshare sales and services revenue net of direct expenses in the first three quarters of 2010 totaled \$156 million. The increase of \$147 million from the year-ago period primarily reflected \$92 million of higher financing revenue, which largely reflected increased interest income associated with the impact of consolidating previously unconsolidated securitized notes under ASU Nos. 2009-16 and 2009-17, \$30 million of higher development revenue net of product costs and marketing and selling costs, \$10 million of higher services revenue net of expenses, and \$16 million of higher other revenue, net of expenses. Higher development revenue net of product costs and marketing and selling costs primarily reflected both lower product costs due to lower sales volumes and lower marketing and selling costs in the 2010 period, as well as favorable variances from both an \$8 million charge related to an issue with a state tax authority and a net \$3 million impact from contract cancellation allowances in the 2009 period, partially offset by lower development revenue for the reasons stated in the preceding "Revenues" section. See "BUSINESS SEGMENTS: Timeshare," later in this report for additional information on our Timeshare segment.

The \$4 million (9 percent) increase in owned, leased, corporate housing, and other revenue net of direct expenses was primarily attributable to \$10 million of higher hotel agreement termination fees net of property closing costs and net stronger results at some owned and leased properties due to higher RevPAR and property-level margins, partially offset by additional rent expense associated with one property and an unfavorable variance from a one-time \$6 million transaction cancellation fee received in the 2009 period.

General, administrative, and other expenses decreased by \$78 million (15 percent) to \$429 million in the first three quarters of 2010 from \$507 million in the first three quarters of 2009. The first three quarters of 2010 were favorably impacted by a \$6 million reversal in that period of guarantee accruals, primarily related to a completion guarantee for which we satisfied the related requirements, \$2 million of decreased legal expenses, and a \$4 million reversal of excess accruals for net asset tax based on the receipt of final assessments from a taxing authority located outside the United States, as well as the following 2009 expenses that were not incurred in 2010: \$49 million of impairment charges related to two security deposits that we deemed unrecoverable in the first quarter of 2009 due, in part, to our decision not to fund certain cash flow shortfalls, partially offset by an \$11 million reversal of the 2008 accrual for the funding of those cash flow shortfalls; a \$43 million provision for loan losses; a \$7 million write-off of Timeshare segment capitalized software costs; and \$4 million of bad debt expense on an

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accounts receivable balance. The period over period variance also reflected a \$10 million favorable variance in deferred compensation expenses (with changes to the company's deferred compensation plan, general, administrative, and other expenses for the first three quarters of 2010 had no deferred compensation expenses, compared to a \$10 million unfavorable impact in the year-ago period from mark-to-market valuations). Somewhat offsetting these favorable items were incentive compensation costs, which were \$26 million higher, as well as \$7 million of increased other expenses primarily associated with initiatives to enhance our brands globally, and \$5 million of increased foreign exchange losses, all in the 2010 period. Of the \$78 million decrease in total general, administrative, and other expenses, a decrease of \$46 million was attributable to our Lodging segments and a decrease of \$32 million was unallocated.

As noted in the preceding paragraph, the decrease in general, administrative, and other expenses included a \$43 million decrease in the provision for loan losses to zero in the first three quarters of 2010 from \$43 million in the first three quarters of 2009. The 2009 provision reflected a \$29 million loan loss provision associated with one Luxury segment project and a \$14 million loan loss provision associated with a North American Limited-Service segment portfolio.

Gains (Losses) and Other Income

The table below shows our gains (losses) and other income for the twelve and thirty-six weeks ended September 10, 2010, and September 11, 2009:

(\$ in millions)	Twelve Weeks Ended		Thirty-Six Weeks Ended	
	September 10, 2010	September 11, 2009	September 10, 2010	September 11, 2009
Gain on debt extinguishment	\$ 0	\$ 0	\$ 0	\$ 21
Gains on sales of real estate and other	3	3	7	9
Income from cost method joint ventures	0	1	0	2
Impairment of equity securities	0	(5)	0	(5)
	<u>\$ 3</u>	<u>\$ (1)</u>	<u>\$ 7</u>	<u>\$ 27</u>

Twelve Weeks. The \$5 million impairment of equity securities in the third quarter of 2009 reflected an other-than-temporary impairment of marketable securities in accordance with the guidance for accounting for certain investments in debt and equity securities. For additional information on the impairment, see Footnote No. 5, "Fair Value Measurements," of the 2009 Form 10-K.

Thirty-six Weeks. The \$21 million gain on debt extinguishment in the first three quarters of 2009 represents the difference between the purchase price and net carrying amount of Senior Notes we repurchased.

Interest Expense

Twelve Weeks. Interest expense increased by \$14 million (52 percent) to \$41 million in the third quarter of 2010 compared to \$27 million in the third quarter of 2009. This increase was primarily driven by: (1) the consolidation of \$1,121 million of debt in the 2010 first quarter associated with previously securitized notes, as discussed in Footnote No. 1, "Basis of Presentation," which resulted in a \$12 million increase in interest expense in the 2010 third quarter related to that debt; (2) a \$3 million unfavorable variance to the 2009 third quarter as a result of lower capitalized interest in the 2010 third quarter associated with construction projects; and (3) \$3 million of higher interest expense in the 2010 third quarter associated with our executive deferred compensation plan. These increases were partially offset by \$4 million of lower interest expense associated with the maturity of our Series C Senior Notes in the 2009 fourth quarter, lower average borrowings under the Credit Facility with a lower average interest rate, and other net debt reductions.

Thirty-six Weeks. Interest expense increased by \$46 million (55 percent) to \$130 million in the first three quarters of 2010 compared to \$84 million in the first three quarters of 2009. This increase was primarily driven by: (1) the consolidation of \$1,121 million of debt in the 2010 first quarter associated with previously securitized notes, which resulted in a \$40 million increase in interest expense in the first three quarters of 2010 related to that debt; (2) a \$13 million unfavorable variance to the first three quarters of 2009 as a result of lower capitalized interest in the first three quarters of 2010 associated with

construction projects; and (3) \$9 million of higher interest expense in the first three quarters of 2010 associated with our executive deferred compensation plan. These increases were partially offset by: (1) \$11 million of lower interest expense associated with our repurchase of \$122 million of principal amount of our Senior Notes in 2009, the maturity of our Series C Senior Notes in the 2009 fourth quarter and other net debt reductions; and (2) a \$5 million decrease in interest expense associated with our Credit Facility, which reflected lower average borrowings under the Credit Facility and a lower average interest rate.

Interest Income and Income Tax

Twelve Weeks. Interest income decreased by \$1 million (20 percent) to \$4 million in the third quarter of 2010, from \$5 million in the third quarter of 2009, primarily reflecting a \$2 million decrease associated with a loan for which we recognized interest income in the 2009 third quarter, but for which we no longer recognize interest income. Subsequent to the 2009 third quarter, we determined that the loan had become impaired. Because we recognize interest on impaired loans on a cash basis, we did not recognize any interest on this loan after its impairment.

Our tax provision increased by \$255 million (121 percent) to a tax provision of \$45 million in the third quarter of 2010 from a tax benefit of \$210 million in the third quarter of 2009. The increase was primarily due to pretax income in 2010 (as compared to a pretax loss in 2009) and \$7 million of higher tax expense associated with changes to the Company's deferred compensation plan (the 2010 third quarter had no impact associated with deferred compensation expenses, compared to a \$7 million favorable impact in the year-ago quarter). The increase was partially offset by a lower tax rate in the third quarter of 2010, as the 2009 third quarter reflected \$13 million of income tax expense primarily related to the treatment of funds received from certain foreign subsidiaries.

Thirty-six Weeks. Interest income decreased by \$9 million (45 percent) to \$11 million in the first three quarters of 2010, from \$20 million in the first three quarters of 2009, primarily reflecting a \$5 million decrease associated with a loan that we determined was impaired in the 2009 third quarter (as noted in the preceding "Twelve Weeks" discussion), and a \$3 million decrease due to a change in the timing of payment of a preferred dividend.

Our tax provision increased by \$289 million (217 percent) to a tax provision of \$156 million in the first three quarters of 2010 from a tax benefit of \$133 million in the first three quarters of 2009. The increase was primarily due to pretax income in 2010 (as compared to a pretax loss in 2009) and \$9 million of higher tax expense associated with changes to the Company's deferred compensation plan (the first three quarters of 2010 had no impact associated with deferred compensation expenses, compared to a \$9 million favorable impact in the year-ago period). The increase was partially offset by a lower tax rate in the first three quarters of 2010, as the first three quarters of 2009 reflected \$56 million of income tax expense primarily related to the treatment of funds received from certain foreign subsidiaries.

Equity in Losses

Twelve Weeks. Equity in losses of \$5 million in the third quarter of 2010 decreased by \$7 million from equity in losses of \$12 million in the third quarter of 2009 and primarily reflected a favorable variance from a \$3 million impairment charge in the 2009 third quarter for a joint venture that was not allocated to one of our segments and a total of \$4 million of lower losses in the 2010 third quarter for a Timeshare segment residential and fractional project joint venture and International segment joint venture.

Thirty-six Weeks. Equity in losses of \$20 million in the first three quarters of 2010 decreased by \$30 million from equity in losses of \$50 million in first three quarters of 2009 and primarily reflected favorable variances from a \$30 million impairment charge associated with a Luxury segment joint venture investment that we determined was fully impaired and a \$3 million impairment charge for a joint venture that was not allocated to one of our segments, both incurred in the 2009 period. Increased earnings of \$2 million for our International segment joint ventures also contributed to the decrease in equity in losses. These favorable impacts were partially offset by \$3 million of increased losses in the 2010 period for a Timeshare segment residential and fractional project joint venture, primarily related to increased cancellation allowances, and impairment charges we recorded in the 2010 period of \$2 million and

\$1 million associated with a North American Limited-Service segment joint venture and a Timeshare segment joint venture, respectively.

Net Losses Attributable to Noncontrolling Interests

Twelve Weeks. Net losses attributable to noncontrolling interests decreased by \$3 million in the third quarter of 2010 to zero, compared to \$3 million in the third quarter of 2009.

Thirty-six Weeks. Net losses attributable to noncontrolling interests decreased by \$7 million in the first three quarters of 2010 to zero, compared to \$7 million in the first three quarters of 2009.

Net Income (Loss)

Twelve Weeks. Net income increased by \$552 million (118 percent) to income of \$83 million in the third quarter of 2010 from a loss of \$469 million in the third quarter of 2009, net income attributable to Marriott increased by \$549 million (118 percent) to income of \$83 million in the third quarter of 2010 from a loss of \$466 million in the third quarter of 2009, and diluted earnings per share attributable to Marriott increased by \$1.53 (117 percent) to earnings of \$0.22 per share from losses of \$1.31 per share in the third quarter of 2009. As discussed in more detail in the preceding sections beginning with "Operating Income," the \$552 million increase in net income compared to the prior year was due to a favorable variance related to Timeshare strategy-impairment charges in the 2009 third quarter (\$752 million), higher Timeshare sales and services revenue net of direct expenses (\$40 million), higher base management and franchise fees (\$16 million), lower restructuring costs (\$9 million), lower equity in losses (\$7 million), higher gains and other income (\$4 million), and higher incentive management fees (\$4 million). These favorable variances were partially offset by higher income taxes (\$255 million), higher interest expense (\$14 million), lower owned, leased, corporate housing and other revenue net of direct expenses (\$5 million), higher general, administrative, and other expenses (\$5 million) and lower interest income (\$1 million).

Thirty-six Weeks. Net income increased by \$744 million (162 percent) to income of \$285 million in the first three quarters of 2010 from a loss of \$459 million in the first three quarters of 2009, net income attributable to Marriott increased by \$737 million (163 percent) to income of \$285 million in first three quarters of 2010 from a loss of \$452 million in the first three quarters of 2009, and diluted income per share attributable to Marriott increased by \$2.03 (160 percent) to earnings of \$0.76 per share from losses of \$1.27 per share in the first three quarters of 2009. As discussed in more detail in the preceding sections beginning with "Operating Income," the \$744 million increase in net income compared to the prior year was due to a favorable variance related to Timeshare strategy-impairment charges in the third quarter of 2009 (\$752 million), higher Timeshare sales and services revenue net of direct expenses (\$147 million), lower general, administrative, and other expenses (\$78 million), lower restructuring costs (\$44 million), higher base management and franchise fees (\$41 million), lower equity in losses (\$30 million), higher incentive management fees (\$12 million), and higher owned, leased, corporate housing, and other revenue net of direct expenses (\$4 million). These favorable variances were partially offset by higher income taxes (\$289 million), higher interest expense (\$46 million), lower gains and other income (\$20 million), and lower interest income (\$9 million).

Earnings Before Interest Expense, Taxes, Depreciation and Amortization ("EBITDA")

EBITDA is a non-GAAP financial measure that reflects earnings excluding the impact of interest expense, provision for income taxes, depreciation and amortization. We consider EBITDA to be an indicator of operating performance because we use it to measure our ability to service debt, fund capital expenditures, and expand our business. We also use EBITDA, as do analysts, lenders, investors and others, to evaluate companies because it excludes certain items that can vary widely across different industries or among companies within the same industry. For example, interest expense can be dependent on a company's capital structure, debt levels and credit ratings. Accordingly, the impact of interest expense on earnings can vary significantly among companies. The tax positions of companies can also vary because of their differing abilities to take advantage of tax benefits and because of the tax policies of the jurisdictions in which they operate. As a result, effective tax rates and provision for income taxes can vary considerably among companies. EBITDA also excludes depreciation and amortization because companies utilize productive assets of different ages and use different methods of both acquiring and

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depreciating productive assets. These differences can result in considerable variability in the relative costs of productive assets and the depreciation and amortization expense among companies.

We also evaluate adjusted EBITDA as an indicator of operating performance. Adjusted EBITDA excludes: (1) the 2009 third quarter restructuring costs and other charges totaling \$8 million; (2) the 2009 second quarter restructuring costs and other charges totaling \$57 million; and (3) the 2009 first quarter restructuring costs and other charges totaling \$129 million. We evaluate non-GAAP measures that exclude the impact of the restructuring costs and other charges incurred in the first three quarters of 2009 because those non-GAAP measures allow for period-over-period comparisons of our on-going core operations before material charges. These non-GAAP measures also facilitate our comparison of results from our on-going operations before material charges with results from other lodging companies. EBITDA and adjusted EBITDA have limitations and should not be considered in isolation or as a substitute for performance measures calculated in accordance with GAAP. Both of these non-GAAP measures exclude certain cash expenses that we are obligated to make. In addition, other companies in our industry may calculate adjusted EBITDA differently than we do or may not calculate it at all, limiting adjusted EBITDA's usefulness as a comparative measure. The table below shows our EBITDA and Adjusted EBITDA calculations and reconciles those measures with Net Income (Loss) attributable to Marriott.

(\$ in millions)	Twelve Weeks Ended		Thirty-Six Weeks Ended	
	September 10, 2010	September 11, 2009	September 10, 2010	September 11, 2009
Net Income (Loss) attributable to Marriott	\$ 83	\$ (466)	\$ 285	\$ (452)
Interest expense	41	27	130	84
Tax provision (benefit)	45	(210)	156	(133)
Tax provision, noncontrolling interests	0	1	0	4
Depreciation and amortization	40	43	121	124
Less: Depreciation reimbursed by third-party owners	(2)	(2)	(8)	(6)
Interest expense from unconsolidated joint ventures	6	4	16	13
Depreciation and amortization from unconsolidated joint ventures	7	6	19	18
EBITDA	\$ 220	\$ (597)	\$ 719	\$ (348)
Restructuring costs and other charges				
Severance	0	4	0	16
Facilities exit costs	0	5	0	27
Development cancellations	0	0	0	1
Total restructuring costs	0	9	0	44
Impairment of investments and other	0	0	0	79
Reversal of reserve for expected fundings	0	0	0	(11)
Accounts receivable and guarantee charges	0	1	0	4
Reserves for loan losses	0	0	0	43
Contract cancellation allowances	0	1	0	6
Residual interests valuation	0	(3)	0	22
Software development write-off	0	0	0	7
Total other charges	0	(1)	0	150
Total restructuring costs and other charges	0	8	0	194
Timeshare strategy-impairment charges				
Operating impairments	0	614	0	614
Non-operating impairments	0	138	0	138
Total timeshare strategy-impairment charges	0	752	0	752
Adjusted EBITDA	\$ 220	\$ 163	\$ 719	\$ 598

BUSINESS SEGMENTS

We are a diversified hospitality company with operations in five business segments: North American Full-Service Lodging, North American Limited-Service Lodging, International Lodging, Luxury Lodging, and Timeshare. See Footnote No. 13, "Business Segments," for further information on our segments including how we aggregate our individual brands into each segment, and other information about each segment, including revenues, income (loss) attributable to Marriott, net losses attributable to noncontrolling interests, equity in earnings (losses) of equity method investees, and assets.

Twelve Weeks. Total segment financial results increased by \$732 million (140 percent) to segment income of \$211 million in the third quarter of 2010 from segment losses of \$521 million in the third

quarter of 2009, and total segment revenues increased by \$182 million to \$2,630 million in the third quarter of 2010, a 7 percent increase from revenues of \$2,448 million in the third quarter of 2009.

The increase in revenues included a \$142 million increase in cost reimbursements revenue, which does not impact operating income or net income attributable to Marriott. The results, compared to the year-ago quarter, primarily reflected a favorable impact of \$685 million related to Timeshare strategy-impairment charges recorded in the 2009 third quarter, \$614 million of which were reported in the “Timeshare strategy-impairment charges” caption and \$71 million of which were reported in the “Timeshare strategy-impairment charges (non-operating)” caption of our Condensed Consolidated Statements of Income, an increase of \$40 million in Timeshare sales and services revenue net of direct expenses, a \$16 million increase in base management and franchise fees to \$232 million in the 2010 quarter from \$216 million in the 2009 quarter, a \$7 million decrease in restructuring costs, and a \$4 million increase in incentive management fees. These favorable variances were partially offset by \$12 million of increased interest expense, \$7 million of increased general, administrative, and other expenses, and a \$4 million decrease in net losses attributable to noncontrolling interest benefit.

The \$16 million increase in base management and franchise fees primarily reflected stronger RevPAR and the impact of unit growth across the system. The \$4 million increase in incentive management fees primarily reflected higher property-level revenue and continued tight property-level cost controls favorably impacting margins in the third quarter of 2010 compared to the third quarter of 2009. In the third quarter of 2010, 23 percent of our managed properties paid incentive management fees to us versus 20 percent in the third quarter of 2009. In addition, in the third quarter of 2010, 88 percent of our incentive fees were derived from international hotels versus nearly all of our incentive fees in the 2009 third quarter.

Worldwide RevPAR for comparable systemwide properties increased by 8.2 percent (7.5 percent using actual dollars) while worldwide RevPAR for comparable company-operated properties increased by 8.4 percent (7.0 percent using actual dollars). Compared to the year-ago quarter, worldwide comparable company-operated house profit margins in 2010 increased by 90 basis points and worldwide comparable company-operated house profit per available room (“HP-PAR”) increased by 9.7 percent on a constant U.S. dollar basis reflecting the impact of very tight cost controls in 2010 at properties in our system as well as increased demand. North American company-operated house profit margins increased by 30 basis points and HP-PAR at our North American company-operated properties increased by 6.0 percent also reflecting very tight cost controls at properties and increased demand, offset in part by lower cancellation and attrition fees in the 2010 quarter. International company-operated house profit margins increased by 170 basis points and HP-PAR at our international company-operated properties increased by 15.0 percent reflecting higher property-level revenue and continued tight property-level cost controls.

Thirty-six Weeks. Total segment financial results increased by \$951 million (351 percent) to segment income of \$680 million in the first three quarters of 2010 from segment losses of \$271 million in the first three quarters of 2009, and total segment revenues increased by \$525 million to \$7,997 million in the first three quarters of 2010, a 7 percent increase from revenues of \$7,472 million in the first three quarters of 2009.

The increase in revenues included a \$345 million increase in cost reimbursements revenue, which does not impact operating income or net income attributable to Marriott. The results, compared to the first three quarters of 2009, reflected a favorable impact of \$685 million related to Timeshare strategy-impairment charges recorded in the 2009 third quarter, \$614 million of which were reported in the “Timeshare strategy-impairment charges” caption and \$71 million of which were reported in the “Timeshare strategy-impairment charges (non-operating)” caption of our Condensed Consolidated Statements of Income, an increase of \$147 million in Timeshare sales and services revenue net of direct expenses, \$46 million of decreased general, administrative, and other expenses, a \$41 million increase in base management and franchise fees to \$689 million in the first three quarters of 2010 from \$648 million in the first three quarters of 2009, a \$40 million decrease in restructuring costs, \$25 million of lower joint venture equity losses, \$12 million of higher incentive management fees, and an increase of \$8 million in owned, leased, corporate housing, and other revenue net of direct expenses. These favorable variances

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were partially offset by \$40 million of increased interest expense, an \$11 million decrease in net losses attributable to noncontrolling interest benefit, and a decrease of \$2 million in gains and other income.

The \$41 million increase in base management and franchise fees primarily reflected stronger RevPAR and the impact of unit growth across the system. The \$12 million increase in incentive management fees primarily reflected higher property-level revenue and continued tight property-level cost controls favorably impacting margins in the first three quarters of 2010 compared to the first three quarters of 2009. In the first three quarters of 2010, 27 percent of our managed properties paid incentive management fees to us versus 25 percent in the first three quarters of 2009. In addition, in the first three quarters of 2010, 67 percent of our incentive fees were derived from international hotels versus 65 percent in the first three quarters of 2009.

Worldwide RevPAR for comparable systemwide properties increased by 4.8 percent (5.1 percent using actual dollars) while worldwide RevPAR for comparable company-operated properties increased by 5.5 percent (5.8 percent using actual dollars). Compared to the year-ago period, worldwide comparable company-operated house profit margins in the first three quarters of 2010 increased by 30 basis points and worldwide comparable company-operated HP-PAR increased by 4.9 percent on a constant U.S. dollar basis reflecting the impact of very tight cost controls in 2010 at properties in our system and increased demand, partially offset by decreased average daily rates. North American company-operated house profit margins declined by 20 basis points and HP-PAR at our North American company-operated properties increased by 1.9 percent reflecting very tight cost controls at properties, partially offset by decreased average daily rates and lower cancellation and attrition fees. International company-operated house profit margins increased by 110 basis points and HP-PAR at our international company-operated properties increased by 10.1 percent reflecting higher property-level revenue and continued tight property-level cost controls.

Summary of Properties by Brand

Inclusive of residential properties, we opened 32 lodging properties (5,056 rooms) during the third quarter of 2010, while 3 properties (667 rooms) exited the system, increasing our total properties to 3,518 (611,566 rooms). These figures include 32 home and condominium products (3,021 units), for which we manage the related owners' associations. Unless otherwise indicated, our references to Marriott Hotels & Resorts throughout this report include JW Marriott and Marriott Conference Centers. References to Renaissance Hotels include Renaissance ClubSport, and references to Fairfield Inn & Suites include Fairfield Inn.

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The table below shows properties we operated or franchised, by brand, as of September 10, 2010 (excluding 1,993 corporate housing rental units associated with our ExecuStay brand):

Brand	Company-Operated		Franchised	
	Properties	Rooms	Properties	Rooms
U.S. Locations				
Marriott Hotels & Resorts	141	72,569	185	56,242
Marriott Conference Centers	11	3,298	0	0
JW Marriott	13	8,616	5	1,552
Renaissance Hotels	37	16,963	40	11,478
Renaissance ClubSport	0	0	2	349
Autograph Collection	0	0	11	1,646
The Ritz-Carlton	39	11,587	0	0
The Ritz-Carlton-Residential ⁽¹⁾	25	2,603	0	0
Courtyard	281	44,143	504	66,182
Fairfield Inn & Suites	3	1,055	644	57,343
SpringHill Suites	33	5,156	238	26,616
Residence Inn	133	18,997	459	52,283
TownePlace Suites	34	3,658	158	15,662
Marriott Vacation Club ⁽²⁾	42	9,748	0	0
The Ritz-Carlton Destination Club ⁽²⁾	7	314	0	0
The Ritz-Carlton Residences ^{(1), (2)}	3	222	0	0
Grand Residences by Marriott-Fractional ⁽²⁾	1	199	0	0
Grand Residences by Marriott-Residential ^{(1), (2)}	2	68	0	0
Non-U.S. Locations				
Marriott Hotels & Resorts	132	39,059	35	10,332
JW Marriott	26	9,971	2	574
Renaissance Hotels	51	17,580	16	5,042
The Ritz-Carlton	35	10,457	0	0
The Ritz-Carlton-Residential ⁽¹⁾	1	112	0	0
The Ritz-Carlton Serviced Apartments	3	458	0	0
Bulgari Hotels & Resorts	2	117	0	0
Marriott Executive Apartments	22	3,676	1	99
Courtyard	51	11,301	46	8,006
Fairfield Inn & Suites	0	0	10	1,235
SpringHill Suites	0	0	1	124
Residence Inn	3	405	15	2,154
Marriott Vacation Club ⁽²⁾	11	2,118	0	0
The Ritz-Carlton Destination Club ⁽²⁾	2	132	0	0
The Ritz-Carlton Residences ^{(1), (2)}	1	16	0	0
Grand Residences by Marriott-Fractional ⁽²⁾	1	49	0	0
Total	1,146	294,647	2,372	316,919

⁽¹⁾ Represents projects where we manage the related owners' association. Residential products are included once they possess a certificate of occupancy.

⁽²⁾ Indicates a Timeshare product. Includes products in active sales as well as those that are sold out.

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Total Lodging and Timeshare Products by Segment

At September 10, 2010, we operated or franchised the following properties by segment (excluding 1,993 corporate housing rental units associated with our ExecuStay brand):

	Total Lodging and Timeshare Products					
	Properties			Rooms		
	U.S.	Non-U.S.	Total	U.S.	Non-U.S.	Total
North American Full-Service Lodging Segment ⁽¹⁾						
Marriott Hotels & Resorts	322	13	335	126,044	4,837	130,881
Marriott Conference Centers	11	0	11	3,298	0	3,298
JW Marriott	17	1	18	9,781	221	10,002
Renaissance Hotels	77	2	79	28,441	790	29,231
Renaissance ClubSport	2	0	2	349	0	349
Autograph Collection	11	0	11	1,646	0	1,646
	<u>440</u>	<u>16</u>	<u>456</u>	<u>169,559</u>	<u>5,848</u>	<u>175,407</u>
North American Limited-Service Lodging Segment ⁽¹⁾						
Courtyard	784	16	800	109,921	2,793	112,714
Fairfield Inn & Suites	647	9	656	58,398	1,029	59,427
SpringHill Suites	271	1	272	31,772	124	31,896
Residence Inn	592	17	609	71,280	2,450	73,730
TownePlace Suites	192	0	192	19,320	0	19,320
	<u>2,486</u>	<u>43</u>	<u>2,529</u>	<u>290,691</u>	<u>6,396</u>	<u>297,087</u>
International Lodging Segment ⁽¹⁾						
Marriott Hotels & Resorts	4	154	158	2,767	44,554	47,321
JW Marriott	1	27	28	387	10,324	10,711
Renaissance Hotels	0	65	65	0	21,832	21,832
Courtyard	1	81	82	404	16,514	16,918
Fairfield Inn & Suites	0	1	1	0	206	206
Residence Inn	0	1	1	0	109	109
Marriott Executive Apartments	0	23	23	0	3,775	3,775
	<u>6</u>	<u>352</u>	<u>358</u>	<u>3,558</u>	<u>97,314</u>	<u>100,872</u>
Luxury Lodging Segment						
The Ritz-Carlton	39	35	74	11,587	10,457	22,044
Bulgari Hotels & Resorts	0	2	2	0	117	117
The Ritz-Carlton-Residential ⁽²⁾	25	1	26	2,603	112	2,715
The Ritz-Carlton Serviced Apartments	0	3	3	0	458	458
	<u>64</u>	<u>41</u>	<u>105</u>	<u>14,190</u>	<u>11,144</u>	<u>25,334</u>
Timeshare Segment ⁽³⁾						
Marriott Vacation Club	42	11	53	9,748	2,118	11,866
The Ritz-Carlton Destination Club	7	2	9	314	132	446
The Ritz-Carlton Residences ⁽²⁾	3	1	4	222	16	238
Grand Residences by Marriott-Fractional	1	1	2	199	49	248
Grand Residences by Marriott-Residential ^{(1),(2)}	2	0	2	68	0	68
	<u>55</u>	<u>15</u>	<u>70</u>	<u>10,551</u>	<u>2,315</u>	<u>12,866</u>
Total	<u><u>3,051</u></u>	<u><u>467</u></u>	<u><u>3,518</u></u>	<u><u>488,549</u></u>	<u><u>123,017</u></u>	<u><u>611,566</u></u>

⁽¹⁾ North American includes properties located in the continental United States and Canada. International includes properties located outside the continental United States and Canada.

⁽²⁾ Represents projects where we manage the related owners' association. Residential products are included once they possess a certificate of occupancy.

⁽³⁾ Includes resorts that are in active sales as well as those that are sold out. Products in active sales may not be ready for occupancy.

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The following table provides additional detail, by brand, as of September 10, 2010, for our Timeshare properties:

	Total Properties ⁽¹⁾	Properties in Active Sales ⁽²⁾
100 Percent Company-Developed		
Marriott Vacation Club	53	27
The Ritz-Carlton Destination Club and Residences	11	9
Grand Residences by Marriott and Residences	4	3
Joint Ventures		
The Ritz-Carlton Destination Club and Residences	2	2
Total	70	41

(1) Includes products that are in active sales as well as those that are sold out. Residential products are included once they possess a certificate of occupancy.

(2) Products in active sales may not be ready for occupancy.

Statistics

The following tables show occupancy, average daily rate, and RevPAR for comparable properties, for each of the brands in our North American Full-Service and North American Limited-Service segments, for our International segment by region, and the principal brand in our Luxury segment, The Ritz-Carlton. We have not presented statistics for company-operated Fairfield Inn & Suites properties in these tables because we operate very few properties, as the brand is predominantly franchised, and such information would not be meaningful (identified as “nm” in the tables that follow). Systemwide statistics include data from our franchised properties, in addition to our owned, leased, and managed properties.

The occupancy, average daily rate, and RevPAR statistics used throughout this report for the twelve weeks ended September 10, 2010, include the period from June 19, 2010, through September 10, 2010, and the statistics for the twelve weeks ended September 11, 2009, include the period from June 20, 2009, through September 11, 2009, (except in each case, for The Ritz-Carlton brand properties and properties located outside of the continental United States, which for those properties includes the period from June 1 through the end of August). The occupancy, average daily rate, and RevPAR statistics used throughout this report for the thirty-six weeks ended September 10, 2010, include the period from January 2, 2010, through September 10, 2010, and the statistics for the thirty-six weeks ended September 11, 2009, include the period from January 3, 2009, through September 11, 2009, (except in each case, for The Ritz-Carlton brand properties and properties located outside of the continental United States, which for those properties includes the period from January 1 through the end of August).

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	Comparable Company-Operated North American Properties ⁽¹⁾		Comparable Systemwide North American Properties ⁽¹⁾	
	Twelve Weeks Ended September 10, 2010	Change vs. 2009	Twelve Weeks Ended September 10, 2010	Change vs. 2009
Marriott Hotels & Resorts ⁽²⁾				
Occupancy	71.7%	2.2% pts.	69.4%	3.1% pts.
Average Daily Rate	\$ 147.02	3.7%	\$ 137.17	2.6%
RevPAR	\$ 105.35	7.0%	\$ 95.20	7.4%
Renaissance Hotels & Resorts				
Occupancy	69.1%	0.7% pts.	69.6%	2.7% pts.
Average Daily Rate	\$ 142.02	2.7%	\$ 132.59	2.1%
RevPAR	\$ 98.20	3.8%	\$ 92.22	6.2%
Composite North American Full-Service ⁽³⁾				
Occupancy	71.2%	1.9% pts.	69.4%	3.1% pts.
Average Daily Rate	\$ 146.11	3.5%	\$ 136.35	2.5%
RevPAR	\$ 104.01	6.4%	\$ 94.67	7.2%
The Ritz-Carlton North America				
Occupancy	68.6%	2.9% pts.	68.6%	2.9% pts.
Average Daily Rate	\$ 247.12	3.3%	\$ 247.12	3.3%
RevPAR	\$ 169.51	7.9%	\$ 169.51	7.9%
Composite North American Full-Service and Luxury ⁽⁴⁾				
Occupancy	70.9%	2.0% pts.	69.4%	3.0% pts.
Average Daily Rate	\$ 158.18	3.6%	\$ 144.46	2.6%
RevPAR	\$ 112.10	6.7%	\$ 100.21	7.3%
Residence Inn				
Occupancy	78.9%	3.8% pts.	80.6%	4.4% pts.
Average Daily Rate	\$ 113.40	1.1%	\$ 113.32	0.9%
RevPAR	\$ 89.50	6.2%	\$ 91.37	6.6%
Courtyard				
Occupancy	67.5%	2.5% pts.	70.2%	3.3% pts.
Average Daily Rate	\$ 105.77	1.9%	\$ 109.63	1.8%
RevPAR	\$ 71.37	5.8%	\$ 76.92	6.8%
Fairfield Inn				
Occupancy	nm	nm pts.	70.5%	4.4% pts.
Average Daily Rate	\$ nm	nm	\$ 86.76	1.7%
RevPAR	\$ nm	nm	\$ 61.20	8.4%
TownePlace Suites				
Occupancy	72.8%	4.0% pts.	76.4%	7.1% pts.
Average Daily Rate	\$ 75.06	-0.5%	\$ 80.79	-1.4%
RevPAR	\$ 54.67	5.2%	\$ 61.74	8.6%
SpringHill Suites				
Occupancy	68.5%	3.6% pts.	70.6%	4.5% pts.
Average Daily Rate	\$ 94.32	2.3%	\$ 98.56	0.1%
RevPAR	\$ 64.65	8.0%	\$ 69.63	6.9%
Composite North American Limited-Service ⁽⁵⁾				
Occupancy	70.9%	3.0% pts.	73.3%	4.1% pts.
Average Daily Rate	\$ 105.39	1.5%	\$ 103.52	1.1%
RevPAR	\$ 74.74	6.0%	\$ 75.92	7.1%
Composite North American ⁽⁶⁾				
Occupancy	70.9%	2.4% pts.	71.8%	3.7% pts.
Average Daily Rate	\$ 135.99	2.8%	\$ 118.69	1.7%
RevPAR	\$ 96.40	6.5%	\$ 85.24	7.2%

⁽¹⁾ Statistics are for the twelve weeks ended September 10, 2010, and September 11, 2009, except for The Ritz-Carlton, for which the statistics are for the three months ended August 31, 2010, and August 31, 2009. North American statistics include only properties located in the continental United States.

⁽²⁾ Marriott Hotels & Resorts includes JW Marriott properties.

⁽³⁾ Composite North American Full-Service statistics include Marriott Hotels & Resorts and Renaissance Hotels properties.

⁽⁴⁾ Composite North American Full-Service and Luxury includes Marriott Hotels & Resorts, Renaissance Hotels, and The Ritz-Carlton properties.

⁽⁵⁾ Composite North American Limited-Service statistics include Residence Inn, Courtyard, Fairfield Inn & Suites, TownePlace Suites, and SpringHill Suites properties.

⁽⁶⁾ Composite North American statistics include Marriott Hotels & Resorts, Renaissance Hotels, Residence Inn, Courtyard, Fairfield Inn & Suites, TownePlace Suites, SpringHill Suites, and The Ritz-Carlton properties.

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	Comparable Company-Operated Properties ⁽¹⁾		Comparable Systemwide Properties ⁽¹⁾	
	Three Months Ended August 31, 2010	Change vs. 2009	Three Months Ended August 31, 2010	Change vs. 2009
Caribbean and Latin America ⁽²⁾				
Occupancy	71.5%	5.8% pts.	68.6%	8.1% pts.
Average Daily Rate	\$ 158.53	-1.1%	\$ 146.92	0.7%
RevPAR	\$ 113.33	7.6%	\$ 100.82	14.2%
Continental Europe ⁽²⁾				
Occupancy	75.5%	3.8% pts.	74.7%	4.8% pts.
Average Daily Rate	\$ 149.09	3.2%	\$ 148.78	2.0%
RevPAR	\$ 112.54	8.6%	\$ 111.17	9.0%
United Kingdom ⁽²⁾				
Occupancy	81.6%	3.3% pts.	81.3%	3.4% pts.
Average Daily Rate	\$ 158.45	5.3%	\$ 157.02	5.0%
RevPAR	\$ 129.35	9.7%	\$ 127.58	9.6%
Middle East and Africa ⁽²⁾				
Occupancy	62.4%	1.5% pts.	62.7%	1.6% pts.
Average Daily Rate	\$ 119.06	-4.5%	\$ 117.81	-4.4%
RevPAR	\$ 74.25	-2.2%	\$ 73.85	-1.9%
Asia Pacific ^{(2), (3)}				
Occupancy	68.1%	13.1% pts.	68.2%	11.3% pts.
Average Daily Rate	\$ 118.54	4.9%	\$ 129.35	0.9%
RevPAR	\$ 80.76	29.9%	\$ 88.25	21.0%
Regional Composite ^{(4), (5)}				
Occupancy	73.0%	6.5% pts.	72.2%	6.7% pts.
Average Daily Rate	\$ 142.33	2.2%	\$ 143.23	1.5%
RevPAR	\$ 103.89	12.1%	\$ 103.38	11.9%
International Luxury ⁽⁶⁾				
Occupancy	62.8%	5.3% pts.	62.8%	5.3% pts.
Average Daily Rate	\$ 289.92	2.8%	\$ 289.92	2.8%
RevPAR	\$ 182.05	12.4%	\$ 182.05	12.4%
Total International ⁽⁷⁾				
Occupancy	71.9%	6.3% pts.	71.3%	6.6% pts.
Average Daily Rate	\$ 156.39	2.3%	\$ 154.85	1.6%
RevPAR	\$ 112.42	12.2%	\$ 110.47	12.0%

⁽¹⁾ We report financial results for all properties on a period-end basis, but report statistics for properties located outside the continental United States and Canada on a month-end basis. The statistics are for June 1 through the end of August. For the properties located in countries that use currencies other than the U.S. dollar, the comparison to 2009 was on a constant U.S. dollar basis.

⁽²⁾ Regional information includes Marriott Hotels & Resorts, Renaissance Hotels, and Courtyard properties located outside of the continental United States and Canada.

⁽³⁾ Excludes Hawaii.

⁽⁴⁾ Includes Hawaii.

⁽⁵⁾ Regional Composite statistics include properties located outside of the continental United States and Canada for Marriott Hotels & Resorts, Renaissance Hotels, and Courtyard brands.

⁽⁶⁾ Includes The Ritz-Carlton properties located outside the continental United States and Canada and Bulgari Hotels & Resorts properties.

⁽⁷⁾ Total International includes Regional Composite statistics and statistics for The Ritz-Carlton International and Bulgari Hotels & Resorts brands.

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	Comparable Company-Operated Properties ⁽¹⁾		Comparable Systemwide Properties ⁽¹⁾	
	Three Months Ended August 31, 2010	Change vs. 2009	Three Months Ended August 31, 2010	Change vs. 2009
Composite Luxury ⁽²⁾				
Occupancy	66.2%	3.9% pts.	66.2%	3.9% pts.
Average Daily Rate	\$ 263.81	3.3%	\$ 263.81	3.3%
RevPAR	\$ 174.67	9.8%	\$ 174.67	9.8%
Total Worldwide ⁽³⁾				
Occupancy	71.2%	3.7% pts.	71.7%	4.2% pts.
Average Daily Rate	\$ 142.46	2.8%	\$ 125.18	1.8%
RevPAR	\$ 101.43	8.4%	\$ 89.79	8.2%

⁽¹⁾ We report financial results for all properties on a period-end basis, but report statistics for properties located outside the continental United States and Canada on a month-end basis. For the properties located in countries that use currencies other than the U.S. dollar, the comparison to 2009 was on a constant U.S. dollar basis.

⁽²⁾ Composite Luxury includes worldwide properties for The Ritz-Carlton and Bulgari Hotels & Resorts brands.

⁽³⁾ Total Worldwide statistics include properties worldwide for Marriott Hotels & Resorts, Renaissance Hotels, Residence Inn, Courtyard, Fairfield Inn & Suites, TownePlace Suites, SpringHill Suites, and The Ritz-Carlton brands. Statistics for properties located in the continental United States (except for The Ritz-Carlton) represent the twelve weeks ended September 10, 2010, and September 11, 2009. Statistics for The Ritz-Carlton brand properties and properties located outside of the continental United States represent the three months ended August 31, 2010, and August 31, 2009.

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	Comparable Company-Operated North American Properties ⁽¹⁾		Comparable Systemwide North American Properties ⁽¹⁾	
	Thirty-Six Weeks Ended September 10, 2010	Change vs. 2009	Thirty-Six Weeks Ended September 10, 2010	Change vs. 2009
Marriott Hotels & Resorts ⁽²⁾				
Occupancy	70.4%	3.7% pts.	67.6%	4.0% pts.
Average Daily Rate	\$ 153.40	-1.2%	\$ 141.62	-1.7%
RevPAR	\$ 107.94	4.3%	\$ 95.79	4.4%
Renaissance Hotels & Resorts				
Occupancy	68.1%	2.2% pts.	68.0%	3.9% pts.
Average Daily Rate	\$ 150.30	-2.3%	\$ 138.29	-2.8%
RevPAR	\$ 102.32	1.1%	\$ 94.03	3.1%
Composite North American Full-Service ⁽³⁾				
Occupancy	69.9%	3.4% pts.	67.7%	4.0% pts.
Average Daily Rate	\$ 152.83	-1.4%	\$ 141.02	-1.9%
RevPAR	\$ 106.88	3.7%	\$ 95.48	4.2%
The Ritz-Carlton North America				
Occupancy	68.7%	6.5% pts.	68.7%	6.5% pts.
Average Daily Rate	\$ 279.22	-0.7%	\$ 279.22	-0.7%
RevPAR	\$ 191.72	9.7%	\$ 191.72	9.7%
Composite North American Full-Service and Luxury ⁽⁴⁾				
Occupancy	69.8%	3.7% pts.	67.8%	4.1% pts.
Average Daily Rate	\$ 166.55	-0.9%	\$ 150.23	-1.5%
RevPAR	\$ 116.24	4.7%	\$ 101.80	4.8%
Residence Inn				
Occupancy	75.0%	4.7% pts.	76.4%	4.7% pts.
Average Daily Rate	\$ 114.20	-3.0%	\$ 112.34	-2.6%
RevPAR	\$ 85.65	3.5%	\$ 85.83	3.8%
Courtyard				
Occupancy	65.2%	3.2% pts.	66.8%	3.1% pts.
Average Daily Rate	\$ 107.35	-3.1%	\$ 109.90	-2.0%
RevPAR	\$ 69.98	1.9%	\$ 73.42	2.7%
Fairfield Inn				
Occupancy	nm	nm pts.	64.5%	2.8% pts.
Average Daily Rate	\$ nm	nm	\$ 84.62	-1.7%
RevPAR	\$ nm	nm	\$ 54.54	2.7%
TownePlace Suites				
Occupancy	66.6%	3.4% pts.	69.6%	5.5% pts.
Average Daily Rate	\$ 74.34	-6.2%	\$ 80.33	-5.1%
RevPAR	\$ 49.48	-1.1%	\$ 55.95	3.1%
SpringHill Suites				
Occupancy	65.9%	3.7% pts.	66.9%	3.8% pts.
Average Daily Rate	\$ 96.09	-2.9%	\$ 97.73	-3.7%
RevPAR	\$ 63.36	3.0%	\$ 65.41	2.0%
Composite North American Limited-Service ⁽⁵⁾				
Occupancy	68.0%	3.6% pts.	69.0%	3.7% pts.
Average Daily Rate	\$ 106.63	-3.1%	\$ 103.04	-2.5%
RevPAR	\$ 72.48	2.3%	\$ 71.08	3.0%
Composite North American ⁽⁶⁾				
Occupancy	69.0%	3.7% pts.	68.5%	3.8% pts.
Average Daily Rate	\$ 141.53	-1.6%	\$ 120.84	-1.9%
RevPAR	\$ 97.69	4.0%	\$ 82.80	3.9%

⁽¹⁾ Statistics are for the thirty-six weeks ended September 10, 2010, and September 11, 2009, except for The Ritz-Carlton, for which the statistics are for the eight months ended August 31, 2010, and August 31, 2009. North American statistics include only properties located in the continental United States.

⁽²⁾ Marriott Hotels & Resorts includes JW Marriott properties.

⁽³⁾ Composite North American Full-Service statistics include Marriott Hotels & Resorts and Renaissance Hotels.

⁽⁴⁾ Composite North American Full-Service and Luxury includes Marriott Hotels & Resorts, Renaissance Hotels, and The Ritz-Carlton properties.

⁽⁵⁾ Composite North American Limited-Service statistics include Residence Inn, Courtyard, Fairfield Inn & Suites, TownePlace Suites, and SpringHill Suites properties.

⁽⁶⁾ Composite North American statistics include Marriott Hotels & Resorts, Renaissance Hotels, Residence Inn, Courtyard, Fairfield Inn & Suites, TownePlace Suites, SpringHill Suites, and The Ritz-Carlton properties.

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	Comparable Company-Operated Properties ⁽¹⁾		Comparable Systemwide Properties ⁽¹⁾	
	Eight Months Ended August 31, 2010	Change vs. 2009	Eight Months Ended August 31, 2010	Change vs. 2009
Caribbean and Latin America ⁽²⁾				
Occupancy	72.4%	5.2% pts.	69.3%	7.9% pts.
Average Daily Rate	\$ 180.16	-2.4%	\$ 163.94	-1.6%
RevPAR	\$ 130.49	5.2%	\$ 113.59	11.1%
Continental Europe ⁽²⁾				
Occupancy	69.4%	4.0% pts.	68.1%	4.7% pts.
Average Daily Rate	\$ 156.87	-0.3%	\$ 155.68	-1.8%
RevPAR	\$ 108.94	5.8%	\$ 106.02	5.5%
United Kingdom ⁽²⁾				
Occupancy	76.0%	3.9% pts.	75.4%	3.8% pts.
Average Daily Rate	\$ 154.96	2.0%	\$ 153.86	1.9%
RevPAR	\$ 117.80	7.5%	\$ 116.04	7.3%
Middle East and Africa ⁽²⁾				
Occupancy	69.0%	2.3% pts.	69.1%	2.7% pts.
Average Daily Rate	\$ 131.57	-7.5%	\$ 130.09	-7.6%
RevPAR	\$ 90.84	-4.4%	\$ 89.87	-3.9%
Asia Pacific ^{(2), (3)}				
Occupancy	66.1%	14.1% pts.	66.5%	12.1% pts.
Average Daily Rate	\$ 121.02	-1.1%	\$ 128.55	-3.5%
RevPAR	\$ 80.00	25.7%	\$ 85.54	17.9%
Regional Composite ^{(4), (5)}				
Occupancy	70.5%	6.8% pts.	69.4%	6.9% pts.
Average Daily Rate	\$ 147.78	-1.9%	\$ 147.58	-2.4%
RevPAR	\$ 104.12	8.5%	\$ 102.48	8.4%
International Luxury ⁽⁶⁾				
Occupancy	63.5%	6.8% pts.	63.5%	6.8% pts.
Average Daily Rate	\$ 308.92	-1.9%	\$ 308.92	-1.9%
RevPAR	\$ 196.14	9.8%	\$ 196.14	9.8%
Total International ⁽⁷⁾				
Occupancy	69.7%	6.8% pts.	68.9%	6.9% pts.
Average Daily Rate	\$ 163.79	-1.8%	\$ 160.97	-2.3%
RevPAR	\$ 114.16	8.7%	\$ 110.92	8.6%

⁽¹⁾ We report financial results for all properties on a period-end basis, but report statistics for properties located outside the continental United States and Canada on a month-end basis. The statistics are for January 1 through the end of August. For the properties located in countries that use currencies other than the U.S. dollar, the comparison to 2009 was on a constant U.S. dollar basis.

⁽²⁾ Regional information includes Marriott Hotels & Resorts, Renaissance Hotels, and Courtyard properties located outside of the continental United States and Canada.

⁽³⁾ Excludes Hawaii.

⁽⁴⁾ Includes Hawaii.

⁽⁵⁾ Regional Composite statistics include properties located outside of the continental United States and Canada for Marriott Hotels & Resorts, Renaissance Hotels, and Courtyard brands.

⁽⁶⁾ Includes The Ritz-Carlton properties located outside the continental United States and Canada and Bulgari Hotels & Resorts properties.

⁽⁷⁾ Total International includes Regional Composite statistics and statistics for The Ritz-Carlton International and Bulgari Hotels & Resorts brands.

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	Comparable Company-Operated Properties ⁽¹⁾		Comparable Systemwide Properties ⁽¹⁾	
	Eight Months Ended August 31, 2010	Change vs. 2009	Eight Months Ended August 31, 2010	Change vs. 2009
Composite Luxury ⁽²⁾				
Occupancy	66.5%	6.6% pts.	66.5%	6.6% pts.
Average Daily Rate	\$ 290.87	-1.2%	\$ 290.87	-1.2%
RevPAR	\$ 193.54	9.7%	\$ 193.54	9.7%
Total Worldwide ⁽³⁾				
Occupancy	69.2%	4.6% pts.	68.6%	4.3% pts.
Average Daily Rate	\$ 148.01	-1.5%	\$ 127.41	-1.8%
RevPAR	\$ 102.45	5.5%	\$ 87.38	4.8%

⁽¹⁾ We report financial results for all properties on a period-end basis, but report statistics for properties located outside the continental United States and Canada on a month-end basis. For the properties located in countries that use currencies other than the U.S. dollar, the comparison to 2009 was on a constant U.S. dollar basis.

⁽²⁾ Composite Luxury includes worldwide properties for The Ritz-Carlton and Bulgari Hotels & Resorts brands.

⁽³⁾ Total Worldwide statistics include properties worldwide for Marriott Hotels & Resorts, Renaissance Hotels, Residence Inn, Courtyard, Fairfield Inn & Suites, TownePlace Suites, SpringHill Suites, and The Ritz-Carlton brands. Statistics for properties located in the continental United States (except for The Ritz-Carlton) represent the thirty-six weeks ended September 10, 2010, and September 11, 2009. Statistics for The Ritz-Carlton brand properties and properties located outside of the continental United States represent the eight months ended August 31, 2010, and August 31, 2009.

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North American Full-Service Lodging includes *Marriott Hotels & Resorts, Marriott Conference Centers, JW Marriott, Renaissance Hotels, Renaissance ClubSport, and Autograph Collection.*

(\$ in millions)	Twelve Weeks Ended			Thirty-Six Weeks Ended		
	September 10, 2010	September 11, 2009	Change 2010/2009	September 10, 2010	September 11, 2009	Change 2010/2009
Segment revenues	\$ 1,144	\$ 1,074	7%	\$ 3,538	\$ 3,382	5%
Segment results	\$ 55	\$ 51	8%	\$ 211	\$ 191	10%

Since the third quarter of 2009, across our North American Full-Service Lodging segment we added 20 properties (5,593 rooms) and 4 properties (994 rooms) left the system.

Twelve Weeks. Compared to the year-ago quarter, RevPAR for comparable company-operated North American full-service properties increased by 6.4 percent to \$104.01, occupancy increased by 1.9 percentage points to 71.2 percent, and average daily rates increased by 3.5 percent to \$146.11.

The \$4 million increase in segment results, compared to the 2009 third quarter, primarily reflected \$6 million of higher base management and franchise fees, partially offset by \$1 million of lower owned, leased, and other revenue net of direct expenses and \$1 million of higher general, administrative, and other expenses.

The \$6 million increase in base management and franchise fees primarily reflected increased RevPAR and unit growth as well as franchise fees from new properties added to the Autograph Collection.

Cost reimbursements revenue and expenses associated with our North American Full-Service Lodging segment properties totaled \$1,041 million in the third quarter of 2010, compared to \$971 million in the 2009 third quarter.

Thirty-six Weeks. Compared to the year-ago period, RevPAR for comparable company-operated North American full-service properties increased by 3.7 percent to \$106.88, occupancy increased by 3.4 percentage points to 69.9 percent, and average daily rates decreased by 1.4 percent to \$152.83.

The \$20 million increase in segment results, compared to the first three quarters of 2009, primarily reflected \$13 million of higher base management and franchise fees, \$5 million of lower general, administrative, and other expenses, and \$2 million of higher owned, leased, and other revenue net of direct expenses.

The \$13 million of higher base management and franchise fees primarily reflected increased RevPAR and unit growth as well as franchise fees from new properties added to the Autograph Collection.

The \$5 million decrease in general, administrative, and other expenses primarily reflected a favorable variance related to a \$7 million charge for a security deposit that was deemed unrecoverable in the 2009 period, partially offset by \$3 million in net cost increases primarily reflecting incentive compensation.

Cost reimbursements revenue and expenses associated with our North American Full-Service Lodging segment properties totaled \$3,172 million in the first three quarters of 2010, compared to \$3,020 million in the first three quarters of 2009.

North American Limited-Service Lodging includes *Courtyard, Fairfield Inn & Suites, SpringHill Suites, Residence Inn, TownePlace Suites, and Marriott ExecuStay*.

(\$ in millions)	Twelve Weeks Ended			Thirty-Six Weeks Ended		
	September 10, 2010	September 11, 2009	Change 2010/2009	September 10, 2010	September 11, 2009	Change 2010/2009
Segment revenues	\$ 532	\$ 489	9%	\$ 1,500	\$ 1,401	7%
Segment results	\$ 82	\$ 77	6%	\$ 223	\$ 182	23%

Since the third quarter of 2009, across our North American Limited-Service Lodging segment we added 129 properties (15,737 rooms) and 14 properties (1,558 rooms) left the system. The properties that left the system were mostly associated with our Residence Inn brand, primarily due to quality issues.

Twelve Weeks. Compared to the year-ago quarter, RevPAR for comparable company-operated North American limited-service properties increased by 6.0 percent to \$74.74, occupancy increased by 3.0 percentage points to 70.9 percent, and average daily rates increased by 1.5 percent to \$105.39.

The \$5 million increase in segment results, compared to the third quarter of 2009, reflected \$6 million of higher base management and franchise fees, a \$1 million increase in incentive management fees, and \$1 million of higher joint venture equity earnings, partially offset by \$4 million of higher general, administrative, and other expenses.

The \$6 million of higher base management and franchise fees primarily reflected higher RevPAR and new unit growth.

The \$4 million increase in general, administrative, and other expenses primarily reflected higher incentive compensation.

Cost reimbursements revenue and expenses associated with our North American Limited-Service Lodging segment properties totaled \$382 million in the third quarter of 2010, compared to \$348 million in the third quarter of 2009.

Thirty-six Weeks. Compared to the year-ago period, RevPAR for comparable company-operated North American limited-service properties increased by 2.3 percent to \$72.48, occupancy increased by 3.6 percentage points to 68.0 percent, and average daily rates decreased by 3.1 percent to \$106.63.

The \$41 million increase in segment results, compared to the first three quarters of 2009, primarily reflected \$24 million of lower general, administrative, and other expenses and \$17 million of higher base management and franchise fees.

The \$24 million decrease in general, administrative, and other expenses primarily reflected a favorable variance from a \$42 million impairment charge recorded in the 2009 period related to two security deposits that we deemed unrecoverable due, in part, to our decision not to fund certain cash flow shortfalls, partially offset by an \$11 million reversal of the remaining balance from the 2008 accrual for the expected funding of those cash flow shortfalls and \$6 million of miscellaneous cost increases primarily driven by higher incentive compensation.

The \$17 million of higher base management and franchise fees primarily reflected higher RevPAR and new unit growth.

Cost reimbursements revenue and expenses associated with our North American Limited-Service Lodging segment properties totaled \$1,085 million in the first three quarters of 2010, compared to \$1,001 million in the first three quarters of 2009.

International Lodging includes *International Marriott Hotels & Resorts, International JW Marriott, International Renaissance Hotels, International Courtyard, International Fairfield Inn & Suites, International Residence Inn, and Marriott Executive Apartments.*

(\$ in millions)	Twelve Weeks Ended			Thirty-Six Weeks Ended		
	September 10, 2010	September 11, 2009	Change 2010/2009	September 10, 2010	September 11, 2009	Change 2010/2009
Segment revenues	\$ 280	\$ 259	8%	\$ 834	\$ 756	10%
Segment results	\$ 26	\$ 25	4%	\$ 101	\$ 89	13%

Since the third quarter of 2009, across our International Lodging segment we added 29 properties (8,059 rooms) and 10 properties (2,833 rooms) left the system, largely due to quality issues.

Twelve Weeks. Compared to the year-ago quarter, RevPAR for comparable company-operated international properties increased by 12.1 percent to \$103.89, occupancy increased by 6.5 percentage points to 73.0 percent, and average daily rates increased by 2.2 percent to \$142.33. Comparable company-operated RevPAR improved significantly in China, Brazil, Germany and Mexico and, to a lesser extent, in the United Kingdom, while the United Arab Emirates experienced RevPAR declines.

The \$1 million increase in segment results in the third quarter of 2010, compared to the year-ago quarter, primarily reflected a \$2 million increase in incentive management fees and a \$2 million increase in base management and franchise fees, partially offset by a \$3 million decrease in owned, leased, and other revenue net of direct expenses.

The \$2 million increase in incentive management fees was largely due to higher property-level revenue and continued tight property-level cost controls favorably impacting margins, as well as new unit growth to a lesser extent. The \$2 million increase in base management and franchise fees primarily reflected stronger RevPAR and new unit growth, partially offset by increased foreign exchange losses.

Owned, leased, and other revenue net of direct expenses decreased by \$3 million primarily reflecting \$3 million of additional rent expense associated with one property.

Cost reimbursements revenue and expenses associated with our International Lodging segment properties totaled \$147 million in the third quarter of 2010, compared to \$132 million in the third quarter of 2009.

Thirty-six Weeks. Compared to the year-ago period, RevPAR for comparable company-operated international properties increased by 8.5 percent to \$104.12, occupancy increased by 6.8 percentage points to 70.5 percent, and average daily rates decreased by 1.9 percent to \$147.78. Comparable company-operated RevPAR improved significantly in China, Brazil and Germany and, to a lesser extent, in the United Kingdom, while the United Arab Emirates experienced RevPAR declines.

The \$12 million increase in segment results in the first three quarters of 2010, compared to the year-ago period, primarily reflected a \$7 million increase in incentive management fees, a \$5 million increase in base management and franchise fees, a \$2 million decrease in restructuring costs, and \$1 million of higher joint venture equity earnings, partially offset by \$3 million of higher general, administrative, and other expenses and a \$1 million decrease in owned, leased and other revenue net of direct expenses.

The \$7 million increase in incentive management fees was largely due to higher property-level revenue and continued tight property-level cost controls favorably impacting margins, as well as new unit growth to a lesser extent. The \$5 million increase in base management and franchise fees primarily reflected stronger RevPAR and new unit growth, partially offset by increased foreign exchange losses.

The \$3 million increase in general, administrative, and other expenses was primarily driven by higher incentive compensation in the current period as compared to the prior period, partially offset by net

property-level cost decreases. The \$1 million in higher joint venture equity earnings primarily reflected increased earnings at our joint ventures reflecting stronger property-level performance.

The \$1 million decrease in owned, leased, and other revenue net of direct expenses primarily reflected \$7 million of higher termination fees and \$5 million of stronger results at some owned and leased properties, partially offset by \$12 million of additional rent expense associated with one property.

Cost reimbursements revenue and expenses associated with our International Lodging segment properties totaled \$397 million in the first three quarters of 2010, compared to \$358 million in the first three quarters of 2009.

Luxury Lodging includes *The Ritz-Carlton* and *Bulgari Hotels & Resorts*.

(\$ in millions)	Twelve Weeks Ended			Thirty-Six Weeks Ended		
	September 10, 2010	September 11, 2009	Change 2010/2009	September 10, 2010	September 11, 2009	Change 2010/2009
Segment revenues	\$ 323	\$ 296	9%	\$ 1,053	\$ 971	8%
Segment results	\$ 11	\$ 7	57%	\$ 53	\$ 0	

Since the third quarter of 2009, across our Luxury Lodging segment we added 6 properties (1,030 rooms) and 1 property (349 rooms) left the system. Since the 2009 third quarter, we also added 2 residential products (155 units) and 1 product (25 units) left the system.

Twelve Weeks. Compared to the year-ago quarter, RevPAR for comparable company-operated luxury properties increased by 9.8 percent to \$174.67, occupancy increased by 3.9 percentage points to 66.2 percent, and average daily rates increased by 3.3 percent to \$263.81. While Luxury Lodging was particularly impacted by weak demand associated with the financial services industry and other corporate group business in 2009, that business strengthened during the 2010 third quarter.

The \$4 million increase in segment results, compared to the third quarter of 2009, primarily reflected \$3 million of higher owned, leased, and other revenue net of direct expenses and a \$2 million increase in base management fees.

The \$3 million of higher owned, leased, and other revenue net of direct expenses primarily reflected improved operating performance at two properties.

The \$2 million increase in base management fees was largely driven by RevPAR growth associated with stronger demand and new unit growth.

Cost reimbursements revenue and expenses associated with our Luxury Lodging segment properties totaled \$265 million in the third quarter of 2010, compared to \$242 million in the third quarter of 2009.

Thirty-six Weeks. Compared to the year-ago period, RevPAR for comparable company-operated luxury properties increased by 9.7 percent to \$193.54, occupancy increased by 6.6 percentage points to 66.5 percent, and average daily rates decreased by 1.2 percent to \$290.87. While Luxury Lodging was particularly impacted by weak demand associated with the financial services industry and other corporate group business in 2009, that business improved in the first three quarters of 2010.

The \$53 million increase in segment results, compared to the first three quarters of 2009, reflected a \$29 million decrease in joint venture equity losses, \$11 million of decreased general, administrative, and other expenses, \$6 million of higher owned, leased, and other revenue net of direct expenses, a \$4 million increase in base management fees, and a \$3 million increase in incentive management fees.

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The \$29 million decrease in joint venture equity losses primarily reflected a favorable variance from a \$30 million impairment charge recorded in the 2009 period associated with a joint venture investment that we determined to be fully impaired.

The \$11 million decrease in general, administrative, and other expenses primarily reflected a \$5 million reversal in the 2010 period of a completion guarantee accrual for which we satisfied the related requirements and a \$4 million favorable variance from bad debt expense recorded in the 2009 period on an accounts receivable balance we deemed uncollectible.

The \$6 million of higher owned, leased, and other revenue net of direct expenses primarily reflected a \$4 million favorable variance from improved operating performance at three properties and \$2 million of termination fees net of property closing costs, both in the 2010 period.

The \$4 million increase in base management fees was largely driven by RevPAR growth associated with stronger demand and, to a lesser extent, new unit growth. The \$3 million increase in incentive management fees primarily reflected fees earned and due from one property in the 2010 period that were calculated based on prior periods' results.

Cost reimbursements revenue and expenses associated with our Luxury Lodging segment properties totaled \$857 million in the first three quarters of 2010, compared to \$792 million in the first three quarters of 2009.

Timeshare includes *Marriott Vacation Club, The Ritz-Carlton Destination Club and Residences, and Grand Residences by Marriott.*

(\$ in millions)	Twelve Weeks Ended			Thirty-Six Weeks Ended		
	September 10, 2010	September 11, 2009	Change 2010/2009	September 10, 2010	September 11, 2009	Change 2010/2009
Segment Revenues						
Base fee revenue	\$ 11	\$ 11		\$ 34	\$ 32	
Sales and services revenue						
Development	135	138		430	441	
Services	86	82		253	232	
Financing revenue						
Interest income non-securitized notes	11	11		30	34	
Interest income-securitized notes	30	0		99	0	
Other financing revenue	2	12		5	8	
Total financing revenue	43	23		134	42	
Other revenue	11	11		32	31	
Total sales and services revenue	275	254		849	746	
Cost reimbursements	65	65		189	184	
Segment revenues	<u>\$ 351</u>	<u>\$ 330</u>	6%	<u>\$ 1,072</u>	<u>\$ 962</u>	11%
Segment Results						
Base fee revenue	\$ 11	\$ 11		\$ 34	\$ 32	
Timeshare sales and services, net	56	16		156	9	
Timeshare strategy-impairment charges	0	(614)		0	(614)	
Joint venture equity losses	(2)	(4)		(10)	(6)	
Gains and other income	0	1		0	1	
Net losses attributable to noncontrolling interests	0	4		0	11	
Restructuring costs	0	(7)		0	(38)	
General, administrative, and other expense	(16)	(17)		(48)	(57)	
Timeshare strategy-impairment charges (non-operating)	0	(71)		0	(71)	
Interest expense	(12)	0		(40)	0	
Segment results	<u>\$ 37</u>	<u>\$ (681)</u>	105%	<u>\$ 92</u>	<u>\$ (733)</u>	113%
Contract Sales						
Timeshare	\$ 157	\$ 164		\$ 463	\$ 502	
Fractional	5	7		21	25	
Residential	0	2		6	(1)	
Total company	162	173		490	526	
Timeshare	0	0		0	0	
Fractional	2	(4)		2	(9)	
Residential	0	(17)		(3)	(27)	
Total joint venture	2	(21)		(1)	(36)	
Total Timeshare segment contract sales	<u>\$ 164</u>	<u>\$ 152</u>	8%	<u>\$ 489</u>	<u>\$ 490</u>	0%

Twelve Weeks. Timeshare segment contract sales, including sales made by our timeshare joint venture projects, represent sales of timeshare interval, fractional ownership, and residential ownership products before the adjustment for percentage-of-completion accounting. Timeshare segment contract sales increased by \$12 million compared to the third quarter of 2009 to \$164 million from \$152 million. The increase in Timeshare segment contract sales in the third quarter of 2010, compared to the year-ago quarter, reflected a \$15 million increase in residential contract sales and a \$4 million increase in fractional contract sales, partially offset by a \$7 million decrease in timeshare contract sales. Contract sales to existing customers accelerated in the quarter due to sales efforts associated with the MVCD Program. Residential and fractional contract sales were favorably impacted in the third quarter of 2010 by a net \$23 million decrease in cancellation allowances that we recorded in anticipation that a portion of contract revenue, previously recorded for certain residential and fractional projects will not be realized due to contract cancellations prior to closing.

The \$21 million increase in Timeshare segment revenues to \$351 million from \$330 million primarily reflected a \$21 million increase in Timeshare sales and services revenue. The increase in Timeshare sales and services revenue, compared to the year-ago quarter, primarily reflected higher financing revenue due to higher interest income associated with the impact of ASU Nos. 2009-16 and 2009-17 and, to a lesser

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extent, higher services revenue reflecting increased rental occupancy levels and rates. These favorable impacts were partially offset by lower development revenue due to lower sales volume and lower reportability as certain timeshare projects in the 2010 third quarter have not yet reached revenue recognition reportability thresholds.

Segment income of \$37 million in the third quarter of 2010 increased by \$718 million from \$681 million of segment losses in the third quarter of 2009, and primarily reflected a favorable variance related to \$685 million of impairments recorded in the third quarter of 2009 (\$614 million of which were reported in the “Timeshare strategy-impairment charges” caption and \$71 million of which were reported in the “Timeshare strategy-impairment charges (non-operating)” caption of our Condensed Consolidated Statements of Income), \$40 million of higher Timeshare sales and services revenue net of direct expenses, \$7 million of lower restructuring costs which reflected restructuring costs incurred in the 2009 third quarter, and \$2 million of lower joint venture equity losses, partially offset by \$12 million of interest expense and a \$4 million decrease in net losses attributable to noncontrolling interest.

The \$40 million increase in Timeshare sales and services revenue net of direct expenses primarily reflected \$20 million of higher financing revenue, \$7 million of higher development revenue net of product costs and marketing and selling costs, \$11 million of higher other revenue net of expenses, and \$3 million of higher services revenue net of expenses. Higher development revenue net of product costs and marketing and selling costs primarily reflected lower costs due to lower sales volumes, lower reportability and lower marketing and selling costs, partially offset by lower development revenue for the reasons stated previously.

The \$20 million increase in financing revenue, primarily reflected a \$30 million increase in interest income on notes receivable from the notes receivable we now consolidate associated with past securitization transactions as part of the adoption of ASU Nos. 2009-16 and 2009-17, partially offset by \$7 million of decreased residual interest accretion reflecting the elimination of residual interests as part of the adoption of ASU Nos. 2009-16 and 2009-17 and an unfavorable variance from a \$3 million residual interest benefit in the 2009 quarter related to the curing of performance triggers. Please also see Footnote No. 9, “Notes Receivable,” for additional information on these notes receivable, including their weighted average interest rate and range of stated interest rates at September 10, 2010.

The \$11 million increase in other revenue net of expenses primarily reflected a \$15 million favorable adjustment to the Marriott Rewards liability resulting from lower than anticipated cost of redemptions, partially offset by \$6 million in incremental costs related to the new points-based program. See “Marriott Vacation Club Destinations Program” later in this Form 10-Q for additional information on this program launched in the 2010 third quarter. The increase in services revenue net of expenses primarily reflected higher rental revenue.

Joint venture equity losses decreased by \$2 million and primarily reflected lower losses from a residential and fractional project joint venture, primarily due to lower expenses at that joint venture.

The \$12 million in interest expense was a result of the consolidation of debt obligations due to our adoption of ASU Nos. 2009-16 and 2009-17.

The \$4 million decrease to zero in net losses attributable to a noncontrolling interest was associated with our acquisition of that noncontrolling interest. See Footnote No. 16, “Variable Interest Entities,” for additional information.

Thirty-six Weeks. Timeshare segment contract sales decreased by \$1 million compared to the first three quarters of 2009 to \$489 million from \$490 million. The decrease in Timeshare segment contract sales in the first three quarters of 2010, compared to the year-ago period, reflected a \$39 million decrease in timeshare contract sales, mostly offset by a \$31 million increase in residential contract sales and a \$7 million increase in fractional contract sales. Sales of timeshare intervals were hurt by tough comparisons driven by sales promotions begun in the 2009 second quarter. Residential and fractional contract sales benefited from a net \$40 million decrease in cancellation allowances we recorded in

anticipation that a portion of contract revenue previously recorded for certain residential and fractional projects will not be realized due to contract cancellations prior to closing.

The \$110 million increase in Timeshare segment revenues to \$1,072 million from \$962 million primarily reflected a \$103 million increase in Timeshare sales and services revenue, a \$5 million increase in cost reimbursements revenue, and a \$2 million increase in base management fees. The increase in Timeshare sales and services revenue, compared to the year-ago period, primarily reflected higher financing revenue due to higher interest income associated with the impact of ASU Nos. 2009-16 and 2009-17 and, to a lesser extent, higher services revenue reflecting increased rental occupancy levels and rates. These favorable impacts were partially offset by lower development revenue reflecting lower sales volumes primarily due to tough comparisons driven by sales promotions begun in the 2009 second quarter and a \$25 million increase in reserves (we now reserve for 100 percent of notes that are in default in addition to the reserve we record on notes not in default).

Segment income of \$92 million in the first three quarters of 2010 increased by \$825 million from \$733 million of segment losses in the first three quarters of 2009, and primarily reflected a favorable variance related to \$685 million of impairments recorded in the third quarter of 2009, \$147 million of higher Timeshare sales and services revenue net of direct expenses, \$38 million of lower restructuring costs which reflected restructuring costs incurred in the 2009 period, \$9 million of lower general, administrative, and other expenses, and a \$2 million increase in base management fees, partially offset by \$40 million of interest expense, an \$11 million decrease in net losses attributable to noncontrolling interest, and \$4 million of higher joint venture equity losses.

The \$147 million increase in Timeshare sales and services revenue net of direct expenses primarily reflected \$92 million of higher financing revenue, \$30 million of higher development revenue net of product costs and marketing and selling costs, \$10 million of higher services revenue net of expenses, and \$16 million of higher other revenue net of expense. Higher development revenue net of product costs and marketing and selling costs primarily reflected both lower costs due to lower sales volumes and lower marketing and selling costs in the 2010 period, as well as favorable variances from both an \$8 million charge related to an issue with a state tax authority and a net \$3 million impact from contract cancellation allowances in the 2009 period, partially offset by lower development revenue for the reasons stated previously. The \$25 million unfavorable impact to development revenue related to the reserve for uncollectible accounts was partially offset by a favorable impact in product costs, resulting in a net \$12 million increase in reserves.

The \$92 million increase in financing revenue, primarily reflected: (1) a net \$95 million increase in interest income, reflecting a \$99 million increase from the notes receivable we now consolidate associated with past securitization transactions as part of the adoption of ASU Nos. 2009-16 and 2009-17, partially offset by a \$4 million decrease in interest income related to non-securitized notes receivable reflecting a lower outstanding balance; (2) a favorable variance from a \$22 million charge in the 2009 period related to the reduction in the valuation of residual interests; and (3) \$1 million of higher income as a result of the loss on our first quarter 2009 sale of notes receivable. These favorable variances were partially offset by \$25 million of decreased residual interest accretion reflecting the elimination of residual interests as part of the 2010 first quarter adoption of ASU Nos. 2009-16 and 2009-17.

The \$16 million increase in other revenue net of expense primarily reflected a \$15 million favorable adjustment to the Marriott Rewards liability resulting from lower than anticipated cost of redemptions, a \$6 million reversal of an impairment charge in the 2010 first quarter (originally recorded in the 2009 third quarter related to our anticipated fundings in conjunction with a purchase commitment), as well as higher other miscellaneous revenue, partially offset by \$11 million in incremental costs related to the new points-based program. The \$10 million increase in services revenue net of expenses primarily reflected higher rental revenue associated with increased transient demand.

The \$40 million in interest expense was a result of the consolidation of debt obligations due to the adoption of ASU Nos. 2009-16 and 2009-17.

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The \$9 million decrease in general, administrative, and other expenses primarily reflected a favorable variance to a \$7 million write-off of capitalized software development costs in the 2009 period related to a project for which we decided not to pursue further development and \$2 million in net cost savings.

Joint venture equity losses increased by \$4 million and primarily reflected increased losses from a residential and fractional project joint venture, primarily due to increased cancellation allowances recorded at that joint venture.

The \$11 million decrease to zero in net losses attributable to a noncontrolling interest was associated with our acquisition of that noncontrolling interest. See Footnote No. 16, "Variable Interest Entities," for additional information.

MARRIOTT VACATION CLUB DESTINATIONS PROGRAM

In June 2010, during our 2010 third quarter, we launched the points-based MVCD Program in North America and the Caribbean. Under the MVCD Program, we sell beneficial interests in a domestic land trust. Based on the number of beneficial interests purchased, MVCD members receive an annual allocation of Vacation Club Points to redeem for travel at numerous destinations. For owners of weeks-based intervals, their existing rights and privileges are unchanged; however, those owners now have the option of enrolling in the MVCD Exchange program and purchasing additional product in increments of less than one week. Since the MVCD Program is a significant change from our prior approach to the timeshare business, our marketing efforts have been focused on existing owners, to encourage participation and purchase of additional product. Early results have exceeded expectations.

We believe the MVCD Program will appeal to a broader demographic by allowing us to sell our resort system at all locations and providing our owners with more flexible usage options. We believe this program will further appeal to prospective owners by offering them more flexibility in using points to tailor their vacation experience. We expect that this will result in fewer resorts under construction at any given time and allow us to better leverage successful sales centers at completed resorts. With less invested in inventory, the MVCD Program also should allow us to improve returns on investment.

Revenue recognition for the MVCD Program follows our Timeshare Points-Based Use System revenue recognition policy (see our 2009 Form 10-K, Footnote No. 1, "Summary of Significant Accounting Policies"). The timing of revenue recognition for this program approximates contract sales because we expect to sell fully completed inventory for the foreseeable future. With more efficient inventory management, we expect to have lower unsold maintenance fee expense, which should enhance profitability over time. In addition to capitalized costs for internally developed software and licensing fees of \$18 million, we estimate that the start-up costs for the MVCD Program in 2010 will be approximately \$11 million and will be reflected in our Consolidated Statement of Income in Timeshare sales and service, net of direct expenses.

Given the amount of inventory we have, we do not expect to develop new timeshare resorts for the foreseeable future.

SHARE-BASED COMPENSATION

Under our 2002 Comprehensive Stock and Cash Incentive Plan, we award: (1) stock options to purchase our Class A Common Stock ("Stock Option Program"); (2) stock appreciation rights ("SARs") for our Class A Common Stock ("Stock Appreciation Right Program"); (3) restricted stock units ("RSUs") of our Class A Common Stock; and (4) deferred stock units. We grant awards at exercise prices or strike prices that are equal to the market price of our Class A Common Stock on the date of grant.

During the first three quarters of 2010, we granted 3.7 million RSUs and 1.1 million Employee SARs. See Footnote No. 4, "Share-Based Compensation," earlier in this report for additional information.

NEW ACCOUNTING STANDARDS

See Footnote No. 1, “Basis of Presentation,” and Footnote No. 2, “New Accounting Standards,” for information related to our adoption of new accounting standards in the first three quarters of 2010 and Footnote No. 2, “New Accounting Standards,” for information on our anticipated future adoption of recently issued accounting standards.

LIQUIDITY AND CAPITAL RESOURCES

Cash Requirements and Our Credit Facilities

Our Credit Facility, which expires on May 14, 2012, and associated letters of credit, provide for \$2.4 billion of aggregate effective borrowings. Borrowings under the Credit Facility bear interest at the London Interbank Offered Rate (LIBOR) plus a fixed spread based on the credit ratings for our public debt. We also pay quarterly fees on the Credit Facility at a rate based on our public debt rating. For additional information on our Credit Facility, including participating financial institutions, see Exhibit 10, "Amended and Restated Credit Agreement," to our Current Report on Form 8-K filed with the SEC on May 16, 2007.

The Credit Facility contains certain covenants, including a single financial covenant that limits the Company's maximum leverage (consisting of the ratio of Adjusted Total Debt to Consolidated EBITDA, each as defined in the Credit Facility) to not more than 4 to 1. Our outstanding public debt does not contain a corresponding financial covenant or a requirement that we maintain certain financial ratios. We currently satisfy the covenants in our Credit Facility and public debt instruments, including the Credit Facility's leverage covenant, and do not expect the covenants to restrict our ability to meet our anticipated borrowing and guarantee levels or increase those levels should we decide to do so in the future.

We believe the Credit Facility, together with cash we expect to generate from operations, remains adequate to meet our short-term and long-term liquidity requirements, finance our long-term growth plans, meet debt service, and fulfill other cash requirements.

At September 10, 2010, our available borrowing capacity amounted to \$2.534 billion and reflected borrowing capacity of \$2.311 billion under our Credit Facility and our cash balance of \$223 million. We calculate that borrowing capacity by taking \$2.404 billion of effective aggregate bank commitments under our Credit Facility, and subtracting \$93 million of outstanding letters of credit. We had no outstanding borrowings under our Credit Facility at the end of the 2010 third quarter. As noted in the previous paragraphs, we anticipate that this available capacity will be adequate to fund our liquidity needs. Since we continue to have ample flexibility under the Credit Facility's covenants, we also expect that undrawn bank commitments under the Credit Facility will remain available to us even if business conditions were to deteriorate markedly.

Cash and cash equivalents totaled \$223 million at September 10, 2010, an increase of \$108 million from year-end 2009, reflecting for the thirty-six weeks ended September 10, 2010, cash inflows associated with the following: operating cash inflows (\$913 million); common stock issuances (\$78 million); and loan collections and sales and other investing activities, net of loan advances (\$36 million). Partially offsetting these cash inflows were cash outflows as follows: Credit Facility net repayments (\$425 million); debt repayments (\$268 million); capital expenditures (\$147 million); other cash outflows (\$50 million); and dividend payments (\$29 million).

Timeshare Cash Flows

In conjunction with our adoption of ASU Nos. 2009-16 and 2009-17 in the 2010 first quarter, as discussed in more detail in Footnote No. 1, "Basis of Presentation," we no longer account for note receivable securitizations as secured borrowings as defined in these topics, and accordingly we do not expect to recognize gains or losses on future note receivable securitizations. As part of our adoption of these topics, we have classified the following activity for the first three quarters of 2010 under the "Financing Activities" caption of our Condensed Consolidated Statement of Cash Flows: (1) payments on the newly recorded debt obligations as repayments of long-term debt (\$160 million); (2) note repurchases (previously classified in "Timeshare activity, net" under "Operating Activities" for the first three quarters of 2009) as repayments of long-term debt (\$49 million); and (3) note sale proceeds on any future note securitizations (previously classified in "Timeshare activity, net" under "Operating Activities" for the first three quarters of 2009) as issuance of long-term debt (zero for the first three quarters of 2010). Also, we will no longer have any cash flow activity related to residual interests or servicing assets. We will continue to classify any collections on held notes receivable, as well as the notes receivable we

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reestablished in the 2010 first quarter associated with past securitization transactions, as “Timeshare activity, net” in “Operating Activities.”

In response to lower demand for our timeshare products, we have correspondingly reduced our projected investment in new development. See Footnote No. 20, “Timeshare Strategy-Impairment Charges,” in the 2009 Form 10-K for additional information. While our Timeshare segment historically generates positive operating cash flow, year-to-year cash flow varies based on the timing of both cash outlays for the acquisition and development of new resorts and cash received from purchaser financing. We include timeshare reportable sales we finance in cash from operations when we collect cash payments. The following table shows the net operating activity from our Timeshare segment (which does not include income from our Timeshare segment). In the first three quarters of 2010 and 2009, new Timeshare segment mortgages were \$178 million and \$211 million, respectively, and collections totaled \$248 million (which included collections on securitized notes of \$164 million) and \$121 million, respectively.

(\$ in millions)	Thirty-Six Weeks Ended	
	September 10, 2010	September 11, 2009
Timeshare segment development less than (in excess of) cost of sales	\$ 83	\$ (29)
Timeshare segment collections (net of new mortgages)	70	(90)
Note repurchases	0	(58)
Financially reportable sales less than closed sales	30	2
Note sale losses	0	1
Note sale proceeds	0	181
Collection on retained interests in notes sold and servicing fees	0	59
Other cash inflows (outflows)	30	(12)
Net cash inflows from Timeshare segment activity	<u>\$ 213</u>	<u>\$ 54</u>

See Footnote No. 10, “Long-term Debt,” for additional information on performance triggers in the first three quarters of 2010. As of September 10, 2010, only 3 of our 13 securitized notes receivable pools were out of compliance with applicable triggers. We anticipate that in the fourth quarter of 2010, two of these three pools will initially remain out of compliance, but we expect them to subsequently cure during the fourth quarter of 2010. We expect that for the 2010 fiscal year we will redirect approximately \$6 million of cash flows as a result of reaching the performance triggers.

We estimate that, for the 20-year period from 2010 through 2029, the cash flow associated with completing all phases of our existing portfolio of owned timeshare properties will be approximately \$2.8 billion. This estimate is based on our current development plans, which remain subject to change.

Contractual Obligations

There have been no significant changes to our “Contractual Obligations” table in Part II, Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” of our 2009 Form 10-K, other than those resulting from changes in the amount of outstanding debt.

As of the end of the 2010 third quarter, debt had increased by \$428 million to \$2,726 million compared to \$2,298 million at year-end 2009, and reflected consolidation (in conjunction with the adoption of ASU Nos. 2009-16 and 2009-17) of debt with a balance as of September 10, 2010, of \$912 million, partially offset by decreased borrowings under our Credit Facility of \$425 million and other net debt decreases of \$59 million. At the end of the 2010 third quarter, future debt payments plus interest totaled \$3,349 million and are due as follows: \$95 million in 2010; \$269 million in 2011; \$599 million in 2012; \$627 million in 2013; \$209 million in 2014; and \$1,550 million thereafter.

Share Repurchases

We did not purchase any shares of our Class A Common Stock during the thirty-six weeks ended September 10, 2010.

Dividends

On August 5, 2010, our board of directors declared a quarterly cash dividend of \$0.04 per share, which was paid on September 17, 2010 to shareholders of record on August 19, 2010.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect reported amounts and related disclosures. We have discussed those estimates that we believe are critical and require the use of complex judgment in their application in our 2009 Form 10-K. Since the date of our 2009 Form 10-K, there have been no material changes to our critical accounting policies or the methodologies or assumptions we apply under them.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Our exposure to market risk has not materially changed since January 1, 2010.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

As of the end of the period covered by this quarterly report, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934 (the "Exchange Act")), and management necessarily applied its judgment in assessing the costs and benefits of such controls and procedures, which by their nature, can provide only reasonable assurance on management's control objectives. You should note that the design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and we cannot assure you that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote. Based upon the foregoing evaluation, our Chief Executive Officer and the Chief Financial Officer concluded that our disclosure controls and procedures were effective and operating to provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the rules and forms of the SEC, and to provide reasonable assurance that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions on required disclosure.

Internal Control Over Financial Reporting

There were no changes in internal control over financial reporting that occurred during the third quarter of 2010 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings

From time to time, we are subject to certain legal proceedings and claims in the ordinary course of business, including adjustments proposed during governmental examinations of the various tax returns we file. While management presently believes that the ultimate outcome of these proceedings, individually and in the aggregate, will not materially harm the company's financial position, cash flows, or overall trends in results of operations, legal proceedings are subject to inherent uncertainties, and unfavorable rulings could occur that could have individually or in aggregate, a material adverse effect on our business, financial condition, or operating results.

Item 1A. Risk Factors

We are subject to various risks that could have a negative effect on the Company and its financial condition. You should understand that these risks could cause results to differ materially from those expressed in forward-looking statements contained in this report and in other Company communications. Because there is no way to determine in advance whether, or to what extent, any present uncertainty will ultimately impact our business, you should give equal weight to each of the following:

Lodging and Timeshare Industry Risks

Our industries are highly competitive, which may impact our ability to compete successfully with other hotel and timeshare properties for customers. We generally operate in markets that contain numerous competitors. Each of our hotel and timeshare brands competes with major hotel chains in national and international venues and with independent companies in regional markets. Our ability to remain competitive and to attract and retain business and leisure travelers depends on our success in distinguishing the quality, value, and efficiency of our lodging products and services from those offered by others. If we are unable to compete successfully in these areas, this could limit our operating margins, diminish our market share, and reduce our earnings.

We are subject to the range of operating risks common to the hotel, timeshare, and corporate apartment industries. The profitability of the hotels, vacation timeshare resorts, and corporate apartments that we operate or franchise may be adversely affected by a number of factors, including:

- (1) the availability of and demand for hotel rooms, timeshare interval, fractional ownership, and residential products, and apartments;
- (2) pricing strategies of our competitors;
- (3) international, national, and regional economic and geopolitical conditions;
- (4) the impact of war, actual or threatened terrorist activity and heightened travel security measures instituted in response to war, terrorist activity or threats;
- (5) the desirability of particular locations and changes in travel patterns;
- (6) travelers' fears of exposure to contagious diseases, such as H1N1 Flu, Avian Flu and Severe Acute Respiratory Syndrome ("SARS");
- (7) the occurrence of natural or man-made disasters, such as earthquakes, tsunamis, hurricanes, and oil spills;
- (8) taxes and government regulations that influence or determine wages, prices, interest rates, construction procedures, and costs;
- (9) the costs and administrative burdens associated with compliance with applicable laws and regulations, including, among others, those associated with franchising, timeshare, lending,

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privacy, marketing and sales, licensing, labor, employment, immigration, the environment, and the U.S. Department of the Treasury's Office of Foreign Asset Control and the Foreign Corrupt Practices Act;

- (10) the availability and cost of capital to allow us and potential hotel owners and joint venture partners to fund investments;
- (11) regional and national development of competing properties;
- (12) increases in wages and other labor costs, energy, healthcare, insurance, transportation and fuel, and other expenses central to the conduct of our business or the cost of travel for our customers, including recent increases in energy costs and any resulting increase in travel costs or decrease in airline capacity;
- (13) organized labor activities, which could cause the diversion of business from hotels involved in labor negotiations, loss of group business, and/or increased labor costs;
- (14) foreign currency exchange fluctuations; and
- (15) trademark or intellectual property infringement.

Any one or more of these factors could limit or reduce the demand or the prices our hotels are able to obtain for hotel rooms, timeshare units, residential units, and corporate apartments or could increase our costs and therefore reduce the profit of our lodging businesses. Reduced demand for hotels could also give rise to losses under loans, guarantees, and noncontrolling equity investments that we have made in connection with hotels that we manage. Even where such factors do not reduce demand, property-level profit margins may suffer if we are unable to fully recover increased operating costs from our guests. Similarly, our fee revenue could be impacted by weak property-level revenue or profitability.

Our hotel management and franchise agreements may also be subject to premature termination in certain circumstances, such as the bankruptcy of a hotel owner or franchisee, or a failure under some agreements to meet specified financial or performance criteria that are subject to the risks described in this section, which the Company fails or elects not to cure. A significant loss of agreements due to premature terminations could hurt our financial performance or our ability to grow our business.

General economic uncertainty and weak demand in the lodging and timeshare industries could continue to impact our financial results and growth. Weak economic conditions in the United States, Europe and much of the rest of the world and the uncertainty over the duration of that weakness could continue to have a negative impact on the lodging and timeshare industries. As a result of current economic conditions, we continue to experience weakened demand for our hotel rooms and timeshare products. Recent improvements in demand trends globally may not continue, and our future financial results and growth could be further harmed or constrained if the recovery was to stall or conditions were to worsen.

Operational Risks

Our lodging operations are subject to international, national, and regional conditions. Because we conduct our business on a national and international platform, our activities are susceptible to changes in the performance of regional and global economies. In recent years, our business has been hurt by decreases in travel resulting from weak economic conditions, and the heightened travel security measures that have resulted from the threat of further terrorism. Our future economic performance could be similarly affected by the economic environment in the United States and other regions, the resulting unknown pace of business travel, and the occurrence of any future incidents in the countries where we operate.

The growing significance of our operations outside of the United States also makes us increasingly susceptible to the risks of doing business internationally, which could lower our revenues, increase our

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costs, reduce our profits or disrupt our business. We currently operate or franchise hotels and resorts in 70 countries, our operations outside the United States represented approximately 16 percent of our revenues in the 2010 third quarter, and we expect that the international share of our total revenues will increase in future years. As a result, we are increasingly exposed to a number of challenges and risks associated with doing business outside the United States, including the following, any of which could reduce our revenues or profits, increase our costs, or disrupt our business: (1) compliance with complex and changing laws, regulations and policies of foreign governments that may impact our operations, including foreign ownership restrictions, import and export controls, and trade restrictions; (2) compliance with U.S. laws that affect the activities of U.S. companies abroad; (3) limitations on our ability to repatriate non-U.S. earnings in a tax effective manner; (4) the difficulties involved in managing an organization doing business in many different countries; (5) uncertainties as to the enforceability of contract and intellectual property rights under local laws; and (6) rapid changes in government policy, political or civil unrest, acts of terrorism or the threat of international boycotts or U.S. anti-boycott legislation.

New branded products that we launch in the future may not be successful. We may in the future launch additional programs or branded products. We cannot assure that our recently launched EDITION and Autograph Collection brands and Marriott Vacation Club Destination points-based program or new products we may launch in the future will be accepted by hotel owners, potential franchisees, or the traveling public or other customers, that we will recover the costs we incurred in developing the brands, or that the brands will be successful. In addition, some of these new brands involve or may involve cooperation and/or consultation with one or more third parties, including some shared control over product design and development, sales and marketing, and brand standards. Disagreements with these third parties on areas of consultation or shared control could slow the development of these new brands and/or impair our ability to take actions we believe to be advisable for the success and profitability of such brands.

Risks relating to natural or man-made disasters, contagious disease, terrorist activity, and war could reduce the demand for lodging, which may adversely affect our revenues. So called "Acts of God," such as hurricanes, earthquakes, and other natural disasters, man-made disasters such as the recent oil spill in the Gulf of Mexico, and the spread of contagious diseases, such as H1N1 Flu, Avian Flu, and SARS, in locations where we own, manage or franchise significant properties, and areas of the world from which we draw a large number of customers can cause a decline in the level of business and leisure travel and reduce the demand for lodging. Actual or threatened war, terrorist activity, political unrest, civil strife, and other geopolitical uncertainty can have a similar effect. Any one or more of these events may reduce the overall demand for hotel rooms, timeshare units, and corporate apartments or limit the prices that we are able to obtain for them, both of which could adversely affect our profits.

Unresolved disputes with the owners of the hotels that we manage or franchise may result in litigation. Consistent with our focus on management and franchising, we own very few of our lodging properties. The nature of our responsibilities under our management agreements to manage each hotel and enforce the standards required for our brands under both management and franchise agreements may be subject to interpretation and will from time to time give rise to disagreements. Such disagreements may be more likely as hotel returns are depressed as a result of current economic conditions. We seek to resolve any disagreements in order to develop and maintain positive relations with current and potential hotel owners and joint venture partners but are not always able to do so. Failure to resolve such disagreements has resulted in litigation, and could do so in the future. If any such litigation results in a significant adverse judgment, settlement or court order, we could suffer significant losses, our profits could be reduced, or our future ability to operate our business could be constrained.

Damage to, or other potential losses involving, properties that we own, manage or franchise may not be covered by insurance. We have comprehensive property and liability insurance policies with coverage features and insured limits that we believe are customary. Market forces beyond our control may nonetheless limit the scope of the insurance coverage we can obtain or our ability to obtain coverage at reasonable rates. Certain types of losses, generally of a catastrophic nature, such as earthquakes, hurricanes and floods, or terrorist acts, may be uninsurable or too expensive to justify obtaining insurance.

As a result, we may not be successful in obtaining insurance without increases in cost or decreases in coverage levels. In addition, in the event of a substantial loss, the insurance coverage we carry may not be sufficient to pay the full market value or replacement cost of our lost investment or that of hotel owners or in some cases could result in certain losses being totally uninsured. As a result, we could lose some or all of the capital we have invested in a property, as well as the anticipated future revenue from the property, and we could remain obligated for guarantees, debt, or other financial obligations related to the property.

Development and Financing Risks

While we are predominantly a manager and franchisor of hotel properties, we depend on capital to buy, develop, and improve hotels and to develop timeshare properties, and we or our hotel owners may be unable to access capital when necessary. In order to fund new hotel investments, as well as refurbish and improve existing hotels, both the Company and current and potential hotel owners must periodically spend money. The availability of funds for new investments and improvement of existing hotels by our owners depends in large measure on capital markets and liquidity factors, over which we can exert little control. Instability in the financial markets following the 2008 worldwide financial crisis and the contraction of available liquidity and leverage continue to constrain the capital markets for hotel and real estate investments. In addition, owners of existing hotels that we franchise or manage may have difficulty meeting required debt service payments or refinancing loans at maturity. While lenders have shown a willingness to work with borrowers to extend relief in the short to medium term, some current and prospective hotel owners are still finding new hotel financing on commercially viable terms to be challenging.

Our growth strategy depends upon third-party owners/operators, and future arrangements with these third parties may be less favorable. Our present growth strategy for development of additional lodging facilities entails entering into and maintaining various arrangements with property owners. The terms of our management agreements, franchise agreements, and leases for each of our lodging facilities are influenced by contract terms offered by our competitors, among other things. We cannot assure you that any of our current arrangements will continue or that we will be able to enter into future collaborations, renew agreements, or enter into new agreements in the future on terms that are as favorable to us as those that exist today.

Our ability to grow our management and franchise systems is subject to the range of risks associated with real estate investments. Our ability to sustain continued growth through management or franchise agreements for new hotels and the conversion of existing facilities to managed or franchised Marriott brands is affected, and may potentially be limited, by a variety of factors influencing real estate development generally. These include site availability, financing, planning, zoning and other local approvals, and other limitations that may be imposed by market and submarket factors, such as projected room occupancy, changes in growth in demand compared to projected supply, territorial restrictions in our management and franchise agreements, costs of construction, and anticipated room rate structure.

Our development activities expose us to project cost, completion, and resale risks. We develop new hotel, timeshare interval, fractional ownership, and residential properties, both directly and through partnerships, joint ventures, and other business structures with third parties. As demonstrated by the 2009 impairment charges associated with our Timeshare business, our ongoing involvement in the development of properties presents a number of risks, including that: (1) continued weakness in the capital markets may limit our ability, or that of third parties with whom we do business, to raise capital for completion of projects that have commenced or for development of future properties; (2) properties that we develop could become less attractive due to further decreases in demand for residential, fractional or interval ownership, increases in mortgage rates and/or decreases in mortgage availability, market absorption or oversupply, with the result that we may not be able to sell such properties for a profit or at the prices or selling pace we anticipate, potentially requiring additional changes in our pricing strategy that could result in further charges; (3) construction delays, cost overruns, lender financial defaults, or so called "Acts of God" such as earthquakes, hurricanes, floods or fires may increase overall project costs or result in project

cancellations; and (4) we may be unable to recover development costs we incur for these projects that are not pursued to completion.

Development activities that involve our co-investment with third parties may result in disputes that could increase project costs, impair project operations, or increase project completion risks. Partnerships, joint ventures, and other business structures involving our co-investment with third parties generally include some form of shared control over the operations of the business and create additional risks, including the possibility that other investors in such ventures could become bankrupt or otherwise lack the financial resources to meet their obligations, or could have or develop business interests, policies or objectives that are inconsistent with ours. Although we actively seek to minimize such risks before investing in partnerships, joint ventures or similar structures, actions by another investor may present additional risks of project delay, increased project costs, or operational difficulties following project completion. Such disputes may also be more likely in the current difficult business environment.

Other Risks Associated with Timeshare and Residential Properties

Disruption in the credit markets could impair our ability to sell the loans that our Timeshare business generates. Our Timeshare business provides financing to purchasers of our timeshare and fractional properties, and we periodically sell interests in those loans in the securities markets. Disruption in the credit markets in the second half of 2008 and much of 2009 impaired the timing and volume of the timeshare loans that we sell, as well as the financial terms of such sales. Although improved market conditions allowed us to successfully complete a sale in the fourth quarter of 2009 on terms that were substantially more favorable than the first quarter 2009 transaction, future deterioration in the financial markets could preclude, delay or increase the cost to us of future note sales, which could in turn cause us to reduce spending in order to maintain our leverage and return targets.

Risks associated with development and sale of residential properties that are associated with our lodging and timeshare properties or brands may reduce our profits. In certain hotel and timeshare projects we participate, through noncontrolling interests and/or licensing fees, in the development and sale of residential properties associated with our brands, including luxury residences and condominiums under our Ritz-Carlton and Marriott brands. Such projects pose additional risks beyond those generally associated with our lodging and timeshare businesses, which may reduce our profits or compromise our brand equity, including the following:

- Decreases in residential real estate, vacation home prices, and demand generally will continue to reduce our profits and could result in losses on residential sales, increase our carrying costs due to a slower pace of sales than we anticipated, and could make it more difficult to convince future hotel development partners of the value added by our brands;
- Increases in interest rates, reductions in mortgage availability, or increases in the costs of residential ownership could prevent potential customers from buying residential products or reduce the prices they are willing to pay; and
- Residential construction may be subject to warranty and liability claims, and the costs of resolving such claims may be significant.

Purchaser defaults on the loans our Timeshare business generates could reduce our Timeshare revenues and profits. We are also subject to the risk of default on the financing we provide to purchasers of our timeshare and fractional properties. Purchaser defaults could force us to foreclose on the loan and reclaim ownership of the financed property, both for loans that we have not securitized and in our role as servicer for the loans we have securitized. If we cannot resell foreclosed properties in a timely manner or at a price sufficient to repay the loans and our costs, we could incur losses or impairment charges on loans we have yet to securitize or our residual interest in loans that we have securitized.

Technology, Information Protection, and Privacy Risks

A failure to keep pace with developments in technology could impair our operations or competitive position. The lodging and timeshare industries continue to demand the use of sophisticated technology and systems, including those used for our reservation, revenue management and property management systems, our Marriott Rewards program, and technologies we make available to our guests. These technologies and systems must be refined, updated, and/or replaced with more advanced systems on a regular basis. If we are unable to do so as quickly as our competitors or within budgeted costs and time frames, our business could suffer. We also may not achieve the benefits that we anticipate from any new technology or system, and a failure to do so could result in higher than anticipated costs or could impair our operating results.

An increase in the use of third-party Internet services to book online hotel reservations could adversely impact our revenues. Some of our hotel rooms are booked through Internet travel intermediaries such as Expedia.com[®], Travelocity.com[®], and Orbitz.com[®], as well as lesser-known online travel service providers. These intermediaries initially focused on leisure travel, but now also provide offerings for corporate travel and group meetings. Although Marriott's Look No Further[®] Best Rate Guarantee has greatly reduced the ability of intermediaries to undercut the published rates at our hotels, intermediaries continue to use a variety of aggressive online marketing methods to attract customers, including the purchase, by certain companies, of trademarked online keywords such as "Marriott" from Internet search engines such as Google[®], Bing[®] and Yahoo[®] to steer customers toward their websites (a practice currently being challenged by various trademark owners in federal court). Although Marriott has successfully limited these practices through contracts with key online intermediaries, the number of intermediaries and related companies that drive traffic to intermediaries' websites is too large to permit us to eliminate this risk entirely. Our business and profitability could be harmed if online intermediaries succeed in significantly shifting loyalties from our lodging brands to their travel services, diverting bookings away from www.Marriott.com, or through their fees increasing the overall cost of Internet bookings for our hotels.

Failure to maintain the integrity of internal or customer data could result in faulty business decisions, damage of reputation and/or subject us to costs, fines, or lawsuits. Our businesses require collection and retention of large volumes of internal and customer data, including credit card numbers and other personally identifiable information of our customers as they are entered into, processed by, summarized by, and reported by our various information systems and those of our service providers. We also maintain personally identifiable information about our employees. The integrity and protection of that customer, employee, and company data is critical to us. If that data is inaccurate or incomplete, we could make faulty decisions. Our customers and employees also have a high expectation that their personal information will be adequately protected by us and our service providers. The regulatory environment surrounding information security and privacy is increasingly demanding in both the United States and other jurisdictions in which we operate. A significant theft, loss, or fraudulent use of customer, employee, or company data by us or by a service provider could adversely impact our reputation and could result in remedial and other expenses such as fines and litigation.

Changes in privacy law could adversely affect our ability to market our products effectively. We rely on a variety of direct marketing techniques, including telemarketing, email marketing, and postal mailings. Any further restrictions in laws such as the Telemarketing Sales Rule, CANSPAM Act, and various U.S. state laws, or new federal laws, regarding marketing and solicitation or international data protection laws that govern these activities could adversely affect the continuing effectiveness of telemarketing, email, and postal mailing techniques and could force further changes in our marketing strategy. If this occurs, we may not be able to develop adequate alternative marketing strategies, which could impact the amount and timing of our sales of timeshare units and other products. We also obtain access to potential customers from travel service providers or other companies with whom we have substantial relationships and market to some individuals on these lists directly or by including our marketing message in the other company's marketing materials. If access to these lists was prohibited or otherwise restricted, our ability to develop new customers and introduce them to our products could be impaired.

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Other Risks

Changes in tax and other laws and regulations could reduce our profits or increase our costs. Our businesses are subject to regulation under a wide variety of U.S. federal and state and foreign laws, regulations and policies. In response to the recent economic crisis and the recent recession, we anticipate that many of the jurisdictions in which we do business will review tax and other revenue raising laws, regulations and policies, and any resulting changes could impose new restrictions, costs or prohibitions on our current practices and reduce our profits. In particular, U.S. and foreign governments may revise tax laws, regulations or official interpretations in ways that could have a significant impact on us, including modifications that could reduce the profits that we can effectively realize from our non-U.S. operations, or that could require costly changes to those operations, or the way in which they are structured. For example, most U.S. company effective tax rates reflect the fact that income earned and reinvested outside the United States is generally taxed at local rates, which are often much lower than U.S. tax rates. If changes in tax laws, regulations or interpretations were to significantly increase the tax rates on non-U.S. income, our effective tax rate could increase, our profits could be reduced, and if such increases were a result of our status as a U.S. company, could place us at a disadvantage to our non-U.S. competitors if those competitors remain subject to lower local tax rates.

If we cannot attract and retain talented associates, our business could suffer. We compete with other companies both within and outside of our industry for talented personnel. If we are not able to recruit, train, develop, and retain sufficient numbers of talented associates, we could experience increased associate turnover, decreased guest satisfaction, low morale, inefficiency, or internal control failures. Insufficient numbers of talented associates could also limit our ability to grow and expand our businesses.

Delaware law and our governing corporate documents contain, and our Board of Directors could implement, anti-takeover provisions that could deter takeover attempts. Under the Delaware business combination statute, a stockholder holding 15 percent or more of our outstanding voting stock could not acquire us without Board of Director's consent for at least three years after the date the stockholder first held 15 percent or more of the voting stock. Our governing corporate documents also, among other things, require supermajority votes in connection with mergers and similar transactions. In addition, our Board of Directors could, without stockholder approval, implement other anti-takeover defenses, such as a stockholder's rights plan to replace the stockholder's rights plan that expired in March 2008.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

- (a) Unregistered Sale of Securities
None.
- (b) Use of Proceeds
None.
- (c) Issuer Purchases of Equity Securities
None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Removed and Reserved

Item 5. Other Information

None.

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Item 6. Exhibits

Exhibit No.	Description	Incorporation by Reference (where a report is indicated below, that document has been previously filed with the SEC and the applicable exhibit is incorporated by reference thereto)
3.1	Restated Certificate of Incorporation of the Company.	Exhibit No. 3.(i) to our Form 8-K filed August 22, 2006 (File No. 001-13881).
3.2	Amended and Restated Bylaws.	Exhibit No. 3.(i) to our Form 8-K filed November 12, 2008 (File No. 001-13881).
12	Statement of Computation of Ratio of Earnings to Fixed Charges.	<i>Filed with this report.</i>
31.1	Certification of Chief Executive Officer Pursuant to Rule 13a-14(a).	<i>Filed with this report.</i>
31.2	Certification of Chief Financial Officer Pursuant to Rule 13a-14(a).	<i>Filed with this report.</i>
32	Section 1350 Certifications.	<i>Furnished with this report.</i>
101.INS	XBRL Instance Document.	<i>Furnished with this report.</i>
101.SCH	XBRL Taxonomy Extension Schema Document.	<i>Submitted electronically with this report.</i>
101.CAL	XBRL Taxonomy Calculation Linkbase Document.	<i>Submitted electronically with this report.</i>
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.	<i>Submitted electronically with this report.</i>
101.LAB	XBRL Taxonomy Label Linkbase Document.	<i>Submitted electronically with this report.</i>
101.PRE	XBRL Taxonomy Presentation Linkbase Document.	<i>Submitted electronically with this report.</i>

Attached as Exhibit 101 to this report are the following documents formatted in XBRL (Extensible Business Reporting Language): (i) the Condensed Consolidated Statements of Income for the twelve and thirty-six weeks ended September 10, 2010, and September 11, 2009, respectively; (ii) the Condensed Consolidated Balance Sheets at September 10, 2010, and January 1, 2010; and (iii) the Condensed Consolidated Statements of Cash Flows for the thirty-six weeks ended September 10, 2010, and September 11, 2009, respectively. Users of this data are advised pursuant to Rule 406T of Regulation S-T that this interactive data file is deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, and otherwise is not subject to liability under these sections.

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.

8th day of October, 2010

/s/ William J. Shaw

William J. Shaw
Vice Chairman

/s/ Carl T. Berquist

Carl T. Berquist
Executive Vice President and
Chief Financial Officer

MARRIOTT INTERNATIONAL, INC. (“Marriott”)
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

<i>(\$ in millions, except ratio)</i>	Thirty-Six Weeks Ended	
	September 10, 2010	September 11, 2009
Income (loss) before income taxes	\$ 441	\$ (592)
Losses related to equity method investees	20	50
	461	(542)
Add/(deduct):		
Fixed charges	210	182
Interest capitalized	(11)	(24)
Distributed income of equity method investees	3	6
Net losses attributable to noncontrolling interests	0	11
	\$ 663	\$ (367)
Earnings (losses) attributable to Marriott available for fixed charges		
Fixed charges:		
Interest expensed and capitalized ⁽¹⁾	\$ 141	\$ 108
Estimate of interest within rent expense	69	74
	\$ 210	\$ 182
Total fixed charges		
Ratio of earnings (losses) attributable to Marriott to fixed charges ⁽²⁾	3.2	—

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

⁽²⁾ For the thirty-six weeks ended September 11, 2009, earnings were inadequate to cover fixed charges by approximately \$549 million.

**Certification of Chief Executive Officer
Pursuant to Rule 13a-14(a)**

I, J.W. Marriott, Jr., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Marriott International, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting, which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

October 8, 2010

/s/ J.W. Marriott, Jr.

J.W. Marriott, Jr.

Chairman of the Board and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.1

**Certification of Chief Financial Officer
Pursuant to Rule 13a-14(a)**

I, Carl T. Berquist, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Marriott International, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting, which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

October 8, 2010

/s/ Carl T. Berquist

Carl T. Berquist
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

Exhibit 31.2

Certification
Pursuant to Rule 13a-14(b) and Section 906 of the Sarbanes-Oxley Act of 2002
(18 U.S.C. Sections 1350(a) and (b))

I, J.W. Marriott, Jr., Chairman of the Board and Chief Executive Officer of Marriott International, Inc. (the "Company") certify that:

- (1) the quarterly report on Form 10-Q of the Company for the period ended September 10, 2010, (the "Quarterly Report") fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and
- (2) the information contained in the Quarterly Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

October 8, 2010

/s/ J.W. Marriott, Jr.

J.W. Marriott, Jr.

Chairman of the Board and Chief Executive Officer
(Principal Executive Officer)

I, Carl T. Berquist, Executive Vice President and Chief Financial Officer of Marriott International, Inc. (the "Company") certify that:

- (1) the quarterly report on Form 10-Q of the Company for the period ended September 10, 2010, (the "Quarterly Report") fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and
- (2) the information contained in the Quarterly Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

October 8, 2010

/s/ Carl T. Berquist

Carl T. Berquist

Executive Vice President and Chief Financial Officer
(Principal Financial Officer)